



Economic
Research
Working Paper
No. 98/2026

IP Finance in the Music Industry

Peter Tschmuck, Dennis Collopy,
Christian Handke

IP Finance in the Music Industry

Table of Contents

- 1 Executive Summary and Key Findings 5
 - 1.1 Executive Summary 5
 - 1.1.1 Overview 5
 - 1.1.3 Why Music Rights Attract Investors 6
 - 1.1.4 Why Creators sell their rights..... 6
 - 1.1.5 How Music Rights Are Valued 6
 - 1.1.5 Financial Innovation: Music Rights as a New Asset Class 7
 - 1.1.6 Opportunities and Risks 7
 - 1.2 Key Findings 8
- 2 Introductory Notes..... 11
 - 2.1 General Criteria for the Selection of the Case Studies..... 11
 - 2.2 General Criteria for the Selection of the Interview Partners 12
- 3 Theoretical Foundations: The Economic Characteristics of Music and Music IPR 14
 - 3.1 General Economic Characteristics of Music IPR..... 14
 - 3.2 Special Economic Characteristics of Music IPR..... 16
- 4 A Taxonomy of Typical Agents in the Music IPR Market 20
 - 4.1 Creators 20
 - 4.2 Specialised Intermediaries..... 21
 - 4.3 Financial Investment Companies 22
- 5 A Short History of Music IP Financing 24
- 6 The Financial Investment Companies in the Music IPR Market 26
 - 6.1 BlackRock Inc. 26
 - 6.2 Blackstone Group..... 27
 - 6.3 Apollo Global Management 28
 - 6.4 Kohlberg Kravis Roberts & Co. (KKR)..... 29

6.5 The Carlyle Group.....	30
6.6 Brookfield Corporation and Oaktree Capital Management	31
6.7 DWS Group.....	31
6.7 Other PE Companies in the Music IPR Market	32
6.8 Case Study 1: Shamrock Capital Advisors	34
7 The Business Models of Private Equity Companies	40
7.1 The 3 Phases of a Private Equity Project: Fundraising, Investment and Exit Phase.....	40
7.2 Critical Aspects of Private Equity Projects	41
7.3 Alternative Investment Strategies: PE Funds and Royalty Funds.....	41
8 Music Rights as a New Asset Class	44
8.1 Music IPR as a Financial Asset – Theoretical Considerations.....	44
8.1.1 Cash flow and Related Factors.....	44
8.1.2 Resale Value.....	46
8.1.3 Related Goods and Services.....	46
8.1.4 Highly Differentiated Goods, Monopolistic Competition, and What PE Companies Tend to Buy.....	47
8.1.5 Liquidity	48
8.1.6 Public Policy and Regulation	48
8.2. The Role of the Music Majors.....	49
8.3 The Role of Music IPR Companies.....	49
8.3.1 Case study 2: A Former Music Major Re-enters the Market – BMG Rights Management	51
8.3.2 Case study 3: From a Small Jazz Label to a Music Rights Conglomerate – Concord	55
8.3.3 Case study 4: A New Type of Music Publisher – Primary Wave.....	56
8.3.4 Case study 5: The Hipgnosis Conglomerate	59
8.3.5 Case study 6: Music Royalty Funds – Round Hill Music	63
8.4 Findings from Case Studies 2-6	65

8.4.1 Which Rights Are Purchased?.....	65
8.4.2 Why Artists Sell Their Rights?	68
8.4.3 Why Financial Investors Acquire Music IPR and Why More Specialised Music Companies Sell?.....	74
8.4.4 The Risk of Music IPR Investment	82
9 New Ways of Exploitation	85
9.1 The Securitization of Music Rights Catalogues.....	85
9.2 New Marketplaces for Music Rights.....	89
9.2.1 The Pioneers of MIM: SongVest and Royalty Exchange	89
9.2.2 The First Wave of MIM Start-ups.....	93
9.2.3 The Second Wave of MIM Start-ups	97
9.2.4 Case study 7: JKBX (pronounced Jukebox)	101
9.2.5 Summary of the Analysis of Music Investment Marketplaces	105
10 Opportunities and Risks of the Music IPR Sales Boom.....	109
10.1 The Opportunities of the Music IPR Sales Boom	109
10.2 The Risks of the Music IPR Sales Boom	111
11 Conclusions and Recommendations.....	115
11.1 Conclusions	115
11.1.1 New Players Emerge on the Music Rights Market	115
11.1.2 The Role of Private Equity and Asset Management Companies	116
11.1.3 The New Structure of the Music Rights Market	116
11.1.4 Music Rights Securitization and Music Investment Marketplaces	117
11.1.4 The Role of the Superstar Effects	118
11.1.5 Outlook.....	120
11.2 Recommendations	121
11.2.1 Competition Supervision in the Music Rights Market.....	121
11.2.2 Transparency Rules for Music Rights Sales	122
11.2.3 Clear Distribution Rules for New Types of Music Use (AI Royalties)	123

11.2.4 Fostering Artist & Repertoire Activities	123
11.2.5 Investor and Creator Protection for New Financial Products	123
11.2.6 Regulation of Music Investment Marketplaces (MIMs).....	124
11.2.7 Strengthening Music Rights Markets Outside the USA: Rights Reversion.....	124
12 Endnotes	125

1 Executive Summary and Key Findings

1.1 Executive Summary

1.1.1 Overview

The global music rights market has undergone a profound transformation over the past decade, driven by unprecedented investment from private equity (PE) firms, asset managers, and institutional investors. From 2019 to 2025 alone, and aside from major music publishers and labels investments, at least US \$23.1 billion (see figure 1) has been deployed into the acquisition of music rights, dwarfing prior investment levels and reshaping the ownership and valuation of music intellectual property rights (IPR). This surge of capital has catalysed a potential structural shift in the music industry, positioning music catalogues as a distinct and rapidly maturing alternative asset class.

1.1.2. The Music Rights Investment Boom

Large financial conglomerates (including BlackRock, Blackstone, Apollo Global Management, KKR, Brookfield, Carlyle, and DWS) as well as small PE firms have become central actors in the music rights landscape. Rather than purchasing catalogues directly, these firms often partner with specialised music IPR companies that possess the network, industry knowledge, and operational expertise required to identify, value, and monetise music assets. Examples include Hipgnosis, Primary Wave, HarbourView, Litmus Music, and Concord, among many others.

One notable exception is Shamrock Capital, which from the outset purchased catalogues directly and marketed music funds to institutional investors. Its acquisition of Taylor Swift's early masters for US \$405 million illustrated both the scale of recent deals and the strategic relevance of high-profile catalogues.

Another exception is Michigan Retirement Systems whose 93% stake in Concord Bicycle Music Group enabled the renamed Concord Music through catalogue acquisitions to grow to a large IPR company.

Across these transactions, the motivation is clear: valuable catalogues, particularly those with long-term cultural relevance, offer stable, predictable, multi-decade income streams that can be packaged, securitised, and incorporated into diversified investment portfolios.

1.1.3 Why Music Rights Attract Investors

Music IPR possess several features that make them appealing to financial investors:

- Despite fragmentation of music IPR there are durable, recurring cash flows generated from streaming, broadcasting, synchronisation, performance, mechanical rights, and other exploitation channels.
- Long-term cultural relevance, particularly for heritage catalogues, which are less vulnerable to short-lived musical trends.
- Low correlation with traditional asset classes, allowing investors to hedge portfolio risk.
- Prospective efficiency gains through improved licensing, data analytics, and rights management, which PE-backed firms claim traditional music companies have under-utilised and under-valued.

The boom also coincided with historically low interest rates, pushing investors toward alternative assets with reliable yields. Furthermore, high-profile early successes probably created herd behaviour in the financial sector, amplifying demand for music rights.

1.1.4 Why Creators sell their rights

The interviews revealed artists and songwriters sell their rights for a variety of financial, strategic, and personal reasons, including:

- Estate planning and the desire to convert catalogues into easily divisible financial assets.
- Immediate liquidity needs, including financing large purchases or resolving legal disputes.
- Professionalisation, where artists expect buyers to better monetise their catalogues.
- Conflict resolution, particularly within bands or songwriting teams.
- Tax incentives, especially in the United States.

These motivations vary widely across artists but collectively contribute to a steady supply of willing sellers and catalogues entering the market.

1.1.5 How Music Rights Are Valued

Music rights valuations depend on expected discounted cash flows and the ability of rights holders to monetise catalogues efficiently. Key factors include:

- Developments of various music IPR royalty streams across formats.
- Market demand and cultural longevity of specific works.

- Technological change in complementary markets, such as streaming services, synchronisation opportunities, as well as the emergence of novel related industries.
- The structure and completeness of rights bundles, including composition, master recording, mechanical, performance, online, sync, and Name and Likeness (NIL) rights.
- Regulatory developments, including those relating to competition law and the use of copyrighted works in AI training.

Heritage catalogues with proven longevity command the highest multiples due to their stable, predictable earnings and insulation from shifting trends.

1.1.5 Financial Innovation: Music Rights as a New Asset Class

1.1.5.1 Securitization

Music catalogues are increasingly being used as collateral for asset-backed securities (ABS). By 2024, more than US \$6.2 billion in music-backed ABS had been issued by firms including Blackstone, Apollo, KKR, and Northleaf. These products convert royalty streams into tradable financial instruments, enabling large-scale institutional investment.

1.1.5.2 Fractional Music Investment Marketplaces

Music investment marketplaces, including Royalty Exchange, ANote, SongVest, Global Rockstar, Master Exchange, allow smaller investors to purchase fractional participation rights in artists' royalty streams. While these platforms do not grant ownership of underlying rights, they enable broader retail participation in music-related financial products.

This has created a dual market: institutional investors acquiring entire catalogues, and retail investors accessing fractionalised income streams.

1.1.6 Opportunities and Risks

Opportunities

- Market consolidation can lower transaction costs and increase efficiency in rights management.
- Greater liquidity and capital inflows support higher valuations.
- Transparency improves as investors demand robust catalogue valuation models.
- New monetisation vehicles (ABS, fractional rights) expand financial innovation.
- Risk diversification is enhanced for institutional portfolios.
- Creators gain alternatives to traditional label and publisher financing.

Risks

- Reduced A&R investment, as new investors prioritise proven catalogues over emerging talent.
- Market concentration through horizontal integration, which could disadvantage smaller artists and rights holders.
- Vertical integration, when new music IPR investors are simultaneously engaged in multiple parts of the music value chain and/or multiple related markets, developing strategies that do not seek to maximize music licensing revenues.
- Regulatory uncertainty, especially concerning AI training and competition law.
- Greater volatility, if catalogues become speculative financial assets, or even overvaluation and price bubbles, driven by excessive investor demand.
- Creator vulnerability due to asymmetric information disadvantages, including the risk of selling too early at undervalued prices.

1.2 Key Findings

- The music rights market has become a major destination for institutional capital, driven by investors' search for stable returns uncorrelated or inversely correlated with returns from other assets.
- Major private equity and asset managers now play a central role in the ownership and exploitation of music IPR, directly via in-house funds or established music IPR companies as well as financing many of the three music majors purchases of valuable music catalogues.
- A key reason for the continued boom in the music rights market is the emergence of a stable music streaming economy. At the same time, the limited range of successful music catalogues that are available for sale fosters prices.
- Traditional growth through purchase of independent labels and /or publishers is risky and often requires long-term commitment, making direct purchases from creators who own their IPR more attractive.
- Many creators opt to sell their IP rights outright, but others may sell all or part of their share of royalty income which is done for diverse personal and financial reasons.
- Investors have also begun to invest in music IPR infrastructure through the acquisition of music collection societies in North America.

- Financial engineering, particularly securitisation, has turned music rights into a more divisible, flexible and thus more attractive asset class. The music IPR bought by the various financial conglomerates are often converted into tradable financial products in the form of asset-backed securities (ABS).
- Institutional investors are attracted by stable and regular income streams for mature hit catalogues in the streaming economy, which may yield above-average returns and provide an attractive risk-return profile in and of itself.
- In addition, returns from music rights investments tend to have a low correlation to important other macro-economic and market trends. This makes music IPR an attractive alternative investment to diversify portfolios and hedge risks.
- The market value of music IPR is not very sensitive to interest rates and may thus have been an attractive alternative investment for financial investment companies. The boom in music IPR acquisitions by non-traditional investors transpired during a period of low interest rates, when other assets like bonds generated low yields to investors. Whether it continues with increasing interest rates remains to be seen.
- Early and widely reported successes in novel music IPR investments may have sparked interest from other investors outside the music industry.
- In the USA, low capital gains tax rates incentivised sales of music IPR from individual rightsholders to investment firms and this took place at a time when the music majors were restrained from acquiring further music IPR due to competition rules.
- The key risk in music IPR investments are loss of value such as due to: a) volatile musical trends; and b) artists' behaviour adversely affecting the market value of acquired music IPR (e.g. Taylor Swift v Shamrock Capital Partners); c) negative developments in music IPR-related streaming cash flows. .
- Key promises for music IPR markets include more efficient licensing and remuneration processes with novel digital procedures (e.g. smart contracting and applications of blockchain technology), as well as potential windfall gains from remuneration by firms using music as AI training data.
- There are also the new music investment marketplaces offering small investors and music fans participation rights in music creators (artists and songwriters) royalty streams on various platforms. Here, investors do not acquire decision rights but a right to a share of revenues. These marketplaces generate much less turnover than the PE investment boom so far.

- Overall, the recent investment boom in music IPR offers substantial benefits to many stakeholders but also introduces structural risks that will require close monitoring by policymakers, creators, and investors alike. In particular, we suggest a couple of areas of further attention, including amongst others:
 - Effective and consistent competition policy, also regarding vertical integration along the music industry value chain and related industries
 - More extensive transparency rules for music rights deals
 - Promote clear and reliable rules for new revenue streams, such as AI royalties
 - Safeguard the development of new talent

2 Introductory Notes

2.1 General Criteria for the Selection of the Case Studies

The study is based on the results of a very extensive desktop research, from which 7 case studies were derived, and on the results of interviews conducted with key stakeholders in the music rights market. The 7 case studies aim to deepen the findings of the desktop research and have been selected to be as representative as possible of the key players in the music rights market, as far as this is possible in a qualitative research exercise.

The aim of case study 1 on Shamrock Capital Advisors is to highlight the role and function of private equity firms in the current music rights boom. Shamrock is a good case study because of its strong focus on music rights in its investment projects. After all, Shamrock bought Taylor Swift's first six studio albums, prompting the artist to re-record them. There is also a lot of empirical data available on Shamrock, which provides a good insight into the company.

Case studies 2 to 6 deal with the music IPR companies that have been very active as buyers of music catalogues in recent years. The five companies selected represent different types of music IPR companies. BMG Rights Management still operates like a traditional music publisher, signing new artists, but its re-entry into the music industry created a new business model for exploiting music catalogues. While BMG has its roots in one of the major music conglomerates, Concord started out as an indie label and music publisher that was given the opportunity to buy music catalogues at a large scale by a pension fund. Like BMG, Concord still does traditional A&R work, but its business model is based on the commercial exploitation of music rights.

In case study 4, Primary Wave is used to examine a completely new type of music publisher that, while still fulfilling the functions of a music publisher in terms of its basic business model, is backed by several music investment funds, all of which are large financial conglomerates. Primary Wave is thus a link between traditional intermediaries such as music publishers and labels and the new type of music investment funds, which are examined in more detail in case studies 5 and 6.

Hipgnosis (case study 5) and Round Hill Music (case study 6) represent a new, innovative form of music investment fund. The difference between these two companies is that Hipgnosis has worked closely with the Blackstone financial group from the outset to acquire a substantial portfolio of music catalogues. Hipgnosis has now become part of the Blackstone structure and was rebranded as Recognition Music Group after its delisting from the London Stock

Exchange.¹ Round Hill Music, on the other hand, has positioned itself as an independent music investment fund that performs all the functions of an investment company and operates relatively independently of the major investment firms.

Finally, case study 7 is about the music investment marketplace JKBX (pronounced Jukebox), which could be a game changer for this type of low-threshold music investment. JKBX is not aimed at large institutional investors who want to diversify their investments through music rights, but at small and medium-sized investors who cannot afford to invest in music catalogues or even individual songs, but who can acquire shares in royalty income streams in the form of participation rights. The aim of these music investment marketplaces is to create a marketplace for music rights that can be bought and sold again. Backed by a large music catalogue acquired from one of the financial groups, JKBX represents an innovative approach to music rights monetisation.

2.2 General Criteria for the Selection of the Interview Partners

In addition to the desk research and case studies, we planned to conduct interviews with a variety of representatives including institutional investors and rights management companies, as well as artists and rights owners and intermediaries. At the outset we aimed for at least 15 interviews.

Our methodology involved a semi-structured open-ended approach, and we noted the importance of providing the interviewees with a short list of initial questions to facilitate the dialogue and these questions were pre-approved by the project team and WIPO to ensure they were consistent with the project's stated aims.

The initial approach to potential interviewees was via email to confirm the context and purpose of our research and to establish each one's willingness to participate as well as their availability. We also stressed to each interviewee that all respondents' contributions would be anonymised and that the project team would only provide anonymised transcripts to WIPO as part of this report.

We were aware some potential respondents were likely to be time poor and guarded about the commercial sensitivities of some of the questions and accordingly would prefer to respond to questions in writing. We were only able to conduct most interviews in a relatively brief period (February – April 2025) although as we were dealing with time-poor senior executives across the finance and music industries we had to offer flexibility including multiple, alternative dates.

We compiled a wish list of various potential interviewees across the two sectors (music firms and financial companies) and further segmented the list between lawyers, accountants, music publishers, PE/asset management firms and dedicated funds. The emails were sent in batches at the beginning of February 2025, but we should add that we received very few responses to these despite follow-ups beings sent.

The successful interviews included a prominent UK lawyer, a former CEO of an international music rights firm with unique and extensive experience of deploying private equity funds to boost acquisition of music IPR, three music publishers and one accountant. I addition we spoke with 9 different music creators with various levels of commercial success across the past 40 years including a number with recent experience of dealing with investment funds and firms backed by PE. Despite our best efforts we were unable to secure interviews directly with the PE firms or dedicated music funds, but we note the interviews with two of the three music publishers were backed by private equity capitalised funds and involved speaking with executives with extensive relevant experience of working in the PE business , each of whom was able to detail the methodology employed by the main firms in assessing and valuing potential targets.

The questions posed of the companies were much more detailed and granular and we are grateful for their willingness to share their expertise. The interviews with creators required a different approach and a much smaller set of questions that focused mainly on motivations for selling their owned IPR and in some cases their related rights or names and likeness.

3 Theoretical Foundations: The Economic Characteristics of Music and Music IPR

3.1 General Economic Characteristics of Music IPR

As a good/tradable asset, music IPR has the following economic characteristics, which are relevant for this study. Let us start with some characteristics that music IPR shares with virtually any creative works/copyright works:

1. The creation of new music entails **substantial fixed costs**, which are partially sunk, whereas supplying additional customers with access or usage rights entails relatively **low marginal costs** and usually non-increasing.² Thus, suppliers of music must charge prices above marginal costs if they want to amortize costs.
2. Creating and supplying music can entail relatively strong **non-pecuniary rewards** (such as peer recognition and societal esteem) or may even be **intrinsically motivated**.³
3. Music is **non-rivalrous in consumption**, meaning that non-exclusive access or licenses to use music can be simultaneously supplied to many different agents.⁴
4. Music tends to be **non-excludable**, that is, IPR holders face considerable costs to control who makes use of works.⁵ The institution of IPR, in particular copyright in the case of music, is a costly means to mitigate market failure because of non-excludability in an economic perspective. However, in practice some unauthorized use tends to occur.
5. Music and music IPR are not physically **durable goods**, in the sense that they do not physically depreciate over time or with use (see also point 3 in this list), so that through marketing, music IPR can generate a steady stream of revenues over time.⁶ Even so the length of music IPR terms have a limited duration and are voided after several decades.
6. Music has **experience good attributes** – users can hardly judge the value of their personal use associated with a work before making costly and irreversible decisions on spending time or money on engaging with a work. In other words, the end-users of music make choices about which works to engage with as a result of incomplete information.⁷
7. Users strive to mitigate the problem of incomplete pre-purchase information and this results in socially **interdependent demand formation**⁸ and **superstar effects**⁹, where

the bulk of attention and demand is concentrated on a small minority of music creators and their works. Users tend to seek out signals of quality from various sources, including indicators of preferences by other users. This can give rise to herd behaviour or informational cascades, where many users focus their attention and purchasing on a small minority of works, which does not necessarily correspond to observable differences in the intrinsic quality of works.¹⁰ Specific creators of music usually have to gradually build up a reputation for supplying high quality in the hope of favourable herd behaviour to take effect. In other words, suppliers of music have to develop and cultivate brands, which usually requires a longer-term commitment to stick through initial periods of high investments in return for potential future profits.

8. For new music, it tends to be very **hard to predict demand**,¹¹ and for most works, demand drops out after a short period of time. However, a small minority of hit music remains in high demand for many years and accounts for the bulk of music IPR revenues.
9. What is more, preferences for specific music creators and genres are relatively stable and influenced by prior consumption of similar works and learning – so-called "**taste formation**".¹²
10. There is extreme **product differentiation** in the market for music IPRs.¹³ Even within specific genres of music, as a rule, literally thousands of works are being supplied. Due to the durability of music IPR, the variety of supply tends to accumulate over time. Rightsholders are thus operating under monopolistic competition, enjoying some market power as the sole legal supplier of licenses for specific works, which is limited, however, in the presence of many related works, which may be close substitutes.
11. Music rightsholders often invest quite heavily in **marketing costs**, especially resources devoted to promoting attention to specific works. In addition, the transaction costs to conduct licensing of music IPR can be substantial.¹⁴

3.2 Special Economic Characteristics of Music IPR

Among all types of copyright works, music and music IPR also has some additional, more idiosyncratic characteristics:

1. For music, there is a unique distinction between **IPR for compositions** (authors' rights in a narrow sense, which are usually transferred by composers and lyricists to music publishers) and **IPR for music recordings** (sometimes referred to as "related rights" or "performers' rights", which are usually transferred by recording artists to record labels). In popular music, composers and recording artists are often the same person(s).
2. A lot of music has consistent appeal across cultural boundaries, more so than creative works that are more word-based such as literature or news reporting. One source refers to: "The music industry has a long tradition as a '**glocal**' industry in which multinational firms sell virtually identical products in multiple territories but also invest in the creation of works that are of more local appeal."¹⁵
3. For specific musical works, **repeat consumption is the norm**. In contrast to many films or literary works, individuals' appreciation of specific musical works even tends to increase over several repetitions,¹⁶ which may contribute to superstar effects.
4. Nonetheless, end-users exhibit a **taste for variety in music**,¹⁷ meaning that over relatively short periods of time, users will tend to engage with several different works.
5. Music tends to be a relatively "**simple creative work**".¹⁸ In comparison to films, television programs, and technically sophisticated video games, the costs of creation for musical work (which becomes a copyright work at the moment of its first fixation) tend to be low. What is more, many musical works are created in small teams.¹⁹ However, there is a considerable range for the costs of music creation. For a minority of musical works – e.g.: orchestral music of great technical quality, or music generated by superstar creators – the costs of creation will be many times greater than for the bulk of popular music.
6. However, the exploitation of music tends to be a rather complex, involving a **range of complementary goods and services** associated with music.²⁰ Music can be sold as durable physical or digital copies, or users can be licensed to access streams. Music compositions can be licensed to performing artists. Music can be licensed for use as a component in other, more complex creative works, such as feature films, tv programs,

video games, advertisements, or podcasts and social media clips.²¹ The music industry thus benefits from the skilful co-ordination between various related markets (multi-product strategies), and at times, some goods or services are supplied at prices below marginal costs (loss leaders) in order to promote demand for complementary goods that are sold at profitable prices.

7. Music IPR holders usually **co-operate with a variety of different organisations**,²² including for instance follow-up music creators that integrate aspects of copyrighted music into novel creations, (aka sampling), wholesalers or retailers of physical copies, online music services, social media enterprises that seek to make music rights available to their users, or even suppliers of generative artificial intelligence (GenAI) services that want to use 3rd party music as training data. As a rule, these transactions take the form of licensing contracts.
8. **Licensing contracts have many different aspects.**²³ Copyrights consist of reproduction rights, distribution rights, attribution rights, and modification rights, which can be separately licensed. Prices vary, payments can be lump-sums or based on usage metrics, and the timing of payments varies. Often, license takers promise to supply complementary services, the value of which will affect (reduce) license fees. Licenses can be exclusive, so that no direct competitor of a license taker can make use of or supply the same works, or not. Other licensing contract terms include the duration and territorial scope of licenses, contract termination rights, the specification of rights and obligations to share information, and the place of litigation in the case of conflicts. Overall, there is a plethora of options and transaction costs (especially bargaining costs to establish mutually agreeable contract terms) and monitoring of contract compliance can be high.
9. Participants in the market for music IPR employ various **methods to keep transaction costs at bay.**²⁴ One method is to develop standard contracts, which greatly decreases the average costs of transactions (licensing processes). In particular highly integrated firms in the music industry, who enjoy some market power, will enter negotiations with a standard contract, and may refuse to even discuss variations (take-it-or-leave-it) unless a contract partner brings much value to the table and enjoys considerable market power herself. Another method is bundling of transactions, which reduces the number of costly transactions. Rather than licensing work-by-work, often huge repertoires are licensed by one deal, and there are economies of scope in licensing processes.

10. One extreme method to reduce average transaction costs per work licensed in the market for music IPR is **collective rights management** via so-called collecting societies (such as GEMA in Germany or ASCAP in the USA).²⁵ Collecting societies develop standard licensing terms and often supply "blanket licenses" of many or nearly all relevant musical works. Collecting societies in the music industry are often controlled by music IPR holders (both creators and publishers). They can harness their market power to conduct collective bargaining and achieve better terms than many of the participating music IPR holders would get via direct licensing without the collecting society. This is one reason why collecting societies are heavily regulated in most territories. Collecting societies play a central role in some aspects of the music industry, such as the non-exclusive licensing of music among broadcasters. Where exclusive and/or high value trades of licenses are concerned, direct licensing without collecting societies is the norm. What is more, the role of collecting societies regarding relatively new aspects of the music industry (online music services and social media) remains contested.
11. In any event, the music industry exhibits the **polarized industry structure**. On the one hand, different aspects of the 'value chain' are extremely fragmented, whereas others tend to be organised in narrow oligopolies (or even quasi-monopolies in the case of some collecting societies). Creators are organised in small teams. At the other end of the value chain, private households are often the ultimate takers of (non-exclusive) licenses. Between these fragmented aspects of the market, some intermediaries tend to be highly integrated, including major publishers or record labels (with market shares of ≥ 20 per cent). There is some concern with the abuse of market power by integrated aspects of the industry at the expense of individual creators or end-users.
12. On the other hand, at least among publishers, record labels, and retailers of physical copies, very many smaller intermediary firms still operate, often catering for users with sophisticated tastes, as well as niche (indie) creators or newcomers. These two aspects of the music industry are not clearly separated. Many so-called independent, smaller publishers and record labels cooperate with the majors. Over time, the more successful indie creators tend to sign with a major, whereas majors 'drop' less viable creators to be catered for by smaller intermediary firms.

Overall, these related propositions constitute a good basis to discuss (reverse-engineer) the reasoning behind – and the consequences of – financial investors increased acquisitions of music IPR over recent years. We use economics, assuming self-interested and (boundedly)

rational agents, who try to maximise their own utility as they interact with others. However, to accomplish a greater degree of realism and nuance, we incorporate some complicating notions from cultural economics, such as incomplete information of agents and the need to signal and learn, intrinsic motivation to create and various values for agents beyond pecuniary returns.²⁶

4 A Taxonomy of Typical Agents in the Music IPR

Market

To develop a reasonable focus and application to the specifics of the music industry, we need a reasonable definition of typical agents. Initially, we distinguish three types of agents/firms that may be involved in the trading of music IPR: (1) creators, (2) specialised intermediaries and (3) financial investment companies.

4.1 Creators

Creators are the composers, lyricists, or performers/recording artists²⁷ of musical works. As a rule, they are the initial rightsholders and subsequently sell/license/transfer all waivable copyrights to specialised intermediaries. There are some exceptions, however, where creators own the music IPR to the works they created and consider selling them other than in an exclusive transfer of exploitation rights to publishers and labels. Creators are distinct from other agents due to the following features.

- a. Creators have limited capacity: they can only produce a relatively small number of works without compromising quality and serve a fraction of the entire music market. This limits creators' ability to reduce risks by portfolio diversification.
- b. Creators usually operate as brands in the sense that they try and gradually build up a positive reputation or even a fan-base of intense, loyal, repeat customers. They thus adopt a long-term business strategy that seeks to maximise aggregate prospective rewards rather than immediate profits. They are also subject to asset specificity; that is, they incurred some sunk costs regarding their capabilities and reputation as music creators, which they would lose if they changed to other work.
- c. Based on extensive empirical evidence, we also assume that many creators are intrinsically motivated or value non-pecuniary rewards. That is, some creators may forego some pecuniary profits to enjoy creating music according to their own tastes, to achieve peer recognition, or have some perceived positive societal impact other than maximising the market value of the music they create.

As an exception, certain very successful, 'superstar' creators come to own their music IPR that they can sell to financial investors, for instance if they bought back their rights or own and operate their own publisher and/or record label. At the other end of the scale, some less

successful creators handle the publishing and label services themselves, i.e. so-called self-publishers, often because they cannot secure a deal with an established intermediary. Another special case are the estates of deceased creators, who may differ from the creator in terms of their liquidity needs, in terms of adopting a long-term, brand development perspective or regarding their appreciating of non-pecuniary values.

4.2 Specialised Intermediaries

Traditional specialised intermediaries are publishers and record companies that specialise in acquiring valuable music IPR and providing complementary services to maximise the commercial value of the music they acquired, and in exploiting music IPR. Certainly, music publishers and record companies are often subsidiaries of larger conglomerates with various activities beyond the music industry. In recent years, however, new intermediaries have emerged in the music IPR market, specialising in acquiring music catalogues and musicians' IPR revenue streams, which we call music IPR companies. Nonetheless, the distinctive features of the traditional as well as new specialised intermediaries are:

- a. They have greater capacity to simultaneously handle many different works than creators, often acquiring and managing music IPRs for many different creators and creative teams. They nearly always contribute services in music IPR marketing and licensing and can thus exploit economies of scale and scope in IPR management. They can also reduce the risk of liquidity problems due to the diversification of their music IPR assets. Larger specialised intermediaries that can bundle and jointly market the IPRs for valuable music repertoires may also enjoy much greater bargaining (market) power among license takers. However, due to competition policy, there are limits to (further) horizontal and vertical integration involving major publishers and record companies.
- b. The specialised intermediaries' brand is not very consumer facing. However, their business model is based on a consistent engagement with the marketing of music IPR, and the regular acquisition of IPR for newly generated works from creators. Thus, their reputation among fellow music industry participants (including promising new creators) will be a concern. What is more, they traditionally retain and manage music IPRs for decades or even its entire duration.
- c. We assume that the major, specialised intermediaries operate as conventional firms in the economic perspective, prioritising pecuniary returns. However, due to their

continued commitment to the music industry, they may benefit from appearing sensitive to creators' preferences regarding long-term career development and non-pecuniary rewards. Among the much smaller, independent specialised intermediaries, this non-commercial element will often be relatively pronounced.

4.3 Financial Investment Companies

Financial investment companies do not specialise on the music industry and invest in a much broader range of assets than just music IPR. For financial investment companies who manage diverse assets worth many hundreds of millions or even billions of Euros, any music IPR may only account for a small fraction of the total. We have identified two types of financial investment companies, who finance the music rights' catalogues acquisitions: (1) private equity companies (PE companies) and asset management companies. Their distinctive features are:

- a. Financial investment companies specialise in administering other organizations' and individuals' surplus finance and provide optimal, risk-adjusted returns on investment. The market value of even the largest and most valuable music IPR repertoires in single ownership is modest in comparison to the aggregate value of assets administered by many financial investment companies.
- b. Financial investment companies do not specialise in the music industry. Therefore, they are least subject to asset specificity regarding the music industry. At the same time, financial investment companies manage huge portfolios of assets, operate sophisticated generic evaluation methods of assets, and can much better compare music IPR to alternative assets.
- c. Financial investment companies focus on financial returns. To appeal to investors, financial investment companies, as a rule, must regularly document competitive returns, e.g. quarterly or annually. With little vested interests in music IPR, they are more flexible in their music IPR investment, including the option to liquidate all such assets whenever that seems profitable at a specific point in time. What is more, financial investment companies routinely adopt sophisticated multi-asset investment strategies. One case in point is portfolio diversification to reduce aggregate risk and maximise risk-adjusted returns. A specific case in point is hedging, where the investor firm deliberately acquires assets, the value of which tend to be largely uncorrelated or even inversely correlated. Furthermore, financial investment companies may be

simultaneously or consecutively invested in different firms related to or within the music industry, including license suppliers and license takers.

In this analysis, we address trades of music IPR that involve financial investment companies. We mostly focus on sales of music IPR from creators or from specialised music industry intermediaries (jointly referred to as initial rightsholders) to financial investment companies. Trades in the opposite direction and trading of music IPR between financial investment companies are more cursorily covered.

The next section highlights the involvement of financial investment companies (PE and asset management companies) in the music IPR market, before turning to the specialised intermediaries, focusing on the music IPR companies that have recently entered the music IPR market.

