# Sound Investing 2026 Edition

Annual **Music Industry** Report:
*Trends & Investment Opportunities*

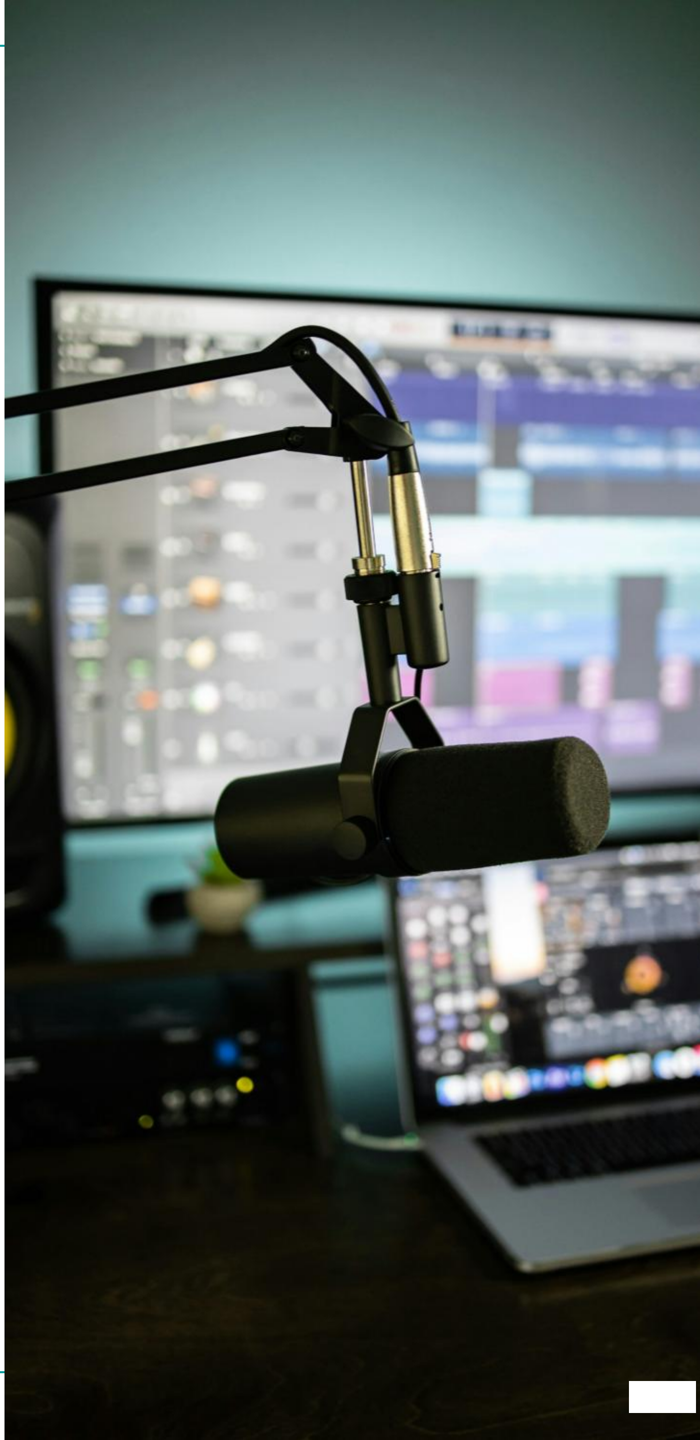
2026 Edition – Key Highlights

OC&C Strategy consultants

Certified B Corporation

# Music's next phase: streaming maturity, AI and capital discipline

- The music industry is entering an inflexion point not seen since the advent of streaming
- This inflexion is being driven by three structural forces
  - First, streaming has reached maturity and penetration growth is slowing, pushing platforms away from subscriber-led growth toward pricing, tiering and adjacent products (e.g. audiobooks, video, bundling)
  - Second, AI is materially accelerating music creation, lowering barriers to entry and reshaping production and distribution, while forcing rapid evolution in rights, attribution and licensing frameworks
  - Third, capital is resetting as higher interest rates and a more disciplined investment environment shift capital away from passive cashflow collection towards active IP exploitation
- Together, these forces are fundamentally reshaping the industry value chain and economics: listening is becoming more concentrated around top tracks and superfans, streaming payout models are evolving, and platforms and rights holders are increasingly focused on control and optimisation
- As a result, music remains an attractive asset class, but value is becoming more concentrated and strategy-dependent, favouring defensible IP, critical services and infrastructure that enable monetisation and efficiency, and select growth pockets (e.g. by genre, fan intensity)