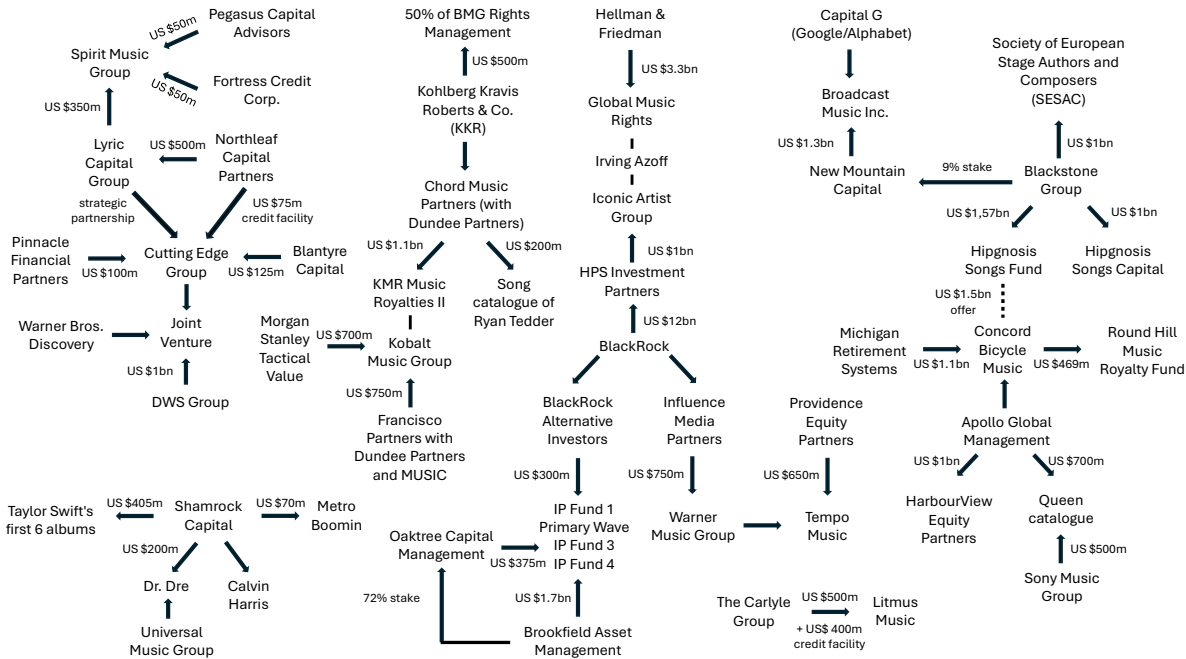
5 A Short History of Music IP Financing

Figure 1: Investments of PE and asset management companies

PE and asset management company	Date of investment	Investment in US \$ m	Target company/asset
Pegasus Capital Advisors	Apr 2009	50	Spirit Music Group
Kohlberg Kravis Roberts & Co. (KKR)	Sep 2009	250	50 per cent share in BMG Rights Management
Fortress Credit Corp.	Sep 2014	50	Spirit Music Group
BlackRock Alternative Investors	Sep 2016	300	Primary Wave IP Fund 1
Blackstone Group	Jan 2017	1,000	Society of European Stage Authors and Composers (SESAC)
Lyric Capital Group	Jan 2019	350	Spirit Music Group
Michigan Retirement Systems	Apr 2019	1,100	93 per cent share in Concord
Providence Equity Partners	Dec 2019	650	Tempo Music Investments (Joint Venture with Warner Music Group)
Shamrock Capital Advisors	Nov 2020	405	First six studio albums by Taylor Swift
Kohlberg Kravis Roberts & Co. (KKR)	Jan 2021	200	Song catalogue of Ryan Tedder
Kohlberg Kravis Roberts & Co. (KKR)	Apr 2021	500	BMG Rights Management (Joint Venture with Bertelsmann AG)
Oaktree Capital Management	Jun 2021	375	Primary Wave IP Fund 3 and minority share
Kohlberg Kravis Roberts & Co. (KKR)	Oct 2021	1,100	KMR Music Royalties II portfolio
Apollo Global Management	Oct 2021	1,000	HarbourView Equity Partners
Blackstone Group	Oct 2021	1,000	Hipgnosis Songs Capital Fund
Northleaf Capital Partners	Oct 2021	500	Lyric Capital Group/Spirit Music Group
Blantyre Capital	Jan 2022	125	Cutting Edge Music Holdings
BlackRock	Feb 2022	750	Influence Media Partners in collaboration with Warner Music Group
The Carlyle Group	Aug 2022	500	Litmus Music
Francisco Partners, MUSIC, Dundee Partners	Sep 2022	750	Kobalt Music Group
Brookfield Asset Management	Oct 2022	1,700	Primary Wave IP Fund 4 and minority share
Shamrock Capital Advisors	Jan 2023	200	75-90% share in a music rights portfolio of Dr. Dre
Shamrock Capital Advisors	Mar 2023	70	Share in music publishing catalogue of Metro Boomin
Pinnacle Financial Partners	Feb 2023	100	Cutting Edge Music Holdings
Morgan Stanley Tactical Value	Nov 2023	700	Kobalt Music Group
New Mountain Capital	Nov 2023	1,300	Broadcast Music Incorporated (BMI)
HPS Investment Partners	Feb 2024	1,000	Iconic Artist Group
Blackstone Group	May 2024	1,574	Hipgnosis Songs Fund
Apollo Global Management	Jun 2024	700	Co-investment in the music catalogue of Queen acquired by Sony Music
Hellman & Friedman	Sep 2024	3,300	Global Music Rights (GMR)
DWS Group	Feb 2025	1,000	Joint venture between Cutting Edge Music and Warner Bros. Discovery
Lyric Capital Group	Dec 2025	1,000	Publishing and recording rights by The Weeknd
Total		23,099	

Figure 1 reflects just those investments, which were communicated to the public and therefore represent a minimum level of direct investment in music assets (e.g. Taylor Swifts first six master records) and investments in music IPR companies by PE companies such as Blackstone, Apollo and The Carlyle Group. The investment figures are probably higher. We can also see that the annual investments are driven by single spectacular deals such as the acquisition of a 93 per cent share in Concord for US \$1.1 billion by Michigan Retirement Systems in 2019, the US \$1.7 billion investments of Brookfield Asset Management in Primary Waves' IP Fund 4 in 2022 and Hellman & Friedman's acquisition of a majority share in Irving Azoff's Global Rights Management. However, we can observe that over the years increasing numbers of other PE and asset management companies have entered the music rights market. The list of investors includes all the well-known private equity firms such as Blackstone, KKR, Apollo Global Management, The Carlyle Group, etc., as well as major asset management companies such as BlackRock and Brookfield Asset Management.

Figure 2: PE and asset management companies' engagement in the music rights market



6 The Financial Investment Companies in the Music

IPR Market

6.1 BlackRock Inc.

BlackRock Inc. is the largest financial and investment conglomerate in the world, with 19,800 employees in over 30 countries and managing US \$10 trillion in assets by the end of 2023.²⁸ It was founded in March 1988 as Blackstone Financial Management by Larry Fink and other former managers of US investment bank First Boston, with financial support from Blackstone, which initially held a 50 per cent stake.²⁹ In 1994, Blackstone sold its stake, and the company was renamed BlackRock Financial Management.³⁰ BlackRock went public in 1999, managing US \$141 billion in assets.³¹

BlackRock is involved in the music IP market through two investment vehicles: BlackRock Alternative Investors (BAI) and Influence Media Partners, a joint venture with Warner Music Group. BAI partnered with Primary Wave in 2016 to invest US \$300 million in Primary Wave's IP Fund 1, acquiring shares of Smokey Robinson's song catalogue.³² BAI was formed when BlackRock bought Quellos Group's fund-of-funds business for US \$1.7 billion in 2007. Hedge funds, like BAI, use high-risk strategies to outperform market returns. Fund-of-funds diversify investments to reduce risk for conservative investors, though they come with higher management fees.³³ In 2022, Brookfield Asset Management bought out BAI, investing US \$1.7 billion in Primary Wave and acquiring US \$700 million worth of rights from Primary Wave's IP Fund 1 and 2.³⁴ Influence Media Partners, founded by Lylette Pizarro in 2019, partnered with Warner Music Group in 2022 to create a music IP fund. BlackRock invested US \$750 million in the company to acquire music catalogues from artists like Bad Bunny, Bruno Mars, and Enrique Iglesias.³⁵ In December 2024, HPS Investment Partners, with US \$148 billion in assets, became part of BlackRock. HPS invested US \$1 billion in Iconic Artist Group, acquiring Rod Stewart's music catalogue for US \$100 million.³⁶ BlackRock, therefore, has direct investments in the music rights market with HPS Investment Partners and is indirectly involved with Influence Media Partners. Nevertheless, BlackRock's engagement in the music IRP market remains very limited and appears to be only a marginal part of the group.

6.2 Blackstone Group

Blackstone is one of the oldest private equity companies, founded in 1985 by former Lehman Brothers executives Peter Peterson and Stephen Schwarzman in New York City. The name "Blackstone" comes from the founders' names: "Schwarz" means black in German, and "Peter" (from "petros") means rock or stone in Greek.³⁷ Initially, Blackstone's business model was to buy poorly run public companies, delist them, improve their value, and sell them at a profit. This model is typical for private equity companies, and Blackstone was a pioneer in this field. After a private equity boom in the 1980s, the market for leveraged buyouts cooled in the 1990s but recovered in the early 2000s. Blackstone was a leading player during this period, participating in significant acquisitions such as Houghton Mifflin Company³⁸ and music buying club Columbia House in 2002.³⁹ In 2007, Blackstone acquired Hilton Hotels for US \$26 billion⁴⁰ and went public shortly before the subprime mortgage crisis.⁴¹ Despite the crisis, Blackstone emerged relatively unscathed and continued to be a key player in private equity acquisitions in the 2010s and 2020s. Over the years, Blackstone transformed from a pure private equity company to an alternative investment management conglomerate. By 2023, it reported four business segments: Real Estate, Private Equity, Credit & Insurance, and Hedge Fund Solutions. The Real Estate segment was the largest, followed by Credit & Insurance, Private Equity, and Hedge Fund Solutions.⁴² Blackstone's main revenue sources are management and advisory fees, along with realized investment income.

Blackstone's initial foray into the music rights market began with the acquisition of the non-profit US-collecting society, Society of European Stage Authors and Composers (SESAC), for a rumoured US \$1 billion in January 2017.⁴³ This acquisition was made by Blackstone's Core Equity Partners (BCEP I), which manages US \$4.76 billion in assets. BCEP I is a long-term private equity fund with a focus on investments exceeding ten years.⁴⁴ Besides SESAC, BCEP I has made sixteen other investments, including the purchase of Japanese real estate company GE Capital in 2020⁴⁵ and the producer of marketing materials, HH Global, in 2019.⁴⁶ The limited partners of BCEP I are primarily retirement and pension funds in the US, Canada and Finland.⁴⁷

Hipgnosis Songs Capital and Hipgnosis Song Management Ltd. are controlled by Blackstone Tactical Opportunities Advisors (BTOA), which manages several funds, including the Blackstone Tactical Opportunities Funds I-IV.⁴⁸ The Tactical Opportunities Fund I (Tac Opps I), which administers the Hipgnosis assets, was launched in 2012 with US \$5.6 billion to invest in private investment opportunities outside of traditional private equity.⁴⁹ Tac Opps I has

investors as limited partners, mainly retirement funds such as the New York State Retirement Fund and the Allegheny County Retirement System.⁵⁰ Other investments of Tac Opps I include L'Occitane International, Sustana Fiber, and SUNZ Insurance.⁵¹

Blackstone is also a 9 per cent shareholder of New Mountain Capital, which led a consortium to buy the US collecting society Broadcast Music Incorporated (BMI) for a rumoured US \$1.3 billion in November 2023.⁵² New Mountain Capital focuses on small and mid-sized companies in financial trouble, using a modest amount of debt to restructure and later sell them.⁵³ New Mountain Capital manages US \$29.1 billion in assets from pooled investment vehicles with retirement and pension funds as limited partners.⁵⁴

6.3 Apollo Global Management

Apollo Advisors was founded by four former executives of Drexel Burnham Lambert after its bankruptcy in 1990, raising US \$400 million for a private equity fund specialising in distressed securities.⁵⁵ In 1993, Apollo entered the real estate market with the Apollo Real Estate Investment Fund.⁵⁶ Between 1995 and 2001, Apollo established three more private equity funds with a total of US \$8.8 billion in investor commitments.⁵⁷ Before the 2008 financial crisis, Apollo benefited from the private equity market boom, acquiring several companies in multi-billion-dollar deals such as Momentive Performance Materials for US \$3.8 billion and the Dutch mail and parcel service PostNL for US \$1.9 billion in 2006 as well as Noranda Aluminium for US \$1.15 billion⁵⁸. In 2007, Abu Dhabi Investment Authority bought a 9 per cent stake in Apollo,⁵⁹ foreshadowing a planned IPO in 2008, which ultimately failed due to the international financial crisis. The IPO was postponed to 2011, when Apollo Global Management raised US \$565.4 million at the New York Stock Exchange.⁶⁰ This led to new investments in media and cultural industries, such as the acquisition of McGraw-Hill's education unit⁶¹ and the merger of Apollo's Endemol television studios with 21st Century Fox's Shine Group to form Endemol Shine Group.⁶² From the 2010s onwards, Apollo continued to acquire companies in multi-billion-dollar deals, including Verizon Media Group with Yahoo!⁶³ and insurance giant Athene.⁶⁴

Apollo Global Management's involvement in the music rights market, though modest compared to multi-billion-dollar deals, is significant. In October 2021, Apollo provided US \$1 billion to HarbourView Equity Partners, founded by Sherrese Clarke Soares, to acquire master and publishing rights.⁶⁵ HarbourView has since spent at least US \$500 million on music rights, with its credit line increased to US \$300 million in December 2023.⁶⁶ Apollo also partnered with

Concord in 2022 to issue US \$1.8 billion in asset-backed securities and supported Concord's unsuccessful bid for the Hipgnosis Songs Fund.⁶⁷ Most recently, Apollo co-invested US \$700 million in the music catalogue of the British rock band Queen, which Sony Music purchased for \$1.27 billion in June 2024.⁶⁸

6.4 Kohlberg Kravis Roberts & Co. (KKR)

KKR, founded in 1976 by Jerome Kohlberg Jr., Henry Kravis, and George Roberts, is a prominent private equity firm known for pioneering leveraged buyout deals. It gained fame with its US \$31.3 billion takeover of RJR Nabisco in 1988, a deal detailed in the book "Barbarians at the Gate."⁶⁹ Throughout the 1980s and 1990s, KKR led the private equity market with significant acquisitions, including Beatrice Companies, the owner of Samsonite, and the US \$5.5 billion buyout of Safeway.⁷⁰ Despite a slowdown in the early 1990s, KKR re-entered the market with a US \$5 billion fund in 1996, leading to further buyouts like Amphenol Corporation⁷¹ and Wincor Nixdorf.⁷² In the 2000s, KKR continued its success with major transactions such as Toys "R" Us⁷³ and SunGard,⁷⁴ and its largest pre-crisis deal, the US \$44.4 billion buyout of Texas-based electricity retailer TXU.⁷⁵ After the 2008 financial crisis, KKR resumed its activities and expanded into real estate with the purchase of Yorktown Center in 2012, establishing a new business segment.⁷⁶

In the 2010s, KKR started to invest in the media and cultural industries. In 2019, KKR acquired three television and film production companies in Germany⁷⁷ – Tele München Gruppe, Universum Film GmbH and Wiedemann & Berg Film Production – and a 43.54 per cent stake in the German media conglomerate Axel Springer AG for US \$3.2 billion.⁷⁸ But also outside Germany, KKR was interested in the cultural industries and bought one of the world's largest book publishers, Simon S. Schuster, for US \$1.6 billion in 2023.⁷⁹

KKR began its engagement in the music sector in 2009 with a joint venture with Bertelsmann AG to create BMG Rights Management, in which KKR invested EUR 250 million in return for a 51 per share.⁸⁰ Over the years, BMG acquired numerous music publishers and record labels. However, KKR withdrew from the joint venture in March 2013, and Bertelsmann AG acquired KKR's stake for EUR 300 million.⁸¹ In January 2021, KKR bought a majority stake in the song catalogue of Ryan Tedder, the frontman of OneRepublic, for US \$200 million. This deal included Tedder's songs written for other artists after January 1, 2016, and the songs he has written and performed for OneRepublic.⁸² KKR made this investment through Chord Music Partners, a joint venture with Dundee Partners, using capital from KKR's Dislocation

Opportunities Fund. KKR's Dislocation Opportunities Fund is a distressed debt fund,⁸³ founded in 2019, with US \$2.97 billion AUM. The Dislocation Opportunities Fund has 10 limited partners⁸⁴ mainly foundations, charitable organizations and insurance companies. In October 2021, Chord Music Partners and the Dislocation Opportunities Fund bought the KMR Music Royalties II portfolio from Swedish music publisher Kobalt, which contained 62,000 music copyrights, for US \$1.1 billion.⁸⁵ Shortly after, KKR partnered with BMG again in March 2021 to jointly buy music rights, with each party committing US \$500 million for acquisitions.⁸⁶ In February 2024, KKR sold its majority stake in Chord Music to Universal Group, which holds now a 25.8 per cent stake and Dundee Partners owning the rest of 74.2 per cent.⁸⁷

6.5 The Carlyle Group

The Carlyle Group is a global investment company managing assets worth US \$426 billion.⁸⁸ Founded by five partners in New York City, it initially focused on leveraged buyouts in the defense industry.⁸⁹ Despite the dot-com bubble burst in 2000, Carlyle continued its buyout projects, acquiring companies like Dex Media⁹⁰ and The Hertz Corporation.⁹¹ The 2008 financial crisis led Carlyle to diversify into credit solutions and alternative asset management. Notable acquisitions include Italian clothing company Dainese, cyber security firm ManTech International, and a 50 per cent stake in US clothing brand Supreme.⁹² Carlyle went public in 2012, raising US \$671 million.⁹³

In 2022, Carlyle's Global Credit platform partnered with music industry experts to establish Litmus Music, an investment vehicle for music rights. The Credit Opportunities Fund II (CCOF II), which has deployed US \$2.2 billion in media and entertainment companies, provided US \$500 million for the acquisition of Keith Urban's recording catalogue in 2022 through Litmus.⁹⁴ The CCOF II was established in 2020 as a vintage private equity debt fund with US \$4.6 billion AUM. It invests in the movies, music and entertainment, software, and financial service sectors. The fund has 13 limited partners, mainly insurance companies and retirement plans such as the Allstate Insurance Company from Illinois and the I.A.M. National Pension Fund from Washington D.C.⁹⁵ In 2023, the CCOF II and Litmus bought compositions from Benny Blanco, who wrote hits for Rihanna, The Weeknd, Justin Bieber, Arianna Grande and Maroon 5⁹⁶ as well as the master royalty income stream and publishing rights to Katy Perry's albums released between 2008 and 2020.⁹⁷ In 2024, Carlyle increased the credit facility for Litmus by US \$400 million to acquire Opus Music Group, which owns rights to music catalogues from Juice

WRLD, Ozuna, Maluma, and Rauw Alejandro,⁹⁸ and to buy a share of Randy Newman's music publishing and recording catalogue.⁹⁹

6.6 Brookfield Corporation and Oaktree Capital Management

Brookfield Asset Management, now known as Brookfield Corporation, is one of the world's largest alternative investment companies, based in Toronto, Canada. Founded in 1899, it has evolved significantly over the years. Initially providing electricity and transport infrastructure in Brazil, it was later acquired by Edper Investments and renamed Brascan Ltd.¹⁰⁰ In 2005, it became Brookfield Asset Management Inc., focusing on Brazilian infrastructure projects.¹⁰¹ By 2018, it had diversified into various sectors, including infrastructure, renewable energy, property, and business services. Notably, it acquired Westinghouse Electric Company from bankruptcy in 2018¹⁰² as well as a majority stake in Oaktree Capital Partners in 2019 for US \$4,7 billion,¹⁰³ which has been increased to 72 per cent in 2024.¹⁰⁴ In 2022, Brookfield Corporation spun off a 25 per cent interest in its asset management business, forming Brookfield Asset Management Ltd., which manages US \$916 billion in assets.¹⁰⁵ This includes significant stakes in Oaktree Capital Management and music publisher Primary Wave, which controls the song catalogues of renowned artists like Ray Charles, Bob Marley, and Whitney Houston.¹⁰⁶

6.7 DWS Group

DWS Group is the latest PE company that entered the music rights market in February 2025, when it funded a US \$1 billion joint venture between Cutting Edge Group and Warner Bros. The predecessor of DWS Group was the Deutsche Gesellschaft für Wertpapiersparen, founded in 1956, which was later renamed Die Wertpapier Spezialisten (DWS). It was a joint venture of several German financial institutions led by Deutsche Bank, which held a 30 per cent share. In 2004, DWS was fully acquired by Deutsche Bank, which transformed DWS into a wealth and asset management subsidiary. In 2018, DWS was spun off as a separate company in an IPO on the Frankfurt stock exchange, with Deutsche Bank as the main shareholder, which still holds almost 80 per cent of the shares. With assets under management of EUR 896 billion, DWS is one of the world's largest asset management companies. DWS offers traditional passive investment vehicles such as securities funds and exchange-traded funds (ETFs) but also increased the number of alternative investment opportunities such as investments in real estate, infrastructure, private equity and liquid assets.¹⁰⁷ State and municipal governmental agencies

are the main investors in DWS funds, followed by insurance companies, pension and retirement plans and other investment companies.¹⁰⁸

6.7 Other PE Companies in the Music IPR Market

BlackRock, Blackstone, KKR, Apollo Global Management, Brookfield Asset Management (including Oaktree) and The Carlyle Group are the giants of international asset management and investment that have become active in the past few years in music rights market. For these firms, investing in music rights is a niche activity with a total AUM of well under 1 per cent, primarily for risk and portfolio diversification purposes. The situation is somewhat different for other PE and asset management firms, which have to pursue a niche strategy due to their limited resources. We will show below that music rights investments are much more relevant to the overall offering of these smaller firms in terms of assets under management.

Thus, PE companies such as the US-based Hellman & Friedman (H&F), Francisco Partners, Providence Equity Partners, the Canadian Northleaf Capital Partners and Shamrock Capital Advisors have invested heavily in music rights catalogues.

Hellman & Friedman (H&F) made a significant investment in the music rights market by purchasing Global Music Rights (GMR) for US \$3.3 billion in September 2024, which is a 3.75 per cent share of total AUM.¹⁰⁹ H&F, founded in 1987 by former executives of Lehman Brothers and Solomon Brothers, specializes in leveraged buyouts and growth capital investments, focusing on media, financial, and information services. They have a history of investing in companies like Axel Springer Verlag, Pro7Sat1 Group, Nielsen, Getty Images, and NASDAQ.¹¹⁰ In 2024, H&F managed US \$105 billion in assets, primarily through private equity buyouts with their Capital Partners Funds. The latest fund, the Capital Partners Fund XI, was established in 2023 and has US \$22.3 billion in assets. Major investors include public retirement and pension plans, sovereign wealth funds, and other private equity firms.¹¹¹

Another San Francisco-based PE company that has invested in music rights, is Francisco Partners Management. Francisco Partners had US \$45.0 billion AUM by the end of March 2024.¹¹² Francisco Partners was the lead investor of a consortium, which bought a 90 per cent stake for US \$750 million in the Swedish Kobalt Music Group, consisting of Kobalt Music Publishing and the music collecting society AMRA in September 2022, which accounted for 1.67 per cent of total AUM.¹¹³ Francisco Partners was founded in 1999 by former employees of other PE firms to focus on leveraged buyouts of tech companies in the Silicon Valley.

Another relevant investor in music rights is Providence Equity Partners, which was founded by Jonathan M. Nelson 1989 in Providence, Rhode Island in the US. Providence Equity Partners focuses its investments on media, communications, education, and information technologies.¹¹⁴ In July 2024, Providence Equity Partners had US \$24.6 billion AUM.¹¹⁵ In 2019, Providence partnered with major music company Warner Music Group to form Tempo Music to acquire music publishing as well as recording catalogues. Providence provided US \$650 million in equity and debt and Warner acquired a small minority stake in the joint venture focusing on the administration of the publishing and recorded music assets bought by the fund. In February 2025, Warner Music Group bought a majority stake in Tempo Music for US \$450 million from Providence, which still holds a minority stake.¹¹⁶

Northleaf Capital, a Toronto-based private equity company, has a long history dating back to 1969 when it was founded as TD Capital. Initially part of TD Bank Financial Group, it became an independent entity in 2009. Northleaf focuses on direct investments in infrastructure and small to medium-sized companies in OECD countries. In 2016, it expanded into private credit, offering loans to mid-market companies. By 2023, Northleaf managed US \$25 billion in funds and private credit programs from 275 institutional and individual investors.¹¹⁷

Northleaf's investments in music rights are part of its private credit business, described as niche investments with low correlation to capital market trends. These investments include music royalty streams, financial claims in pending court cases, and factoring deals.¹¹⁸ Northleaf's portfolio includes companies like Cutting Edge Group, Duetti, and Crescendo Royalty Funding. Notable deals include a US \$500 million debt refinancing for Cutting Edge Group,¹¹⁹ a US \$75 million credit facility for Duetti, and a US \$303.8 million asset-backed securities issuance through Crescendo Royalty Funding, backed by music rights from Spirit Music Group.¹²⁰

The London-based Blantyre Capital, which was founded as a PE company in 2016, invested US \$125 million in Cutting Edge Media Music in 2022.¹²¹ Since its inception Blantyre made more than 70 investments worth EUR 2.4 billion in the mid-market with a focus on European countries. Compared to the usual investments, which range from EUR 15 to 100 million, the Cutting Edge investment was exceptional high and accounts for more than 5 per cent of the overall investments since 2016.¹²² Unlike typical leveraged buyouts, Cutting Edge was a traditional M&A deal, with the aim of creating a revenue platform. The latest investments by Blantyre Capital were the leveraged buyouts of the Spanish catering and home food delivery company Ynary Foodtech, the Spanish transportation companies Transrocamar and NKS

Logistics as well as the Maroc-based container transport and logistics company Autransa, which were merged to a new company called EPS Solutions.¹²³

6.8 Case Study 1: Shamrock Capital Advisors

Shamrock Capital Advisors, a private equity company based in Los Angeles, made headlines with the acquisition of Taylor Swift's first six albums from Scooter Braun's Ithaca Holdings in October 2020. The deal, worth a total of US \$405 million, resulted in a significant profit for Scooter Braun.¹²⁴ However, Taylor Swift opposed the sale and planned to re-record all six albums to devalue the original master rights.¹²⁵ On 30 May 2025, Taylor Swift informed her fans in a handwritten letter that she had bought back all the master recordings from Shamrock Capital. She explained that her motives were more emotional than financial: "This was a business deal for them [Shamrock Capital], but I really felt like they saw it for what it was to me: My memories and my sweat and my handwriting and my decades of dreams. I am endlessly thankful."¹²⁶ However, the artist has remained silent about the purchase price. The media is speculating that Taylor Swift had to spend a considerable amount of money to regain control of the master rights. According to estimates by the celebrity gossip magazine Page Six, she paid at least US \$600 million.¹²⁷

Shamrock Capital Advisors is a subsidiary of Shamrock Holdings, founded in 1978 by Roy E. Disney, a nephew of Walt Disney.¹²⁸ The company has a history of notable media acquisitions, including the sale of Blockbuster Entertainment Corporation¹²⁹ and Shamrock Broadcasting
130

In 2010, Shamrock Capital Advisors shifted its focus to the music industry, acquiring a majority interest in INgrooves Music Group, which was later bought back by Universal Music Group.¹³¹ In 2017, Shamrock acquired the remaining interests held by the Disney family and entered the music rights market by acquiring the songwriting catalogue of Stargate, a Norwegian music producer team.¹³² Shamrock also purchased the OM dance label master recordings catalogue and a stake in Eminem's royalty income stream.¹³³

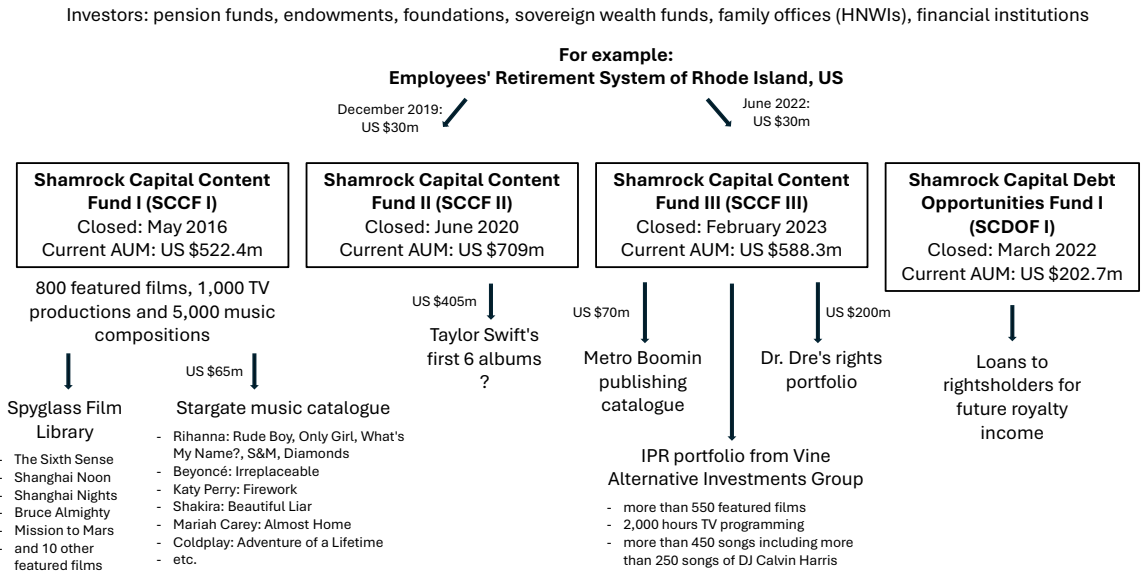
In 2020, Shamrock Capital launched its Content Strategy, focusing on equity and equity-related investments in the global entertainment market. They renamed their Entertainment IP Fund to Shamrock Capital Content Fund I (SCCF I), which had US \$250 million in AUM.¹³⁴ The fund targeted various entertainment IP rights, including filmed entertainment, TV programming, music publishing rights, recorded music masters, and video games. By 2020, SCCF I held interests in over 800 films, 1,000 TV episodes, and 5,000 music compositions.

Shamrock then raised US \$400 million for Content Fund II (SCCF II) to continue investing in entertainment IP rights, attracting a mix of existing and new investors.¹³⁵

In June 2021, Shamrock closed a new funding round for its Growth Fund V (SCGF V), raising US \$1 billion to invest in media, information services, communication, and networking sectors. The limited partners included pension funds, endowments, foundations, family offices, and financial institutions.¹³⁶ A year later, Shamrock launched the Debt Opportunities Fund I (SCDOF I) with US \$196 million, focusing on lending to entertainment IP rightsholders. This fund provided loans to copyright holders, who repaid with interest via future license fees.¹³⁷

Due to strong investor demand, Shamrock launched Content Fund III (SCCF III) in 2022, raising US \$600 million by February 2023. This fund continued the Content Strategy by investing in copyright portfolios across various entertainment forms.¹³⁸ The first investment of SCCF III was the acquisition of 75-90 per cent of Dr. Dre's copyright assets, including royalties from his solo albums and his group N.W.A. The remaining 10 to 25 per cent of Dr. Dre's copyright assets were acquired by Universal Music Group, which also bought the master recording of *The Chronic*, which Death Row Entertainment had to return to Dr. Dre in August 2022 due to US copyright reversionary provisions. The rumoured combined sales price for both shares in Dr. Dre's copyright assets was between US \$200 to 250 million.¹³⁹ In 2023, SCCF III also bought a portion of Metro Boomin's publishing catalogue and acquired a portfolio of film, TV, and music rights from Vine Alternative Investments Group, including more than 150 Songs of the songwriter and music producer DJ Calvin Harris, which Vine bought for US \$105 million in 2020.¹⁴⁰

Figure 3: Shamrock Capital's Content Strategy



A presentation for Shamrock's Capital Content Fund III (SCCF III) from June 2022 outlines the strategy of investing in undervalued entertainment rights, including music, film, TV, games, and sports. The goal is to unlock additional value through active portfolio management, process improvements, and the creation of derivative works. The strategy focuses on content with a long-term revenue-generating profile that is independent of economic cycles and global market fluctuations, aiming for a gross cash return in the mid-teens.¹⁴¹

Shamrock's previous funds, SCCF I and SCCF II, had varying performances. SCCF I, with US \$249.7 million in commitments, achieved a net internal rate of return (IRR) of 17 per cent and a net multiple of invested capital (MOIC) of 1.4x. In contrast, SCCF II, with US \$406.9 million in commitments, performed significantly worse, with a net IRR of just 2 per cent and a net MOIC of 1.0x. The investments for SCCF II might have included Taylor Swift's first six studio albums.¹⁴² SCCF III received total commitments of US \$600 million and invested in a portfolio of film, television, and music rights, including more than 150 songs by Calvin Harris. We can also suspect that SCCF III acquired a share in Metro Boomin's music publishing catalogue and in a rights portfolio of Dr. Dre.¹⁴³

The Employees' Retirement System of Rhode Island (ERSRI) is among the limited partners. In 2020, ERSRI invested US \$20 million in SCCF II and a year later further US \$10 million in a co-investment vehicle called SCCF Co-Invest, which charged no management fees and no carried interest. In 2022, ERSRI committed US \$30 million to the SCCF III. ERSRI's investment strategy includes a diverse portfolio with significant investments in private equity and hedge funds for inflation and volatility protection.

In the report of Rhode Island's General Treasurer for the fiscal year 2022 a net IRR of 0.45 per cent and a net MOIC of 1.0x was reported for the SCCF II. The SCCF II Co-Invest fund performed better with a net IRR of 12.2 per cent and a net MOIC of 1.14x. Nevertheless, the General Treasurer recommended to invest US \$30 million in the SCCF III. As to the merits of the investment, the state's treasurer referred to Shamrock's reputation in the media and entertainment sector, but he also had concerns about the long investment period. However, an exit strategy could be the conversion of the fund into an evergreen vehicle providing long-term yield or the securitization of the fund's assets.¹⁴⁴

Conclusions from Case Study 1

Shamrock Capital Advisors is a good case study to understand the rationale behind the investment boom in music IPR. From the beginning, Shamrock was a private equity company

with a focus on the entertainment sector. In the mid-2010s, the Shamrock decision-makers realized that music rights seemed to be a good investment opportunity. Shamrock assumed to increase the music catalogues' values with active portfolio management and process improvements in the music administration and licensing process.

Shamrock is a typical example of a fund where IP experts make independent decisions on music IP projects and select the music catalogues to be acquired. This in-house decision-making structure is based on many years of experience in the entertainment industry. Other PE and asset management firms have yet to acquire this expertise. A good example of this is Blackstone, which originally used the music IPR company Hipgnosis to make its catalogue acquisition decision because Hipgnosis founder Merck Mercuriadis, as a former music manager, had the relevant expertise and connections in the music industry. However, Blackstone used the knowledge transfer from Hipgnosis to acquire the necessary expertise and to build internal decision-making structures that eventually led to the full acquisition of Hipgnosis. Many other PE and asset management groups have little in-house expertise in the music rights market and therefore use external music IPR companies, such as Apollo Global Management, which funds HarbourView Equity Partners, or KKR, which works with Chord Music Partners. In these cases, it can be assumed that the costly development of internal structures is avoided and that the involvement in the music rights market is temporary. Or perhaps the cooperation with these companies is a kind of test phase, similar to Blackstone, with a view to eventually buying the music IPR companies and integrating them into the internal structures.

However, there is no best practice model for a successful investment strategy. BMG Rights Management had the advantage that, despite the earlier divestment of the label and publishing activities, rights management structures still existed within the company and could be reactivated and expanded. In other cases, PE firms have had to acquire expertise through joint ventures with labels and music publishers (e.g. Apollo Global Management with Sony or Providence Equity Partners with Warner). In addition, there are many other investment strategies whose sustainability can only be assessed in the future.

Investments in music IPR promise stable and predictable revenue streams with low correlation to general economic and market trends. Therefore, they are qualified as hedging instruments in diversified investment portfolios. The main target group of institutional investors for these funds are retirement and pension plans, insurance companies, endowments, foundations, sovereign wealth funds, high net worth individuals (HNWI's) and other financial institutions.