# Agenda

Key Themes

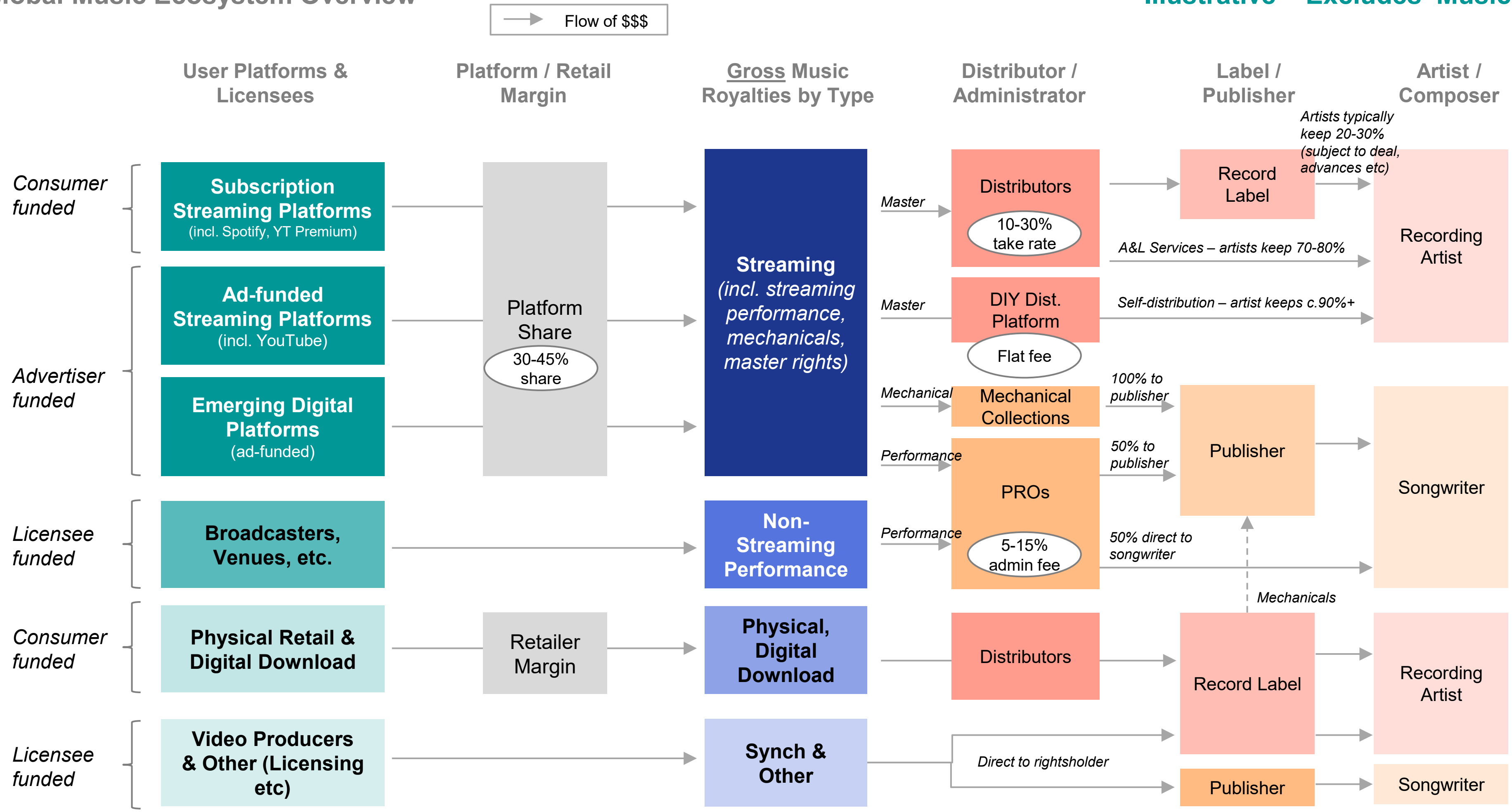
About OC&C

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

## Global Music Ecosystem Overview

**Illustrative – Excludes Music, Merch**

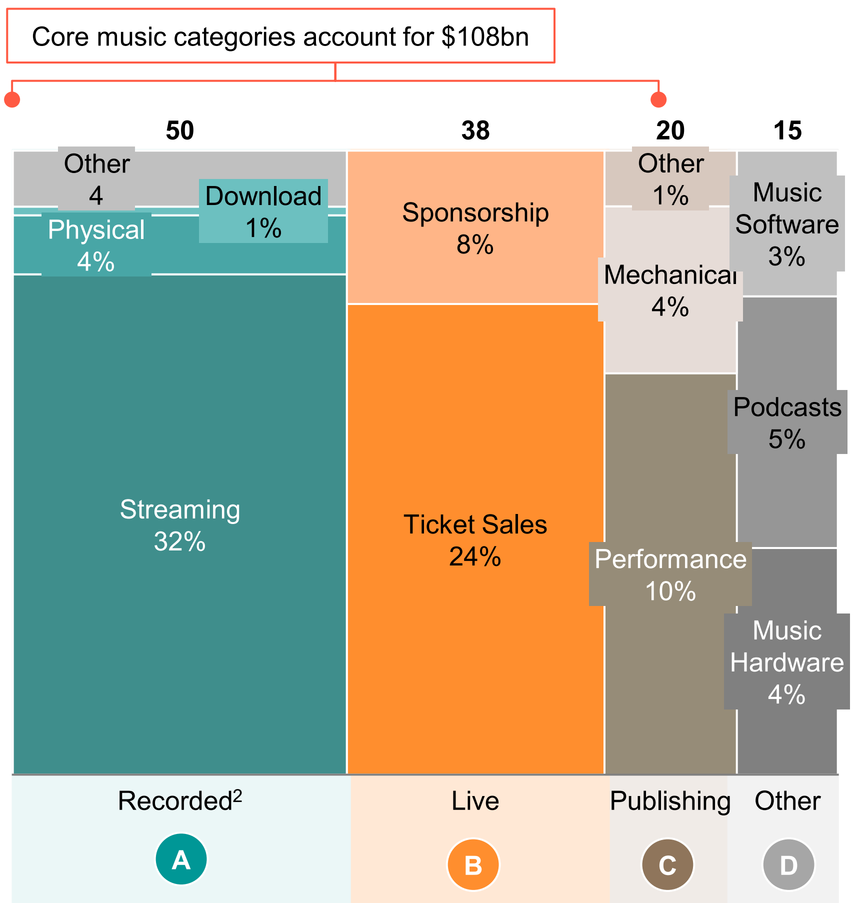



Source: MIDiA, CPA, IFPI, Goldman Sachs, OC&C analysis

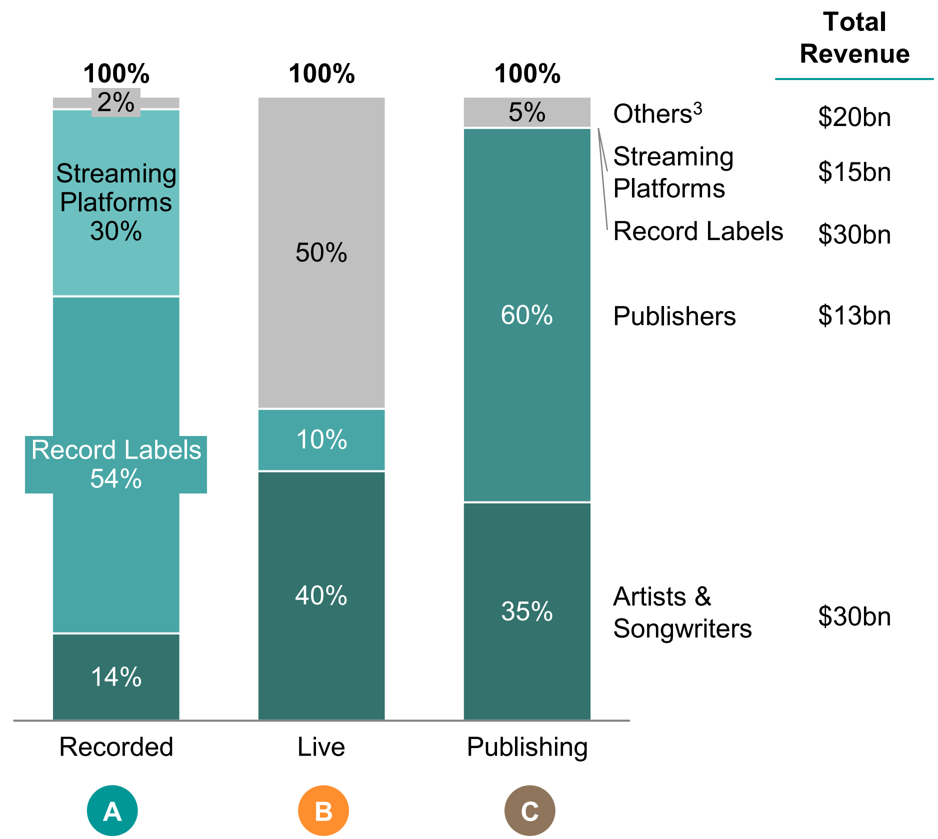
# The Music & Audio industry is worth >$100bn, with Recording revenue accounting for ~45% of total revenue

## Global Music Revenue, 2025E ($bn)

### Global Music & Audio Revenue Breakdown[1]




### Est. Share of Earnings by Participant Type



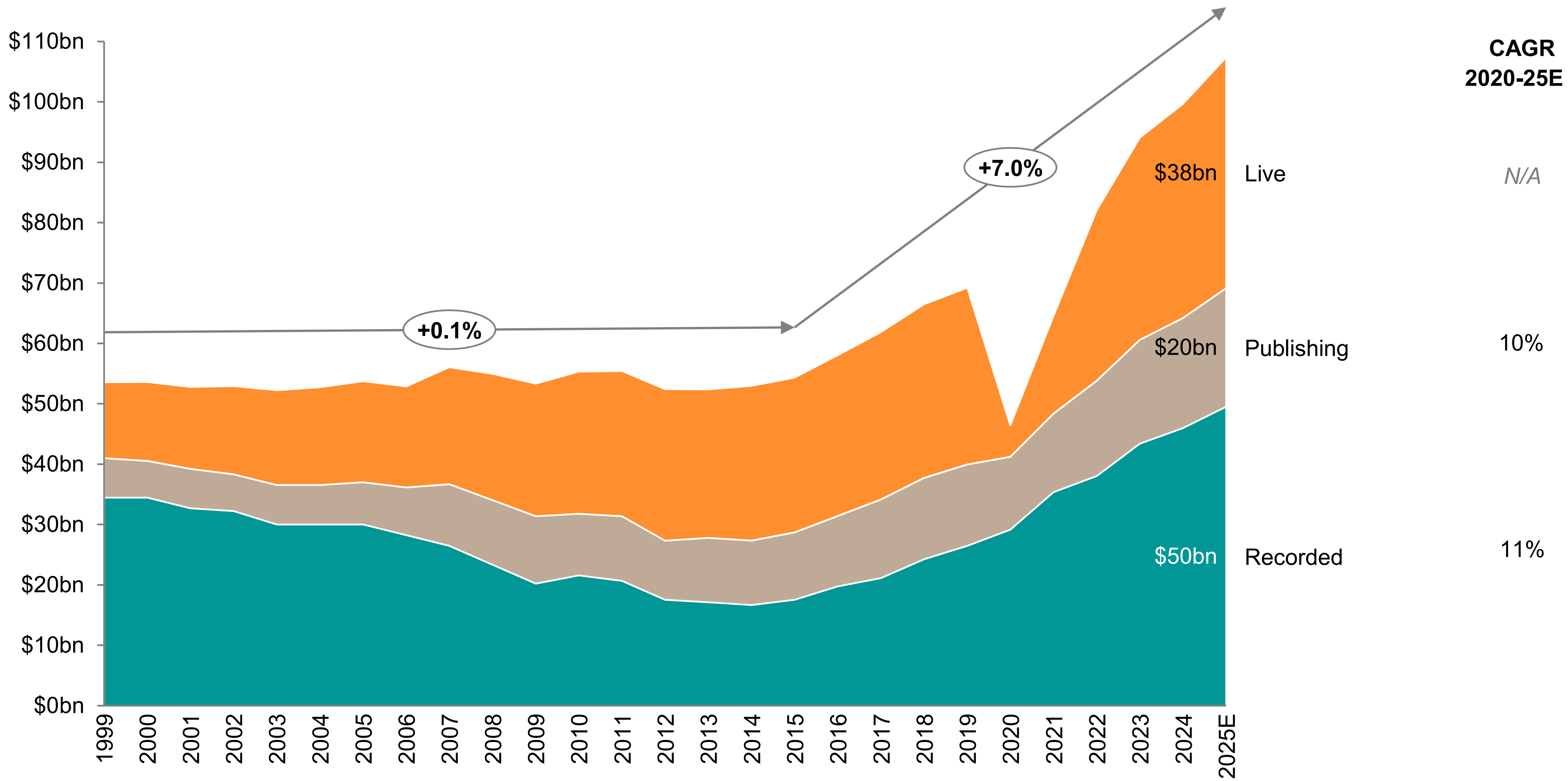

1. Gross revenue 2. Streaming platform share included alongside Recorded royalties here 3. Others includes Promoters / venues / ticketing, collection society commissions (e.g. PROs, SoundExchange)

Source: MIDiA Global Music Forecasts, Goldman Sachs - Music in the Air Report, PWC Global E&M Report, OC&C analysis

Market Context

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

**Gross Global Music Market Breakdown (Recorded, Publishing, )**
**1999-2025E (US$bn)**




Source: Goldman Sachs -Music in the Air Report, MIDIA, OC&C Analysis

# Continued democratization and evolving monetization strategies at the center of the music industry, as well as capital reallocation and AI driven change