They expect an annual rate of return in the mid-teens as highlighted in the case of Employees' Retirement System of Rhode Island (ERSRI).

The ERSRI case, however, also highlights the risk of entertainment IP investments. ERSRI invested in both, the SCCF I and SCCF II, US \$30 million each, but with a very different rate of return. By the end of May 2022, the SCCF I had a net internal rate of return (IRR) of 12 per cent and a net multiple on invested capital (MOIC) of 1.14x, whereas the SCCF II's net IRR was only 0.45 per cent with a net MOIC of 1.0x. We know that SCCF I includes the Stargate catalogue with hits by Rihanna, Katy Perry and Beyoncé, but we can only speculate on the IP assets in SCCF II.

A risk associated with music IPR catalogues could be the exit strategy. Since PE projects with music IP assets are a new phenomenon, we have only a few examples of successful exits. PE investment projects are long-term joint ventures between a general partner (PE company) and limited partners (investors). In the fundraising period the limited partners do not know, which investments will be made. They are buying a pig in a poke. The following investment period ranges from 3 to 5 years with an optional holding period up to 5 or even 10 years. This is a very long-time horizon and if the expected return is not achieved, an exit is not possible.

When a PE project ends, several exit strategies are possible:

- (1) The PE company can sell the fund if the fund's market value has increased.
- (2) Another option is to offer the fund to investors at the stock market in an IPO.
- (3) The securitization of the fund's assets, e.g. to issue asset-backed securities (ABS) backed by music catalogues.
- (4) The PE fund can be transferred into an evergreen investment fund for the broader public.
- (5) NAV (Net Asset Value) lending, where loans are secured by the value of a private equity fund's investments.
- (6) A transfer of the fund into another fund (fund-to-fund transfer).

All these exit strategies involve a considerable risk, especially if the PE company is smaller with a limited number of investments. Shamrock Capital Partner is, therefore, a good example, since it has "only" US 4.4 billion assets-under-management, of which half is attributable to entertainment IP funds. However, Shamrock's Content Strategy does not only include the classical PE funds (SCCF I-III), but also the Debt Opportunities Fund, which grants loans to entertainment IP rightsholders. Therefore, Shamrock has gained the ability to offer music

rights-holders two ways of cashing in on their rights: (1) a sale of their catalogues and (2) a loan against future earnings.

In the event of a sale of the music catalogue at a higher price, the question of potential buyers naturally arises. In principle, the traditional intermediaries (publishers and labels) are potential buyers, since they not only have an interest in increasing the value of the catalogues, but also in increasing their market share and thus their market power. This in turn would contribute to an even greater concentration of the music publishing and recording market. Other PE firms or their music IPR partner companies could also emerge as buyers if they see further potential for appreciation in the value of the music catalogues, e.g. if they can supplement incomplete bundles of rights with the purchase. Finally, it is conceivable that music streaming services or other rights users might be interested in acquiring rights catalogues to reduce their dependence on traditional rightholders. However, this option seems unlikely as music streaming services will always need to offer the full range of music to remain competitive.

7 The Business Models of Private Equity Companies¹⁴⁵

The private equity business model revolves around leveraged buyouts, where investments are financed with both equity and debt. This approach allows for higher investment volumes and increased returns on investment. Private equity firms typically buy undervalued companies using a mix of their own funds and borrowed money, with the debt structured in a way that prioritizes repayment in case of default. The investors in private equity are mainly institutional investors and high-net-worth individuals who seek higher returns despite the associated risks.

7.1 The 3 Phases of a Private Equity Project: Fundraising, Investment and Exit Phase

The private equity project begins with the fundraising phase, which can take up to five years. During this phase, the Private Equity Group (PEG) creates an investment fund and raises capital from investors, who act as limited partners. The PEG, acting as the general partner, manages the fund and is fully liable, while the investors are only liable up to their contributed capital. The internal relationship is governed by a limited partnership agreement, and the fund is typically set up for ten years, with an option to extend. Investors cannot withdraw their capital during this period, but the PEG must repay their investment with a targeted profit after the period ends.

The fundraising phase also determines the capital structure and distribution rules for potential profits. A common model is the '2 & 20' model, where the PEG receives 2 per cent of the management fees from the committed capital and 20 per cent of the sales profit each year. For example, with a fund volume of US \$1 billion, the PEG receives US \$20 million in management fees annually during the investment phase, which can last up to ten years. If the project is successful, the PEG also receives a carried interest of 20 per cent of the return exceeding a pre-specified hurdle rate as performance incentive (that includes interest on shareholder loan and dividends). Additionally, as a shareholder in the acquired company, the PEG is entitled to annual dividend payments.

During the investment phase, which lasts at least five years, the PEG decides which investment properties to purchase through detailed analysis and due diligence. Once an ideal investment is found, a special purpose vehicle (SPV) is set up to bring in the equity, bank debts, and other funds to purchase the investment target. The management team tries to increase the value of the investment by boosting revenues and/or reducing costs. The internal rate of return (IRR) is used

to measure the return on invested capital and determine when the investment can be exited. The exit phase, which can last several years, involves selling the asset, recapitalizing the investment, or listing the company on the stock market. However, if the anticipated increase in value is not achieved and the company cannot sustain the cost of its debt, it may need to be liquidated, with proceeds distributed based on its capital structure. This would be the worst possible outcome of a private equity project, in which the asset is devalued, and the investors and lenders suffer losses.

7.2 Critical Aspects of Private Equity Projects

This is where the criticism of private equity comes in. Private equity firms prioritize short-term profit over long-term investment value, often leading to cost-cutting measures and job losses. Their main goal is to quickly increase the value of their investments and sell them for a profit, primarily to fulfil promises of high returns to their investors. If the expected increase in value is not achieved, they may liquidate the investment to recover some capital. Additionally, the significant debt financing involved in private equity poses risks, especially when borrowing costs rise, potentially leading to liquidity issues that require rescheduling or liquidation of the investment.

7.3 Alternative Investment Strategies: PE Funds and Royalty Funds

Originally, private equity firms targeted undervalued companies for leveraged buyouts, increasing their value before selling them. However, the 2008 financial crisis led to diversification into areas like real estate, infrastructure, and distressed debt. The basic concept remains the same: acquire properties with a mix of equity and debt, increase their value, and sell at a profit. A significant secondary market for private equity investments has emerged, growing from \$11 billion in 2009 to \$130 billion by 2021, demonstrating the continued popularity of private equity and the hope for above-average returns.

Similarly, investors in 'royalty funds' buy into income streams from licenses, such as oil and gas extraction. These funds, known as royalty income trusts, allow investors to develop new deposits and benefit from untaxed profits at the company level. Intellectual Property (IP) funds are a special type of royalty fund that invests in income from the commercial exploitation of intellectual property, including patent royalties, franchises, trademarks, brands, and entertainment products. This includes music rights, which generate royalty streams that funds and their investors want to participate in.

The representatives of music IPR company A, who have a PE background, explain how the business model works in the context of music IPR rights: "The business model is twofold. One aspect is to acquire IPR using both equity and debt capital and for some PE firms to pay out current cash flow as a dividend to investors each year with a plan to sell the catalogues at some point in the future and then raise another fund to execute the same strategy over again. The second element is to acquire IPR using both debt and equity but with a higher level of debt paying a smaller dividend or not paying a dividend at all and then a plan to sell the entire catalogue in the future. That is followed by raising another fund to repeat the process again. Additionally, there are firms that not only acquired rights but also apply their own playbook to exploit those acquired rights through a combination of synch, administration, product development around artists and promotion of catalogues by investing in biopics or other forms of marketing to increase exposure of the catalogues."

Therefore, it is important to find assets that can withstand thorough due diligence, especially focusing on income generated in the past three years, the representatives of the music IPR company pointed out. In their company, they have a team to license synchronization rights, which has increased income, self-administering the rights and giving investors an advantage. The price paid must be justifiable, as overpaying can lead to poor outcomes for investors, they added. While catalogue assets won't decline to zero, they can become impaired if post-acquisition income does not meet projected levels, both representatives explained.

They also highlighted the process of PE-projects in the music IPR market. Usually, closed end PE funds invest their raised capital over a 3–5-year period. In the following 3-5 years the funds try to enhance the catalogue value, to sell it at a higher price. However, there are also some long-term funds with a longer investment period and a longer hold period which is more consistent with the duration of the IP assets.

The PE companies' aim is to maximise the return of investment for their clients. The two representatives of the music IPR company also highlight the profile of the investors: "We have a mix of investors (...) including pension plans, insurance companies, fund of funds, family offices, high net worth individuals, etc. In our discussions with other funds the investor pool consists of every type of investor demonstrating the appeal of music IP assets. Investors evaluate risk reward and select funds to invest in based on what they believe aligns with their investment strategy. They are all looking to benefit from the highest return available commensurate with the risk profile they are comfortable bearing."

These findings are in line with assumption that the PE companies do not plan to enter the music IPR market long-term but try to benefit from music rights as an undervalued asset class.

8 Music Rights as a New Asset Class

8.1 Music IPR as a Financial Asset – Theoretical Considerations

In principle, the value of any asset can be assessed by a number of more or less interdependent factors. IPR to an extant work of music¹⁴⁶ has the following specific characteristics as a financial asset.

8.1.1 Cash flow and Related Factors

Firstly, music IPR can be marketed to generate a stream of revenues/cash flow to the owner in the shape of royalties and licensing fees.¹⁴⁷ Assuming for simplicity that all revenues arrive at the end of each year and allowing for annual revenues to differ, the discounted current value of a future cash flow (DCF) is:

$$DCF = \frac{CF_1}{(1+r)^1} + \frac{CF_2}{(1+r)^2} + \dots + \frac{CF_n}{(1+r)^n}$$

where:

CF_1 is the cash flow for year one;

CF_2 is the cash flow for year two;

CF_n is the cash flow for the last year before IPRs expire;

r is the discount rate, the disutility associated with the delay in payments for the asset holder.

Assuming that annual revenues do not vary (or vary randomly around the estimate, so that in effect, expected $CF_1 = CF_2 = \dots = CF_n$ but with an inflated r due to greater risk), this amounts to the present value of an annuity, for which the notation is somewhat less cumbersome:

$$DCF = CF \frac{1 - \left[\frac{1}{(1+r)^n} \right]}{r}$$

where: CF is the amount of each annuity payment in some currency; n is the number of years in which payments will occur.

Acquiring and marketing music IPR also entails costs. On the one hand, there are the transaction costs incurred when acquiring music IPR – for instance search costs to identify potential trading partners and bargaining and contracting costs to establish mutually acceptable terms. On the other hand, the cash flow generated by a unit or bundle of music IPR(s) will usually depend on active marketing efforts made by the rightsholder and marketing of music IPR licenses (which

are also a type of transaction costs that occur more continuously).¹⁴⁸ To prepare for a relatively flexible and nuanced analysis, we distinguish between any sunk setting-up costs required to acquire the appropriate capabilities to efficiently market music IPR, the fixed costs of sustaining those capabilities incurred each year (or over any other accounting period), and the variable costs. We make some simplifying assumptions: first, all rightsholders rationally maximise profits by investing in marketing and transaction costs up to the point where marginal revenues are equal to marginal costs; second, annual revenues reliably exceed average costs per year, so that the rightsholder always actively markets the respective music IPR; third, the same discount rate applies for revenues and costs. Furthermore, we assume that fixed costs and variable costs are incurred at the beginning of each year, so that in contrast to revenues, they are discounted as an annuity due.

Then the discounted current value of total costs for a firm acquiring and marketing music IPR are, excluding the purchase price, are:

$$C = TC + SC + (FC + V) \left[\frac{(1 + r)^n - 1}{r} \right] (1 + r)$$

where:

TC are the transaction costs incurred by the buyer when acquiring the music IPR;

SC are the sunk costs incurred for acquiring the optimal level of music IPR marketing capabilities;

FC are the fixed costs of sustaining marketing capabilities each year;

V is the optimal level of variable costs incurred for marketing music IPR.

Then the profits of an investor in music IPR are

$$\Pi = DCF - C - P$$

where P is the price paid for the music IPR.

Extending based on the previous formula's yields:

$$\Pi = CF \frac{1 - \left[\frac{1}{(1 + r)^n} \right]}{r} - TC - SC - (FC + V) \left[\frac{(1 + r)^n - 1}{r} \right] (1 + r) - P$$

This formula is useful to structure the later discussion on how and why various agents may differ in their perceived value of music IPR, which is a prerequisite of trading. The argument is that trading agents differ from each other, for instance regarding perceived cash flows they are

able to generate (CF) at a given level of marketing expenditure, their quality-adjusted setting-up costs at the point of a music IPR deal (SC), their quality-adjusted fixed or variable costs for marketing the music IPR (FC or V), or in the discount rates that apply to them (r). Overall, these differences must be sufficient that the party with a higher perceived value is willing to cover the transaction costs (TC).

8.1.2 Resale Value

Of course, music IPR also has a resale value. In a perfectly competitive market, this resale value would reflect the discounted current (net) value of expected profits minus any sunk transaction costs and setting-up costs experienced by the buyer:

$$P = \Pi - TC - SC$$

Due to considerable uncertainty and risk in markets for music IPR, things are probably more complicated – as the rest of this section will discuss. In any case, the resale value of music IPR may temporarily decline, when relatively many current rightsholders offer sizable music IPR repertoires for sale around the same time and there is a limited population of potential buyers, who experience transaction costs and sunk costs.

(1) Spending power and other characteristics of final goods' users

Aggregate demand for (the various aspects of) music IPR and licenses depends on the spending power of potential customers. Music IPR is probably a normal good or a luxury good in the sense that its market value (prices times licensing "units" sold) is positively correlated and relatively sensitive to changes in music consumers' disposable income. However, demand for music and complementary goods and services is highly concentrated on a minority of end-users, such as fans, collectors, and young adults. The specific user profile of specific musical works may mean that the value of music IPR changes differently from other assets in response to populations' spending power, which may make it interesting for investors, who seek exceptional returns or wish to manage risks across a diversified investment portfolio.

8.1.3 Related Goods and Services

Demand for music IPR is also affected by a considerable number of markets for related goods and services. For instance, there are suppliers of complementary, generic information and communication technologies (ICT), who provide the infrastructure for music to be promoted, disseminated and put to use, but who do not directly establish licensing contracts for music IPR. Then there are suppliers of alternative entertainment goods and services, from movies to video

games, who may compete with music for customers' constrained consumption time and money, but who may also acquire licenses to incorporate music into their creative works.

There are many other license takers, from online music services to broadcasters and social media sites. The revenues and profits generated by marketing music IPR come from various channels, such as sales of physical copies, streaming, radio play, public performance, and synchronization with media like films or commercials). These complement or substitute each other, and rightsholders often seek to employ sophisticated multi-product strategies, including prices below average costs for licenses concerning some goods and services (loss leaders) to foster demand for complementary goods and services, where they charge profitable prices (cash cows). Given the range of related goods and services, many of which are also innovation intensive, it can be hard to predict prospective changes in the value of music IPR, and various agents will differ in the relevant information they have and the predictions they make.¹⁴⁹

8.1.4 Highly Differentiated Goods, Monopolistic Competition, and What PE Companies Tend to Buy

To make matters even more complex, music and thus music IPR are highly differentiated goods. Suppliers of music IPR operate under monopolistic competition; that is based on product characteristics (not just price) in markets, where close substitutes (other music of a similar type) are available. What is more, apparent fads and fashions occur regarding creators as well as entire genres of music. The risk associated with unpredictable revenues from marketing music IPR varies between specific works, as well as subject to creators, genres, and age of the music.

As a rule, the bulk of demand for popular music is concentrated on novelties (works released, for instance, over the last 18 months) and on a small minority of hits. It is difficult to predict with any certainty, which novel musical work will become a hit prior to testing the market. Business models based on organic growth in the music industry – developing new creators and works rather than buying into extant hits and superstars – are very risky. Most works never recoup the fixed and sunk financial costs of creation, and the market value of most of the older works quickly declines.

However, a minority of hit works become "classics" that stay in high demand for longer periods of time. Think of famous works by the Beatles, Bob Dylan, and the like. These works will generate substantial revenues for many years and even decades until copyrights expire. What is more, for such "classics", data for many years will be available, documenting annual revenues as well as the variance of the revenue stream so far. Overall, prospective demand and the market

value of "classics" can be gauged much more precisely than for the bulk of musical works published. Private equity firms and other financial investors in music IPR usually acquire IPR to "classics".

Even among hit works of superstar creators, who have generated several classics, demand will tend to wax and wane over time. Think for instance of "demand" for Michael Jackson's repertoire after a series of negative news reports on his private life, as well as the increased interest and demand for his music after he passed away in 2009.¹⁵⁰ Portfolio diversification – regarding multiple works and works from various creators – can even out more or less random fads and fashions and help generate more reliable, aggregate revenue streams. As a rule, private equity firms or other financial investors in music IPR acquire large bundles of works, to mitigate risk.

8.1.5 Liquidity

The liquidity of music IPR is adversely affected by any transaction costs as well as by sunk costs to evaluate music IPR and to acquire capabilities to efficiently market music IPR. Over recent years, several agents have developed related routines and expertise. Nonetheless, there may only be a small pool of potential buyers, who are willing to buy without a rebate on the purchasing price to compensate for transaction costs and setting-up costs. In this context, it is important that due to competition regulation, major record labels and major publishers, who are most likely to have the required experience and capabilities, are often restricted when it comes to purchasing large additional repertoires of music IPR.

8.1.6 Public Policy and Regulation

Finally, public policy and regulation can affect the value of music IPR, beyond the issue of competition regulation. This may regard national or supra-national copyright policy. For instance, it remains to be clarified in virtually any major economies, to what extent suppliers of commercial generative AI services will in the future require explicit licenses from music IPR holders and/or be liable to compensate music IPR holders when they use music as training data.

By and large, the valuation of music IPR can be similarly conducted as the valuation of most other financial assets. However, due to product differentiation, complex markets with multiple revenue streams and related goods and services, as well as innovation intensity, there is considerable uncertainty, which can make music IPR a relatively challenging asset and diminish its liquidity and market value.

8.2. The Role of the Music Majors

In recent years, there have been significant sales of music catalogues by well-known musicians. For instance, in December 2020, Universal Music Publishing Group bought Bob Dylan's publishing rights for an estimated US \$300 to 400 million.¹⁵¹ Following this, Sony Music Publishing acquired Paul Simon's catalogue for around US \$200 to 250 million in March 2021.¹⁵² Sony also purchased Bob Dylan's music recordings for about US \$150 million in July 2021.¹⁵³

To prevent losing another valuable catalogue, Sony acquired both the publishing and master rights to Bruce Springsteen's songs in December 2021 for US \$550 million.¹⁵⁴ By March 2022, Sony had spent a total of US \$911 million on music catalogue acquisitions,¹⁵⁵ while Universal Music Group spent US \$459 million in 2021 and US \$1.06 billion in the year before.¹⁵⁶ In 2024, Sony made headlines again with acquisitions totalling US \$2.3 billion, including the song catalogue of Queen for US \$1.2 billion,¹⁵⁷ a 50 per cent stake in Michael Jackson's catalogue for US \$600 million,¹⁵⁸ and Pink Floyd's recorded music catalogue for US \$400 million.¹⁵⁹

Warner Music Group has also been active in acquiring music rights, forming Tempo Music Investments with US \$650 million in equity and debt in 2019.¹⁶⁰ Warner bought 300 Entertainment for US \$400 million in 2021¹⁶¹ and David Bowie's song catalogue for US \$250 million in early 2022.¹⁶² Warner also partnered with Influence Media Partners to establish a US \$750 million investment fund in February 2022.¹⁶³ The latest investment of Warner was its acquisition of a majority stake in Tempo Music for rumoured US \$450 million from Providence Equity Partners, which will hold a minority stake in Tempo Music.¹⁶⁴

8.3 The Role of Music IPR Companies

Music catalogues have always attracted investors over the past decades, with billions being spent on entire music publishing companies – think of Sony/ATV's acquisition of EMI Music Publishing in 2012. However, it seems that music rights were economically undervalued for a long time. Hipgnosis, which is analysed in more detail in case study 5, represents a new form of music rights exploitation company that views song catalogues as an asset class and speculative object to generate returns of investment for their clients. The rights exploiter Round Hill (case study 6), which was founded by former hedge fund manager Josh Gruss in 2010, operates in a similar way. Round Hill has set up several music royalty funds in which investors

can invest their capital. For this purpose, not only the rights of individual artists have been acquired, but also entire music publishers, such as Carlin America in 2017.

Other players in the music rights market also operate a business model by acquiring music publishers and music labels. BMG Rights Management, which is described in detail in case study 1, takes a comparatively traditional approach. After BMG had sold its huge music publishing company in 2007 and its label conglomerate a year later and effectively had exited the music market, it made a comeback in 2009 with the help of the US investment company Kohlberg Kravis Roberts & Co (KKR). With fresh capital, numerous music publishers and labels were bought up in the following years, making BMG Rights Management one of the largest independent music rights exploiters. Primary Wave (case study 4), Reservoir Media Management and Concord (case study 3) underwent a similar transformation from a music publisher to a music rights exploiter, buying up not only publishing catalogues but also labels. Reservoir was able to afford the investments not least because of its IPO in 2021, which was made possible by a special purpose acquisition company (SPAC). The latest player in the music IPR market is the Swedish Pophouse Entertainment, which is the firm behind ABBA Voyage, founded by ABBA member Björn Ulvaeus and EQT-founder, Conni Jonsson, in 2014. In 2024, Pophouse bought the song catalogue of glam rock band KISS together with the band's NIL rights (including their face paint designs), US singer-songwriter Cyndi Lauper's master recording revenue and publishing rights, a 75 per cent interest in the masters and publishing catalogue of Swedish EDM-superstar Avicii as well as all master recordings and publishing catalogues of electronic music duo Swedish House Mafia (including their writer's shares). In March 2025, Pophouse Entertainment announced that its Pophouse Fund I raised with co-investment vehicles EUR 1.2 billion to acquire music rights catalogues.¹⁶⁵ This makes Pophouse Europe's largest music-related PE fund. However, Pophouse does not only want to earn revenues from exploiting music rights but use the catalogues to establish virtual live-music experiences modelled after the ABBA Voyage in London.

Therefore, we can distinguish between those IPR companies with a traditional publisher and/or label function and those without. Especially for those companies that have been active in the music industry for decades, which primarily include the music majors but also BMG Rights Management, the label and publishing work is in the foreground. This means that they sign new performers for their labels and composers and songwriters for their publishers. In return, the artists get advances, and royalty shares to participate in the success of the exploitation of their music. New players such as Primary Wave and Reservoir also operate this traditional business

model and sign new artists despite massive catalogue purchases. Both companies, however, have transformed into music rights exploiters through their aggressive expansion policies.

This contrasts with the Hipgnosis Songs Fund and Round Hill, which have clearly positioned themselves as investment funds for music rights and only marginally, if at all, do label and publishing work. They see their main task in exploiting the acquired music catalogues commercially. Music thus is seen as an investment and speculative commodity to yield corresponding returns for investors.

8.3.1 Case study 2: A Former Music Major Re-enters the Market – BMG Rights Management

Bertelsmann Music Group (BMG) initially exited the music business in the early 2000s due to financial struggles and the digital revolution's impact on recorded music sales. After merging with Sony Music Entertainment in 2004 and selling its music publishing catalogue to Universal Music Publishing in 2007,¹⁶⁶ BMG had almost completely left the music industry by 2008. However, in 2009, BMG made a surprising comeback by forming a joint venture with Kohlberg Kravis Roberts & Co (KKR), creating BMG Rights Management. This new entity, backed by significant financial resources, embarked on a series of acquisitions, including Cross Town Roads, Cherry Lane, and Chrysalis Music Ltd., among others, to rebuild its music publishing portfolio.

By 2012, BMG had become the world's fourth-largest music publisher, thanks to its aggressive acquisition strategy and the financial backing of KKR and Bertelsmann AG. The company continued to grow, acquiring Primary Wave's catalogue in 2013 and re-entering the label business by purchasing Mute Records and Sanctuary Records from Universal Music Group. BMG's strategy shifted from being a traditional music company to a music rights company, merging its publishing and label divisions under a single management structure in 2016.¹⁶⁷

Figure 4: BMG's acquisitions from 2009 to 2013

Year	Acquisitions	Acquisition volume
2009	Publishers: Cross Town Roads	not specified
2010	Publishers: Cherry Lane, Pressing Line, Stage Three, Adage IV, Evergreen Copyright, Sur La Route, Editions Louis Chedid, Music Addict Publishing & Editions PRK Music, 50% share of TG Publishing Chrysalis Music Publishing	not specified in each case GBP 107.4m
2011	Publishers: Bug Music	US \$300m
2012	Publishers: Virgin Music Publishing, Virgin Europe, Virgin US, Famous Music UK Labels: Mute Records	US \$90m GBP 7m
2013	Publishers: Joint venture with Primary Wave Music Labels: Sanctuary Records	US \$150m GBP 40m

Source: Annual reports of Bertelsmann AG, 2009-2013

In March 2013, Bertelsmann AG acquired KKR's 51 percent stake in BMG Rights Management, making BMG a fully-fledged division of Bertelsmann AG.¹⁶⁸ Despite KKR's exit, BMG continued to expand by purchasing further publishing and label catalogues, including the US \$97 million purchase of Broken Bow Records Music Group in 2017 and entering the Chinese market through a cooperation with Giant Jump in 2014.¹⁶⁹ BMG also diversified its business by taking a majority stake in the German music promoter Undercover in 2020¹⁷⁰ and purchasing concert agency KARO a year later.¹⁷¹ Additionally, BMG developed a production music segment and founded BMG Production Music in 2017 to integrate all acquisitions in this segment with the company's own production activities.¹⁷²

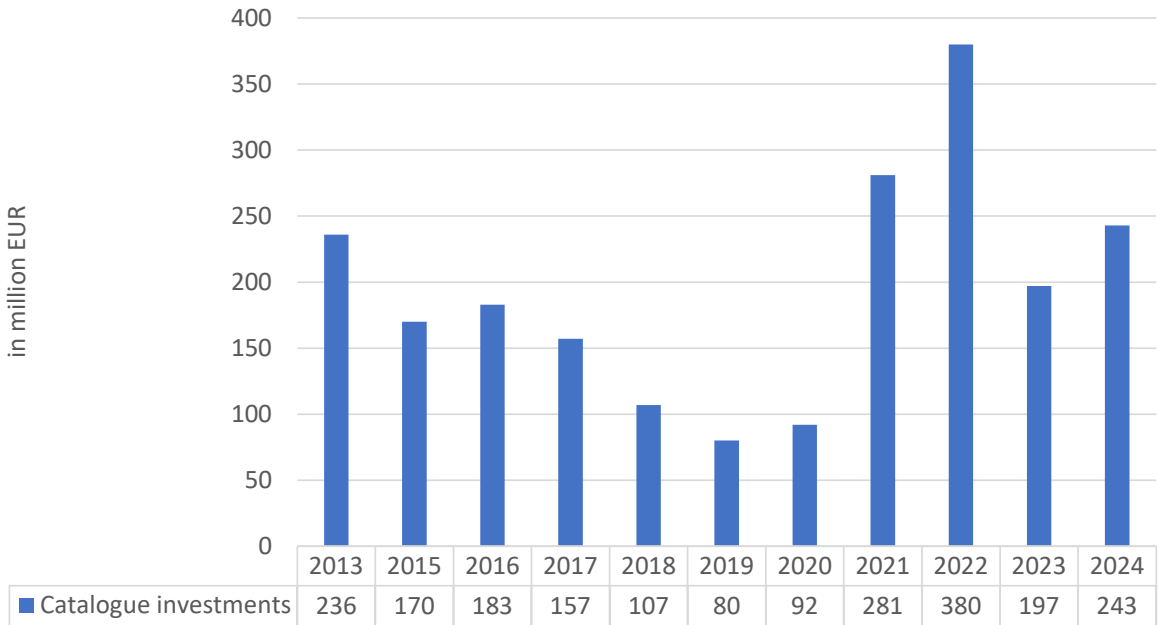
Figure 5: BMG's acquisitions from 2014 to 2022

Year	Acquisitions	Acquisition volume
2014	<p>Publishers: Talpa Music, Montana, Union Square Music, Primary Wave Music (Joint Venture)</p> <p>Labels: Skint Records, Loaded Records, Vagrant Records, Infectious Music</p> <p>Production music: Music Beyond, X-Ray Dog</p> <p>Artist catalogues: Hal David catalogue</p>	not available
2015	<p>Publishers: Minder Music</p> <p>Labels: Rise Records, S-Curve Records, Atmosphériques</p> <p>Publisher & label: Verse Music Group</p> <p>Artist catalogues: Buddy Holly catalogue</p>	EUR 170m
2016	<p>Publishers: The Nova Music, Lyrics & Music ARC Music (majority share),</p> <p>Labels: The End Records, RAM Records (share)</p> <p>Publisher & label: Alberts Music</p> <p>Production music: Altitude Music, Beds & Beats, Must Save Jane</p> <p>Artist catalogues: Roger Waters Pink Floyd catalogue, The Living End-catalogue, Wolfmother catalogue, Loulou Gasté catalogue</p>	EUR 183m
2017	<p>Labels: Trojan Records</p> <p>Label & publisher: BBR Music Group</p> <p>Production music: Immediate Music, AXS Music</p>	EUR 157m
2018	<p>Labels: World Circuit Records, RBC Records, Best Sound</p> <p>Production music: Deep East Music, Tele Music, Big Bang & Fuzz</p> <p>Artist catalogues, Keith Richard solo catalogue, Ringo Starr catalogue</p>	EUR 107m
2020	<p>Labels: Cheyenne Records</p> <p>Production music: Dynamic Music</p> <p>Concert agency: Undercover (majority share)</p>	EUR 92m
2021	<p>Concert agency: KARO Konzert-Agentur Rothenburg</p> <p>Artist catalogues: ZZ Top catalogue (with KKR), Mötley Crüe master catalogue, Tina Turner catalogue, Mick Fleetwood master catalogue</p>	EUR 281m
2022	<p>Label: Telamo</p> <p>Artist catalogues: John Legend catalogue (with KKR), Simple Minds catalogue, Primal Scream catalogue, John Lee Hooker catalogue, Jean Michel Jarre publishing catalogue, Harry Nilsson song catalogue, Fools Garden master catalogue, Haddaway's Eurodance master catalogue, Peter Frampton catalogue, Chris Rea catalogue</p>	EUR 380m

Source: Annual reports of Bertelsmann AG, 2014-2022 and BMG press releases for the period

BMG's acquisition activity has slowed down in recent years, but in March 2021, they partnered again with KKR to jointly buy music rights.¹⁷³ This partnership led to significant acquisitions, including Ryan Tedder's publishing rights for US \$200 million by KKR¹⁷⁴ and the entire music interests of ZZ Top for US \$50 million by BMG.¹⁷⁵ BMG also acquired rights from Tina Turner, Mötley Crüe, and John Lee Hooker, among others. In 2022, BMG and KKR continued their spree by acquiring John Legend's songwriting catalogue¹⁷⁶ and the largest German Schlager label Telamo, with a total investment volume of EUR 389 million.¹⁷⁷ In 2023, BMG's music catalogue acquisitions decreased to EUR 197 million, but jumped to EUR 243 million a year later and reached a record high of EUR 243 million in 2024.¹⁷⁸

Figure 6: BMG's music catalogue investments, 2013 to 2024



Source: Annual reports of Bertelsmann AG, 2013-2024

Conclusions from Case Study 2

The development of revenues and profits impressively reflects the increasing economic relevance of rights exploitation in the music streaming age, which is also reflected in BMG's strategic orientation as a music rights company. BMG is not a traditional recording company with a publishing arm, but a music licensing agency that signs new performers as well as songwriters and focuses on the exploitation of music rights catalogues. BMG Rights Management is therefore a good example of the convergence process in the music industry, in which not only label and publishing activities are integrated, but also the live music business, as evidenced by the acquisition of a majority stake in Undercover, the purchase of the KARO concert agency and the long-term rental of the Theater des Westens in Berlin. BMG has thus

become an integrated music rights company that offers numerous services for its signed artists and, above all, monetises their rights. Beyond that, it has also entered the German music event business and therefore combines publishing, recording and live music activities.

8.3.2 Case study 3: From a Small Jazz Label to a Music Rights Conglomerate – Concord

The new business model of licensing music catalogues to booming music streaming services has led to a surge in the music rights market. Small music publishers and labels, like Concord Bicycle Music, have capitalized on this trend. Concord, originally a small jazz label founded in 1973, grew significantly through strategic acquisitions, including Fantasy Inc. and Telarc, forming the Concord Music Group.¹⁷⁹

In 2008, Concord Music Group merged with Village Roadshow Pictures Group, but the synergies between music and film businesses were not realized. In 2013, an investment consortium led by Wood Creek Capital Management acquired Concord,¹⁸⁰ enabling further acquisitions such as Vee-Jay Records and Sugar Hill Records. The merger with The Bicycle Music Company in 2015 formed Concord Bicycle Music,¹⁸¹ which continued its acquisition spree, including the purchase of Iagem Music Group in 2017.¹⁸²

A significant milestone was reached when Michigan Retirement Systems acquired a 93 per cent stake in Concord Bicycle Music for US \$1.1 billion to rename it to Concord again.¹⁸³ This investment allowed Concord to participate in the music rights buying boom, acquiring Victory Records,¹⁸⁴ Sikorski Musikverlag,¹⁸⁵ and the Imagine Dragons back catalogue.¹⁸⁶ In 2021, Concord bought a catalogue of 145,000 copyrights from Downtown Music Holdings for US \$400 million.

Concord's growth continued with the acquisition of the publishing and master catalogues of Tony Banks, Phil Collins, and Mike Rutherford in 2022.¹⁸⁷ In December 2022, Concord, in cooperation with Apollo Global Management, issued asset-backed securities worth US \$1.8 billion, backed by over 1 million copyrights.¹⁸⁸ In 2023, Concord bought Round Hill Music Royalty Fund Ltd for US \$469 million.¹⁸⁹

The most spectacular move came in 2024 when Concord made a US \$1.4 billion takeover bid for the Hipgnosis Songs Fund. However, Blackstone countered with a higher offer, leading to a bidding war. Ultimately, Blackstone became the sole owner of the Hipgnosis Songs Fund.¹⁹⁰ This series of strategic acquisitions and investments has positioned Concord as a major player in the music rights market.

Conclusions from Case Study 3

The evolution of Concord exemplifies the transformative power of strategic acquisitions and investments in the music industry. From its humble beginnings as a small jazz label, Concord has grown into a multi-billion-dollar music rights exploitation company. This growth was fuelled by a series of strategic acquisitions, including the purchase of prestigious labels and music catalogues, which significantly expanded its portfolio. The involvement of investment firms like Wood Creek Capital and institutional investors such as Michigan Retirement Systems provided the necessary financial backing to support Concord's aggressive expansion strategy. This allowed Concord to capitalize on the booming music rights market and establish itself as a major player in the industry.