## Trends Overview

| | |
|---|---|
| **Demand:** Streaming growth slowing, with value driven by superfans | **Streaming growth is slowing with monetization the key lever:** Limited penetration growth in mature markets, but subscriber growth and churn remain stable despite recent price hikes. Platforms are moving beyond one-size-fits all pricing toward tiered pricing and superfan-led monetisation<br>**Listening remains highly concentrated**: Despite explosive growth in supply, consumption remains heavily skewed, with <1% of tracks capturing 60-80% of streams. Discovery, marketing, and scale remain critical, reinforcing the value of proven IP and strong platforms<br>**Superfans drive disproportionate value:** ~20% of streaming subscribers are superfans, that spend 65-70% more on music-related products than the average listener. Platforms and labels are therefore increasingly optimising around this cohort via premium tiers, exclusive content, apps, and /immersive experiences (e.g. WMG superfan apps, HYBE's Weverse platform |
| **Supply:** AI and indie-led supply is expanding, but value increasingly ringfenced | **Music creation and distribution are frictionless**: Artists/IP Owners are increasingly bypassing traditional label deals via DIY, services and distribution-only models, driving rapid growth in independent release, indie labels, and long-tail supply<br>**AI accelerates creation, but consumption remains limited:** AI tools are materially lowering the cost and speed of music creation, driving uploads, while listening concentrated; fully AI-generated music only accounts for <1% of streams, mostly in background use cases<br>**From AI-uncertainty to managed input:** Rightsholders and DSPs have moved decisively toward licensing, detection and enforcement frameworks, shifting AI from an existential risk to a controlled input. Music rightsholders have been comparatively successful in exerting control vs other creative industries (eg UMG/Warner vs Suno/Udio, CMOs/PROs vs Suno/OpenAI)<br>**Quality thresholds and active engagement are driving economics:** Major Labels & DSPs (eg Spotify & Deezer) are revisiting how streaming income is distributed, placing greater weight on intent and active engagement and less on passive, low-intent consumption (e.g. ambient / low-value content), reinforcing the economics of professional artists and proven IP |
| **Capital:** Capital is reshaping the industry around IP and active monetization | **Catalogue investment remains structurally attractive, but mix is shifting**: Private capital continues to flow towards music IP for predictable cashflows, but higher rates and thinning supply of iconic publishing assets are driving a shift toward recorded music, and certain genres with superfan upside (e.g. Country)<br>**Catalogue+ investors emerging:** A new wave investors like Pophouse and Iconic Artists Group are moving beyond passive revenue collection to exploiting IP through brand extensions and immersive experiences (e.g. Abba Voyage), extending catalog lifecycles and returns<br>**Investment is expanding into services and infrastructure**: There is growing interest in distribution, rights management and attribution platforms, reflecting the rising importance of scale, data, and control in an AI-enabled ecosystem |

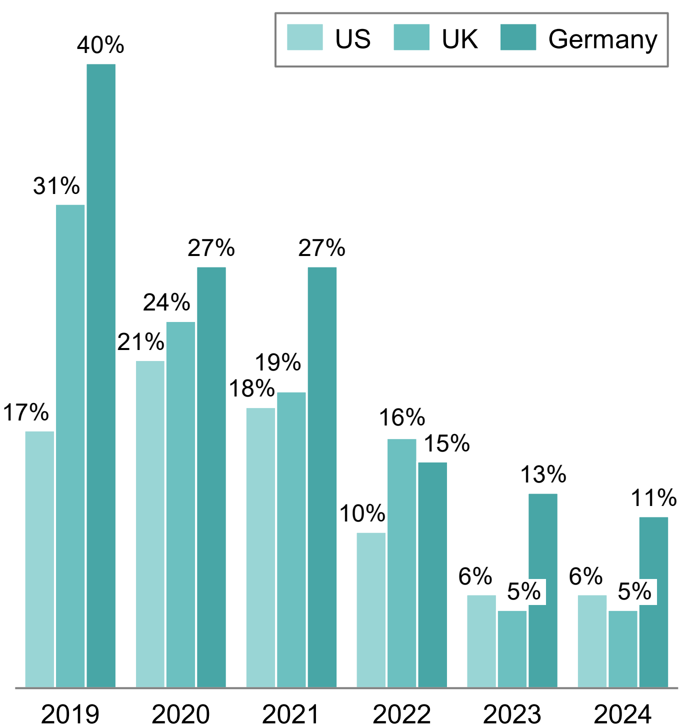
Source: OC&C analysis

# As penetration growth in developed markets matures, DSPs are increasingly experimenting with monetisation-led growth

## Streaming Growth Overview

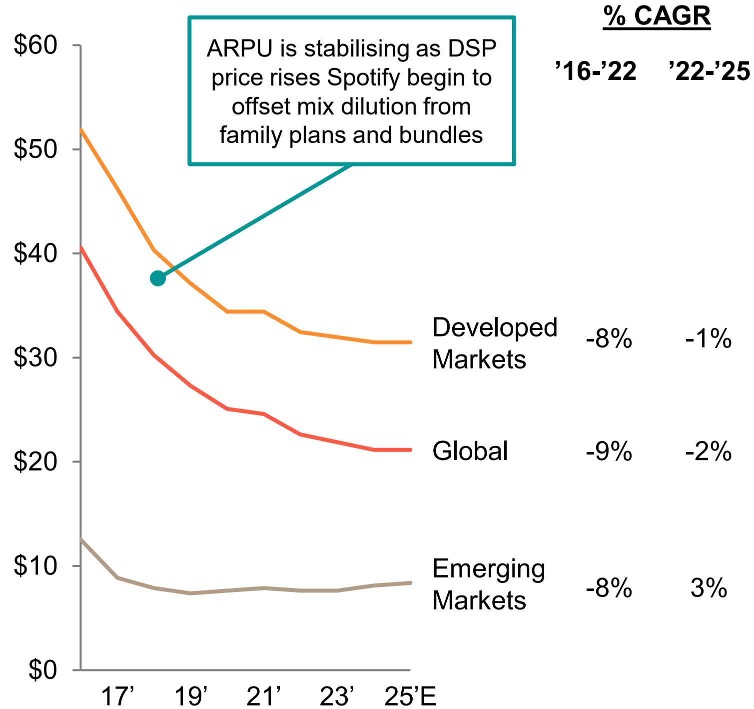
### Paid subscriber growth has slowed in mature markets, though remains healthy

Paid Subscriber YoY Growth, 2018-24 (%)




### ARPU is stabilising, as DSPs have pushed through price increases (offset by plan mix effects)

Paid Streaming ARPU, 2016-25E
(Paid Streaming Only)




### Streaming Pricing Models

- **Price increases:** After 10 years of largely flat pricing, major DSPs have implemented multiple price hikes since 2022 (e.g. Spotify 2023/24/25, Apple 2022/23, Amazon 2023/25)
- **Tiering:** DSPs are moving beyond standard Premium into duo, student, family, basic and emerging super-premium "superfan" tiers to better monetise different levels of willingness to pay
- **Bundling:** Platforms are increasingly bundling music with audiobooks and video to justify pricing and reduce churn

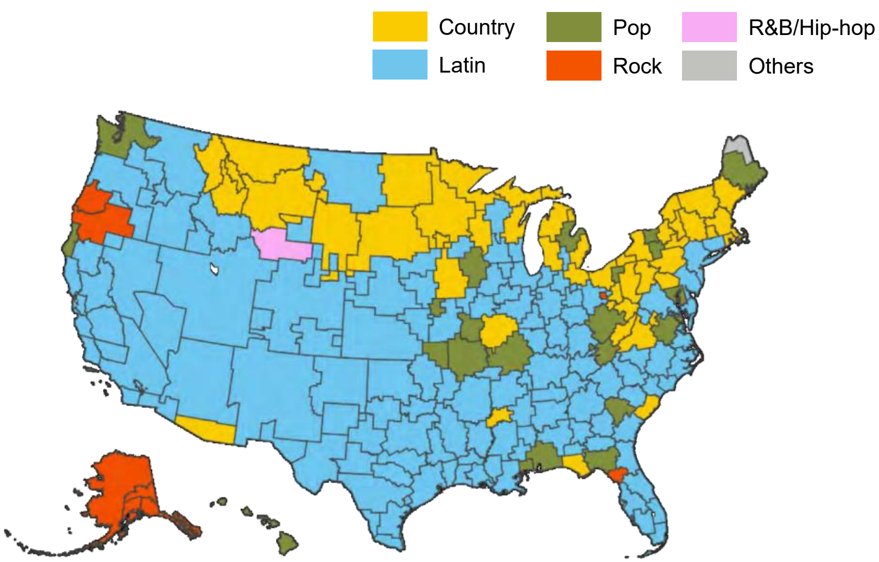
Source: Goldman Sachs, IFPI Global Music Report, OC&C analysis

Demand: Genres

# Country music is one of the fastest-growing genres in U.S. audio streaming, with expanding geographic presence nationwide

## Country Music Growth

### Top Genre Growth at the U.S. Metro Level, '21-'24

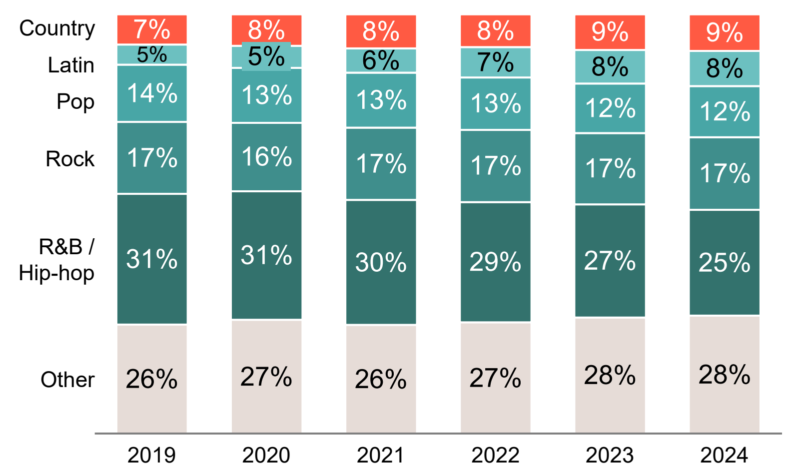



**Across major U.S. metros, country and Latin consistently der the largest increases in on-demand audio streaming share** (the chart identifies the genre with the highest share gain from 2021 – 2024)

### Country is one of the fastest growing genres in the U.S.

- Country has transitioned from a historically radio-led genre to **one of the fastest-growing genres**, gaining **~2%** of consumption share over the past five years
  - **In 2023, country music led U.S. on-demand audio streaming growth (+23.8% YoY),** outpacing Latin (+23.6%), world music (+23.4%), and the overall market (~12%)
- Country is growing as a standalone category, but also as part of cross-genre offerings from major artists (e.g. Post Malone, Beyonce)

#### Genre split of total on-demand audio streams in the U.S. (%)

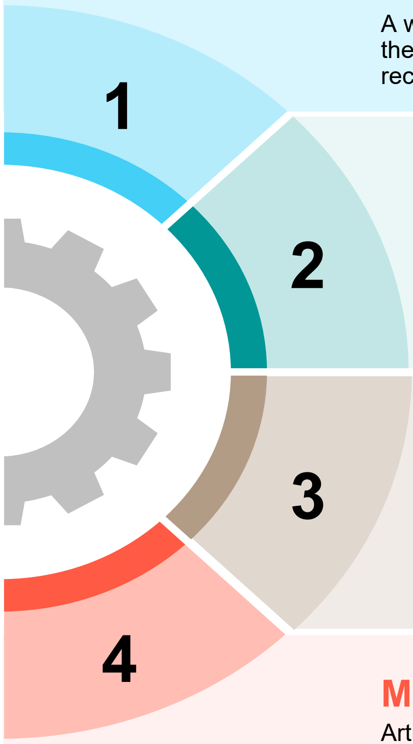



Source: Luminate Music Consumption Data, OC&C analysis

Supply & Concentration

# Making & releasing music without a label is more accessible than ever for creators, meaning labels often get involved slightly later (or not at all)

## Democratisation of Music Recordings




### More widely accessible information and education

A wide range of online educational content makes it possible for artists or semi-pro producers to master the basics of sound engineering, production, mixing and mastering to create professional quality recordings. Previously only a small number of recording studio engineers have the expertise to do this.

### Better creator tools

Through the advent of digital audio workstations and studio equipment within the price point of consumers, it is possible for home studio artists or small-scale studios to create. Previously top-quality recordings were only possible in fully fledged recording studios.

### Access to expertise and collaboration through platforms

Artists can find people to collaborate with online through social media, and dedicated music talent marketplaces and networks – either other musicians to collaborate with, or engineers for mixing and mastering. Previously artists were reliant on labels and publishers for much of this role.

### Means to distribute and market music

Artists can use ‘DIY distribution’ platforms to release music to all major DSPs, and marketing services to promote their music. Previously, a record label would be required to manufacturer and distribute physical CDs