The company's success is also a testament to its ability to adapt and innovate in a rapidly changing industry. By merging with other companies, acquiring valuable music catalogues, and securing substantial investments, Concord has managed to stay ahead of the competition. The issue of asset-backed securities worth US \$1.8 billion in collaboration with Apollo Global Management further highlights Concord's innovative approach to financing its growth. Despite facing challenges such as competition from other major players like Blackstone, Concord's strategic decisions have positioned it for continued success in the future. The company's journey underscores the importance of adaptability, strategic investments, and financial backing in achieving long-term growth and success in the music industry.

8.3.3 Case study 4: A New Type of Music Publisher – Primary Wave

Primary Wave, a music publisher founded in 2006 by Larry Mestel, focuses on acquiring the artist shares of publishing and master rights to monetize their use in TV, film, and advertising. Their first major deal was with Courtney Love, acquiring a 50 per cent share of Kurt Cobain's song catalogue for US \$50 million.¹⁹¹ They also bought shares in John Lennon's songs and Lamont Dozier's writer's share of 200 songs, among others.¹⁹²

By October 2007, Primary Wave had spent \$150 million on music rights, supported by Credit Suisse and Plainfield Asset Management. However, Plainfield faced economic difficulties during the 2008 financial crisis, leading to its liquidation in 2012.¹⁹³ Primary Wave then partnered with SunTrust Bank and Credit Suisse, securing US \$125 million over seven years.¹⁹⁴

After selling two-thirds of its music rights catalogue for US \$150m to BMG,¹⁹⁵ Primary Wave diversified into the TV and film business by purchasing the artist management company

Evolution Management in 2014.¹⁹⁶ It merged Evolution Management with its own talent management division, which was expanded by the Intellectual Artists Management agency that was acquired a year later.¹⁹⁷ Since then, Primary Wave has consisted of the two company divisions "Primary Wave Music Publishing" and "Primary Wave Entertainment".

Primary Wave returned to the music publishing business in 2016, acquiring Steve Cropper's publishing catalogue.¹⁹⁸ They made headlines with a US \$300 million deal with BlackRock Alternative Investors, spending US \$22 million on Smokey Robinson's writer's share and his NIL rights.¹⁹⁹ In 2018, Primary Wave acquired 80 per cent of the Bob Marley Songbook and Blue Mountain Music publishing catalogues for US \$50 million.²⁰⁰

By 2019, they raised US \$500 million for a second round of investment.²⁰¹ In a US \$7 million deal Primary Wave bought in May 2019 a 50 per cent stake in the Whitney Houston Estate's assets, which includes – music and film royalties, merchandising rights and rights to her name and likeness.²⁰² Primary Wave also purchased a stake in the publishing and master recording income stream of the British band "Culture Club"²⁰³ as well as a minority equity interest in the New York branding agency Premier Music Group.²⁰⁴ This was followed by the purchase of a share in the music publishing catalogue of ex-"Red Hot Chili Peppers" member Dave Navarro and his income streams from songwriting and master rights,²⁰⁵ as well as the acquisition of the publishing catalogue of music producer Bob Ezrin, who has written songs for Pink Floyd and KISS, among others.²⁰⁶

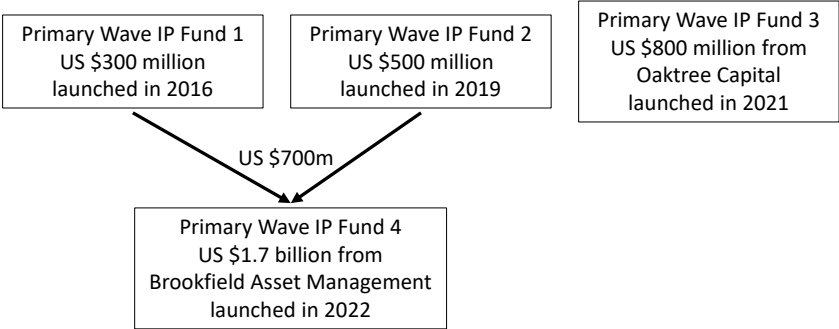
In 2020, Primary Wave continued acquiring music rights, including a 50 per cent stake in Burt Bacharach's marketing company and a majority share in Ray Charles' pre-1964 publishing catalogue.²⁰⁷ In January 2021, Primary Wave purchased for US \$30 million the legendary rock 'n' roll label Sun Records, where Elvis Presley launched his career before moving to RCA Victor taking all recordings with him. However, historically important recordings by Johnny Cash, Jerry Lee Lewis, Carl Perkins and Roy Orbison remained in Sun's master catalogue, which was acquired by Primary Wave together with the music publishing catalogue and the Sun Records logo.²⁰⁸

As a result of these massive catalogue acquisitions, Primary Wave needed further capital for its expansion in June 2021, which was provided by Oaktree Capital Management in the amount of US \$375 million. In return, the US investment company took a minority stake in Primary Wave.²⁰⁹ In October 2021, Primary Wave in a US \$50 million deal acquired a stake in HLC Properties Ltd, which manages Bing Crosby's legacy. Primary Wave thus participates in income

streams from the exploitation of the artist's share in the master rights, the writer's share of Crosby's compositions and the rights to the film "White Christmas" and other radio, TV and film productions in which the artist participated.²¹⁰

In October 2022, Primary Wave made again headlines by announcing a strategic partnership with Brookfield Asset Management,²¹¹ which agreed to buy a minority stake in the music publishing company and to provide additional US \$1.7 billion to a new fund to buy music rights. As part of the deal, the new Brookfield fund bought rights worth of US \$700 million from Primary Wave's IP Fund 1 and 2 to pay out investors, e.g. BlackRock Alternative Investments. It was also announced that one of the world's largest entertainment and sports agency, the Creative Artists Agency (CAA), planned to become a minority shareholder in Primary Wave.²¹²

Figure 7: Primary Wave's music rights investment vehicles



Source: After Music Business Worldwide, "[Music catalog acquisitions cooling down? Not at Primary Wave: 'We've never been busier.'](#)", October 12, 2022, accessed: 2024-12-18.

In November 2022, Primary Wave in a deal worth between US \$50 million and 100 million bought 60 songs written by Shannon Rubicam and George Merrill, including several hits performed by Whitney Houston.²¹³ In January 2023, Primary Waves' IP Fund 4 purchased the music publishing and master rights of the "Doors" band members Robby Krieger and Ray Manzarek, along with associated trademarks and merchandise rights.²¹⁴ In February 2022, Primary Wave struck a deal with singer/songwriter and music producer Stevie Van Zandt, a long-time collaborator of Bruce Springsteen, in order to manage the artist's music publishing and recorded music catalogues, as well as a portion of his name and likeness rights.²¹⁵ The latest acquisitions so far are the purchase of artist royalty streams of the "Lynyrd Skynyrd" co-founder and drummer Bob Burns²¹⁶ and the acquisition of a stake in the Canadian singer/songwriter Sarah McLachlan's music publishing and recorded music catalogue.²¹⁷

Conclusions from Case Study 4

The evolution of Primary Wave from a traditional music publisher to a diversified entertainment company highlights its strategic acquisitions and partnerships. Initially focusing on acquiring artist shares and master rights, Primary Wave expanded its portfolio by purchasing significant stakes in the catalogues of renowned artists like Kurt Cobain, John Lennon, and Maurice White. This approach allowed the company to monetize these assets through synchronization rights in TV, film, and advertising, establishing a strong foothold in the music publishing industry.

However, the financial crisis of 2008 posed significant challenges for Primary Wave, as its co-owner Plainfield faced economic difficulties, leading to the liquidation of the company in 2012. Despite these setbacks, Primary Wave managed to secure new financial backing from SunTrust Bank and Credit Suisse, enabling it to continue its acquisition spree. The company's diversification into the TV and film business through the acquisition of Evolution Management further solidified its position in the entertainment industry.

In recent years, Primary Wave has continued to grow its influence by forming strategic partnerships with major investment funds like Oaktree Capital Management and Brookfield Asset Management. These partnerships have provided the necessary capital for further acquisitions, including stakes in the catalogues of iconic artists such as Prince, Stevie Nicks, and Bob Dylan. As a result, Primary Wave now administers music rights worth billions of dollars, positioning itself as a major player in the global music and entertainment market.

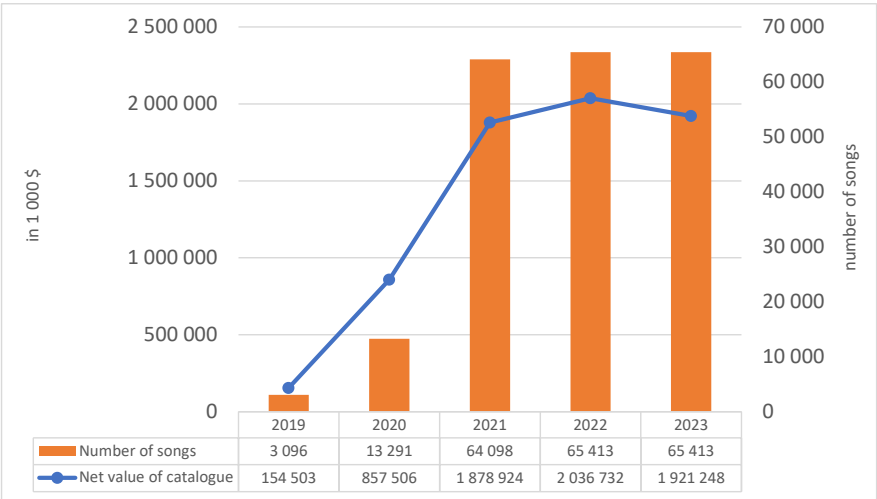
8.3.4 Case study 5: The Hipgnosis Conglomerate

Hipgnosis was founded by veteran music manager Merck Mercuriadis, who has managed artists like Beyoncé, Elton John, and Iron Maiden. The company acquired music rights catalogues and monetized them through various uses. Hipgnosis Song Management Ltd, originally founded as Family (Music) Ltd, selected the catalogues to be acquired, with Mercuriadis acting as an investment advisor on the board.²¹⁸

In 2018, Hipgnosis Songs Fund Ltd floated on the London Stock Exchange, raising GBP 202 million.²¹⁹ This allowed them to acquire music rights, including 75 per cent of Terius Y. Nash's catalogue for US \$23.3 million.²²⁰ By the end of the first financial year, Hipgnosis had bought 2,794 songs from twelve songwriters,²²¹ increasing the total value of acquired music

catalogues to US \$156.4 million.²²² In the following financial year, Hipgnosis raised an additional GBP 423.6 million and acquired further music catalogues, including those of the Chainsmokers, Timbaland, and Mark Ronson.²²³ They spent GBP 560 million on around 10,000 songs, bringing the total value of rights acquired to GBP 680 million.²²⁴ In 2020-21, Hipgnosis acquired 84 catalogues with 50,807 songs for US \$1.1 billion,²²⁵ including a 50 per cent share of Neil Young's publishing catalogue²²⁶ and Shakira's 145-song publishing catalogue.²²⁷ The largest acquisition was 33,000 songs from Kobalt Music Copyrights for US \$322.9 million.²²⁸ The package also included the 25,339 songs of the Nettwerk Music Group,²²⁹ which sold its publishing catalogue to Kobalt in 2016.²³⁰

Figure 8: Net book value of Hipgnosis Songs Fund's music catalogue, 2019-20 to 2022-23



Source: After Annual reports of Hipgnosis Songs Fund Ltd 2019-23

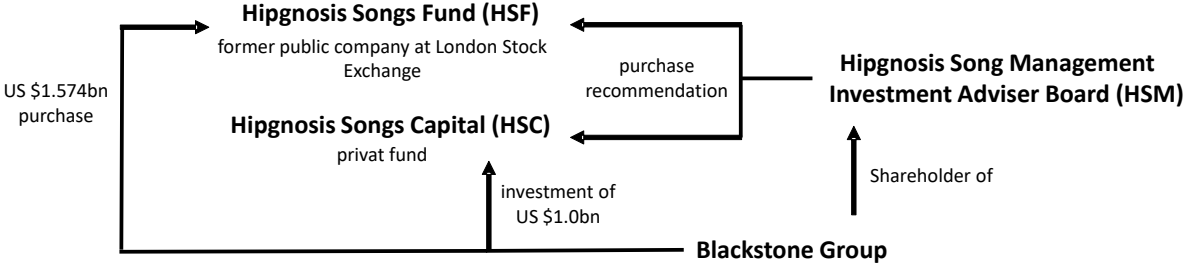
These acquisitions were financed by further share capital issues and a US \$600 million credit facility.²³¹ The value of the entire music catalogue increased by US \$1.09 billion to a total of US \$1.97 billion in the 2020-21 financial year.²³² In the 2021-22 financial year, Hipgnosis purchased fewer additional catalogues, increasing the total catalogue by only 1,315 songs.²³³ The Blackstone Group acquired a stake in Hipgnosis Song Management Ltd and made US \$1 billion available for further song rights purchases. Despite suspending acquisitions, the catalogue value increased by US \$140 million.²³⁴

Due to rising interest rates, the Hipgnosis Songs Fund 2023 was struggling with economic difficulties and announced to its shareholders in September that it would sell a total of 29 song catalogues – including those of Barry Manilow, Shakira, LA Reid and the Kaiser Chiefs – to the Blackstone-financed Hipgnosis Songs Capital Fund for US \$440 million. In an internal email to his employees, Hipgnosis mastermind Merck Mercuriadis justified the sale with the

current poor macroeconomic environment and explained that US \$250 million could be used to partially repay the increasingly expensive revolving credit facility and US \$180 million for share buybacks.²³⁵ However, attendees at the shareholders' meeting on 26 October 2023 rejected this proposal by a large majority and appointed a new board to either completely restructure or dissolve the listed company within six months.²³⁶ Instead of Mercuriadis's original plan, it was announced in December 2023 that Hipgnosis had sold 20,000 selected songs to an undisclosed buyer for US \$23.1 million.²³⁷

When Concord tried to take the Hipgnosis Songs Fund private with a US\$1.4 billion takeover bid to shareholders, Blackstone stepped in by outbidding Concord with an offer of US \$1.57 billion, or \$1.30 per share to the shareholders. This means that Blackstone, one of the world's largest private equity groups, is now the owner of two huge music catalogues parked in different funds.

Figure 9: The Hipgnosis conglomerate in 2024



Hipgnosis Songs Capital has been on a shopping spree for some time. In March 2022, the Blackstone fund purchased the author's share of Leonard Cohen's Stranger Music catalogue (127 songs, including 'Hallelujah') as well as all publishing and author rights to a further 151 musical works by the artist from his heirs,²³⁸ having already acquired 80 per cent of the master rights to the recordings of US country music star Kenny Chesney in January 2022.²³⁹ This was followed in May 2022 by the purchase of all publishing and author rights to Justin Timberlake's songs from both his time as a member of the boy band *NSYNC and his subsequent solo career in a rumoured US \$100 million deal.²⁴⁰

Hipgnosis Songs Capital pulled off its biggest coup to date when it bought all publishing rights, including the author's share of 290 songs, from Justin Bieber for US \$200 million in January 2023.²⁴¹ In addition to other music rights acquisitions, Hipgnosis Song Management 2023 also bought the virtual music marketplace Beatclub from US rapper Timbaland on behalf of the Blackstone Fund.²⁴²

With Blackstone now owning both the Hipgnosis Songs Fund (HSF) and Hipgnosis Songs Capital (HSC), it is understandable that the two funds were placed under joint management. And when Hipgnosis founder Merck Mercuriadis stepped down as chairman of the board of Hipgnosis Song Management at the beginning of July 2024, control of that company also passed to Blackstone.²⁴³ The two investment funds and Hipgnosis Song Management, which advises the funds on their catalogue purchases, are now under the unified control of Ben Katovsky, who represents Blackstone.²⁴⁴ With the integration of the Hipgnosis conglomerate into the structures of one of the world's largest financial groups, the Hipgnosis brand disappeared and was replaced by Recognition Music Group.²⁴⁵

Conclusions from Case Study 5

1. **Hipgnosis's Business Model:** Hipgnosis has successfully established itself as a major player in the music rights industry by acquiring and monetizing music catalogues. Their strategy focuses on acquiring undervalued songs and increasing revenues through various exploitation methods.
2. **Significant Acquisitions:** Over the years, Hipgnosis has made several high-profile acquisitions, including catalogues from artists like The-Dream, Neil Young, Shakira, and Justin Bieber. These acquisitions have significantly increased the value of their music catalogues.
3. **Financial Growth:** Hipgnosis has raised substantial capital through various means, including an IPO, preference shares, and credit facilities. This financial backing has enabled them to make large-scale acquisitions and grow their catalogue value to billions of dollars.
4. **Challenges and Changes:** Despite their growth, Hipgnosis has faced economic difficulties due to rising interest rates and a challenging macroeconomic environment. This has led to the sale of some catalogues and a restructuring of the company under the direction of the Blackstone Group.

Future outlook: With Blackstone's involvement, Hipgnosis is now under unified control, and the brand may soon undergo significant changes. The integration into Blackstone's structure suggests a potential shift in strategy and operations.

8.3.5 Case study 6: Music Royalty Funds – Round Hill Music

In 2010, former hedge fund manager Josh Gruss founded Round Hill Music in New York City with Neil Gillis and Richard Rowe.²⁴⁶ Their goal was to acquire and commercially exploit music copyrights. Over the past decade, Round Hill Music has become a major player in the music rights market, raising hundreds of millions of dollars through investment funds to acquire music rights.

Round Hill's first acquisition was the publishing house ADAGE V in January 2011, which owned song rights of artists like Wilson Pickett and Tina Turner.²⁴⁷ They continued to acquire various music catalogues, including those of Gerald Marks,²⁴⁸ Charlie Midnight, and Andreas Carlsson.²⁴⁹

Round Hill entered the music rights investment business with the establishment of the Music Royalty Fund I, in which private and institutional investors could invest in music rights catalogues. The fund successfully collected US\$ 200 million.²⁵⁰ At the end of 2011, the fund acquired the GIL Music and George Pincus & Sons catalogues, which also include the North American rights to six early Beatles songs.²⁵¹ In 2016, they made a significant acquisition by buying into the publishing catalogue of songwriter Dallas Davidson, known for his Billboard Number 1 hits for country acts.²⁵²

Figure 10: Catalogue acquisitions by Round Hill Music, 2012 to 2016

Purchase date	catalogue
2012-09-18	Arthouse Entertainment
2012-12-03	Song "When A Man Loves A Woman" by Calvin Lewis
2012-12-19	Publishing catalogue from Spacehog frontman Royston Langdon
2012-12-30	Publishing catalogue from songwriter Marti Frederiksen
2012-12-31	Publishing catalogue from musician and songwriter Jimmie Bones
2014-01-15	Big Tractor
2014-04-21	Band-related publishing rights from TESLA
2014-11-10	Big Loud Shirt Industries
2016-03-03	Publishing royalty share in songs of Bob DiPiero in the Love Monkey Music catalogue
2016-06-02	Joint venture with Big Yellow Dog Music to exploit the pre-2014 publishing rights of Josh Kear songs
2016-10-21	Share in the publishing catalogue of songwriter Dallas Davidson

Source: [Press releases from Round Hill Music](#), 2011-2016 (accessed: 2024-12-19.)

Round Hill became a significant player in the music rights business in 2017 by acquiring Carlin America for US \$250 million, expanding its publishing catalogue by over 100,000 copyrights, including songs by Elvis Presley, AC/DC, and others. They also entered the master rights business by acquiring the recording catalogue of the Canadian rock band Triumph and some master rights of the band TESLA. Additionally, they acquired Zync Music, a company that licenses music for TV, cinema, commercials, trailers, and games.

These investments were partly financed by the Music Royalty Fund I, which was exhausted by the end of 2017. Round Hill launched a second fund in December 2017, raising US \$263 million in additional venture capital. This fresh capital allowed them to re-finance earlier investments and make new acquisitions, including the publishing catalogue of country & western songwriter Ashley Gorley and the song catalogue of singer/songwriter Ronnie James Dio. In August 2018, they also acquired the publishing catalogue of singer/songwriter Eric Carmen.

In autumn 2020, Round Hill announced its intention to float on the London Stock Exchange with the Round Hill Music Royalty Fund Ltd. The IPO aimed to raise capital for the buyback of rights from the Music Royalty Fund I. However, the IPO fell short of the target value, raising only US \$282 million. Despite additional shares placed in December, a financing gap remained. Round Hill founder and CEO, Josh Gruss, subscribed for 10 million shares and bought additional ordinary shares, but it was still necessary to issue preference shares in July 2021.

Round Hill launched a third private investment fund, Music Royalty Fund III, at the end of 2020, raising US \$291 million. With these funds, they were able to buy back the music rights catalogue of Music Royalty Fund I, excluding shares of Carlin America. They acquired a 29.14 per cent share in Carlin America in April 2021, while the majority share remained in Music Royalty Fund II. Round Hill also acquired a share in the publishing catalogue of YES guitarist Trevor Rabin and master rights to recordings by various artists, expanding their portfolio to 48 music catalogues with 122,000 songs. In 2023, however, Concord bought Round Hill Music Royalty Fund Ltd for US \$469 million and took the company private.²⁵³

Figure 11: Round Hill Music fund capital for the acquisition of music rights, 2012 to 2020

Year	Investment funds	Investment capital in US \$
2012	Round Hill Music Royalty Fund I	202.0 Mio.
2017	Round Hill Music Royalty Fund II	263.0 Mio.
2020	Round Hill Music Royalty Fund III	291.0 Mio.
2020	Round Hill Music Royalty Fund Ltd. (two share issues on the London Stock Exchange)	328.6 Mio.
Total		1,084.6 Mio.

Conclusions from Case Study 6

Round Hill Music has transformed music into an investable asset, aiming for predictable cash flow through proven music catalogues. Founder and CEO Josh Gruss emphasizes that only a small portion of their funds is allocated to new artist development, ensuring limited risk for investors. The company's strategy of spending no more than 5 per cent of available capital on A&R sets it apart from traditional music publishers, focusing more on investment returns rather than discovering new talent. This approach was evident during the IPO of Round Hill Music Royalty Fund Ltd, which aimed to buy back its music catalogue to repay investors. However, the IPO raised less than expected, resulting in a financial gap that had to be filled through preference shares and credit lines. Despite its success in raising capital over the past decade, Round Hill's rocky IPO highlights the challenges of securing investor capital in times of crisis. Nevertheless, Round Hill successfully sold Music Royalty Fund Ltd to Concord.

8.4 Findings from Case Studies 2-6

8.4.1 Which Rights Are Purchased?

The case studies highlight the broad range of music rights, which have been bought by music IPR companies or even directly by private equity funds. The spectrum ranges from the purchase of entire record label and music publisher firms to royalty payments from collecting societies for artists and to the so-called NIL-rights (name, image, likeness). Basically, a distinction must be made between publishing rights and master rights. The traditional way to gain control over these rights was to buy up music publishers and labels. This approach can also be found in the current wave of rights acquisitions such as the BMG's acquisition of several music publishers

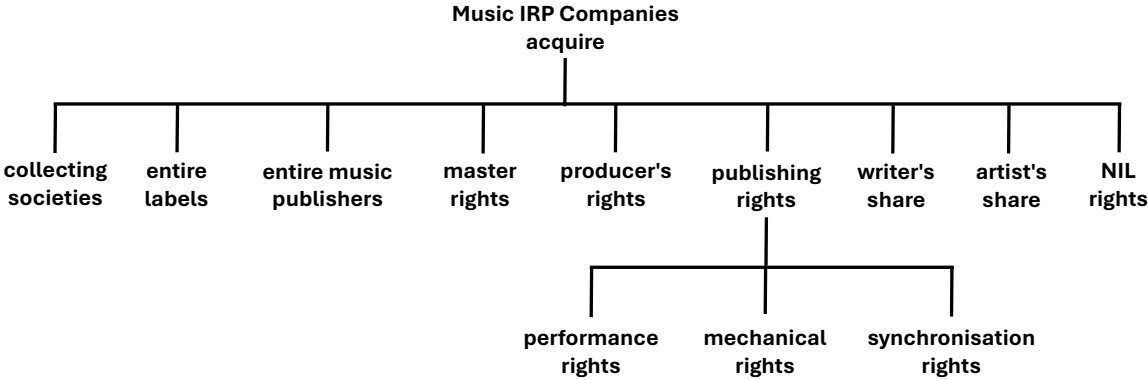
(e.g. Cherry Lane, Bug Music, Virgin Music Publishing) and labels (e.g. Mute Records, Sanctuary Records) or Round Hill's purchase of Carlin America. In this way, many music rights can be acquired at once, although, and this is the disadvantage, the purchase price can be very high. In addition, the investor takes over the activities of the acquired company and acts like a classical music publisher or music label.

Therefore, the new players in the music rights market have switched to acquiring the rights directly from the artists. This presupposes that the songwriters, producers and performers control their rights by themselves and have not exclusively licensed them to publishers or labels. In this case, authors and composers can freely dispose of their rights and even sell them in the USA. There are no limits to the imagination. A songwriter can license or sell 100 per cent of her copyrights or only a certain share and in extreme cases even only one song. Since copyright consists of a bundle of rights, third parties can also exploit individual rights selectively if artists sell only the mechanical rights to a musical work or only the synchronisation rights to a song or recording.

However, songwriters are usually signed to a music publisher for the exploitation of their musical works and performers are usually exclusively bound to a phonographic company by means of a label contract. In return, they receive royalties from the exploitation. Nevertheless, they still control the author's share, which is monetised via collecting societies. However, artists are free to sell this share as well. The music publisher Primary Wave was the first to exploit this market segment and expanded it to include also artists' shares in master rights. Finally, it is still possible for artists to sell other rights beyond copyright such as merchandising rights, branding rights as well as NIL rights (name, image, and likeness).

These financing practices are indeed innovative. They allow artists to monetise their rights directly and turn music rights into a tradable commodity, as we will discuss in more detail later in the chapter on securitisation and music investment marketplaces. Of course, these new investments in music rights are also embedded in broader financial market trends. Even during the years of the financial and economic crisis, PE firms continued to seek new investment opportunities. In addition to real estate PE projects, alternative investment opportunities in patents were particularly promoted. The next logical step was the acquisition of entertainment IPRs, especially music IPRs. These investments are offered to PE and asset management clients primarily for risk spreading and portfolio diversification. This is also related to the volatile market environment caused by multiple macroeconomic and geopolitical crises.

Figure 12: Types of Music Rights Acquired by Music IRP Companies



However, there are clear differences depending on whether individual music catalogues or entire companies are acquired. The representative of music publishing company A highlights the difference: "If you buy, let's say the catalogue of [name of artist] without any exposure to personnel, you are looking at a multiple on contribution margin. If you buy a company, you are looking at a multiple on EBITDA because you are buying overhead." Therefore, there is a different strategy involved with acquiring a label's and music publisher's entire set of catalogues as opposed to a specific individual rights catalogue. This is also emphasised by the two representatives of music IPR company A, who refer in particular to the different risk profiles of the investment opportunities: "While whole company acquisitions are desirable for the larger buyers, they come with some associated risk since there may be a high degree of concentration risk in certain companies. Individual catalogue purchases allow purchasers to control the portfolio composition, which is a risk management assessment made by most acquirers of IP in terms of genre, age of music, publishing vs masters, etc."

In summary, the purchase price of music rights packages or catalogues is primarily based on the expected return from the exploitation of the rights. For this reason, music catalogues of superstars can fetch prices in the tens of millions, and in extreme cases even in the hundreds of millions (e.g. Bruce Springsteen, Bob Dylan or Ryan Tedder). Overall, it is clear that back catalogues that are well established on the market are in greater demand.

Another criterion is the scope of the rights on offer. The highest prices are achieved for complete bundles of rights, such as publishing and master rights plus NIL rights. If the rights are sold piecemeal, because the artist wants to keep some of his catalogue, the price will naturally fall. This is also the case when the rights are fragmented, as in the case of publishing rights, which are split between several songwriters. That's why master rights, which are less likely to be

fragmented, command a higher price than publishing rights, where the rights situation can be complicated.

The perceived risk of exploiting a music catalogue can also affect the purchase price. A case like Taylor Swift's attempt to reduce the value of her first six studio albums by re-recording them obviously devalues the catalogue. But catalogues in which only a few songs generate the majority of revenue also command lower prices because there is an increasing risk that these songs will no longer perform well on the market.

If, in addition, artists do not control their rights because they have licensed them to intermediaries (publishers and labels) and therefore only receive income from exploitation, e.g. via collecting societies (authors' and artists' shares), the right to share in the royalty income will achieve lower prices. If artists only offer their catalogues for sale for a limited period of time and have a reversion right, the purchase price will also be lower.

List of key determinants for music catalogues/rights sales prices

- Expected returns: superstar and established back catalogues achieve higher prices
- Scope of rights offered: entire bundles of publishing, master and NIL rights achieve higher prices
- Fragmentation of rights: When rights are fragmented among various actors, as is often the case with publishing rights, they command a lower price than non-fragmented rights bundles (e.g. master rights).
- Perceived risk: Rights catalogues of controversial artists or artists who deliberately devalue their catalogues (e.g. Taylor Swift) achieve lower prices.
- Control of rights: Catalogue prices are higher for artists who have full control of their rights than for those who only have a writer's or artist's share in the royalty revenue streams.
- Termination rights: Music catalogues that are sold with termination rights or for a limited period of time achieve lower prices.

8.4.2 Why Artists Sell Their Rights?

8.4.2.1 Interview Findings

In some cases, it is obvious why artists sell their rights. The Columbian superstar Shakira sold her publishing catalogue in 2021 to Hipgnosis Songs Fund²⁵⁴ to solve her tax problems in Spain.²⁵⁵ However, in most of the cases, we can only speculate about the motives of superstars who have sold their music rights, as there is no publicly available information. The COVID-19

pandemic, which has brought the international concert business to a standstill, is certainly a factor. As a result, the most important source of income for superstars during this time collapsed, and so they turned their minds to monetising their rights to musical works and recordings. It is also notable that veteran stars such as Bob Dylan, Bruce Springsteen and Paul Simon are among the artists who have sold their rights. In this case, the sale could be a form of inheritance. It is much easier to divide a large sum of money among the heirs than to have a catalogue of rights with only a few hits that generate long-term royalty streams. To avoid having to fob off individual heirs with less lucrative songs, everyone receives the same amount of money, and the descendants also save themselves the tedious administration and economic evaluation of the music catalogue. The representative of music publishing company A also sees this as a motive for selling on the part of many older stars: "You have the career artists approaching 60 who want to make sure they can preserve the value they have right now, basically looking at a 15 times multiple and say, well, first of all, I might not be able to see the benefit myself, so I better have it now, or I keep it out of a pretty complicated succession or inheritance discussions." Music industry lawyer A sees the reason for selling their music catalogues as the waning interest of potential heirs of a superstar: "The young people (...) aren't interested in learning the music business and becoming publishers of their own family's music. They would rather just sell it and have the cash and put it into something else. So that's a big driver. If you're a 70 something musician and you're putting your will together to give 20 million to each of three kids, the kids are saying, please do sell it now and give me the cash rather than give me the songs."

For music industry lawyer A, tax incentives in the US in particular are the main reason why artists sell their music rights: "[T]he driver for most of these deals is tax. (...) I think most of these people are just told by their tax advisors, this is how you're going to sell it. It's also worth pointing out that in 2020, there were a huge number of musicians who were told by their tax advisors that it would not be income tax." The tax incentives are also mentioned by the two representatives of music IPR company A as the reason for the catalogue sale by the artists: "[I]n the US as an example there are tax advantages to selling rights as opposed to receiving royalties every year from those rights." But they also raise another argument as to why artists seek out music IPR companies: "Sometimes artists/songwriters are looking for a partnership to help elevate their IP, selling less than 100 per cent of their rights to [music IPR company A] with the belief that we will be able to increase their exposure through our synch team that is constantly profiling our catalogues to music supervisors of the TV and film creators and advertisers."

The representative of music publishing company A also sees a second type of artist who sells: "[V]ery young artists who just have two or three hits and are always cashing in, and funnily enough, most of them are Swedish. I mean, the Swedish writers are the ones who always try to sell after three years." However, music industry lawyer A sees this as a misjudgement on the part of artists as to what their music catalogue might be worth in the future. Artists seem to prefer quick money to long-term income. He cites Justin Timberlake as a negative example: "Justin Timberlake, who did sell his catalogue, is the most interesting case study, because why on earth would he do that? It was earning him 2 and 3 million a year. He got a multiple of 12, so he was able to get nearly 30 million in one go. I don't understand quite what is the point of getting 30 million in one go rather than 2 to 3 million a year over 12 years?" A sale would only be justified if artists did not believe that their music would be successful in the long term. But you can't assume that. So, as he continued: "If you say to a musician, seriously, you believe that in 13 years your music is going to be history that no one's interested in? No, they don't think that, but they don't see it in that context. They only see 13 times this year's salary (...)."

Finally, conflicts between band members or co-authors could also lead to the sale of a share of rights. The same interviewee said: "People were just fed up and say, hey, I'm 60 years old. I don't want to stop the fighting with my former comrades. I am a seller now. You can have a discussion with the other guys. I'm not interested anymore."

This brings us to the third possible reason why artists are currently selling their rights; to maximise the revenue stream from the music catalogue, it is necessary to have organisational structures that proactively exploit music rights commercially. The British rock band *Queen* is a good example of this. The band controls both the master rights outside the USA and Canada and the copyrights to their songs themselves. To monetise their master rights, Queen Productions Ltd was formed in London on 16 September 1975²⁵⁶ to handle international exploitation outside North America. This entity has a licensing and distribution agreement with Universal Music Group.²⁵⁷ In addition, Queen Music Ltd²⁵⁸ - also founded in 1975 - owns the band's publishing rights, which are administered by Sony Music Publishing.²⁵⁹

A look at the balance sheet of Queen Productions Ltd shows that the company generated a turnover of GBP 40.9 million and a profit before tax of GBP 22.2 million in the financial year ending 30 September 2022. Almost 90 per cent of the turnover (GBP 36.8 million) is attributable to royalty income from the various exploitations of the music recordings.²⁶⁰ In particular, the 2018 Oscar-winning feature film 'Bohemian Rhapsody'²⁶¹ and the music from their 'Greatest Hits' album²⁶² used in it are still earning royalties.