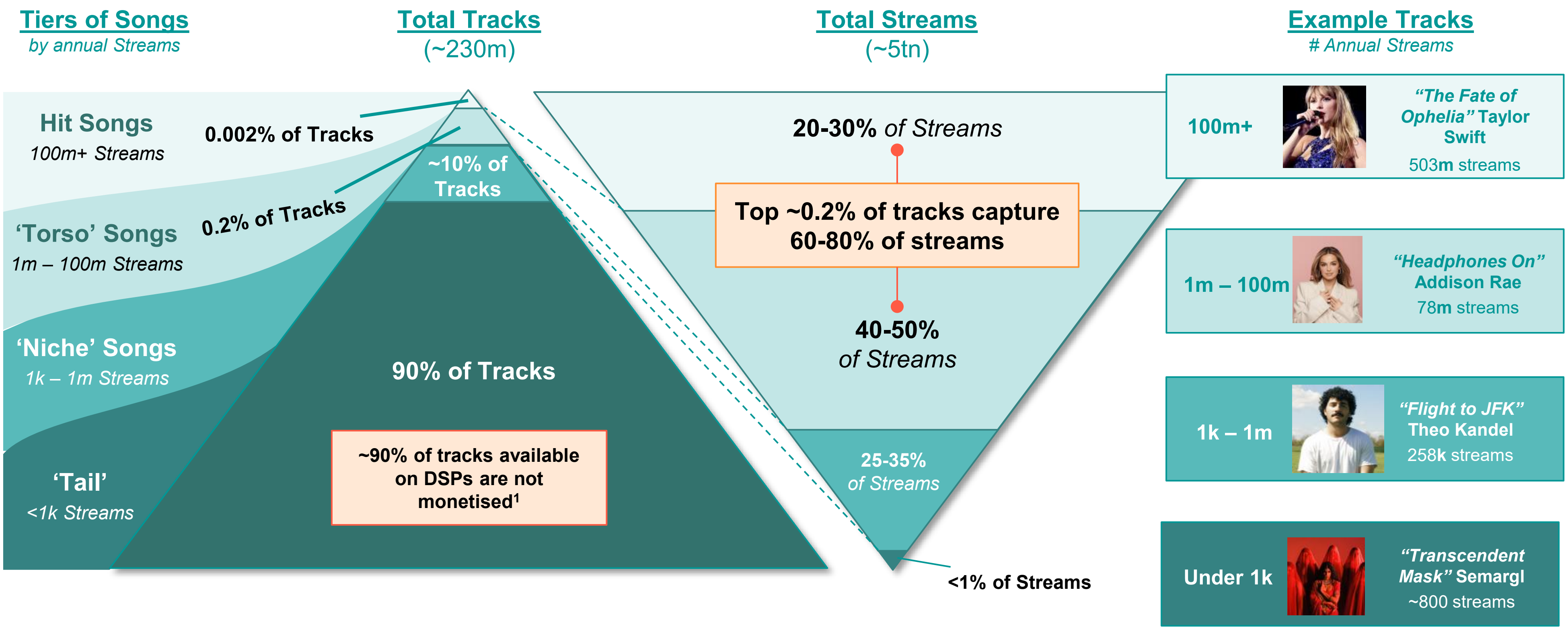
For top tier artists none of these evolutions make labels and publishers redundant. However **they allow emerging artists to release music and gain a fanbase before needing to go to a label,** meaning labels are now often dealing with artists who are more established and can therefore demand better deal terms

# Despite an explosion in supply, attention remains concentrated: a small number ‘hit’ tracks receive the lion's share of streams (and share of royalties)

**Total Tracks and Streams by Tier**
(% Share, # of Tracks/Streams, 2025F)

Illustrative, as of December 4, 2025




1. Based on Spotify’s >1k stream threshold. Data in pyramids inclusive of all streams, not just those on Spotify
2. Streams for example tracks are L12M streams on Spotify

Source: Luminate, TuneCore, OC&C Market Model, OC&C analysis

AI Penetration of Supply

# 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

Consumer → Prosumer → Professional

**Example Key Players[1]**

Suno, udio, ElevenLabs, Mubert, Aiva, splice

**Common Use Case Examples**

- **Generative Music** *(Prompt-to-output generation)*
- **Voice Generation**
- **Track Production**
- **Stem Separation**

*Variety of other use-cases (e.g., songwriting / composing, mastering, voice conversion, most production activities)*

**Monetisation Model**

- The most prevalent model used by consumers & prosumers is a **Freemium SaaS model,** with a free tier that limits daily generations and a premium option – often as monthly subscription with higher limits, commercial-use rights, and access to new models

- Often **Freemium SaaS model** as well, but paid tiers often come with add-on functionality or quality differences
- Some also monetise API integrations for enterprises e.g., fitness app accessing background music via API for annual fee

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

AI Penetration of Supply

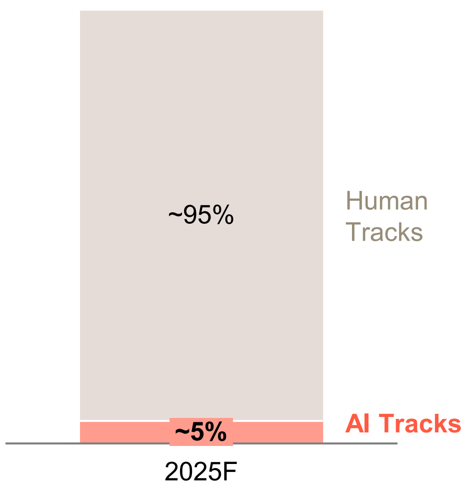
# As such, AI tracks are a rapidly growing share of tracks and uploads on DSP platforms, but they remain an insignificant share of consumption today

## AI Music Penetration of Uploads & Streams

### AI Share of Tracks & Uploads

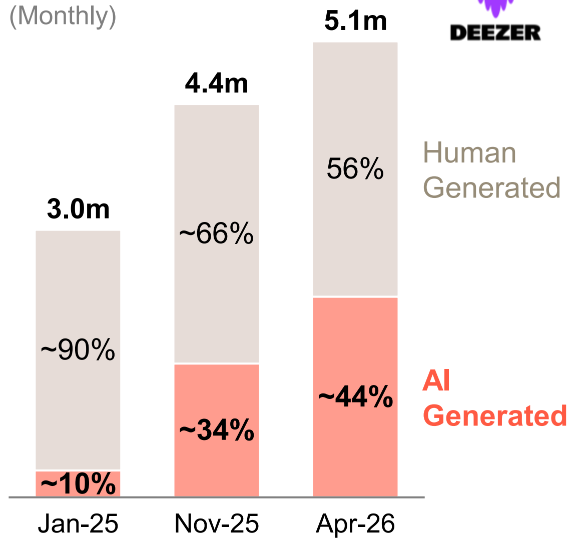
**AI-generated tracks could now represent up to 5% of total tracks on DSPs…**

Total Tracks by Generation Type
(YE 2025F)




**…With rapid acceleration in AI uploads since the start of 2025**

# of Track Uploads on Deezer
(Monthly)




### AI Share of Streams

**However, AI tracks comprise less than 1% of streams today**

**~0.5%**
*of streams on Deezer in 2025 were fully AI-generated*

***High volumes of 'slop' & resilient concentration of 'hits' leave little room for AI-generated tracks to gain momentum***

**Spotify** has also reported a rise in AI content, **removing ~75M "spammy tracks"** in the last 12 months

1. Consensus among industry participants and supported by analysis of track & artist stream concentration
Source: PRS for Music, Deezer Press Releases, ElevenLabs Press Releases, Spotify, Expert Interviews, TuneCore, OC&C analysis

# In response DSPs are revisiting how streaming income is distributed, exploring several tools to shift value towards human creators vs AI content

## Payout & AI Governance Initiatives From DSPs

| DSP | Initiative | Description |
|---|---|---|
| Spotify | Minimum Performance | Tracks must hit 1k streams in past year + minimum # of unique listeners to participate in recorded-music royalty pool – limits low engagement slop |
| Spotify | Down-weighting Functional | Raised min length for functional tracks to 2 mins and working with licensors to value noise streams at fraction of music streams |
| Spotify | Penalties | Charging labels and distributors per track for flagrant artificial streaming detected on their content |
| Deezer | Artist Double-Boost | Double-boosts artists with 1k+ streams + 500 listeners monthly |
| Deezer | Active Play Weighting | Fan-initiated streams are valued higher and functional audio earns reduced royalties |
| Deezer | Catalogue Quality Check | Flags and removes AI or low-quality “noise” tracks from playlists and recommendations, replacing them with in-house functional audio that’s excluded from royalty pool calculations |
| YouTube | Disclosure Labels | Uploaders must tag AI content; users can see “Altered or Synthetic” label on content |
| YouTube | Rights Protection | Artists can request removal of AI tracks that mimic voice / likeness |
| YouTube | Metadata Tagging | Creates digital watermark on AI content to prioritise human content |

*“We want **quality tracks in the long-term**, so I can see **purely human-gen tracks getting the highest royalties**, and fully AI-gen with the lowest”*

Spotify (Expert Interview)

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

AI Partnerships & Lawsuits

# Major rights holders also moved decisively to litigate against AI platforms, but recent partnerships indicate a shift in posture toward 'control & monetize'

**Evolution of Rights Holder Posture toward AI, 2020 to Today**

*Select Examples Focused on Universal, Warner, and Sony*

**Select Examples**

## 2020-22

*The Wild West & Tool Experimentation*

- ***Hands-off* posture & governance toward generative AI** – outputs were low-quality & non-threatening
- **Adoption largely centered around Professional AI tools**

**Stem Separation Tool**

audioshake

**Mastering Tools**

LANDR

iZOTOPE

*Variety of other point-solution tools emerge, covering the range of production activities*

## 2023-24

*Proliferation & Legal Mobilization*

- Rapidly improving AI models, instances of IP infringement, and subsequent artist pushback **drove IP owners to action**
- Majors **move decisively to protect artists' likeness & IP**

***2024***

*Universal, Warner, and Sony file twin copyright infringement suits for using licensed data to train models*

Universal Music Group, Sony Music, Warner Music Group **vs** udio, Suno

## 2025+

*Licensed Partnership & Controlled Innovation*

- Labels settle litigation & **launch landmark partnerships** in effort to professionalize ecosystem
- Posture shifts toward experimenting with **AI platform partnerships**, while **shaping the 'rules of engagement'**

**October 2025** — udio, Universal Music Group

*"Together, we can foster [an] AI ecosystem in which artists, songwriters, and tech companies can all flourish"*

EVP & CDO, Universal

**November 2025** — udio, Warner Music Group

*"This partnership marks a shift from conflict to collaboration in AI"*

EVP & CDO, Warner

**November 2025** — Suno, Warner Music Group

*"Our focus is ensuring artists are compensated fairly & that AI is built on licensed models. This is a major step forward."*

CEO, Warner

Source: Ardour, Suno, IFPI, OC&C analysis

Capital Reshaping

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

## Largest Acquisitions[1], 2021-25

Investment | Business Acquisition | Music Rights

Non-Exhaustive

Deal focus has been widening from publishing towards a broader set of music assets

### 2021

- **Oct 21** – EQT & Blackstone invest development capital in Epidemic Sound. Investment: $1.4bn
- **Oct 21** – BMG acquire Tina Turner's share of her recordings. Value: $300m
- **Dec 21** – SMG acquire Bruce Spingsteen's masters and publishing rights. Value: c.$550m

### 2022

- **Jan 22** – WMG acquire David Bowie's song catalogue. Value: $250m
- **Feb 22** – UMG acquire Sting's song catalogue. Value: $300m
- **March 22** – GoDigital Media Group invest in Series D funding – Cinq Music Group. Investment: $375m
- **May 22** – Hipgnosis Songs Capital acquire Justin Timberlake's catalogue. Value: >$100m
- **Sept 22** – PE Firm Francisco Partners purchases Kobalt. Value: $750m
- **Oct 22** – Sound House Acquisitions bought by Harbour View Equity. Value: $325m

### 2023

- **Jan 23** – Shamrock / Universal acquires Dr Dre catalogue. Value: >$200m
- **Jan 23** – Hipgnosis purchases Justin Bieber's song portfolio. Value: $200m
- **Sep 23** – Litmus Music acquire Katy Perry's song catalogue. Value: $225m
- **Nov 23** – BMI acquired by investor group led by New Mountain capital. Value: est $1.7bn

### 2024

- **Feb 24** – Sony acquire 50% stake in Michael Jackson's ~$1.2bn catalogue. Value: $600m
- **Mar 24** – Warner Music Group acquires France-based Believe. Value: est $1.9bn
- **Apr 24** – Asian streaming platform JOOX bought by Tencent Music. Value: $150m
- **Apr 24** – Blackstone takes over Hipgnosis. Value: $1.6bn
- **May 24** – TikTok acquires streaming service Resso. Value: $250m
- **Jun 24** – Sony Music acquires Queen catalogue. Value: $1.2bn
- **June 24** – KKR Acquires Superstruct entertainment group. Value: $1.3bn
- **Sep 24** – Global Music Rights (GMR) acquired by Hellman & Friedman. Value: $3.3bn
- **Dec 24** – Universal Music acquires Downtown Music. Value: $775m

### 2025

- **Jan 25** – Warner Bros and Cutting Edge form JV for WBD music rights portfolio. Value: ~$1bn
- **Feb 25** – Warner Music Group takes controlling stake in Tempo Music. Investment: $450m
- **Mar 25** – Pophouse closes inaugural fund to acquire music rights. Value: $1.3n
- **Mar 25** – Nation acquires additional 24% stake in Ocesa. Value: $650m
- **Mar 25** – Napster acquired by Infinite Reality. Value: $207m
- **Jul 25** – Warner Music and Bain Capital form music rights acquisition JV. Investment: $1.2bn
- **Aug 25** – M&G invests in Seeker Music. Value: >$300m
- **Aug 25** – Chord Music Partners raises capital to buy music rights. Investment: $2bn
- **Nov 25** – Harbour View acquires majority stake in Slipknot catalogue. Value: ~$120m
- **Nov 25** – Taylor Swift acquires her song catalogue from Shamrock Capital. Value: $360m
- **Dec 25** – Lyric Capital Group forms partnership with the Weeknd's catalogue. Value: $360m