The economic importance of this type of music exploitation in a blockbuster movie cannot be overstated, as the figures in the 2019 annual report show. Revenue jumped from GBP 21.9 million in 2018 to GBP 72.8 million in 2019, with 98 per cent of revenue (GBP 71.5 million) coming from royalty payments. This resulted in a pre-tax profit of GBP 32.7 million in 2019, of which GBP 19.4 million were distributed as a dividend to the four shareholders of Queen Productions Ltd - band members Brian May, Roger Taylor and John Deacon as well as the heirs of Freddie Mercury.²⁶³ The owners were also able to enjoy a dividend of GBP 12.9 million in the 2022 financial year.²⁶⁴ Not surprisingly, there has been speculation in the media that *Queen's* music catalogue could be up for sale. By June 2024, that time had come: the industry media reported that the US-based Sony Music Group had bought all the rights to the British cult band for GBP 1 billion, which was about US \$1.27 billion. Sony also secured the worldwide distribution rights to all Queen recordings from 2027 onwards, including the master rights that the Disney Group owns for North America and that were previously distributed by Universal Music Group. The deal was co-financed by Apollo Global Management, which contributed US \$700 million.²⁶⁵ Such record revenues are of course a big incentive for May, Deacon, Taylor and the Mercury heirs to sell their master and publishing rights to the highest bidder, especially considering the musicians are all in their 70s and want to retire from the day-to-day running of their companies.²⁶⁶

8.4.2.1 Nine short case studies of music creators

To better understand the motivations behind artists selling their rights, we conducted nine interviews (in person and over the telephone) between March and June 2025 to deduct case studies for different types of music creators. The interviewees were various music creators with different approaches to the topic and experiences of the music rights business. Our evaluation shows that some artists took the initiative and tried to sell their rights catalogues, or parts thereof, while others were contacted by IPR companies asking if they would be interested in selling their rights. The nine artists are presented anonymously below, and their attitudes towards, and experiences with, the music rights business are summarised concisely.

1. **Music creator A** is a very successful 20th century songwriter and music producer enjoying financial success from the streaming era and massive sync income of his large song catalogue. His experience comes from the deal cut by one of his co-writers/co-producers with one of the new IPR companies in the market. Despite having a co-administration agreement with his former colleague this did not prevent his colleague from selling his share of the jointly owned repertoire. This caused a lot of friction between them. He was told the purchaser wanted to exploit the catalogue even whilst only controlling a minority share. Although this was not permitted under

the co-admin contract the new purchaser of the catalogue had repeatedly tried to license uses that were not acceptable to him, so he has had to exercise his veto rights on these uses. That said he was willing to contemplate a similar deal to sell his share of the catalogue to a similar IPR company but has enjoyed the enormous financial success and the stability of being with the same global publisher for the past 25 years. The main obstacle to agreeing such a deal would be the enormous personal tax burden he would face given his rights are not owned by a company.

2. **Music Creator B:** A member of a successful UK band from the early 1980's who went on to have greater success as a solo artist and songwriter. He has prided himself on understanding the virtues of owning his own recordings and songs, which he attributes to the band's original recording and publishing contracts. Even after the band split they collectively remained owners of their master and publishing rights for another 3 decades until they were approached by an IPR company (backed by a very large PE firm) which made a very high offer to buy their master rights. This offer was accepted by all the band members apart from this individual and the partnership agreement between them meant the sale went through. His opinion on the deal was that it was premature and driven by his former band mates immediate financial needs even though a large amount of the sale proceeds would have been paid by each of them in personal taxes due to their respective short term needs to withdraw funds from the band's joint company. To this day he resents the way the purchaser went about acquiring the rights and running roughshod over his objections.
3. **Music creator C** is a member of a highly successful but short-lived band from the late 1970's who was very badly treated by his publisher who took advantage of his financial distress to convince him to sign an irrevocable assignment of copyright of all his rights in the band's songs for a modest sum. Three years later he was again desperate for funds and agreed to forgo his inalienable writer's share for another similar amount of money from the same publisher. The band reunited five years later, and he was able to get the writer's share payments reinstated. He believed the current boom in PE-backed deals would have been of enormous benefit to him as he feels he would not have been shortchanged by them in the same way he experienced before. He has been approached to sell his now recovered writer's share and is fielding offers from different IPR firms.
4. **Music creator D** is an unsuccessful but highly regarded artist and songwriter from the 1970's who has enjoyed big financial success with one composition, recorded by different superstar artists in the 21st century all of whom have sold their master rights and publishing catalogues. He has been approached by several IPR companies seeking to buy-out his rights and income streams. He is an example of a successful writer who could still 'cash in' on his success even though the original songwriter agreements he entered in the 1970's were granted in perpetuity rights to his original publisher which have since been sold multiple times during the various M&A-waves since the 1980's. He has not been able to recover his rights but has been able to monetise his success by trading 50 per cent of his writer's share for a substantial sum.
5. **Music creator E** is an independently wealthy songwriter and performer. He has been approached by several IPR companies to sell his owned catalogue of songs that covers three decades and embraces pop, country and reggae hits. Against advice at the time, he allowed his

current publisher to have a 1st option to buy his catalogue outright at the end of his current deal. His main concern is what will happen to his catalogue after he passes as his children have no interest in administering what he has built up over several decades. He was more interested in how the catalogue would be handled after he passes than how much money he could make by selling out now.

6. **Music creator F** is a member of a 1990's UK rock band that achieved great success for some years before breaking up. He wanted to sell his share of the band's catalogue including songwriter and artist royalties along with his share of neighbouring rights income as he had run into financial difficulties. His accountant advised against the outright sale as even though he raised a six-figure sum for the buyout he ended up paying a much higher rate of tax on the proceeds rather than the capital gains tax rate appropriate to the company he co-founded. He is an example of someone who did not listen to advice and traded his only remaining commodity for a relatively modest sum but equally admitted these deals were necessary as modern banks were so unfriendly to music makers and loathe to lend money. Notably this musician was unwilling to encourage interest from multiple funds/rightsholders and essentially took the deal from the first company to approach him.
7. **Music creator G** is a successful UK artist and songwriter from the 1970's who fell seriously ill in the mid-1990's but has enjoyed success from recordings of his songs in the US-market. The catalogue has been split between rights still controlled by his original publishers with his later rights controlled by a succession of different publishers who have all been acquired by larger firms during the various M&A-waves since 2000. Over the last four years he has been approached by multiple IPR firms trying to buy the income streams and artist royalties but only or the small number of individual tracks he released rather than the whole repertoire suggesting they were only interested in the hits.
8. **Music creator H** is a well-regarded and successful songwriter and musician who worked with some major UK stars as both a musician and producer who is looking to raise funds to support an ambitious new project and is considering selling all/part of his catalogue to a music fund to raise the money. He has already used funds from his own pension to finance the project so far. He has a clear understanding of the benefits and pitfalls of selling his rights and has taken advice from his lawyer and accountant meaning there was little sense he would be taken advantage of by selling his rights at this point. He has been speaking with several interested firms and chosen one boutique business which he feels will do care for and do justice to his catalogue and offers a flexible model to acquire rights so can offer partial or full disposal of his rights including name and likeness, neighbouring rights as well as the musical works rights.
9. **Music creator I** is very successful record producer and songwriter from the 1990's who managed to create his own distribution business for unsigned acts at the start of the 21st century which he then sold to another successful start-up who employed him for a further ten years. He moved into the IP finance market almost ten years ago and has become an expert chosen by various firms to value repertoire alongside investing in tech solutions such as metadata matching tools. He is the only interviewee who successfully entered the music IP business as an artist. He described the music rights market as akin to the island of Manhattan with lots of skyscrapers,

smaller buildings and houses. He said music data and rights are in silos which is why the financial markets like the music rights market. Finance is dominated by risk aversion and his role in the fund world is about identifying and smoothing out risk in catalogue analysis. His approach involves: looking for missing revenue for which he uses proprietary and bespoke technology to research catalogues when working on securitisation of IP assets. He is drawn to non-hit repertoire which tend to attract flat revenue streams but crucially audits the revenue on all the catalogues they are hired to review and value and pay special attention to the relationship between performing and mechanical rights income. He reviews for metadata issues by aggregating the International Standard Recording Codes (ISRCs) across the catalogue and the proliferation of IPI which then leads to examining identified and unidentified income. The so-called black box is a key element to be considered and can enable a catalogue to be reevaluated. The main issue for his approach is mitigation of the likelihood of failure, but overall he has developed a bespoke formula to upgrade catalogue valuations using different uplifts.

8.4.3 Why Financial Investors Acquire Music IPR and Why More Specialised Music Companies Sell?

The trend that prompted this project is that over recent years, financial investment companies have invested relatively heavily in acquiring music IPR. According to fundamental economics, any sale implies that the seller values the traded good lower than the buyer. There are various reasons why perceived values of music IPR can diverge, considering different capabilities, opportunity costs, and values of agents.

8.4.3.1 Some Reasons Not to Trade

As discussed above, there are some reasons why trading of music IPR is restricted. First, the parties must cover transaction costs (TC in our model). If a buyer seeks to conduct arbitrage (purchasing a good with the only intent to sell on at a higher price), transaction costs incur twice or multiple times in case the buyer separately sells segments. Furthermore, arbitrage is limited by the initial rightsholder's as well as the subsequent buyers' incentive to directly trade with one another.

Second, if a buyer expects she will hold music IPR in her possession for any extended period of time, she must have sufficient capabilities to manage music IPR (SC in our model), or she must acquire these capabilities, to not forego revenue flows (CF). One way to do this is to purchase entire music IPR holding companies, along with their other assets and (parts of their) staff.²⁶⁷ The extent to which financial investment firms build up specific music IPR managing capabilities should provide a good indication as to whether they follow an arbitrage strategy or not.

Transaction costs and sunk, setting-up costs for music IPR managing capabilities will deflate the willingness to pay of a potential buyer, and reduce the pool of potential buyers to those parties, who are able to trade efficiently and/or who have installed capabilities in managing rights, or low costs to acquire those capabilities.

Specialised intermediaries in the music industry will have extensive experience in acquiring music IPR (regarding TC), as well as in marketing these rights in a reasonably efficient manner (regarding SC , FC and V). Even if one specific initial rightsholder were to operate inefficiently and were incapable to rectify that situation in a timely manner, other, more efficient specialised intermediaries would be willing to buy and employ their capabilities. As a rule, it thus seems improbable that buyers from outside the music industry would have superior capabilities, so that they could elicit greater value from marketing of music IPR than specialised intermediaries. Where this would be the case, because a whole range of specialised intermediaries are subject to inertia or so-called x-inefficiencies, trading may promote efficiency in the music industry. Despite these considerations, trading of music IPR from initial rightsholders to financial investment firms may be explained in the following types of scenarios.

8.4.3.2 Liquidity Needs

Individual creators and even some specialised intermediaries may have to liquidate some assets, i.e., convert them into money by selling, to meet sudden challenges (or switch to other assets if they spotted a superior investment opportunity and if they cannot barter). There are several reasons, why liquidity problems may be relatively common for music IPR holders. For instance, the value of music IPR can be quite volatile and many enterprises in the music industry are small- or medium-sized. Due to the corresponding default risk, they have limited access to credit. In terms of our model, their discount rate r may become greater than for some other agents, after some period(s) of relatively low revenues (CF). Other instances, where specialised intermediaries of music IPR may face liquidity problems, are unforeseen investment needs to develop or adopt new technologies to stay competitive, or costly legal conflicts.

Often, music IPR are the main type of tradable asset that specialised intermediaries in the music industry hold. The greater the disutility associated with not raising cash, the lower will be the price the potential music IPR seller is willing to accept relative to the long-term value of the music IPR in question. On the other hand, other parties may have liquid assets (e.g. money) that they wish to convert into assets that provide a better store of value or even relatively good prospects of profits.

Occasionally, the liquidity of specialised intermediaries may be correlated, say because an adverse copyright ruling or some novel technology affects the entire music industry. If so, outside investors such as financial investment companies may spot good opportunities.²⁶⁸ Even if all agents were to agree on the risk-adjusted current value of a set of music IPR (subject to revenue streams it generates, its resale value, and any other advantages enjoyed by the owner), strong fluctuations in liquidity could explain the trading of music IPR.

One strategy behind music IPR trading may even be that an investment firm acquires music IPR at a low price when a rightsholder faces substantial liquidity needs and seeks to sell them back to specialised intermediaries in the music industry – for instance, the original seller after their liquidity issues have been overcome. In effect, this would be similar to the initial buyer providing credit to the initial seller with music IPR as collateral and some interest payment.

8.4.3.3 Risk Reduction Through Diversified Investment Portfolios and Hedging

Financial investment firms typically acquire large amounts of diverse assets. One advantage of that is risk reduction with diverse investment portfolios, due to the law of large numbers. Furthermore, if the same large enterprise holds assets, whose value growth is inversely correlated (referred to as diversification where this is part of a deliberate risk-management strategy), they can ensure relatively reliable average yields compared to more specialised firms (reducing the discount rate r). It is not feasible to reverse engineer the exact extent to which music IPR are indeed part of deliberate hedging strategies by financial investment firms. Hedging of sorts also occurs among specialised intermediaries, who regularly invest in IPR to multiple musical works, which may be substitutes for each other. However, hedging benefits in terms of risk-reduction accrue to financial investors to a much greater extent across much more diverse investment portfolios, which may explain why financial investment companies occasionally seem to have a greater willingness to pay for music IPR than specialised intermediaries.

8.4.3.4 Divergent Information and Information Asymmetry

In standard rational choice theory, all agents are assumed to be fully informed. As argued above, due to the complexity and uncertainty of markets for music IPR, it is worthwhile to relax that assumption. In practice, buyers and sellers may have different information on prospective revenues (CF), any types of costs in trading and marketing rights, or factors affecting the discount rate (r).

Often, the assumption is that sellers, who have held an asset in their possession for a while – or who have extensive experiences with trading within the same (set of) market(s) –, will enjoy asymmetric information advantages relative to potential buyers with less specific experiences. They may know about defects, new competitors, pending legal issues, or probable regulatory changes that are not yet obvious to firm or industry outsiders. In the case of music IPR, this would put specialised intermediaries at an advantage relative to any ‘outside’ buyer, including financial investment companies. In a sense, this would be the outcome of investments in specific capabilities (*SC*). Asymmetric information favouring the seller side may inhibit trading of music IPR, especially from specialised intermediaries to general investment companies. Where trades of music IPR occur, it suggests that any asymmetric information favouring current rightsholders can be mitigated – for instance by effective sharing of information or reasonable, independent research by the buyer prior to the deal – or compensated for by other factors.

On the other hand, financial investment companies are specialised on valuing a broad range of assets and spotting probable trends and profit opportunities. They may also have relevant, private information that is not available to music IPR holders. This information may concern macroeconomic developments or the relative value of virtually unrelated assets, in which specialised intermediaries or creators in the music industry take no professional interest. Furthermore, financial investment companies may make better use of big data and artificial intelligence applications, where they are better able to cover the development costs of such practices.

Things may get a bit spicier, when financial investment firms also have privileged or exclusive access to micro-economic information on the music industry and strongly related industries due to their other investments and partnerships. If a financial investment firm is invested in enterprises in and around the music industry – say online music services, social media operators, AI-developers, and so on –, she will regularly receive direct information from such firms. (In some cases, it may even be enough for the financial investment firm to elicit additional information in negotiations to invest, even if these do not come to fruition.) Take the imaginary example that a financial investment firm is invested in a large social media site and thus becomes aware that the firm operating this site is urgently looking to acquire licenses for music. Receiving this information early may allow the financial investment firm to make rightsholders, who are not yet aware of increased demand, an offer that looks better than what their own valuation currently suggests but below a realistic valuation based on the new information.

By and large, trading between parties, who have divergent information can ensure the efficient allocation of resources (music IPR in our case) to those parties, who have the best information processing capabilities and thus the greatest capabilities to appreciate and maximise the value of music IPR. Sellers receive a price exceeding their own valuation, and buyers pay a price below theirs. However, there may be incentives to exploit asymmetric information advantages. In our imaginary example, the financial investment firm could request that the social media site delay its offer to license music until the negotiations between the financial investment firm and the current music IPR holder have concluded. Commonly, a lack of trust and incentives for opportunistic behaviour may be associated with severe market failure. In the following we discuss some further potential problems.

8.4.3.5 Economies of Scale and Scope

Arguably, there are considerable economies of scale and scope in exploiting music IPR. The cost function of managing music IPR entails sunk setting-up costs (*SC*) and/or substantial fixed costs (*FC*). What is more, much of the IPR management functions are largely about information processing, including a reasonably efficient handling of transactions. As a rule, information services entail non-increasing marginal costs. For instance, once a firm has established a standard licensing contract and routines for negotiation disputed parts with specific transaction partners, the average costs of serving additional license takers will regularly decrease in the number of license takers served.

That means that music IPR holders must ensure that their operations are large enough, or that they can compensate for limited exploitation of economies of scale and scope with some other relative advantages, or that they can efficiently source the services with the greatest economies of scale and scope from more integrated partners. In fact, many music publishers or record labels co-operate with larger wholesalers, distributors, content aggregators, or online music services.

This entails a challenge for specialised intermediaries when they sell parts of their repertoire of music IPR. If they seek to remain active in the music IPR business, they must ensure that they will remain competitive also in their ability to exploit economies of scale and scope, relative to other parties in the music industry (and including the firm, who acquired music IPR from them). On the other hand, some potential buyers of IPR may conduct a strategy to assemble very large repertoires (i.e. horizontal integration) to exploit economies of scale and scope.

8.4.3.6 Synergies

There may also be economies of scope (synergies) when a single firm invests in various aspects of the music industry value chain. A company that owns music IPR as well as (parts of) music IPR license takers may gather useful, first-hand information and become more effective in arranging for beneficial terms for the firms in which it is invested. What is more, there may be opportunities for cross-promotion between various entertainment goods and services (say featuring music in tv series or in social media clips).

Furthermore, such vertically integrated participants in the music industry may also arrange for relatively beneficial licensing terms and promote the competitiveness of the license takers it (co-)owns. This would entail the vertically integrated agent to forego some revenues from its music IPR to increase market shares and ultimately profits of their other stakes in the music industry (or vice versa). In the extreme, a vertically integrated party may even refuse to license music IPR to other potential license takers than those it is also invested in (or otherwise cooperates with). For individual creators, such strategies may be problematic. On the one hand, in many countries copyright law stipulates that they must receive a proportional share of licensing revenues regarding the works they created. This income could be diminished in the context of such strategies by vertically integrated IPR holders. On the other hand, creators may experience lower demand for complementary goods and services they supply, if part of the music they are associated with is less widely available.

In any case, financial investment companies may be relatively well equipped to develop investment strategies based on cultivating synergies. They tend to have relatively great liquid assets to cover the initial costs, and they are less susceptible to asset specificity regarding the music IPR business.

8.4.3.7 Divergent Regulation

Another hypothetical reason for trading of music IPR is divergent statutory regulation. The scope of relevant regulation is broad, and we should investigate during the interviews.

(a) Copyright Policy

For instance, copyright law and regulation differ across territories. In most major economies, there is a range of provisions that seek to protect creators' interests when dealing with relatively powerful intermediaries in the music industry. This includes the establishment of inalienable moral rights (attribution rights and modification rights), which remain with original rightsholders/creators even if they sell all exploitation rights to another party. Another case in

point are fair remuneration and transparency provisions, establishing that creators remain entitled to receive timely and valid reports and some proportional share of market revenues from the exploitation of music IPR regardless of the private contract terms they committed when selling rights. Some countries also have reversion rights, where creators can claim back the IPR to works they generated, in case a party that acquired those rights fails to effectively market them herself. Furthermore, the practice of open-ended clauses (transferring all exploitation rights from creators to other parties, even for manners of exploitation that were not foreseeable at the time) is restricted in some territories. Due to variations in such copyright provisions, it may be beneficial for some stakeholders to relocate music IPR between territories. We will investigate further and raise the issue during interviews.

(b) Competition Policy

Competition regulation may also affect trading of music IPR in various ways. First, competition policy seems to limit horizontal integration in the market for music IPR. The major specialised intermediaries have repeatedly been under scrutiny by competition authorities. Therefore, acquisition of large, extant additional repertoires is complicated for them and may even be blocked. (There are fewer restrictions to ‘organic growth,’ when major labels sign newcomers, some of whom may then become superstars.) Joint ventures and co-ordination with other music IPR holders may also be restricted. In this situation, financial investment firms, who are not restricted in this manner, may be able to make competitive offers when music IPR comes up for sale. Second, there are limits to vertical integration along different segments of the music industry value chain. It would almost certainly raise concerns if a major specialised intermediary were to seek a majority claim in an online music service, for instance.²⁶⁹ To avoid unearned advantages for some agents, and limit the potential for excessive market power, it is important in this context that similar thresholds apply for competition authorities to become active, whether specialised intermediaries or financial investment firms are concerned.

(c) Taxes

Varying taxation rules across territories may make cross-border selling of music IPR attractive. We ought to probe this among the interviewees.

8.4.3.8 Accumulation of Market Power

Market power is an inevitable issue in markets for music IPR. Any music IPR holder of works in reasonably high demand enjoys some limited market power. This can become quite substantial for music IPR of great hits by superstars and/or of large repertoires of reasonably

popular works. To be sure, the very point of the copyright system from an economic perspective is to equip those investing the creation of valuable works with some limited market power, so as to promote innovation and creativity and sustain a diverse and valuable supply despite the characteristics of music IPR as quasi-public goods. What is more, the exploitation of any economies of scale and scope or synergies requires some degree of integration (or co-ordination between firms), which is almost inevitably associated with establishing some degree of market power.

Market power can be defined as an enterprise's ability to make super-normal profits by charging prices above marginal costs, because its demand schedule is inelastic as their customers cannot source good substitutes at least in the short run. Enterprises exploiting market power among more fragmented customers can appropriate much of the surplus entailed in trades. Market power can be exploited downstream (in our case among license takers) or upstream (in our case among suppliers of music IPR).

When financial investment firms acquire music IPR, deliberate strategies to develop and harness market power must be considered. In terms of horizontal integration (accumulating large repertoires of music IPR), there seem to be limits due to competition regulation. Vertical integration and related phenomena may be of greater interest.

Music IPR holders enjoy some control over how the music is used and by whom. They will strategically license works to those parties that offer them the best conditions regarding the price but also other contract terms and advantages. Specialised intermediaries in the music industry set prices for music IPR licenses with a range of license takers. There is some vertical integration – for instance, UMG owns Spotify stock – but this remains limited. There may be greater potential for vertical integration where financial investment firms are concerned: they may invest in music IPR as well as in enterprises, who are music IPR license takers, for instance online music services, social media, suppliers of generative artificial intelligence, video game or film studios, or advertising firms. As discussed under point 4, this may generate asymmetric information advantages. As discussed in point 6, this may entail incentives not to maximise revenues from marketing music IPR but to ensure favourable terms for license takers that a financial investment firm is also invested in.

In other words, besides charging high prices for music IPR licenses, market power may be leveraged in other ways. Music IPR holders may be able to favour specific downstream partners (license takers), affecting competition between them. For instance, a financial investment firm

that owns music IPR and stock in an online music service may make licenses to music available to that online music service with favourable terms compared to other online music services, or she may even arrange for exclusive licenses. Just the threat of doing so could help to push for favourable terms other than price – say sharing of information or measures that foster the reputation of and demand for the music/music creators concerned. These are all concerns with major specialised intermediaries, too, but financial investment firms are more likely to be invested in various aspects of the music industry and in related markets. A particular concern for specialised intermediaries could thus be that if they sell off part of their music IPR to a financial investment firm, the latter may make licenses available to license takers at terms that undermine the negotiation position for specialised intermediaries when licensing their remaining repertoire.

8.4.3.9 Non-pecuniary Rewards, Long-term and Multiple Product Strategies

Finally, financial investment firms may take less of an interest in long-term and multi-product strategies that individual creators and some specialised intermediaries in the music industry favour. Individual creators usually need to gradually build up a positive reputation (develop a brand). They will also often supply a range of complementary goods and services, from music IPR licenses to live performances or tuition. What is more, creators may care about their reputation and peer recognition.

Financial investment firms may not participate in the full range of related goods and services supplied by creators, so disregard adverse consequences of their music IPR exploitation for the other revenue streams that creators conduct. Financial investment firms may also not care about the reputation and social esteem of works and creators to the same extent. For instance, they may thus make any music available for advertising regardless of some advertisements sully the reputation of creators among their fan-base or of excessive exposure of consumers, undermining any perceptions of integrity and exclusivity.

8.4.4 The Risk of Music IPR Investment

To assess the risks of music IRP investments, we must once again consider the model of private equity firms, which are the main players in the field. As we have seen, private equity firms derive their income from management fees charged on fund assets. This money is no longer available for acquisitions. The remaining acquisition capital consists largely of debt (60-90 per cent), which results in ever-increasing borrowing costs as interest rates rise. These costs must be earned out of the cash flow from the exploitation of the music rights catalogue. It is well

known that a small number of songs generate most of the income. This increases the pressure to have the most popular songs in the catalogue to generate long-term revenues.

As such songs and music recordings represent a monopoly, there is a risk that the royalties for the use of synchronisation rights for the most popular songs could rise sharply, as the income from the comparatively few popular songs should make the investment in the less popular songs, that were also purchased, worthwhile. Those players who no longer see themselves as traditional music publishers or labels, instead see music as an investment or speculative asset, have virtually no interest in investing in the creation of new music. They simply want to exploit the already well-known and successful repertoire that they have acquired for a lot of money to achieve the promised returns for their investors.

As the investment horizon is limited, management must try to generate high royalty income from the catalogues as quickly as possible. The aim is to increase the value of the catalogue so that it can be sold at a profit after five to ten years. However, this is where the greatest risk of the business model lies, as it assumes that the music titles will still be popular after this period, or even more popular, - than at the time of acquisition. If this were not the case, there would be no buyers willing to pay the expected price for the catalogue. The fund management would have no choice but to continue to hold the catalogue, and investors would be able to withdraw their capital at the end of the agreed investment period. The result would be debt restructuring, or a sale at less than the purchase price. The music rights would lose value and the investors who are now keeping the business going would exit the market and make alternative investments.

Another side effect of the purchase of rights is that the royalties no longer go to the artists, but to the rights management companies, which, as we have seen, acquire not only the master and publishing rights, but often also the author's share of the publishing rights and the performer's share of the neighbouring rights. The income from the exploitation of rights is then used exclusively to generate profits for investment funds to distribute a corresponding return to investors. In this case, copyrights no longer protect the economic interests of artists, as they have given up their share of the revenue streams from the exploitation of their rights in exchange for a one-off payment. The only question then is how much can an artist charge for their rights, and will the rights yield the desired return? Although any personal rights remain unaffected by such a deal, authors lose their property rights. For young musicians in particular, selling rights could lead to a loss of income in the long run because they may misjudge the value of their

rights. If they do not earn enough from the sale of rights, others will benefit from an increase in value and potentially new exploitation opportunities.

9 New Ways of Exploitation

9.1 The Securitization of Music Rights Catalogues

In December 2021, Northleaf Capital Partners issued US \$303.8 million in asset-backed securities (ABS) for investors to subscribe to. These securities were backed by a mixture of music publishing and master rights to 52,729 music titles from the Spirit Music Group catalogue, including the publishing rights to songs by Pete Townshend of The Who and the masters catalogue of country star Tim McGraw,²⁷⁰ both of which were acquired by Spirit Music Group before Northleaf's investment in 2020.²⁷¹ This elevated the investment in music rights to a new level, as it turned music into a commodity that can be traded alongside other securities. This concept is reminiscent of the 'Bowie Bonds', which British superstar David Bowie launched on the U.S. market in 1997. These bonds bundled the rights to Bowie's songs and guaranteed investors a fixed annual interest rate of 7.9 per cent for ten years. Although investors were repaid their capital plus interest at the end of the bond's term, the record industry's recession, beginning around 2000, led rating agencies to downgrade the Bowie Bonds from an initial triple-A rating to Baa3, just above junk level.²⁷² The global financial crisis that followed eventually put an end to this and similar ventures.

Decades later, Bowie's avant-garde financial experiment can be seen in a new light as the time seems ripe for new financial products that package music rights for investors. After Northleaf, KKR in February 2022 announced the securitization of a vast music rights portfolio, acquired by its Chord Music joint venture with Dundee Partners. KKR Credit Advisors intended to sell more than US \$732 million of ABS supported by publishing and sound recording royalties from a catalogue of 65,000 songs, including hits from The Weeknd, Childish Gambino, and Stevie Nicks.²⁷³

However, a forerunner of this securitization boom was the US music collecting society SESAC, which was bought by Blackstone in 2017. In August 2019, SESAC sold US \$560 million in bonds backed by licensing agreements and music royalty streams. Compared to the later ABS deals, SESAC sold classic corporate bonds offering a yield of 5.25 per cent for a weighted average life of 6.7 years. Kroll Bond Rating assigned these bonds a rating of BBB minus.²⁷⁴ Three years later, in July 2022, SESAC again issued corporate bonds worth US \$335 million to finance the acquisition of Audio Network, acquired by SESAC in 2021.²⁷⁵ These bonds act like loans, but from a group of investors instead of raising money from a bank. The investors expect

the payback of their investments plus interest after a defined period, when the underlying asset has earned the necessary income.

These music rights ABS transactions, however, created new financial products, tradeable in a specialized market. This was the aim of Blackstone's Hipgnosis Songs Capital fund, when it announced the launch of a US \$221.65 million securitization of 950 songs of its music catalogue, including hit songs by Leonard Cohen, Justin Timberlake, and Nelly Furtado.²⁷⁶

Figure 13: The process of securitization of music rights catalogues, 2019-2025

Date of transaction	Company	Type of securitization	Catalogue	Transaction value (in US\$ m)
Aug 2019	Blackstone Group	Corporate bonds	SESAC licensing catalogue	560
Dec 2021	Northleaf Capital Partners	ABS	52,729 music titles from the Spirit Music Group catalogue	303.8
Feb 2022	KKR	ABS	65,000 songs acquired by Chord Music	732
Jul 2022	Blackstone Group	Corporate bonds	SESAC licensing catalogue	335
Aug 2022	Blackstone Group	ABS	950 songs from the Hipgnosis Songs Capital fund	221.7
Dec 2022	Apollo Asset Management	ABS	More than 1 million songs from the Concord catalogue	1,800
Feb 2024	ATLAS SP Partners and Truist Securities	ABS	5,000 songs from the Kobalt Music Publishing catalogue	266.5
Mar 2024	KKR	ABS	HarbourView music rights catalogue	500
Nov 2024	Blackstone Group	ABS	45,000 songs catalogue from the Hipgnosis Songs Fund	1,470
Total				6,189

In December 2022, Apollo Asset Management's Capital Solution issued asset-backed securities worth US \$1.8 billion in cooperation with JP Morgan. Apollo's ABS are backed by more than 1 million copyrights from Concord's music catalogues, including songs from Phil Collins, Creedence Clearwater Revival, Daft Punk, Miles Davis, Genesis, Imagine Dragons, James Taylor, Nine Inch Nails, Pink Floyd, Cyndi Lauper, Little Richard, Otis Redding, R.E.M. and many other superstars.²⁷⁷ In February 2024, it was announced that ATLAS SP Partners, together with Truist Securities, had offered to sell US \$266.5 million worth of music ABS based on

approximately 5,000 songs from 66 songwriters from the Kobalt Music Publishing catalogue.²⁷⁸ A month later HarbourView successfully convinced the private equity firm KKR to issue US \$500 million in ABS backed by the royalty income from the exploitation of the acquired rights catalogue.²⁷⁹ In November 2024, Blackstone completed a US \$1.47 billion music rights ABS transaction, backed by the Hipgnosis Songs Fund 45,000-song portfolio, which Blackstone had acquired in July 2024 for US \$1.58 billion. The proceeds from the so-called Lyra 24-2 ABS deal were used mainly to repay debt and to finance future music catalogue acquisitions.²⁸⁰

A total of US \$6.2 billion of music-related bonds and asset-backed securities (ABS) has been issued since 2019 mainly by the large PE companies, Apollo, Blackstone, KKR, and Northleaf. The securitization of music catalogues is both a monetization of music rights but also an exit strategy for PE projects.

In 2022, the pre-sale report for Hipgnosis Music Assets (MUSIC 2022-1) by Kroll Bond Rating Agency (KBRA) highlighted how the ABS business works. The MUSIC 2022-1 ABS were issued by Hipgnosis Music Assets 2022-1 L.P. with a value of US \$221.65 million, collateralized by the royalty streams from the music publishing and master rights catalogue comprising 950 songs from charting songwriters and artists, including Justin Timberlake, Nelly Furdato, and Leonard Cohen. This music catalogue was administered by the three music majors Universal, Sony and Warner as well as seven other music rights administrators. The 950 songs catalogue was valued at US \$341 million with a discount rate of 7 per cent. The bonds bear interest semi-annually and no repayments are scheduled before the expected repayment date in May 2027. The rating agency suggested a rating of A- for the MUSIC 2022-1 bonds, suggesting a low risk profile.²⁸¹

The pre-sales report also included an analysis of the royalty structure of the music catalogue. Almost two thirds of the total annual revenue of US \$13.4 million (previous 12 months to Q1 2022) were derived from licensing of publishing rights with one third from sound recording rights. However, the revenue figures show that only a few songs are valuable. For example, 'Hallelujah', written by Leonard Cohen and performed by himself and nine other acts, generated by far the highest annual revenues accounting for 12.8 per cent or US \$1.71 million.²⁸² Overall, the top 10 songs accounted for almost 40 per cent of all royalties. This extremely uneven distribution of royalties can also be seen among the artists. The top 10 artists in the catalogue account for 78 per cent of the total income. An analysis by age of songs revealed that old repertoire, defined as songs released 30 years ago or more, generated revenue of US \$4.6

million per year, or 35 per cent of total revenue. A further 34 per cent of sales were generated by songs 10 to 20 years old, and a further 8 per cent came from songs that were between 20 and 30 years old. Overall, songs that were more than 10 years old generated sales of US \$10.2 million, which corresponds to a 77 per cent share of sales. Conversely, this meant that only 23 per cent of annual catalogue revenue came from repertoire less than 10 years old.²⁸³

However, compared to other ABS transactions, the concentration of revenue from the top 10 songs in the Hipgnosis MUSIC 2022-1 ABS is the highest at almost 40 per cent. By comparison, the top 10 songs from the 65,000-song Chord Music catalogue, on which the KKR ABS is based, generated 10.7 per cent of annual revenues, while the top 10 songs from the 52,729-song Spirit Music catalogue, on which the Northleaf ABS is based, generated 15.9 per cent of total annual revenues. This strong concentration of income in the Hipgnosis ABS probably led to the A- rating by the KBRA, while the KKR and Northleaf ABS were each rated A.²⁸⁴

The KBRA report highlights both, the advantages of the securitization of music rights catalogues as well as the disadvantages. ABS transactions enable the monetisation of music catalogues, which thereby increase in value. Securitisation also creates new financial products that can be traded on a market which gives music rights an economic value that is determined by supply and demand. The representative of music publishing company A compares music ABS to a mortgage: "[I]t's more or less comparable to a mortgage where if everything is right, you as a person who owns the house are not liable if the scheme goes down. And that's the same with an asset backed security. So, the investor bets the asset is good enough, so it doesn't need a guarantee from the seller or the creator. (...) They love asset backed securities because they don't have to deal with individual risks." The representatives of music IPR company A were also positive about ABS: "The evolution of ABS is an attractive financing for both issuers and investors. It provides a stable, large scale, lower cost financing that provides additional capital to invest in Music IP. It provides the opportunity to issue additional ABS series alongside either the purchase of additional IP or an increase in the valuation of the existing IP. It is an attractive alternative as compared to using bank loans as a financing source." However, they also see the risks of the securitization of music catalogues: "There is a risk that issuers overshoot their leverage ratio borrowing at a level that is not supported by the income collected. This could lead ultimately to a cash flow challenge for an issuer who is too aggressive in terms of the sizing of the ABS financing. This is a possible outcome particularly when interest rates are at the high end whereby an unexpected spike in interest rates can adversely impact a fund."

The KBRA report also shows another problem that the value of the new financial products depends on a few popular songs. Should these songs, for whatever reason, lose their popularity, the value of the associated music bonds will suffer. If, in addition, other entertainment rights or other claims to future income (e.g. legal proceedings won) are bundled with the music rights in the ABS, non-transparent financial products could arise that only serve speculation. In this case, losses in other areas could also have a negative impact on the value of the music rights. Music industry lawyer A is very critical on ABS. She/he calls it "the scourge of our world. (...) [Y]ou buy something based on a loan and then you sell the thing that you've just bought to pay back your own loan. It's like an instant flip. It's the worst of all worlds (...)."

The representative of music publishing company A sees the greatest risk of ABS if the legal system changes: "I mean, we obviously over the last six months learned everything is possible, which means there should always be an awareness that our legal systems might not be totally untouchable in the future, and that's the only risk there. As long as copyright is protected, all the users have to pay. Totally fine." The innovative use of music rights in ABS is therefore also associated with considerable risks.

9.2 New Marketplaces for Music Rights

While the billion-dollar investments in large music catalogues are only accessible to large financial players such as institutional investors or wealthy individuals, music investment marketplaces allow small investors to participate in the growing value of music rights. However, the concept of selling songs and even fractions of songs pre-dates the multi-billion-dollar rights boom starting in the mid-2010s.

9.2.1 The Pioneers of MIM: SongVest and Royalty Exchange

The pioneer music investment marketplace (MIM) is SongVest, which officially was launched by Sean Peace and David Prohaska in Raleigh/North Carolina in October 2008. Peace and Prohaska had the idea that music fans could invest in songs of their favourite artists and earn a potential income from the royalties they generate. In 2007 they organised the first test auction for a one-quarter interest in two songs by the band *Stryper* for US \$25,000.²⁸⁵ In October 2008, SongVest started to auction fractions of royalties from 18 songs, recorded by superstar artists such as *Cher*, *Garth Brooks* and *Aerosmith*, as fan memorabilia.²⁸⁶ SongVest's business model is to collect commissions from buyers and sellers at the point of sale, and then SongVest handles the royalty payments for the buyers.

In 2011, however, Peace founded Royalty Exchange with the singer/songwriter Reggie Calloway and the former band manager Wilson Owens.²⁸⁷ They revived the idea of the Bowie bonds but transferred it to the digital age. Initially, the business model was to auction entire music catalogues, and the first auction was in July 2011. This was when the royalties of the film composer and songwriter, Frank Churchill, who wrote the music for Walt Disney classics such as "Snow White and the Seven Dwarfs", "Dumbo", "Bambi", and "Peter Pan" were sold. The iconic song "Someday My Prince Will Come" from "Snow White and the Seven Dwarfs" was put up for an auction price of US \$20,000 promising an annual revenue stream of US \$2,361.²⁸⁸

In August 2014, however, Royalty Exchange started to securitize the assets by dividing them in multiple units. These could be sold to numerous buyers, who bid on a smaller or larger amount of the asset, which could be a catalogue or single song.²⁸⁹ In 2015, however, its founders sold Royalty Exchange to a group of private investors, who relocated the company to Denver, Colorado.²⁹⁰

In 2020, Peace re-launched SongVest with a new business model. Rightsholders could submit their music catalogues to SongVest, which then conducts due diligence and a financial analysis of the future music royalty stream. Depending on the assessed value of the catalogue, SongVest set up the entire catalogue for auction or offered fractions of the song rights as so-called SongShares to the broader public. The SongShares have been approved by the US Securities and Exchange Commission (SEC) as regulation A+ securities offerings, making SongShare a relatively transparent music investment tool.

On its webpage, SongVest highlights 182 past sales, 10 current sales and 2 special auctions. The current sales include for example a mix of the artist and producer rights of David Richards, who worked with the British cult rock band Queen and died in 2013. The offer includes the public performance, streaming, and mechanical revenue of Richard's producer share of several songs by Queen collected and distributed by Universal Music Group and the neighbouring rights for the same songs collected by the British collecting society PPL.

Figure 14: Revenue streams of Queen's songs, 2021-2023 in US \$

Song title	Type of rights	2021	2022	2023	Q1-2 2024	number of shares	price/ share
Under Pressure	100% PPL neighbouring rights	2,808	3,440	2,119	1,715	988	98
I Want It All	100% PPL neighbouring rights 100% Universal producer's share	1,018	1,603	1,197 2,849	1,132	1,515	98
The Show Must Go On	100% PPL neighbouring rights 50% Universal producer's share	2,028	916	806 2,594	712	1,092	98
A Kind of Magic	100% Universal producer's share			2,051		1,275	98
The Bohemian Rhapsody Soundtrack	100% Universal producer's share			950		988	98

Source: SongVest, "[On Sale Now](#)", n.d., accessed: 2025-03-10.

The analysis of the royalty streams for each Queen song now allows us to estimate the return on the investment in the song shares. If we take the 2023 revenue for "I Want It All", which totals US \$4,046, and divide it by the 1,515 shares offered, we get a revenue of US \$2.67 per share. Subtracting the 5 per cent administration fee charged by SongVest from the value of the royalty payment, we would receive US \$2.54 for one share of 'I Want It All'. This would be an annual return of approximately 2.6 per cent. As song shares cannot be resold or returned to SongVest, buyers have no choice but to hold on to the rights they have purchased and hope for increasing revenues.

A different business model was pursued the new management team that took over Royalty Exchange from its founders in 2015. In September 2017, Royalty Exchange created the company Royalty Flow, which bought the producer revenue stream from Mark and Jeff Bass, who helped to develop the career of the rap superstar Eminem. They produced Eminem's albums from 1999-2013 and got songwriting credits for some of the songs.²⁹¹ It was planned to sell Royalty Flow in an IPO at the New York Stock Exchange, offering fans a slice of Eminem royalties. However, the IPO failed and, therefore, the management team, decided to focus again on building a marketplace for sellers and buyers of royalty streams.²⁹²

Their business model currently works as follows; An artist can put up for auction for example her/his music catalogue by defining the sales price of a share in the catalogue. Investors then

can buy a portion of that rights portfolio in a public auction and will receive a monthly royalty revenue for a defined period. Since its launch in 2011, Royalty Exchange has completed more than 2,300 transactions, worth more than US \$190 million.²⁹³

Figure 15: Royalty Exchange transaction data, 2011-2025

Sales price in US \$	Number of transactions	in %	Last 12 month's earnings	Number of transactions	in %
0 – 10,000	301	13.9	0 – 5,000	983	46.9
10,000 – 50,000	1,061	49.1	5,000 – 10,000	413	19.7
50,000 – 250,000	685	31.7	10,000 – 50,000	589	28.1
250,000 – 1m	105	4.9	50,000 – 250,000	101	4.8
more than 1m	9	0.4	more than 250,000	9	0.4
Total	2,161	100	Total	2,095	100

Copyright term	Number of transactions	in %
Life of rights	1,398	65.5
30-year	178	8.3
10-year	474	22.2
Fixed return*	82	3.8
Total	2,132	100

* The right's ownership of fixed return royalties expires once a pre-defined royalty quota is hit.

The analysis shows that almost half of the transactions achieved a price between US \$10,000 and \$50,000, and a further 31.7 per cent between US \$50,000 and 250,000 and 13.9 per cent not more than US \$10,000. Thus, the sales price for the catalogues are relatively high. The auction price for a catalogue is measured in terms of popularity (charting and award-winning songs and artists) and of the earnings of the catalogue in the last 12 months. 47 per cent of the transactions generate an annual revenue of less than US \$5,000. A further 48 per cent of the catalogue transactions could earn up to US \$50,000 of royalties in the past 12 months. Thus, a very small proportion of transactions generate considerable annual revenues of more than US \$50,000.

An example of a music catalogue that generated more than US \$50,000 in the last 12 months before the sale, are the US-royalty streams from 28 songs of the British pop band *Duran Duran*, which had several international hits in the 1980s such as "A View to A Kill", "The Reflex", "Wild Boys" and "Hungry Like a Wolf". The catalogue was first put up for auction on 11

November 2024 for US \$360,000 and reached a sales price of US \$800,000 two weeks later. The catalogue earned US \$72,299 in the 12 months preceding the sale and almost US \$480,000 since 2009. Over a five-year period, "Hungry Like a Wolf" earned the highest average annual royalty of US \$22,256, which accounted for 40 per cent of the overall earnings. Second was "Rio" with US \$7,614 (11 per cent) and third "The Reflex" with US \$5,255 (7 per cent). The remaining 25 songs generated US \$30,237 on average annually. These earnings, which include only public performance rights, were distributed by the US collecting society ASCAP. A third of the US \$72,299, earned in the 12 months before the sale came from live performances during the *Duran Duran* international concert tour. A further US \$16,633 included revenue from music streaming with Spotify (US \$3,483) as the most important music service provider, followed by Apple Music (US \$2,886) and Amazon Unlimited (US \$2,281). Radio airplay generated US \$14,453 and satellite radio US \$6,720.

The *Duran Duran* catalogue was granted for full copyright term, which means that the buyer is entitled to royalties for the duration of copyright. Almost one third of all transactions on Royalty Exchange were granted for life of copyright. 8.3 per cent of the transactions had a limited term of use of 30 years and further 22.2 per cent of 10 years. 3.8 per cent of the catalogue transactions were fixed return royalties, which expire once a pre-defined royalty quota is hit.

9.2.2 The First Wave of MIM Start-ups

When SongVest ceased operations in 2013 and Sean Peace started building Royalty Exchange, the first copycats were trying to establish music investment marketplaces in Europe. In Vienna/Austria, the singer/songwriter and music manager, Christof Straub, founded Global Rockstar as a record label, music publisher and crowd investment platform for young and emerging artists in 2014.

Musicians can submit a recording of a song to Global Rockstar's A&R department, which decides whether the artist is signed to the label. If the artist is also a songwriter, there is the option of signing a publishing contract as well.²⁹⁴ Thus, Global Rockstar as label and music publisher controls the master and publishing rights of the signed artists. However, independent artists can also use to platform to pre-finance their music productions. Of the 94 productions released in 2024, 80 were by independent artists controlling their rights by themselves and 14 were by artists signed to Global Rockstar.

The artists present their music production projects on the Global Rockstar webpage as "opportunities" for investment. The artists define how much a share in their project costs, with

shares ranging from 0.1 per cent to 100 per cent being offered for purchase within a predetermined period. For example, the Austrian musician *KRYSTOF* offers a 0.1 per cent share in his song "Broken Melody" for EUR 10, which corresponds to a total purchase price of EUR 10,000 for the entire song.²⁹⁵

The issue amount for the individual "opportunities" can range from EUR 1,000 to 20,000, resulting in different prices for the shares to be purchased. In most cases, the cost of a 0.1 per cent share in a song is well under EUR 10. The shares can be purchased either in Euros or in the form of Non-Fungible Tokens (NFTs), with the NFT transactions stored on the Ethereum blockchain. However, investors do not receive shares in the master or publishing rights, but participation rights in the form of a claim against Global Rockstar for payment of a percentage of the net proceeds from the commercial exploitation of the rights in the amount of the share acquired by the investor.²⁹⁶ This approach is explained by the fact that under Austrian and EU copyright law, rights cannot be sold but only licensed for use. This is a significant difference from US copyright law, which also allows for the sale of the rights.

Global Rockstar aims to establish a trading platform, where music shares can be traded. However, participation rights are not tradeable. Actually, music shares in "opportunities" can only be bought but not be sold. And there is also no option to sell back shares to Global Rockstar once they have been purchased. If the net revenues from the commercial exploitation of the musical work are less than EUR 30.00 per year for two consecutive calendar years, Global Rockstar has the option to terminate the exploitation without further payment obligations to the investors.²⁹⁷ This makes Global Rockstar's offer less attractive, and indicates ways still need to be found to overcome the legal restrictions to achieve the goal of a trading platform for music shares.

In the US, Vezt tried to fill the gap left by SongVest and competed with the newly founded Royalty Exchange platform. In 2016, the music managers Steve Stewart and Robert Menendez founded Vezt in Los Angeles as a platform for artists, songwriters and other IP holders to monetize their rights by so-called Initial Song Offering (ISO). After a registration process, the IP holders uploaded their songs to the platform for a verification process by Vezt's rights management team. After successful verification the IP holders started the ISO process by deciding on the percentage of the royalty income they wanted to put up for sale, the type of IP, the duration of the term to sell off the rights (reversion period) and the price for the shares. The investors could then buy an ISO share of a song, entitling them to a fraction of the royalties collected by Vezt, which was also recorded on the blockchain. For its service, Vezt took a 5 per

cent fee of the royalty payouts. At the end of the reversion period, the royalty rights were transferred back to the IP holders.²⁹⁸ Despite a promising start, with two seed funding rounds in 2017 and 2019, raising more than US \$1 million²⁹⁹ and expanding to South Korea, Vezt could not stabilize its business model and disappeared from the market.

Musicow was the first music investment marketplace established outside the US and Europe. Founded in April 2016 as Music Coin by Jeong Hyeon-Gyeong, Kim Ji-Soo and Seo Dae-Kyung in Seoul, it was launched in beta version in June 2017. In August 2018, Music Coin officially started its website for auctioning small fractions of claims in song royalties but re-branded as Musicow in April 2020.³⁰⁰ From January 2019 to June 2021, Musicow secured WON 34 billion (US \$28.7 million) in three funding rounds from 10 investors including the Korea Development Bank, Hana Financial Investment Corporation, LB Investment and Premier Partners.³⁰¹

However, Musicow's business model, buying fractional ownership in copyright claims to auction to small investors to trade the units among other individual investors, raised concerns from the Korean Financial Services Commission. After an extensive investigation, the FSC classified fractional ownership in copyrights as a legitimate type of investment, but Musicow was required to draw up measures to protect investors.³⁰² This legal clarification ensured legal certainty and attracted further investment capital. In January 2022, the Korean private equity company STIC Investments injected US \$167.9 million (WON 200 billion) in Musicow³⁰³ and further US \$46 million (WON 60 billion) in May 2023, which makes STIC the largest shareholder of Musicow.³⁰⁴ Also in the first half of 2022, the Korean defence company Hanwha Group entered a joint venture with Musicow to launch its music rights trading business in the US and, therefore, invested US \$5.9 million in Musicow.³⁰⁵

However, a US \$5 million deal between Musicow and Jay Z's Roc Nation in January 2025 secured sustainable market presence in the US. Roc Nation became the second-largest shareholder of the Korean start-up with a 20 per cent stake made international headlines.³⁰⁶ The investment should help to position Musicow as a direct competitor of JKBX, which will be analysed later. However, Musicow's growth was impressive. In September 2024, Musicow reported a user base of 1.2 million, responsible for transactions in the value of US \$293 million.³⁰⁷

At the same time, when Musicow launched its beta version in South Korea, Fanvestory started its music investment marketplace in Estonia. Fanvestory was founded in March 2017 by Birgit

Karus, Kristjan Ulst and Juko-Mart Kõlar in the Estonian capital Tallinn as a music investment marketplace, where music fans could buy a piece of music from the artists, who got an upfront payment. In return the investors were entitled to the future royalties earned by the song.³⁰⁸ Fanvestory operated in a similar way to the Austrian platform Global Rockstar, by providing a crowdfunding platform to raise money for acquiring music licenses in a song and promising to pay back the investment with future license fees. Fanvestory's sales revenue was generated from commissions on the artist's sales and a fixed fee from each purchase transaction.

However, Fanvestory was unable to raise considerable investment capital to expand its business activities. The official business records, available on the Estonian authority's online database, show that Fanvestory only generated relevant revenues until the first quarter of 2019 and that two employees were still listed until the second quarter of 2021.³⁰⁹ In 2023, it was announced that the Estonian music streaming platform Fairmus had acquired Fanvestory. At that time, Fanvestory's equity was EUR 53,536 and it reported an annual loss of EUR 1,955 and negative working capital of EUR 4,380.³¹⁰ Obviously Fanvestory has not managed to expand beyond the small Estonian music market and gain a foothold internationally. Currently, however, Fanvestory no longer appears to be active, because neither the original webpage works nor is there any reference to Fanvestory on the Fairmus page.

In January 2018, Marzio Schena, Matteo Cernuschi and Gregoire Mathonet founded AMusic in Luxembourg. AMusic is a fractional music rights trading platform allowing investors to buy shares in royalty streams and to trade them on the ANote platform. According to ANote Music's Investors Booklet,³¹¹ the investment opportunities are limited to music catalogues that have generated a considerable royalty revenue stream in the past three years of at least EUR 10,000. Thus, on the website only 26 catalogues, in which investors can buy a share, are shown. The shares can be purchased directly from the rightsholders in an auction when a catalogue first appears on the platform. The share prices range from EUR 4 to 40 per share and entitle the investor to receive a proportional percentage of the future royalties cumulatively generated by the songs in the catalogue.³¹² However, ANote Music also provide a secondary marketplace, where catalogue shares can be traded.

The rightsholders/artists license a minority stake in the catalogue up to a maximum of 50 per cent to ANote Music but keep a controlling stake of at least 50 per cent.³¹³ Therefore, ANote is the licensee of part of the music catalogue and the investors participate in the royalty streams, but do not own licensing rights. Therefore, ANote Music investors buy and trade participation rights in the music catalogues without controlling the underlying copyrights.

ANote Music's revenue model is based on a 4 per cent fee on royalty distributions if the share was bought in an initial auction or an 8 per cent fee is applied, when the shares are resold on the secondary market platform.³¹⁴ For 2023, EUR 500,000 were distributed to investors. With a revenue share of 4 per cent, it can be seen very quickly that ANote Music's business model is not yet financially sustainable. ANote Music therefore relies on financial support, which it receives from public funds in Luxembourg on the one hand and from venture capital (VC) on the other, with VC investments of EUR 3.3 million in the company by mid-2023.³¹⁵ The success of ANote Music will depend on whether further investors can be found to enable the company to expand internationally and to expand its offering and user base.

9.2.3 The Second Wave of MIM Start-ups

The second wave of music investment marketplaces started in Europe, particularly in Sweden, from 2021 onwards. With Tangy Market, Master Exchange and Anotherblock three new players entered the Swedish market between 2021 and 2023. The wave of new companies continued with Bolero (2021) in France, Sonomo (2023) in the Netherlands, OG Music (2023) in Italy and Parça (2023) in Istanbul, Turkey. In the US, three new music investment marketplaces were launched in the same period: Band Royalty in 2021 and sliceNote as well as JKBX in 2023.

Tangy Market was originally founded in 2018 by former managing director of the Swedish music advocacy body Musiksverige, Linda Portnoff, in Stockholm, but was launched for the public in 2021. In the meantime, Tangy Market in partnership with the Swedish collecting society STIM to process royalty payments, developed the mobile app for the buying-and-selling-platform and acquired initial music assets.³¹⁶ Tangy Market is a typical fractional royalty platform. Artists and other rightsholders can lease their royalty streams from their copyright for a limited period. Nevertheless, the rightsholders keep 100 per cent of the copyrights, because they only sell participation rights in their royalty revenues.³¹⁷ Tangy Market targets small investors and music fans, who can download the mobile app, create a personal account and deposit money for investment. Investors can then buy and sell royalty shares of their favourite artists and participate in the royalty payouts. Besides local Swedish music catalogues, Tangy Market also offers songs covered by superstar artists such as "Different Kind of Love Song" by Cher, "She Don't Like the Lights" by Justin Bieber and "Work B**ch!" by Britney Spears.³¹⁸

Bolero was founded by William Bailey and Arthur Amon in Paris in 2021 and is a fractional royalty platform. The business model is very similar to that of ANote Music. Investors can buy

and sell so-called Song Shares in single songs or song catalogues. A Song Share is a digital asset that entitles to get a percentage of the right to receive proportional royalties from publishing and master rights of a specific song or song catalogue. Rightsholders can transfer their income streams from the collecting societies to Bolero for a predefined period but retain the underlying rights. Therefore, the investors do not control the underlying copyright but acquire a participation right in the revenue stream generated by licensing of the song/song catalogue to music users such as music streaming services, radio and TV stations. Bolero also provides a secondary market platform, where the investors can trade their acquired Song Shares.³¹⁹

MasterExchange was founded by AI and blockchain expert Alexander Fred-Ojala with Star Stable founder Johan Edfeldt and music producer Jakke Erixson in Stockholm in 2022. MasterExchange is a music investment platform to buy and sell shares in music royalty revenue streams. In an Initial Music Offering (IMO) the original royalty owner sells a predetermined portion of the master royalties to investors. A royalty share is the unique tradable asset on the MasterExchange platform, representing a stake in a song's future master royalties. Like other fractional royalty platform, the investors do not control the underlying copyright but own a participation right in the royalty revenue stream. Unlike ANote Music or Tangy Market, the MasterExchange's royalty share is associated with an NFT on the Polygon blockchain. Nevertheless, MasterExchange conducts transactions in Euros rather than in cryptocurrency.³²⁰ In August 2023, MasterExchange raised US \$2.7 million in funding from several investors including Vectr Fintech and launched the first initial music offering of the song "Sofia" by Alvaro Soler, released in July 2016, which has generated over 2 billion music streams across various platforms, especially in Italy and in Spain.³²¹

The Stockholm-based Web3 platform Anotherblock launched an NFT marketplace for music royalties in 2022 and secured a risk investment of US \$8 million via three seed funding rounds.³²² Music rightsholders can offer shares of their royalty revenue streams on Anotherblock's platform.³²³ One example was the Swedish songwriter and producer Alex Karlsson, who wrote songs for K-Pop acts such as *BTS*, *NCT*, *TXT* and *Twice*, and offered the *BTS* hit "We Are Bulletproof: The Eternal" on Anotherblock's website. Investors can buy a 0.004 per cent share of a royalty NFT for 0.023 Ether, which actually equates to US \$63.³²⁴ The royalty NFTs are tradeable and can be sold on the secondary market on the Anotherblock platform.

Sonomo is another fractional music investment platform operating in a similar way to the aforementioned companies. Founded by Faris Saher in the Netherlands in 2022, it offers investments in the right to claim future revenues derived from master royalties, but not the underlying royalties or master rights.³²⁵ Sonomo is focused on master rights and does not offer participation rights in revenue streams from exploiting publishing rights. The main target, therefore, are indie record labels and artists, who own their master rights. The rightsholders define the initial share price, starting at EUR 10, and Sonomo only facilitates the exchange of shares and handles all following payout disbursement. Currently investors from the EU can buy shares from 6 songs and 3 baskets of songs containing 42, 47 and 685 songs respectively.³²⁶

OG Music was founded by Edoardo Tamburi and Federico Fundarò in Milan/Italy in 2023. OG Music copies the concept of numerous pre-existing platforms such as Anotherblock and MasterExchange, in which profit participation rights are sold to future revenues from the exploitation of music rights. OG Music promises investors: "if you purchase 1% of the streaming rights of a song for 5 years, you will have the opportunity to periodically receive the royalties that the song collects through streaming." The investors have to deposit an amount of money in Euros on the platform by credit card or bank transfer. This can be allocated to different projects; however, a minimum investment of EUR 10 is necessary. In return they receive periodic payments from the different uses of the songs.³²⁷

Also in 2023, the fractional music investment platform Parça was founded by Parça Teknoloji in Istanbul/Turkey. The business concept is similar to that of many music investment marketplaces already described. Investors can acquire shares in royalty streams in the form of participation rights and resell them on a secondary market platform, although the latter is, however, only in development at Parça. For each successful transaction, Parça charges a 5 per cent commission fee, regardless of whether it is an initial sale or a sale on the secondary trading platform. Parça is where investors can put their money, mainly for Turkish repertoire. There are currently 69 songs for sale on the homepage, with many of them by the same artists.³²⁸

In the USA, three further music investment marketplaces were launched in the second wave of start-ups. In 2021, the music industry veterans Barnaby Andersun and Noble Drakoln established Band Royalty, which has acquired music rights of 57 songs performed by platinum-selling artists such as Justin Timberlake, Jay-Z, Rihanna, Beyonce, Cher etc.³²⁹ Unlike other MIMs, the company does not directly offer stakes in songs and songs catalogues, but in royalty music pools. If an investor buys a so-called BAND Music NFT, she will become a member of the Music Mogul Club, which provides access to the three royalty music pools. But to access

royalty revenue the investor must buy at least one of the acquired BAND NFT from these music royalty pools and activate the staking of the BAND NFTs. This provides access to the revenues from the royalty streams across the 3 staking pools. The more BAND Royalty NFTs an investor owns and stakes, the larger is her royalty share. The NFTs are based on the Ethereum blockchain and only a total of 12,000 NFTs are available.³³⁰

Figure 16: List of music investment marketplaces

Music Investment Marketplace (MIM)	Year of foundation	Location	MIM-Type	Number of songs/rights
SongVest	2008 relaunch: 2020	USA	Fractional royalty sales platform	192
Global Rockstar	2014	Austria	Crowdfunded royalty sales platform	more than 400
Royalty Exchange	2015	USA	Music rights auction platform	2,132
Vezt	2016	USA	Fractional royalty sales platform	defunct
Musicow	2016	South Korea	Fractional royalty auction platform	more than 1,400
Fanvestory	2017	Estonia	Crowdfunded royalty sales platform	defunct
ANote	2018	Luxembourg	Fractional royalty auction and trading platform	26
Tangy Market	2021	Sweden	Fractional royalty sales and trading platform	more than 300
Band Royalty	2021	USA	Fractional NFT royalty sales platform	57
Bolero	2021	France	Fractional royalty sales and trading platform	144
Master Exchange	2022	Sweden	Fractional NFT royalty sales and trading platform	13
Anotherblock	2022	Sweden	Fractional NFT royalty sales and trading platform	11
Sonomo	2023	Netherlands	Fractional royalty sales platform	9
OG Music	2023	Italy	Fractional royalty sales platform	16
Parça	2023	Turkey	Fractional royalty sales and trading platform	39
sliceNote	2023	USA	Music rights sales platform	n.a.
JXBX	2023	USA	Fractional royalty sales platform	97

Unlike Band Royalty, sliceNote is a music investment marketplace, that does not use blockchain technology and NFTs to trade music royalty shares. SliceNote was founded by the Utah-based BeatBread, which started as a platform to offer advances to artists for their existing song catalogues, but also for their unreleased music. In return, BeatBread receives a share in the artists' royalty payments, over a period determined by the artist. BeatBread was founded in 2020 by Peter Sinclair and was able to raise US \$34 million in a first funding round in February 2022 and closed another US \$100 million fund with Variant Investments in November 2022. In April 2023, BeatBread launched the music investment platform sliceNote, which offers qualified investors (high net worth individuals, record labels, music publishers etc.) the possibility to invest in fractional shares as small as 1 per cent per deal.³³¹ Thus, sliceNote is not a typical fractional royalty platform such as SongVest and Musicow, but a music rights sales platform more comparable to Royalty Exchange.

9.2.4 Case study 7: JKBX (pronounced Jukebox)

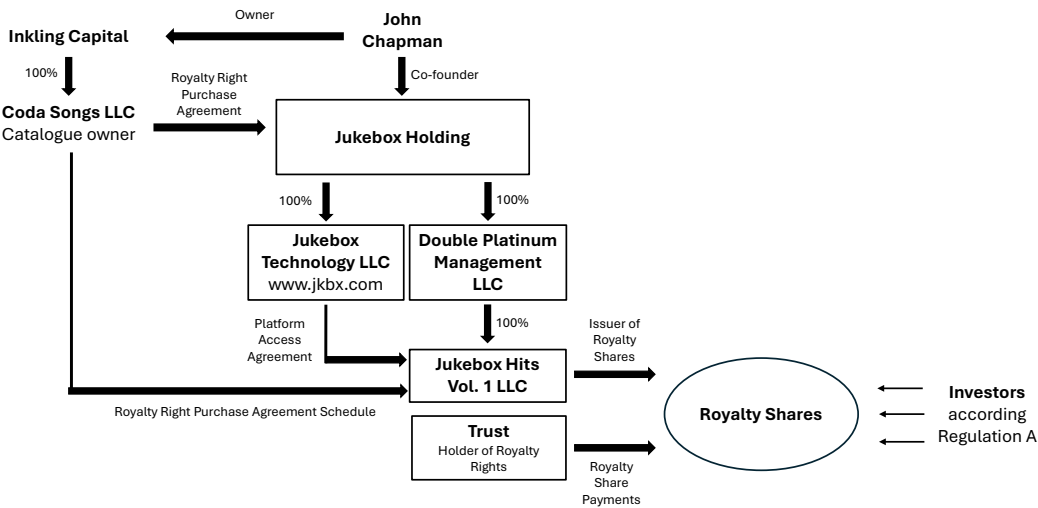
Jukebox Technology LLC was founded by the music industry veteran Scott Cohen as well as Sam Hendel and John Chapman of UK-private equity firm Dundee Partners in 2023 headquartered in Culver City/California. In September 2023, Jukebox Technology launched the fractionalised music royalty platform www.jkbox.com on the Internet.³³² Scott Cohen co-founded with Richard Gottelher the digital music distributor The Orchard in New York City in 1997, which was acquired by Sony Music Entertainment in two tranches in 2012 and 2015 for a total of US \$300 million.³³³ In 2019, Cohen left The Orchard to become Chief Innovation Officer at Warner Music Group,³³⁴ before joining Sam Hendel and John Chapman to form Jukebox Technology.

Dundee Partners collaborates with Chord Music Partners, owned by the PE company Kohlberg Kravis Robert & Co. (KKR), to buy the KMR Music Royalties II fund for US \$1.1 billion³³⁵ as well as the song catalogue of the One Republic frontman and songwriter Ryan Tedder.³³⁶ Dundee is also a partner of the PE company Francisco Partners and MUSIC, which purchased the Swedish Kobalt Music Group for US \$750 million.³³⁷ Therefore, Dundee Partners was involved in the acquisition of three large music catalogues.

JKBX is not the innovator of fractional music royalty marketplaces but is nevertheless a game changer. Unlike most of the music investment marketplaces that sell participation rights in artists royalty revenue streams, JKBX targets large music rights owners that want to monetize their catalogues.³³⁸ Rightsholders can offer parts of their song catalogues (publishing and

master rights) as royalty shares on the JKBX platform. Therefore, Jukebox Technology founded the Delaware registered company Jukebox Hits Vol. 1 LLC on 3 April 2023, which secured US Securities and Exchange Commission (SEC) approval as a Regulation A offering³³⁹ in March 2024.³⁴⁰ The Offering Circular describes Jukebox Hits Vol. 1 LLC as "(...) limited liability company established to facilitate and manage investors' economic exposure to the Company's contractual right to receive a portion of the royalties, fees, and other income streams (*"Income Interests"*) related to or derived from musical songs, compositions, sound recordings, portfolios or catalogs (*"Music Assets"*)."³⁴¹ Therefore, Jukebox Hits Vol. 1 enters into purchase agreements with so-called income interest owners, a synonym for music catalogue owners. The music assets are split up into so-called Royalty Shares that are issued in series, related to a specific music asset such as a composition, a sound recording or a portfolio of songs. As Jukebox Hits Vol. 1 is a SEC registered company, the music assets are sold like shares. The buyers of the Royalty Shares are entitled to receive a portion of the royalty revenue generated by the underlying licenses. However, the Offering Circular clarifies that the issued Royalty Shares "are unsecured limited obligations", which "do not confer any voting rights on the holders thereof."³⁴² This makes it clear that the purchase of royalty shares does not establish ownership of the investors in the company Jukebox Hits Vol. 1 nor in the underlying music assets. Investors in JKBX royalty shares only acquire contractual rights to earned royalty streams. The contractual rights are purchased as Royalty Shares on the web-based platform *www.jkbox.com*, which is owned by Jukebox Technology LLC.³⁴³ Whereas Jukebox Hits Vol 1 LLC is managed and administered by the Delaware registered company Double Platinum Management LLC.³⁴⁴

Figure 17: The JKBX conglomerate



Source: After Jukebox Hits Vol. 1 LLC, "Offering Circular", March 1, 2024, p. 19.

Currently the only catalogue owner that has entered a purchase agreement with Jukebox Hits Vol. 1 LLC on 5 November 2023 is the Coda Songs LLC,³⁴⁵ which is a 100 per cent affiliate of Inkling Capital LLC. The sole owner of Inkling Capital, however, is John Chapman, who is a co-founder of JKBX.³⁴⁶ Therefore all the underlying publishing and master rights for the Royalty Shares are owned by a senior executive of JKBX. The records highlight that Jukebox Hits Vol. 1 LLC paid US \$43 million in cash to Coda Songs LLC to acquire the income interests in the music assets.³⁴⁷ The purchase price should be refunded by the sale of the Royalty Shares, which are offered to so-called "qualified purchasers".³⁴⁸

Figure 18: The top 10 performing Royalty Shares by yield

Title	Re-release Date	Rights type	Royalty type	Songwriter/ recording artist/ producer	2023 royalty income	Price per share	No. of shares	Yield
Everybody Loves Me	2009	Sound recording – producer	Neighbouring Digital	Producer: Ryan Tedder	\$685.16	\$16.00	25	171.29%
If I Lose Myself	2013	Sound recording - producer	Neighbouring Digital	Producer: Ryan Tedder	\$8,884.61	\$1.84	50,000	9.66%
Wings	2013	Sound recording – producer	Neighbouring Digital Royalty participant	Producer: Ryan Tedder	\$4,777.47	\$31.00	2,000	7.71%
Ghost	2014	Composition Songwriter	Public performance	Songwriter: Ryan Tedder	\$25,440.05	\$3.34	100,000	7.62%
Wings	2013	Composition Songwriter	Public performance	Songwriter: Ryan Tedder	\$17,921.20	\$2.38	100,000	7.53%
Counting Stars	2013	Sound recording – producer	Neighbouring Digital	Producer: Ryan Tedder	\$22,559.59	\$3.23	100,000	6.98%
Welcome to New York	2014	Sound recording – producer	Neighbouring Digital Royalty participant	Producer: Ryan Tedder	\$3,008.46	\$45.00	1,000	6.68%
Good Life	2009	Sound recording – producer	Neighbouring Digital	Producer: Ryan Tedder	\$5,551.65	\$1.55	60,000	5.97%
All the Right Moves	2009	Sound recording – producer	Neighbouring Digital	Producer: Ryan Tedder	\$9,636.64	\$1.65	100,000	5.84%
Counting Stars	2013	Composition Songwriter	Public performance Sync Mechanical Other	Songwriter: Ryan Tedder	\$345,190	\$31.37	200,000	5.50%

Source: JKBX, "All Listings", n.d., accessed: 2025-03-27.