1. Deals where price disclosed and >$100mns

Source: Goldman Sachs Music in the Air Report, Houlihan Lokey: The Future of Audio, Desk Research, OC&C analysis

# There are distinct investment themes shaping the industry

## Market Investment Themes

| | Theme | Description | Example Investments |
|---|---|---|---|
| A | Tech-enabled Labels & Publishers | • Some publishers and labels are challenging traditional deal terms and offering artists alternative contract structures<br>• There is also an emerging music-tech eco-system to aid the efficiency and effectiveness of royalty collection | • Music distribution & label services platform raised $165m at $1bn valuation<br>• UMG agreed to acquire Downtown (incl. distribution, publishing administration assets) |
| B | Music, Discovery and Fan Engagement | • Tools and tech have emerged to help artists connect with fans, virtually and physically<br>• Event discovery and booking platforms are also popular | • entertainment discovery platform raised $100m and acquired a ticketing app<br>• Infinite Reality acquired Napster for $207m (social music platform focus) |
| C | Music & Venue Tech | • As music has increased in popularity over the past decade, large-scale, multi-festival companies have gained scale, and alongside an ecosystem of businesses exists to support the events industry | • Eventim acquired Vivendi's ticketing & festival activities for €300m<br>• KKR acquired Superstruct from Providence equity in 2024 |
| D | AI Licensing / Rights Infrastructure | • As Generative AI moves from experimentation to commercial use, new infrastructure is emerging to manage consent, identify AI usage, and supporting reporting and payouts | • GenAI music-rights startup Musical AI raised $2.1m<br>• AI music rights management platform Claimy raised $1.8m<br>• Major labels struck AI music licensing deals with Suno for rights compliance and monetisation frameworks |
| E | Rights Cleared Music Libraries | • Traditional users of music who would indirectly pay royalties (e.g. advertisers, podcasters, venues) now have more options<br>• This has opened up the use of quality music to creators who may not have typically had resources/skills to deal with PROs | • EQT and Blackstone Growth invested in Epidemic Sounds, a subscription-based royalty-free music library |
| F | Catalogue Investment | • Investor appetite remains strong for composition and recorded rights, despite a slight slowdown from 2022 peak (15 disclosed catalogue transactions in 2021, 21 in 2022, 17 in 2023, and 11 in 2024) | • Sony acquired Queen's catalogue ($1.2bn) and a 50% stake in Michael Jackson's catalogue; Harbour View acquires majority stake in Slipknot catalogue for $120m<br>• Duetti raised $200m for catalog acquisitions<br>• Searchlight Capital invested in Chord Music Partners |
| G | Performing Rights Organizations | • PE investors have made substantial investments into PROs – including SESAC, BMI and GMR more recently<br>• PROs have benefitted from positive tailwinds from the growth of streaming, and rising CRB streaming rates for songwriters and publishers in the US | • Hellman & Friedman invested into GMR at $3.3bn valuation in 2024<br>• New Mountain Capital invested into BMI at >$1bn valuation |
| H | Emerging Market DSPs & Broader Music Platforms | • As subscriber growth shifts to emerging markets, regional DSPs are scaling via partnerships, consolidation and strategic backing (e.g. via regional media groups) | • Middle East streaming group acquired a majority stake in a MENA music streaming platform for ~$50m<br>• Warner acquired a minority stake in a Brazilian music creator platform / distributor |

Source: OC&C analysis

# Agenda

Key Themes

About OC&C

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

**OC&C Relevant Credentials – Music**

**Not Exhaustive**

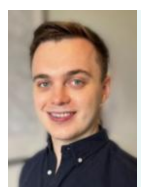
# If you’d like to discuss these topics further, or access our full report, we’d love to hear from you

**Ye Chen**
*Partner*
Ye.Chen@occstrategy.com

**Toby Chapman**
*Partner*
Toby.Chapman@occstrategy.com

**Aaron Souza**
*Partner*
Aaron.Souza@occstrategy.com

**Katie Robinson**
*Associate Partner*
Katie.Robinson@occstrategy.com



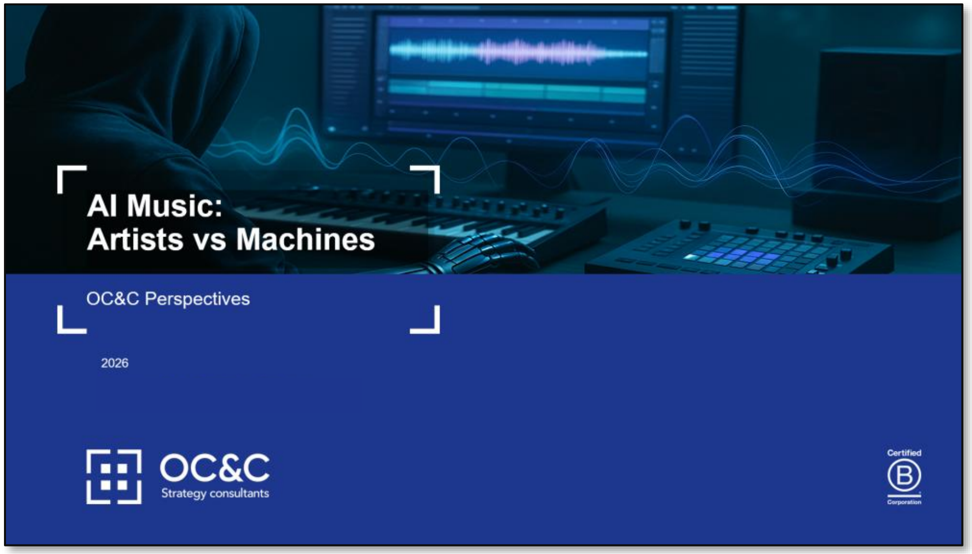
**Charlie Bain**
*Associate Partner*
Charlie.Bain@occstrategy.com

# Read our other latest piece on *AI Music* as part of our Sound Investing Special Edition series

OC&C Thought Pieces

**Deep dive on AI-generated music –** covering use cases, market penetration, consumer and artist adoption, and the implications for the industry

Read it **here**



**OFFICES**
Belo Horizonte
Boston
Dusseldorf
Hamburg
Hong Kong
London
Melbourne
Milan
Munich
New York
Paris
Rotterdam
São Paulo
Shanghai
Sydney
Warsaw

OC&C Strategy consultants

occstrategy.com
uncommon sense™