Figure 19: The 10 worst performing Royalty Shares by yield

Title	Re-release Date	Rights type	Royalty type	Songwriter/ recording artist/ producer	2023 royalty income	Price per share	No. of shares	Yield
Diplomatico	2018	Sound Recording - Master	Sales Sync Digital	Label: Third Pardee Records	\$5,807.43	\$3.47	100,000	1.67%
Make It Hot	2019	Sound Recording - Master	Sales Sync Digital	Label: Third Pardee Records	\$3,640.77	\$2.35	100,000	1.55%
Brighter Than The Sun	2011	Sound Recording - Producer	Neighbouring Digital Royalty participant	Producer: Ryan Tedder	\$851.30	\$55.00	1,000	1.55%
Every Breaking Wave	2014	Sound Recording - Master	Neighbouring Digital Royalty participant	Producer: Ryan Tedder	\$1,576.65	\$1.80	60,000	1.46%
Blow That Smoke	2018	Sound Recording - Master	Sales Sync Digital	Label: Third Pardee Records	\$3,999.92	\$2.79	100,000	1.43%
Song For Someone	2014	Sound Recording - Producer	Neighbouring Digital Royalty participant	Producer: Ryan Tedder	\$2,284.66	\$1.66	100,000	1.38%
Connection	2018	Sound Recording - Producer	Neighbouring Digital	Producer: Ryan Tedder	\$1,215.65	\$2.02	50,000	1.20%
Particular Taste	2018	Composition Songwriter	Public performance	Songwriter: Ryan Tedder	\$266.05	\$24.00	1,000	1.11%
Particular Taste	2018	Sound Recording - Producer	Neighbouring Digital Royalty participant	Producer: Ryan Tedder	\$0.78	\$50.00	3	0.52%
Burn	2012	Sound Recording - Producer	Neighbouring Digital	Producer: Ryan Tedder	\$0.00	\$10.00	100	0.00%

Source: JKBX, "All Listings", n.d., accessed: 2025-03-27.

The SEC Regulation A offering of Jukebox Hits Vol. 1 LLC stipulates that only "accredited investors" can buy Royalty Shares. These are natural persons with an income of more than US \$200,000 in each of the two recent years and so-called High Net Worth Individuals (HNWIs) with a net wealth higher than US \$1 million.³⁴⁹ Therefore, only relatively wealthy investors can buy JKBX Royalty Shares. Hence, JKBX has the right to review and accept but also reject a subscription to buy Royalty Shares.³⁵⁰ The JKBX music investment marketplace, therefore, only allows limited access to its products. The initial offering price of the Royalty Shares are determined by Double Platinum Management on an arbitrary basis.³⁵¹ JKBX points to the risk,

that the actual value of the investment, therefore, may be less than what investors pay.³⁵² The Royalty Shares are sold on the www.jkbox.com platform on the Internet to "qualified investors" and the proceeds from the offering are used to fund the acquisition costs of the Royalty Rights and to pay overhead, employee costs, utilities and technology costs, which incur by the management company.³⁵³

Although JKBX plans to launch a secondary marketplace to trade Royalty Shares, there is no intention to trade Royalty Shares on a stock exchange. Currently, however, no alternative trading system is available on the JKBX webpage.³⁵⁴ This is because Royalty Shares are unsecured limited obligations of Jukebox Hits Vol. 1 LLC, whose trade is associated with a high risk.³⁵⁵ Jukebox Hits Vol. 1 LLC has issued 97 Royalty Shares with different underlying composition and recording rights.

Despite its potential for innovation, JKBX is currently a sales platform for contractual rights to earned royalty streams and limited to wealthy investors. It is neither a trading platform for music rights nor a stock exchange for music shares. Furthermore, JKBX only has a single music catalogue, acquired from Coda Songs for around US \$43 million. This investment must first be recouped by the sale of Royalty Shares. It remains to be seen whether further music catalogues will be available for the sale of Royalty Shares in the future.

9.2.5 Summary of the Analysis of Music Investment Marketplaces

Music investment marketplaces aim to monetise music rights for investors and create a marketplace for them. However, analysis of music investment marketplaces shows that there are currently many different models vying for the favour of investors. Typically, MIMs target small investors and music fans who can buy shares in song rights for a few Dollars or Euros. There are also offerings such as Royalty Exchange, sliceNote and JKBX, which are aimed more at wealthy investors or high net worth individuals who can afford to invest larger amounts per share. In most cases, however, investors cannot buy music rights directly, but only participation rights in royalty streams. Due to copyright laws in most of the European countries, it is not possible to purchase music rights. Rights can only be licensed for use. As a result, European marketplaces only offer indirect ways for buyers to make money from music rights. Different strategies are used. The Austrian MIM Global Rockstar offers "opportunities" via a crowdfunding platform to small investors who can acquire participation rights in the revenue streams of artists. As Global Rockstar also operates a label and a music publishing company, artists can either license their rights directly to Global Rockstar or offer them for sale directly

on the platform in the form of participation rights. In both cases, investors do not receive any rights to the underlying publishing and master rights.

Other platforms also offer rights to royalty streams, marketed under names such as "SongShares" from the French company Bolero or "Initial Music Offerings" (IMOs) from the Swedish MasterExchange. The US-based JKBX also does not sell shares in music rights or songs directly, but participatory rights in the form of "Royalty Shares". Only the US platforms slice Note and Royalty Exchange offer shares in music rights for direct purchase, primarily to wealthy investors willing to pay US \$10,000 per share.

Shares are sold either at prices set in advance by the platforms or the rights owners, or through auctions, as in the case of SongVest, Musicow and ANote Music. Musicow and ANote Music allow purchased shares to be resold on secondary trading platforms after the initial purchase, although the administration fee per transaction is usually higher on the secondary market. The European MIMs Tangy Market and Bolero follow a similar model, but without a prior auction. Resale platforms are also planned for Global Rockstar and JKBX. However, JKBX explicitly states that the Royalty Shares can only be traded on the company's own secondary sales platform and not on an external stock exchange.

Some platforms are trying to solve the repurchase of music rights shares through tokenisation, selling the participation rights in the form of non-fungible tokens (NFTs) on the blockchain. Swedish platforms MasterExchange and Anotherblock and Turkish platform Parça sell music rights NFTs on the Ethereum and Polygon blockchains respectively. The Austrian platform Global Rockstar also allows the purchase of NFTs in addition to the classic analogue sale of "opportunities".

The different models show that it is difficult to make music rights a tradable commodity that can be bought and sold by small investors. Especially outside the US, copyright laws make it difficult to make music rights tradable as financial products. In addition, many artists do not control their publishing and mastering rights and can only "sell" their income streams from collecting societies in the form of participation rights. It is easier for music publishers and labels to monetise their music catalogues on MIMs, as the example of JKBX shows.

The US therefore has an advantage over the EU because of its copyright framework. It is not only the possibility to sell copyright and related rights that makes the US a thriving music rights market, but also the possibility of reversion rights, which are mainly used by superstars to regain control over their music catalogues. However, the high fragmentation of rights in the EU is also

an obstacle to the development of a well-functioning music rights market. If, as in the US, it is possible to acquire not only the publishing and master rights of an artist, but also the NIL (name, image and likeness) rights, then this bundle of rights has a higher economic value. On the other hand, transaction costs increase when different rights are distributed among different actors. If, moreover, music rights cannot be sold but only licensed for use, as is the case in the EU, then, as the music investment marketplaces show, complicated workarounds such as rights to royalty streams have to be used. Ultimately, however, it is a political decision whether the legal framework should encourage the creation of music markets at the expense of the legal protection of creators.

For music investment marketplaces to work well, they need also valuable music catalogues that generate a regular revenue stream. That's why MIMs work better in markets where such music catalogues are more readily available – such as the US, South Korea (thanks to K-Pop) and Sweden (thanks to many internationally successful songwriters) – than in markets where these conditions are not met. The failure of Estonia's Fanvestory is a good example of how a provider needs the backing of a strong market to operate its business model in a sustainable way. This business model is primarily based on taking administration fees, which range from 1 to 8 per cent per transaction for the various providers. However, it makes sense to have a second financial mainstay, such as Global Rockstar, which is also a music publisher and label. Another important success factor is that the MIMs have sufficient liquidity, i.e. investor capital. A lack of liquidity has proved fatal for Fanvestory, Vezt and Royal.io, which have already ceased trading due to a lack of investor capital.

This is also due to the fact that returns do not always meet expectations. An analysis of the returns on Royalty Exchange and JKBX shows that the values are highly dependent on the catalogue and the performance of individual songs, which is also highly volatile over time. In addition, most platforms offer relatively few investment opportunities, usually well under a hundred. Only Royalty Exchange and Musicow have more than thousand investment opportunities on their webpages. Global Rockstar, Tangy Market, SongVest, Bolero and JKBX are in the middle of the range with at least a hundred opportunities.

Basically, it is a risky investment that is not recommended for small investors without prior knowledge of how the music rights business works. As a result, South Korea's Financial Services Commission took action to investigate Musicow's business model more closely and only gave the company the green light to continue operating after the Korean platform improved investor protection.

On the other hand, music investment marketplaces allow artists to monetise their music rights and fans to invest, at least indirectly, in their favourite music. Either way, there is potential for the creation of an innovative marketplace for music rights, although there needs to be regulatory protection for both the rightsholders who offer their royalty shares for sale and the small-scale investors who buy financial products backed by music rights.

10 Opportunities and Risks of the Music IPR Sales

Boom

10.1 The Opportunities of the Music IPR Sales Boom

The representative of music publishing company A considers the wave of large music asset acquisitions "(...) to be a very positive development, which has two aspects: A, it shows from a capital market perspective the value of music; B, it will create more independence for artists who don't have one possible purchaser going forward, their record company, but multiple."

The two representatives of the music IPR company, who also have a PE-business background, also see it as positive development that PE and asset management companies have entered the music IPR market: "[It] signals a level of support for an industry that is very helpful in generating increased demand from investors. (...) PE and asset managers bring a steady flow of capital that provides depth to the overall music rights market. That brings additional institutionalization that enhances the industry as their entrance effects both the buying and selling of assets."

This development therefore represents a great opportunity for creators who were previously dependent on the major rightsholders (labels and music publishers). The representative of music publishing company A explains the advantages from the artists' point of view as follows: "[A] sophisticated capital market presence allows them to monetize in an incredible way rights that before digitization never were actually on the market. Like for example, individual producer shares or artist shares, which then has an impact, if let's say a sophisticated investor buys those rights, he doesn't work on it, and suddenly artists find out, well, it's actually more valuable than I ever thought because I got accounted only two thirds of what should have been accounted." The representatives of the music IPR company A see it similarly: "The additional capital being deployed expands the opportunity set for creators and other companies involved in the music business. It tends to expand the amount of money available to a wider array of creators, beyond the household names." Furthermore, the additional capital of the financial conglomerates is leading to a market expansion beyond the USA and Europe, a point to which the representative of music publisher A and the two representatives of music IPR company A all agree.

This points to another advantage, namely the increased transparency in the valuation of music catalogues. The representative of music publishing company A points out that in the recorded music era, it was difficult to accurately determine the value of music rights. In particular, the

majors had no interest in making the value of their music catalogues transparent: "[T]hey still hide the value of what they own because otherwise there would be very nasty question why this level of ownership doesn't transfer to halfway decent returns." Adding: "[M]ost of the assets in their balance sheet show up as zero because they are basically 50 years old. Even if they bought them, they're written them down to zero and still create enormous income streams."

For music industry lawyer A, this is also a sign of a consolidation process in the music industry, because music catalogues have been undervalued for a long time. The traditional music companies, the majors, have huge music catalogues that they have not been able to manage effectively: "[A] company that owns 40 million songs is not going to be able to take care of those assets the way it would if it had 200 songs. So, there is a natural dilution and weakening of the care for each asset when you have large amounts. Maybe I should start by saying the wave of large-scale music related transactions means that it is consolidation." This consolidation in the music rights market is now leading to lower transaction costs as the rights are being more tightly bundled and marketed more efficiently. However, according to music industry lawyer A, this only applies to the recorded music industry. In music publishing, on the other hand, the current music sales boom is leading to even more fragmentation in the market: "[W]hen PE buys a collection of publishing rights, they're not getting the whole song. They're just getting chunks of quite a lot of songs. Whereas when they're buying recording, they're buying the whole thing."

Based on the interviews and desktop research, the opportunities arising from the current developments in the music rights market can be summarised as follows:

- (1) Buyer competition for music rights is increasing, which is pushing up the price of music IPR. This could present a challenge for traditional intermediaries in the music industry who, as a rule, enjoy some market power when acquiring music IPR. Other rightsholders may benefit, however. Overall, higher prices for music IPR could lead to increased investment in current creative work and boost future supply, providing wider benefits for other stakeholders, including music consumers.
- (2) By purchasing music IPR, financial investment companies can leverage their assets more efficiently and thus allocate risks more effectively. In addition, music IPR can be used for risk hedging. Financial companies can offset the risks associated with specific assets by adding music IPR assets, the value of which is either uncorrelated or inversely correlated.

(3) New investors entering the market may bring additional capabilities that complement those of existing market participants and drive innovation. Large financial investors are widely regarded as having outstanding expertise in evaluating assets and maximising strategies to improve the market value of assets. For example, they may use more advanced learning algorithm applications. They may replace existing IPR management methods by more efficient one. They may also be more effective negotiation partners with suppliers or licensees of music IP. Furthermore, large investors may be able to arrange mutually beneficial cooperation agreements across the various firms in which they have investments, thus enabling them to communicate with, and potentially control, these firms to some extent.

10.2 The Risks of the Music IPR Sales Boom

The interviews also show the risks of the current developments in the music rights market. The representative of music publishing company A considers the time-consuming and costly search for new talent by A&R departments to be a waste: "I mean A&R as an aggregated music industry department doesn't add any value. It's actually massive value destructive." If this view prevails and spreads throughout the music industry, the future for new talent looks bleak. It will be all about marketing established artists and increasing the value of their music catalogues.

For music industry lawyer A, however, this is a major criticism of the current music industry sales boom, which is backed by the financial conglomerates. The lawyer describes them as snipers, who are taking out entrepreneurs who have driven this business: "One of the issues is about killing off entrepreneurs who have built great record labels. And in the old days they weren't bought by finance companies. They were bought by record companies. So, for instance, Warner took on Elektra and Asylum and created WEA, but that became a meeting of three guys minds. It was not one enormous bank that just bought out the others and set the terms. It was a merger of interesting people who continued doing amazing things for years and years after the purchase." The financial conglomerates that are currently buying up music catalogues for billions of dollars understand nothing about the music business, as music industry lawyer A explains. They have a short-term investment horizon and want to minimise risk. But the music business has always been high risk:" [I]t is the highest risk business in the world. (...) So, the marriage of institutional money like PE and asset management companies with high-risk music [business] is a nightmare."

To keep the risk manageable, PE and asset management companies tend to buy older catalogues that promise long-term cash flows: "So, they tend to buy only what is a dead cert, and dead cert means past catalogue. That's one of the main reasons why we're seeing large scale music related IPR transactions going forward. They will only invest in something that already has success. So, there is no development left in the industry," music industry lawyer A said in the interview.

Another problem could arise if the music IPR companies are not interested in making the value of the music catalogues transparent and trying to increase this value but instead try to make as many transactions as possible to collect their management and administration fees. This could become a problem for both the music investment marketplaces and the music IPR companies that have accumulated large music catalogues without paying attention to their value. The main thing was to be able to collect the fees. The representative of music publishing company A was also critical in this respect: "[Y]ou incentivised the people who run your investment scheme, not by success of the investment, but getting it done, 2 per cent of the monies is out of the door. The second one is you should be very wary of people who want to build an empire beyond managing properly the assets they bought."

Another risk when buying music catalogues is estimating the correct purchase price. It is not easy to determine the correct price for a music asset. This can lead to underestimation or overestimation of value. If the value is underestimated, the seller is harmed, and if it is overestimated, the investors are harmed. The representative of music publishing company A commented: "I think the biggest risk is this discussion of under exploited [music rights], which leads to target pricing. (...) Target pricing is the biggest risk for all investors, and that's why they need, I think, unemotional partners in this process."

Nevertheless, the massive investment of PE and asset management companies in the music IPR market can drive up prices, as the representatives of music IPR company A explain: "The risk with additional investor capital is the potential for a spike in competition driving up prices which leads to an inflated values with the increase demand. That could result in the purchase of IP at much higher valuations that are not supported by the historic income levels."

Music industry lawyer A also sees this risk and criticises the sale of music catalogues by younger artists because they have a false time preference. They are blinded by the lure of quick money and sell their catalogues below their fair value. For less established artists, music industry lawyer A sees no advantages at all in the current boom in music rights sales. They have no bargaining power, and their music is usually not even in demand: "There's no such thing as

investment opportunities from investors for a small creator." Only promising young talents can benefit from the boom if they have already built up a promising career. This could be attractive for investors: "They [investors] want somebody who's already built the beginnings of a massive career without any help, and then they'll give you the investment."

However, we can also identify risks for new financial investment companies that have entered the music rights market in recent years. While the market entry of new investors increases competition for repertoires, benefiting at least some well-established creators in the short term, the process may also lead to greater market integration in the long term. This could lead to market failure due to centralised control, market power and asymmetric information, which could be worsened by the process.

Although buying more music catalogues to achieve greater horizontal integration may not be a main concern, vertical integration among firms that perform different functions along the music industry value chain could be problematic. Financial investment companies regularly have stakes in multiple firms, which are licensees of music rights or suppliers of related goods and services. To a certain extent, this also applies to major companies, which have investments in some music online service providers, such as Spotify, as well as in subsidiaries of larger consortia that supply related goods. However, there is greater potential for vertical integration with very large investors who hold multiple related assets. When large investment firms acquire music IPR, the potential for vertical integration increases further. Furthermore, investors who acquire all alienable rights can sell them on to other parties. When a rightsholder sells music IPR to an investor, they do not know who they are selling to. In this context, conflicts of interest may arise between financial investors and creators or specialised intermediaries who are tied to the music industry due to asset specificity.

Financial investment companies may also leverage music IPR to promote their interests in related markets. For example, they could offer more favourable licensing terms to certain licensees than to others or withhold licences altogether. However, creators are interested in exposing their music so that they can benefit from greater demand for the related goods and services they provide, such as live concerts. Furthermore, creators' bargaining power may generally suffer if general purpose investment leads to greater vertical integration of intermediaries in the music industry. After all, creators who suspect greater vertical integration will occur have an incentive to sell while prices are high, even if they expect other creators' positions to weaken in future.

On the other hand, creators and music IPR companies may see their long-term profit prospects undermined if the reputation (brand) of the artists they represent suffers because of careless licensing of the repertoire they have sold e.g. for synchronisation rights (use in film and TV, games and advertisements). The problem may be even greater when creators or specialised rightsholders temporarily sell music IPR, which then reverts to them after a specified period. In this case, the temporary music IPR holder has an incentive to prioritise short-term profits, meaning that what the initial rightsholder gets back may be partially devalued.

Finally, the music IPR market may become more volatile due to extensive trading of rights and speculation. Boom and bust cycles within the music IPR market are less of a problem for financial investment companies, since they can benefit from them when they have superior information and manage to repeatedly buy low and sell high. However, for specialised music IPR companies, volatility is a much greater concern since they do not have the opportunity to hedge risk with other non-musical assets.

11 Conclusions and Recommendations

11.1 Conclusions

11.1.1 New Players Emerge on the Music Rights Market

An analysis of various sources shows that billions of US dollars have been spent on purchasing music rights in recent years, especially since 2019. This represents a veritable boom in the music rights market, which was previously dominated by traditional music rightsholders such as music publishers, phonographic companies and collecting societies. New types of companies have started buying up valuable catalogues and explore novel options to generate profits. As case studies 2-6 have shown, these new investors in music IPR have so far been quite diverse in their capabilities and strategies.

BMG Rights Management emerged from the former major music label BMG Music Group, which was broken up and sold by its parent company, German conglomerate Bertelsmann AG, in the mid-2000s. Concord has evolved from an independent jazz label into a billion-dollar music IP company thanks to financial backing from the Michigan Retirement System, which owns 93 per cent of Concord. Despite their strategic realignment, both BMG Rights Management and Concord remain music publishers at their core, still conducting A&R, and having also acquired recorded music catalogues, they perform label functions.

By contrast, Primary Wave is a new kind of music publisher. By creating music IP funds, it offers investors the chance to invest in the music rights market. While the publishing function of signing new songwriters will continue, it will play only a marginal role in the company's business model.

Music IPR companies such as Hipgnosis and Roundhill Music do virtually no traditional publishing or label work. These companies have purchased music catalogues solely for the purpose of investing their clients' money and view music rights primarily as a new asset class. Hipgnosis and Roundhill are representative of numerous music IPR companies that have been founded in recent years: HarbourView Equity Partners, Tempo Music, Litmus Music, Cutting Edge Group and Influence Media Partners, all of which are music IP investment funds in which investors can invest in the hope of a good return.

11.1.2 The Role of Private Equity and Asset Management Companies

However, music IPR companies were only able to acquire music rights with the help of private equity and asset management giants such as BlackRock, Blackstone, KKR, Brookfield Asset Management, Apollo Global Management and The Carlyle Group. They act as the link between music IPR companies and institutional investors such as pension funds, insurance companies, sovereign wealth funds, but also private investors such as high-net-worth individuals (HNWIs), family foundations and charitable organisations. These investors are looking for secure investment options with good returns that are suitable for diversifying their investment portfolios. Music catalogues that generate reliable, regular royalty streams appear to meet the expectations of these investors because they seem independent of general trends on the capital market and the economic cycle.

The interaction between institutional and private investors and private equity companies was analysed in detail in case study 1 on Shamrock Capital Partners. Shamrock is a relatively small private equity company in terms of assets under management, but it differs from other market players in that it purchases music rights through specially created investment funds in which investors can participate. These are classic private equity projects financed by a large proportion of debt and a small proportion of equity. The PE projects are designed to run for a period of 3 to 5 years, during which not only the royalty streams from the music catalogues are managed, but the value of the music catalogue is also increased so that it can be sold at a higher price after the holding period. This business model involves significant risk and highlights the speculative nature of music rights purchases.

11.1.3 The New Structure of the Music Rights Market

While there is still a certain degree of competition among intermediaries, i.e. music IPR companies, only a few large PE and asset management companies divide the market among themselves. The emergence of a dominant position, as already exists in the traditional music publishing market and in the phonographic industry, seems very likely.

This is because the market supply of valuable music catalogues is limited and they fetch very high sales prices that only a few financially strong investors can afford. This creates a market entry barrier that protects buyers from competition. Since the music rights market is also characterised by monopolistic competition and the winner-takes-it-all principle of the superstar economy, the tendency towards market concentration and the resulting dominant market position is further reinforced.

To succeed in the market, some music IPR companies have specialised in niche markets. For instance, the Cutting Edge Group primarily purchases music catalogues containing functional music for use in films, TV programmes and video games. Primary Wave was one of the first companies to acquire artists' publishing and master rights with the aim of monetising their use in TV, film and advertising. Collecting societies are another market segment, primarily acquired in the US by private equity (PE) companies. Examples include SESAC, acquired by the Blackstone Group; Global Music Rights, acquired by Hellman & Friedman; and Broadcast Music Incorporated (BMI), acquired by New Mountain Capital and Alphabet subsidiary Capital G in a joint venture.

11.1.4 Music Rights Securitization and Music Investment Marketplaces

In addition to traditional PE projects, in which institutional investors primarily contribute debt capital, new financial products have been developed for investors in the form of corporate bonds and asset-backed securities (ABS). This process is referred to as the securitisation of music rights. These innovative financial products are collateralised by music catalogues acquired at great expense. This effectively turns music rights into assets that can be traded on the market, offering investment and speculative opportunities. While this approach is not entirely new, it is primarily aimed at financially strong investors.

Music investment marketplaces (MIMs) emerged in the mid-2010s for small investors, where shares in royalty streams can be bought and, in some cases, resold. Many of these online platforms have emerged outside the United States because the copyright regime in these countries does not allow music rights to be sold. To create a trading venue for music rights, fractional royalty shares are either tokenised and traded as non-fungible tokens (NFTs) on the blockchain or made indirectly tradable as participation rights in the royalty streams. Hybrid forms are also emerging.

MIMs form an independent market segment within the music rights market. Here, lesser-known artists and newcomers meet small investors who invest in fractional music shares. The problem with most MIMs is the lack of liquidity and the barriers to trading music rights, especially outside the US. Most MIMs also operate in a grey area for rightsholders/artists and investors, who are generally unprotected due to the lack of a regulatory framework. Such a framework currently only exists in South Korea, which has enabled Musicow to rise to become a leading MIM worldwide.

11.1.4 The Role of the Superstar Effects

A main concern regarding the music industry is inequitable market outcomes, so-called superstar effects. Rosen³⁵⁶ coined the term to describe situations where market revenues are highly concentrated on a small minority of creators than would seem justified by differences in 'talent'. One issue with this is that based on a binary categorization of a continuous phenomenon of concentration of revenues. Another problem is that there are no indicators of creators' talent or of quality of the works they supply other than the responses by other people, such as demand, time invested, or peer recognition. Nevertheless, Rosen assumes that superstars do have superior talent, and that this translates into exaggerated market shares in a combination of demand side and supply side factors. On the demand side, users have costs of consumption, such as search costs and the opportunity costs of time spend engaging with creative works. They thus focus their attention narrowly on the most valuable works and most talented creators. On the supply side, media technology allows superstar creators to serve many customers simultaneously. Whereas live concerts have limited capacity, via online music services, for instance, there are no technical restrictions on any users frequenting works by the same creator.

Adler³⁵⁷ complemented the discussion, rejecting the notion that superstar effects necessarily reflect any talent advantages at all. On the one hand, he argues that end-users value shared experiences with others, so that a work that has any initial advantage in attention, will enjoy cumulative advantages and become the most valuable. In contemporary microeconomics, we would speak of network effects. On the other hand, with incomplete information on product quality (due to the experience good attributes of creative works), prior consumption by others can provide a signal of quality for later users. In contemporary microeconomics, we might speak of informational cascades. Be that as it may, any superstar effects aggravate inequity, which may be associated with market failure (inefficiency) due to greater entrepreneurial risk among creators, excessive market power enjoyed by superstars or rightsholders to their work, or in the case of Adler unreliable market selection, where creators of indistinguishable talent receive widely divergent rewards and some creators cease operating despite supplying competitive quality.

With the emergence of authorized online music services, initially there has been some optimism of greater diversity of supply (due to lower inventory costs of e-retailers) and of demand (due to lower search costs for niche content).³⁵⁸ However, the empirical evidence is mixed at best.³⁵⁹ In the contemporary music industry, a worry is that platforms aggravate superstar effects. For instance, recommender systems of online music services may promote concentration if they use

prior use metrics as a central factor for current recommendations, clustering demand. As the exact functioning of recommender systems are treated as business secrets, it is hardly possible for rightsholders or regulators to assess any associated problems. What is more, many online music services such as Spotify employ a pro rata distribution model to determine the payments of rightsholders.³⁶⁰ Payments are proportional to the share of a rightsholder's repertoire in all relevant streams on the platform. However, paying subscribers to online music services may vary systematically in their streaming frequencies. More adult subscribers will listen to different music and spend less time streaming in comparison to students. If so, music that is more prominent among adults will generate less revenues under the pro-rata model than music that is popular among students. An alternative is the user-centric model, where each subscribers' fee is distributed among the rightsholders to the music the respective subscribers listened to. This could generate a somewhat more even spread of payments to rightsholders away from current hits.

In this report, we repeatedly discuss superstars and superstar effects, for instance in sections 3.1 (bullet point 7) and 8.1.4. A consistent result of our empirical work is that recent investments into music IPR by private equity firms or other, general-purpose financial firms, has been largely focused on superstar repertoires, or bundles of repertoires prominently containing superstar repertoires. Should these new owners introduce innovative and superior rights management practices, this has the potential to further foster superstar effects. After all, finance firms are focused on financial results, and not on cultural diversity. However, whether new investors are indeed more efficient remains to be seen, and there are many probable, less direct effects. For instance, rightsholders, who have sold music IPR, may reinvest into the creation of new music. On the other hand, there is the potential for something akin to vertical integration, when the same investors take stakes in music IPR as well as in firms, who operate as intermediaries in the music industry or are license takers. While optimists might point to better co-ordination along the value chain in such a scenario, greater centralized control by for-profit firms in the music industry could also weaken the position of creators.

Overall, our investigation yields no evidence suggesting that the PE investment boom will foster cultural diversity. It rather has the potential to aggravate superstar effects and weaken the position of newcomers and niche creators, who are left out of the investment boom. However, the available evidence so far is patchy and does not support firm conclusions.

11.1.5 Outlook

According to secondary data and our interviews, in the music industry there are several reasons to expect exceptional growth opportunities for the music rights market:

First, there has been consistent revenue growth in the market for recorded music for the last decade. Extrapolating current trends suggests that revenues will continue to expand with a reasonably high probability. Growing licensing fees from online music services are a major factor, and so are payments from social media sites and their users.

Second, marketing costs for rightsholders can be quite low. Online music services monitor and report usage figures, calculate payments due and conduct payments. They also operate automated recommendation systems and enable users to engage with content and communicate with each other, making it relatively easy for users to encounter music they appreciate and enhancing their related experience. Systems such as YouTube's ContentID ensure that music rightsholders financially benefit, when music is incorporated into social media content, based on largely standardized and automated processes. TikTok is another example, which has licensed a large repertoire of music for its users to incorporate into their clips without individual licensing. To be sure, revenues for rightsholders are very small per stream, on online music services as well as social media, but marketing costs for rightsholders can be minimal, too, once a work has received a critical mass of attention. What is more, online dissemination of music yields rich and detailed data at low marginal costs, which can improve the productivity of stakeholders in the music industry, who have access to this data and relevant information processing capabilities.

Third, revenues have become more stable and predictable for mature and popular repertoire, compared to the prior situation with one-off sales of permanent copies on CDs or even as permanent downloads. Especially for 'classic' repertoire that remains popular for many years, stakeholders can assess main revenue streams in the market for music as reasonably reliable annuities, similar to for instance bonds, as financial sector experts have repeatedly confirmed during interviews. This decreases risks associated with this type of asset, which fosters its market value.

Fourth, and based on our own assessment, there is potential for windfall profits for music IPR holders from licensing the use of music rights in AI models. It remains to be seen whether firms using works for training artificial intelligence will become liable to compensate rightsholders. Some operators of AI services could also voluntarily start to acquire licenses and pay

rightsholders in return for privileged or exclusive access and rights to use works and related IP, to gain advantages against competing AI-service suppliers. Looking at the current valuation of AI services by investors, even a sliver of value sharing could make for a huge boost in the profits of music IPR holders.

Fifth, and extending on the prior point, there is the potential for exclusivity competition between rival online music services and social media platforms to become the sole supplier of specific musical works. So far, music rightsholders have by and large been 'multi-homing': that is, they made their works available via various types of outlets and online platforms to maximize availability and exposure. This makes most sense, where rightsholders partake in several, complementary revenue streams throughout the music industry, including from live performances or merchandise. However, for other online media content – such as films, TV series, and, at least for a while, podcasts – some large platforms have developed a strategy to create their own content or to offer rightsholders to attractive content advances or other perks in return for exclusive rights to feature the respective works. This is the way for instance Netflix, Amazon Prime, and Disney+ currently compete with each other. In the music industry, some of the same underlying market conditions hold: high concentration of demand on a minority of hits and superstars, economies of scale and scope as well as network effects, with the potential of a 'winner-takes-it-all'-market for online platforms. Music IPR holders could expect at least a temporary increase in prices if exclusivity competition between platforms breaks out.

In addition, general capital market trends and the overall economic situation also play a role in how the music rights market will develop. Our analysis has shown that investors view music catalogues as a means of diversifying risk in their investment portfolios, as their cash flow is independent of the capital market and the economy. This could indicate that music catalogues and derivative financial products such as ABSs are in demand, especially in times of uncertainty such as the current crisis. Overall, it can therefore be assumed that the music sales boom in the music rights market will continue.

11.2 Recommendations

In conclusion, we would like to present a number of recommendations aimed at exploiting the opportunities identified in the previous section and minimising the associated risks.

11.2.1 Competition Supervision in the Music Rights Market

Private equity and asset management companies' involvement in the music rights market has increased competition in an industry previously dominated by a small number of rightsholders.

Our investigation has revealed that a small number of highly capitalised financial companies are behind most of the recent major IPR deals and that their pivotal role in the music IPR market could potentially restrict rather than increase competition.

Our main concern may not be increasing levels of horizontal integration, such as a single firm or a very small number of firms acquiring a market share in music IPR that allows them to dominate other aspects of the music market or even related markets. In fact, we consider vertical integration among firms that conduct different roles and functions along the music industry value chain to be a greater concern from the creators and existing rightsholders perspective. General purpose investment companies regularly invest in multiple firms with different stakes in the music IPR market, for instance as license takers or suppliers of related goods and services. The potential for vertical integration may increase, with very large investors holding multiple related assets; indeed, where large general purpose investment firms acquire music IPR, the scope for vertical integration is even greater. What is more, investors acquiring alienable IP rights can (and in many cases likely will) sell on to other third parties. This begs the question when rightsholders sell music IPR to an investor whether these rightsholders in fact know who they are ultimately selling to.

Therefore, we argue that all IPR rights deals above a certain financial threshold, e.g. 100 million US dollars or above, should be vetted and approved by the relevant competition authorities in a manner similar to company takeovers. If the review by the relevant authority finds that a specific music rights purchase would restrict competition and create a dominant market position, the purchase should be prohibited or at least approved with conditions.

11.2.2 Transparency Rules for Music Rights Sales

There is no effective competition regulation without transparency. Many interviewees viewed the entry of financially strong companies from the financial industry into the music market positively, since this has led to an increase in the value of music rights. To prevent this increase in value from becoming a speculative bubble, transparency rules are needed for rights deals, one of the interviewees emphasized. Rights buyers and sellers should be required to report which rights were acquired from whom and under what conditions. Ideally, this data should be stored in a publicly accessible database to make it clear who holds which rights. This would also reduce the transaction costs for third parties using rights. As with any other market, the music rights market can only function well if there is sufficient transparency about market processes.

11.2.3 Clear Distribution Rules for New Types of Music Use (AI Royalties)

The value of music catalogues is primarily influenced by the potential use by third parties, such as music streaming services, broadcasters, event organisers and advertising agencies. Currently, the training of AI models by technology companies is not subject to remuneration. Therefore, the exploiters of music catalogues are seeking to make the training and use of copyright-protected data by AI models subject to licensing. This would significantly increase the value of music catalogues. To ensure that all parties benefit from this additional value, clearer distribution rules should be established in advance, similar to those applied by collective societies. Otherwise, there is a risk that the increase in value will only benefit financially strong investors and not creative artists. One option would be to distribute future revenues from licensing AI training data to artists in the form of clearly defined AI royalties.

11.2.4 Fostering Artist & Repertoire Activities

Our analysis and the interviews have shown that there is a real danger that the preference for back catalogues and older repertoire in music rights deals could lead to a decline in investment in A&R activities, because investing in new talent and innovative music is no longer profitable. This could lead to market failure by underinvestment in new music and emerging artists since smaller independent music publishers and labels have no incentive anymore to invest in A&R due to the increasing market power by the new market entrants such as large PE and asset management companies. To counteract this, tax breaks on rights deals could be given to companies that continue to invest in A&R. Conversely, companies that no longer engage in A&R activities, should be required to contribute a portion of the purchase price to funds that support creators. Such a system already exists in many collecting societies. These funds should then be earmarked for the development and establishment of musicians' careers. If music catalogues are resold after increasing in value, a proportion of this increase should also flow into these funds, unless it can be proven that the company is engaged in substantial A&R activities.

11.2.5 Investor and Creator Protection for New Financial Products

The securitisation of music rights in the form of asset-backed securities involves risks for both those selling rights and those investing in these new financial products. Additional safeguards are therefore required to protect both artists selling their rights as well as investors. Creators should have the opportunity to decide whether their rights can be used as collateral for ABS, and which other rights they can be bundled with. The first step is to ensure transparency

regarding which rights underlie the ABS. This will help investors to better assess the investment risk of these financial products. Investors should also be made aware of the risks involved in investing in music rights-based ABS.

11.2.6 Regulation of Music Investment Marketplaces (MIMs)

Music investment marketplaces (MIMs), which have emerged in recent years, are virtually unregulated. South Korea is the only country to have introduced basic regulatory measures. It would be desirable for other countries to regulate MIM activities as well. Currently, many providers do not allow buyers to sell back purchased music royalty shares to the issuers. The buyer bears the default risk alone. Even creators who make their rights available on these platforms usually have no influence over what happens to them. Consequently, it is quite common for music royalty shares to be removed from the trading platform if the corresponding sales targets are not achieved. Rightsholders are not involved in the decision-making process. While the establishment of music investment marketplaces is certainly to be welcomed, clear and transparent rules on how trading works on these platforms are essential.

11.2.7 Strengthening Music Rights Markets Outside the USA: Rights Reversion

Our analysis shows that large and prestigious music rights deals are primarily concluded in the United States, with private equity and asset management companies from North America dominating this market. One reason for this is that music rights can be sold in the United States. Another reason is that the US Copyright Act allows rights reversion to the creators, who are thus given the opportunity to monetise their rights. In Europe, however, copyright law only permits licensing of rights for use, not sale. This has led to the emergence of music investment marketplaces in Europe, where music royalty shares are mostly traded in the form of participation rights. To strengthen this form of music rights trading, reversion rights for artists could be introduced.

12 Endnotes

-
- ¹ Digital Music News, "[Goodbye Hipgnosis, Hello Recognition Music — Catalog Investor Officially Rebrands Following Stock-Market Exit](#)", March 12, 2025, accessed: 2025-06-23.
- ² Seaman, Bruce A., 2004, "Competition and the non-profit arts: The lost industrial organization agenda", *Journal of Cultural Economics*, vol 28, pp 167-193.
- ³ Throsby David, 1994, "The production and consumption of the arts: A view of cultural economics", *Journal of Economic Literature*, vol 32(1), pp 1-29; Throsby, David, 2001, *Economics and Culture*, Cambridge University Press; Towse, Ruth, 1997, "The Monopolies and Mergers Commission's Investigation of the U.K. Music Market", *Journal of Cultural Economics*, vol 21(2), pp 147-151; Caves, Richard, 2000, *Creative industries: Contracts between art and commerce*. Cambridge, Mass.: Harvard University Press and Frey, B. S. & Jegen, R., 2001, "Motivation Crowding Theory", *Journal of Economic Surveys*, vol 15(5), pp 589-611.
- ⁴ Towse, Ruth, 1997; Ginsburgh, Victor & David Throsby, 2006, *Handbook on the Economics of Art and Culture*. Amsterdam: Elsevier.
- ⁵ Ibid.
- ⁶ Caves, Richard, 2000.
- ⁷ Towse, Ruth, 1997; Ginsburgh, Victor & David Throsby, 2006.
- ⁸ Bikhchandani, S., D. Hirshleifer, & I. Welch, I., 1992, "A theory of fads, fashion, custom, and cultural change as informational cascades", *Journal of Political Economy*, vol 100(5), pp 992-1026, Cameron, S., 1995, "On the role of critics in the culture industry", *Journal of Cultural Economics*, vol 19(4), pp 321-331; Blaug, M., 2001, "Where are we now on cultural economics?", *Journal of Economic Surveys*, vol 15(2), pp 123-143; Throsby, David, 2003, "Determining the value of cultural goods: How much (or how little) does contingent valuation tell us?", *Journal of Cultural Economics*, vol 27(3-4), pp 275-285 and Potts, J., S. Cunningham, J. Hartley, & P. Ormerod, 2008, "Social network markets: a new definition of the creative industries", *Journal of Cultural Economics*, vol 32(3), pp 167-185.
- ⁹ Rosen, Sherwin, 1981, "The Economics of Superstars", *The American Economic Review*, vol 71(5), pp 845–858 and Adler, Moshe, 2006, "Stardom and talent", in: Ginsburgh, Victor A. & David Throsby (eds.), *Handbook of the Economics of Art and Culture (Vol. 1)*. Elsevier, pp 486-499.
- ¹⁰ One closely related concept is shared goods, where users appreciate engaging with the same works as peers and the most used works thus become more valuable. In other words, there are network effects.
- ¹¹ Caves, Richard, 2000.
- ¹² Blaug, Mark, 2001 and Seaman, Bruce A., 2004.
- ¹³ Caves, Richard, 2000.
- ¹⁴ Vogel, Harold L., 2020, *Entertainment industry economics: A guide for financial analysis*, 10th edition, Cambridge University Press.
- ¹⁵ Dolfsma, Wilfred, 2000, "How will the music industry weather the globalization storm?", *First Monday*, vol 5(5).
- ¹⁶ Lacher, K. T. & R. Mizerski, 1994, "An exploratory study of the responses and relationships involved in the evaluation of, and in the intention to purchase new rock music", *Journal of Consumer Research*, vol 21 (2), pp 366-380.
- ¹⁷ Bianchi, Marina, 2002, "Novelty, preferences, and fashion: when goods are unsettling", *Journal of Economic Behavior & Organization*, vol 47(1), pp 1-18.
- ¹⁸ Caves, Richard, 2000.
- ¹⁹ We do not discuss the use of generative artificial intelligence (genAI) to create music. At the current state, it is almost certain that genAI-output does not enjoy copyright protection.
- ²⁰ Handke, Christian, 2020, "Music industry", in: Towse, Ruth & Ticia Navarrete (eds.), *Handbook of Cultural Economics*, 3rd edition, Edward Elgar Publishing, pp. 358-370.
- ²¹ Often, there is also merchandising, where logos or trademarks associated with musicians or music works are integrated into manufactured goods (e.g.: cups, t-shirts) or media content. We do not address that issue in detail here.
- ²² Handke, Christian, 2020.
- ²³ Caves, Richard, 2000.
- ²⁴ Caves, Richard, 2000; Handke, Christian & Ruth Towse, 2007, "Economics of copyright collecting societies", *International Review of Intellectual Property and Competition Law*, vol 38(8), pp 937-957 and Handke, Christian & Richard Watt, 2025, "Essential Economics of Collective Copyright Management in the Twenty-First Century", in: D. Gervais & J. P. Quintais (eds.), *Collective Management of Copyright and Related Rights*, 4th edition, Wolters Kluwer. Handke & Watt, 2025)
- ²⁵ Ibid.

-
- ²⁶ Caves, Richard, 2000.
- ²⁷ Unrecorded performances do not give rise to IPR.
- ²⁸ BlackRock Inc., 2024, BlackRock 2023 Annual Report, p. 33.
- ²⁹ Carey David & John E. Morris, 2012, King of Capital. The Remarkable Rise, Fall, and Rise Again of Steve Schwarzman and Blackstone, New York: Currency, p. 59.
- ³⁰ Ibid., p. 124.
- ³¹ CNN Money, "[Here come the IPOs. An onslaught of company debuts in coming days after week of high-flyers](#)", September 26, 1999, accessed: 2025-01-06.
- ³² Billboard, "[Primary Wave's CEO Explains a New \\$300 Million BlackRock Partnership, Getting Smokey Robinson a Sneaker Deal](#)", September 26, 2016, accessed: 2025-01-07.
- ³³ Reuters, "[BlackRock to buy Quellos fund of funds business](#)", August 9, 2007, accessed: 2025-01-07.
- ³⁴ Primary Wave press release, "[Just Announced: Strategic Partnerships with Brookfield Asset Management and CAA!](#)", October 6, 2022, accessed: 2025-01-07.
- ³⁵ Variety, "[Enrique Iglesias Sells Music Catalog to Influence Media in Reported Nine-Figure Deal](#)", December 6, 2023, accessed: 2025-01-07.
- ³⁶ BlackRock press release, "[BlackRock to Acquire HPS Investment Partners to Deliver Integrated Solutions Across Public and Private Markets](#)", December 3, 2024, accessed: 2025-01-07.
- ³⁷ Carey & Morris, 2012, King of Capital, p. 45.
- ³⁸ New York Times, "[Company News; Vivendi Finishes Sale of Houghton Mifflin to Investors](#)", January 1, 2002, accessed: 2025-01-08.
- ³⁹ New York Times, "[Company News; Blackstone Buys Majority Stake in Columbia House](#)", May 14, 2002, accessed: 2025-01-08.
- ⁴⁰ New York Times, "[Blackstone to Buy Hilton Hotels for \\$26 Billion](#)", July 7, 2007, accessed: 2025-01-08.
- ⁴¹ New York Times, "[Blackstone Founders Prepare to Count Their Billions](#)", June 12, 2007, accessed: 2025-01-08.
- ⁴² Blackstone, 2024, Annual report for the fiscal year ending December 31, 2023, p. 98.
- ⁴³ Billboard, "[Was Blackstone's SESAC Acquisition a \\$1 Billion Deal?](#)", January 6, 2017, accessed: 2025-01-09.
- ⁴⁴ Venture capital is a form of private equity and a type of financing for startup companies and small businesses with long-term growth potential; see Investopia, "[What Is Venture Capital? Definition, Pros, Cons, and How It Works](#)", October 18, 2024, accessed: 2025-01-09.
- ⁴⁵ Japan Hana Real Estate, "[Blackstone Buys \\$1B Japan Portfolio from PAG](#)", December 6, 2020, accessed: 2025-01-09.
- ⁴⁶ Blackstone press release, "[HH Global Announces Agreement by Blackstone to make a £100m Strategic Minority Equity Investment](#)", December 3, 2020, accessed: 2025-01-09.
- ⁴⁷ Pitchbook, "[Blackstone Core Equity Partners](#)", n.d., accessed: 2025-01-09.
- ⁴⁸ Blackstone Tactical Opportunities Advisors, 2024, [Brochure of Blackstone Tactical Opportunities Advisors L.L.C., Form ADV, Part 2A](#), submitted to Investment Adviser Public Disclosure (IAPD) of the US Securities and Exchange Commission (SEC) on March 28, 2024.
- ⁴⁹ Pitchbook, "[Blackstone Tactical Opportunities Fund I](#)", n.d., accessed: 2025-01-09.
- ⁵⁰ Ibid.
- ⁵¹ Ibid.
- ⁵² Music Business Worldwide, "[New Mountain Capital-led group closes acquisition of BMI](#)", February 8, 2024, accessed: 2025-01-09.
- ⁵³ Financial Times, "[Dealmaker Steven Klinsky Quietly Hits Home Runs Away from '80s Limelight](#)", June 30, 2024, accessed: 2025-01-09.
- ⁵⁴ AUM 13F, "[New Mountain Capital LLC](#)", n.d., accessed: 2025-01-09.
- ⁵⁵ New York Times, "[Ex-Drexel Executives Arrange Aid for Fruit of the Loom](#)", August 24, 1990, accessed: 2025-01-14.
- ⁵⁶ Apollo History, "[Apollo expands into real estate](#)", n.d., accessed: 2025-01-14.
- ⁵⁷ Ibid.
- ⁵⁸ New York Times, "[Mine Company Sells U.S. Unit](#)", April 12, 2007, accessed: 2025-01-14.
- ⁵⁹ Reuters, "[Apollo chief says sold nine percent of firm to Abu Dhabi](#)", November 8, 2007, accessed: 2025-01-14.
- ⁶⁰ Reuters, "[Apollo's upsized IPO raises \\$565.4 million](#)", March 30, 2011, accessed: 2025-01-14.
- ⁶¹ New York Times, "[McGraw-Hill to Sell Education Unit to Apollo for \\$2.5 Billion](#)", November 26, 2012, accessed: 2025-01-14.
- ⁶² Variety, "[21st Century Fox and Apollo Seal Deal to Merge Shine, Endemol and Core](#)", October 10, 2014, accessed: 2025-01-14.
- ⁶³ CNET, "[Yahoo has a new owner, again](#)", September 1, 2021, accessed: 2025-01-14.
- ⁶⁴ CNBC, "[Apollo Global to buy annuities provider Athene in \\$11 billion deal](#)", March 8, 2021, accessed: 2025-01-14.

-
- ⁶⁵ Music Business Worldwide, "[Here. Come. The. Giants.](#)", October 7, 2021, accessed: 2025-01-14.
- ⁶⁶ Music Business Worldwide, "[HarbourView ups credit facility capacity by \\$100m to buy more music rights](#)", December 5, 2023, accessed: 2025-01-14.
- ⁶⁷ Music Business Worldwide, "[Strap in. Blackstone is ready to bid \\$1.5 billion for Hipgnosis Songs Fund](#)", April 20, 2024, accessed: 2024-12-11.
- ⁶⁸ Music Business Worldwide, "[Apollo leads \\$700m investment into Sony Music Group partnership. \(It's a kind of magic!\)](#)", July 26, 2024, accessed: 2025-01-14.
- ⁶⁹ Burroughs, Bryan and John Helyar, 1989, *Barbarian at the Gates. The Fall of RJR Nabisco*, New York: Harper & Row. The screenplay adaptation was written by Larry Gelbart and directed by Glenn Jordan.
- ⁷⁰ New York Times, "[Safeway Buyout: A Success Story](#)", October 21, 1988, accessed: 2025-01-15.
- ⁷¹ New York Times, "[Kohlberg Kravis Set to Offer \\$1.2 Billion for Cable Maker](#)", January 24, 1997, accessed: 2025-01-15.
- ⁷² New York Times, "[Siemens Unit Is Sold](#)", October 23, 1999, accessed: 2025-01-15.
- ⁷³ New York Times, "[Three Firms Are Said to Buy Toys 'R' Us for \\$6 Billion](#)", March 17, 2005, accessed: 2025-01-15.
- ⁷⁴ Bloomberg, "[Capital Firms Agree to Buy SunGard Data in Cash Deal](#)", March 29, 2005, accessed: 2025-01-08.
- ⁷⁵ Reuters, "[KKR, Texas Pacific-led group to buy TXU Corp.](#)", August 9, 2007, accessed: 2025-01-15.
- ⁷⁶ Reuters, "[KKR makes first retail real-estate investment](#)", April 19, 2012, accessed: 2025-01-15.
- ⁷⁷ The Hollywood Reporter, "[Private Equity Giant KKR Buys Herbert Kloiber's Tele Munchen Group](#)", February 21, 2019, accessed: 2025-01-15.
- ⁷⁸ Reuters, "[KKR becomes Axel Springer's biggest shareholder](#)", August 26, 2019, accessed: 2025-01-15.
- ⁷⁹ CNN Business, "[After trying for three years, Paramount finally unloads Simon & Schuster for \\$1.6 billion](#)", August 7, 2023, accessed: 2025-01-15.
- ⁸⁰ Billboard, "[EU clears Bertelsmann, KKR music rights JV](#)", September 9, 2009, accessed: 2024-12-18.
- ⁸¹ Billboard, "[Bertelsmann Buys Out BMG for \\$390M](#)", March 1, 2013, accessed: 2024-12-18.
- ⁸² Music Business Worldwide, "[KKR buys majority stake in Ryan Tedder catalog, marking investment giant's return to music rights ownership](#)", January 11, 2021, accessed: 2024-12-18.
- ⁸³ A distressed debt fund invests in obligations of companies that have filed for bankruptcy or are very likely to file for bankruptcy in the near future, which bears a high default risk, but with the change of extremely high potential returns. See Investopia, "[Why Hedge Funds Love Investing in Distressed Debt](#)", June 16, 2023, accessed: 2025-01-15.
- ⁸⁴ Pitchbook, "[KKR Dislocation Opportunities Fund](#)", n.d., accessed: 2025-01-15.
- ⁸⁵ Music Business Worldwide, "[Confirmed: Kobalt sells catalog to new KKR venture, Chord, for \\$1.1 billion](#)", October 19, 2021, accessed 2025-01-15.
- ⁸⁶ Music Business Worldwide, "[BMG and KKR are ready to spend \\$1bn on music copyrights – and that's just for starters ...](#)", April 6, 2021, accessed: 2024-12-18.
- ⁸⁷ Music Business Worldwide, "[3 observations on... Universal Music Group's \\$240m bet on Chord Music \(and the real story, Dundee Partners\)](#)", February 20, 2024, accessed: 2025-01-23.
- ⁸⁸ The Carlyle Group Ltd., 2024, Annual report of The Carlyle Group for the fiscal year ending December 31, 2023, p. 7.
- ⁸⁹ New York Times, "[Military Contractor Sold to Buyout Firm](#)", August 27, 1997, accessed: 2025-01-23.
- ⁹⁰ Los Angeles Times, "[Qwest to Sell Directories Business for \\$7 Billion](#)", August 20, 2002, accessed: 2025-01-23.
- ⁹¹ New York Times, "[Ford Completes Sale of Hertz to 3 Firms](#)", September 13, 2005, accessed: 2025-01-23.
- ⁹² The MBS Group News, "[Carlyle buys 50% stake in skate brand Supreme](#)", October 9, 2017, accessed: 2025-01-23.
- ⁹³ The Wall Street Journal, "[Carlyle Prices IPO at Lower Range](#)", May 2, 2012, accessed: 2025-01-23.
- ⁹⁴ Music Business Worldwide, "[Keith Urban sells recordings catalog to \\$500m-backed Litmus Music](#)", December 13, 2022, accessed: 2025-01-23.
- ⁹⁵ Pitchbook, "[Carlyle Credit Opportunities Fund II](#)", n.d., accessed: 2025-01-23.
- ⁹⁶ Music Business Worldwide, "[\\$500m-backed Litmus Music acquires music rights from Benny Blanco](#)", June 28, 2023, accessed: 2025-01-23.
- ⁹⁷ Music Business Worldwide, "[Katy Perry sells music rights to Litmus Music in \\$220m+ deal](#)", September 18, 2023, accessed: 2025-01-23.
- ⁹⁸ Music Business Worldwide, "[Litmus Music acquires Opus, owner of Juice WRLD and Maluma rights, after extending credit facility to \\$400m](#)", September 4, 2024, accessed: 2025-01-23.
- ⁹⁹ Music Business Worldwide, "[Carlyle-backed Litmus Music buys Randy Newman's publishing, recorded music interests](#)", October 17, 2024, accessed: 2025-01-23.
- ¹⁰⁰ International Directory of Company Histories, 2005, [Brascan Corporation History](#), vol.67. St. James Press, accessed: 2025-01-22.

-
- ¹⁰¹ The Globe and Mail, ["What's in a name? Plenty if it's Brascan"](#), September 16, 2005, accessed: 2025-01-22.
- ¹⁰² Reuters, ["Brookfield Business Partners to buy Westinghouse for \\$4.6 billion"](#), January 4, 2018, accessed: 2025-01-22.
- ¹⁰³ Reuters, ["Brookfield to buy most of Oaktree to build juggernaut to rival Blackstone"](#), March 14, 2019, accessed: 2025-01-07.
- ¹⁰⁴ Brookfield Asset Management Ltd., 2024, Annual report of Brookfield Asset Management for the financial year ending December 31, 2023, p. 156.
- ¹⁰⁵ Brookfield Corporation press release, ["Brookfield Corporation Successfully Completes Distribution of 25% Interest in its Asset Management Business"](#), December 9, 2022, accessed: 2025-01-22.
- ¹⁰⁶ Music Business Worldwide, ["Primary Wave raises \\$375m investment from Oaktree Capital, sells minority stake"](#), June 11, 2021, accessed: 2025-01-22.
- ¹⁰⁷ DWS Group, Geschäftsbericht 2023, p. 6.
- ¹⁰⁸ Investment Adviser Public Disclosure website, ["DWS International GmbH"](#), January 14, 2025, accessed: 2025-02-06.
- ¹⁰⁹ Music Business Worldwide, ["Irving Azoff's GMR just struck a \\$3.3 billion private equity deal, say MBW sources"](#), September 19, 2024, accessed: 2025-01-24.
- ¹¹⁰ See Hellman & Friedman, ["Portfolio"](#), n.d., accessed: 2025-01-24.
- ¹¹¹ Pitchbook, ["Hellman & Friedman Capital Partners XI"](#), n.d., accessed: 2025-01-24.
- ¹¹² Investment Adviser Public Disclosure website, ["Francisco Partners Management L.P."](#), May 28, 2024, accessed: 2025-01-24.
- ¹¹³ Music Business Worldwide, ["Kobalt Music Group sold to US-based private equity firm Francisco Partners"](#), September 7, 2022, accessed: 2024-12-11.
- ¹¹⁴ New York Times, ["They're Just a Bunch of Regular Media Moguls"](#), September 14, 2003, accessed: 2025-01-27.
- ¹¹⁵ Investment Adviser Public Disclosure website, ["Providence Equity Partners LLC"](#), July 26, 2024, accessed: 2025-01-27.
- ¹¹⁶ Music Business Worldwide, ["Confirmed: Warner buys majority stake in Tempo \(just as MBW told you it would\)"](#), February 6, 2025, accessed: 2025-02-07.
- ¹¹⁷ Northleaf Capital Partners, ["History & Key Milestones"](#), n.d., accessed: 2025-02-04.
- ¹¹⁸ Ibid.
- ¹¹⁹ Music Business Worldwide, ["Cutting Edge Group secures \\$500m to fund music rights acquisitions"](#), April 15, 2024, accessed: 2025-02-05.
- ¹²⁰ Music Business Worldwide, ["Another massive music deal, as Spirit Music Group parent strikes \\$500m alliance with Northleaf Capital Partners"](#), October 14, 2021, accessed: 2024-12-11.
- ¹²¹ Music Business Worldwide, ["Cutting Edge and Blantyre Capital commit \\$125m to acquire film and TV music rights"](#), January 4, 2022, accessed: 2024-12-11.
- ¹²² Blantyre, ["Who We Are"](#), and ["Investment Portfolio"](#), n.d., accessed: 2025-02-05.
- ¹²³ Pitchbook, ["Blantyre Capital"](#), n.d., accessed: 2025-02-05.
- ¹²⁴ Music Business Worldwide, ["Reliving the Taylor Swift catalog sale saga \(and following the money...\)"](#), June 14, 2023, accessed: 2025-01-28.
- ¹²⁵ Billboard, ["Billboard Woman of the Decade Taylor Swift: 'I Do Want My Music to Live On'"](#), December 11, 2019, accessed: 2025-01-28.
- ¹²⁶ Cited in Music Business Worldwide, ["Taylor Swift buys back master rights to first six albums from Shamrock Capital"](#), May 30, 2025, accessed: 2025-06-04.
- ¹²⁷ Page Six, ["Taylor Swift has chance to buy original recordings back — and one unlikely person is 'encouraging' the deal: sources"](#), May 21, 2025, accessed: 2025-06-04.
- ¹²⁸ Shamrock Capital, ["Our History"](#), n.d., accessed: 2025-01-28.
- ¹²⁹ Los Angeles Times, ["Shamrock to Expand Presence in Radio: Broadcasting: The company, owned by the family of Roy E. Disney, plans to buy more stations in the wake of new FCC regulations"](#), October 20, 1992, accessed: 2025-01-28.
- ¹³⁰ Los Angeles Times, ["Company Town: Entertainment Upheaval: Broadcast Boom : It's Radio's Turn: Chancellor to Buy 19 Shamrock Stations"](#), August 4, 1995, accessed: 2025-01-28.
- ¹³¹ Music Business Worldwide, ["Universal fully acquires Ingrooves Music Group"](#), February 12, 2019, accessed: 2025-01-28.
- ¹³² Billboard, ["Shamrock Capital Acquires Stargate Publishing Catalog, Including Katy Perry, Rihanna & Beyonce Hits"](#), October 16, 2018, accessed: 2025-01-28.
- ¹³³ Ibid.
- ¹³⁴ Shamrock Capital, ["Content Fund"](#), n.d., accessed: 2025-01-28.
- ¹³⁵ EDGAR, ["Shamrock Capital Content Fund II, L.P."](#), US Securities and Exchange Commission (SEC), Form D, November 12, 2019, accessed: 2025-01-28.
- ¹³⁶ Pitchbook, ["Shamrock Capital Growth Fund V, L.P."](#), n.d., accessed: 2025-01-28.

-
- ¹³⁷ Shamrock Capital press release, "[Shamrock Capital Closes Inaugural Debt Opportunities Fund Targeting the Content Industries](#)", July 7, 2021, accessed: 2025-01-28.
- ¹³⁸ Shamrock Capital press release, "[Shamrock Capital Expands its Content Strategy with the Closing of Fund III](#)", February 1, accessed: 2025-01-28.
- ¹³⁹ Music Business Worldwide, "[Dr. Dre selling music assets to Shamrock and Universal in \\$200m+ deal \(report\)](#)", January 12, 2023, accessed: 2025-01-28.
- ¹⁴⁰ Music Business Worldwide, "[Shamrock buys rights portfolio from Vine Alternative Investments – including 150+ Calvin Harris songs](#)", July 18, 2024, accessed: 2025-01-28.
- ¹⁴¹ Shamrock Capital presentation "Shamrock Capital Fund III, L.P., June 2022.
- ¹⁴² Ibid.
- ¹⁴³ Music Business Worldwide, "[Dr. Dre selling music assets to Shamrock and Universal in \\$200m+ deal \(report\)](#)", January 12, 2023, accessed: 2025-01-28.
- ¹⁴⁴ Office of the General Treasurer of the State of Rhode Island, Shamrock Capital Content Fund III., L.P. – Staff Recommendation, June 2022.
- ¹⁴⁵ M. C. Wentworth (2023) explains the business model of private equity companies in detail in The Hidden Trillion Dollar Industry of Private Equity, 11:59 Publishing.
- ¹⁴⁶ Any sunk costs of creation are byones and thus irrelevant for a rational assessment of current value.
- ¹⁴⁷ On the development of the modern formal theoretical model of annuities and their discounted current value, see Poitras, G., 2024, "More on the Origin of Financial Economics: Early Contributions to Joint Life Annuity Valuation", Journal of the History of Economic Thought, pp 1-24 and Becker, D. M., 2022, "Getting the valuation formulas right when it comes to annuities", Managerial Finance, vol 48(3), pp 470-499.
- ¹⁴⁸ We distinguish between the acquisition of music IPR as the complete transfer of alienable exclusive quasi-property rights, and licensing, which transfers restricted rights, for instance non-exclusive exploitation rights or rights with temporal restrictions.
- ¹⁴⁹ In the formal model, we make the simplifying assumption that rightsholders set profit maximising prices throughout. This is clearly not realistic, but we discuss divergent information and capabilities of agents as verbal extensions to the model.
- ¹⁵⁰ The Guardian, "[Michael Jackson: the child star haunted by fame and scandal](#)", June 26, 2009, accessed: 2025-04-02 and Reuters, "[Demand soars for Michael Jackson music](#)", June 27, 2009, accessed: 2025-04-02.
- ¹⁵¹ Music Business Worldwide, "[Universal buys Bob Dylan publishing rights, acquiring catalog worth hundreds of millions of dollars](#)", December 7, 2020, accessed: 2024-12-16.
- ¹⁵² Music Business Worldwide, "[Paul Simon sells song catalog to Sony Music Publishing](#)", March 31, 2021, accessed: 2024-12-16 and Music Business Worldwide, "[The important detail of Bruce Springsteen's \\$500m-plus catalog sale to Sony Music Group](#)", December 17, 2021, accessed: 2024-12-16.
- ¹⁵³ Music Business Worldwide, "[Sony Music acquires Bob Dylan's recorded music catalog](#)", January 24, 2022, accessed: 2024-12-16.
- ¹⁵⁴ Sony Music Group press release, "[Sony Music Group Announces Acquisition of Bruce Springsteen's Music Catalogs](#)", December 16, 2021, accessed: 2024-12-16.
- ¹⁵⁵ Music Business Worldwide, "[Sony spent an average of \\$91m on music catalog acquisitions every month over the past 10 months](#)", March 14, 2022, accessed: 2024-12-16.
- ¹⁵⁶ Music Business Worldwide, "[Universal Music Group spent \\$459m on catalog acquisitions last year... less than half what it spent in 2020](#)", March 3, 2022, accessed: 2024-12-16.
- ¹⁵⁷ Music Business Worldwide, "[Sony Music is in the process of taking control of Queen's UK-based companies](#)", July 16, 2024, accessed: 2024-12-16.
- ¹⁵⁸ Music Business Worldwide, "[Sony's \\$600m Michael Jackson deal just took a big step forward in court](#)", July 22, 2024, accessed: 2024-12-16.
- ¹⁵⁹ Music Business Worldwide, "[Sony strikes deal to acquire Pink Floyd catalog in \\$400 million deal, say sources](#)", October 1, 2024, accessed: 2024-12-16.
- ¹⁶⁰ Music Business Worldwide, "[Warner launches \\$650m fund to do battle with music's big spenders](#)", December 10, 2019, accessed: 2024-12-16.
- ¹⁶¹ Music Business Worldwide, "[Confirmed: Warner paid \\$400m in cash to acquire 300 Entertainment](#)", December 18, 2021, accessed: 2024-12-16.
- ¹⁶² Music Business Worldwide, "[Warner buys David Bowie song catalog for \\$250m+](#)", January 3, 2022, accessed: 2024-12-16.
- ¹⁶³ Music Business Worldwide, "[BlackRock teams with Warner to launch new \\$750m music-buying fund via Influence Media](#)", February 24, 2022, accessed: 2024-12-16.
- ¹⁶⁴ Music Business Worldwide, "[Confirmed: Warner buys majority stake in Tempo \(just as MBW told you it would\)](#)", February 6, 2025, accessed: 2025-02-07.
- ¹⁶⁵ Music Business Worldwide, "[Pophouse Entertainment, the firm behind ABBA Voyage, closes \\$1.3bn music rights buying fund](#)", March 31, 2025, accessed: 2025-04-07.
- ¹⁶⁶ Reuters, "[Universal Music closes on BMG, asset sales expected](#)", May 25, 2007, accessed: 2024-12-18.

-
- ¹⁶⁷ BMG press release, "[BMG Brings Together Publishing and Recording Operations Under Single Reporting Line](#)", October 24, 2016, accessed: 2024-12-18.
- ¹⁶⁸ Billboard, "[Bertelsmann Buys Out BMG for \\$390M](#)", March 1, 2013, accessed: 2024-12-18.
- ¹⁶⁹ Bertelsmann AG, 2015, Annual report for the financial year 2014, p. 60.
- ¹⁷⁰ Music Business Worldwide, "[BMG expands into live music, buying majority stake in German concert promoter Undercover](#)", October 21, 2020, accessed: 2024-12-18.
- ¹⁷¹ BMG press release, "[BMG strikes alliance with leading German festival to broaden live offering](#)", October 26, 2021, accessed: 2024-12-18.
- ¹⁷² BMG press release, "[BMG launches full-service international sound agency BMG Production Music](#)", February 6, 2017, accessed: 2024-12-18.
- ¹⁷³ Music Business Worldwide, "[A new catalog acquisition juggernaut is born, as BMG and KKR strike deal to jointly buy music copyrights](#)", March 24, 2021, accessed: 2024-12-18.
- ¹⁷⁴ Music Business Worldwide, "[KKR buys majority stake in Ryan Tedder catalog, marking investment giant's return to music rights ownership](#)", January 11, 2021, accessed: 2024-12-18.
- ¹⁷⁵ Music Business Worldwide, "[BMG and KKR announce first joint acquisition: The 'entire music interests' of ZZ Top](#)", December 21, 2021, accessed: 2024-12-18.
- ¹⁷⁶ Music Business Worldwide, "[Now John Legend sells: BMG and KKR buy catalog from All Of Me hitmaker](#)", January 7, 2022, accessed: 2024-12-18.
- ¹⁷⁷ Music Business Worldwide, "[BMG buys Germany's largest independent label, doubling its recorded music revenues in territory](#)", August 3, 2022, accessed: 2024-12-18.
- ¹⁷⁸ Music Business Worldwide, "[BMG surpassed \\$1bn revenue in 2024 and spent \\$263m buying catalogs – as EBITDA surged to record \\$287m](#)", March 31, 2025, accessed: 2025-04-07.
- ¹⁷⁹ The development of the Concord Music Group into Concord Bicycle Music And back to Concord is described in more detail in Music Business Worldwide, "[Concord](#)", n.d., accessed: 2024-12-11.
- ¹⁸⁰ Businesswire, "[Investor Group Led by Wood Creek Capital Acquires Concord Music Group](#)", March 25, 2013, accessed: 2024-12-11.
- ¹⁸¹ Music Business Worldwide, "[Concord Music Group merges with Bicycle, raises \\$100m](#)", 2. April 2015, accessed: 2024-12-11.
- ¹⁸² Music Business Worldwide, "[Concord's \\$500m+ Imagem buy marks the birth of a major player in music](#)", June 2, 2017, accessed: 2024-12-11.
- ¹⁸³ Pensions & Investments, "[Michigan Retirement likes the sound of its Concord Music stake](#)", April 29, 2019, accessed: 2024-12-11.
- ¹⁸⁴ Music Business Worldwide, "[Concord buys rock label Victory Records and sister company Another Victory Publishing](#)", September 30, 2019, accessed: 2024-12-11.
- ¹⁸⁵ Music Business Worldwide, "[Concord acquires historic classical music publisher Sikorski](#)", June 13, 2019, accessed: 2024-12-11.
- ¹⁸⁶ Music Business Worldwide, "[Concord Music Publishing acquires Imagine Dragons catalog in \\$100m+ deal](#)", August 17, 2020, accessed: 2024-12-11.
- ¹⁸⁷ Wall Street Journal, "[Phil Collins and Genesis Bandmates Sell Music Rights for Over \\$300 Million](#)", September 29, 2022, accessed: 2024-12-11.
- ¹⁸⁸ Music Business Worldwide, "[Concord prices \\$1.8bn bond offering backed by over 1m music copyrights](#)", December 8, 2022, accessed: 2024-12-11.
- ¹⁸⁹ Music Business Worldwide, "[Concord buys Downtown's owned music copyright catalog for around \\$400m](#)", April 26, 2021, accessed: 2024-12-11.
- ¹⁹⁰ Music Business Worldwide, "[Blackstone launches \\$1.57 billion bid for Hipgnosis Songs Fund; HSF board recommends offer to shareholders](#)", April 29, 2024, accessed: 2024-12-11.
- ¹⁹¹ Forbes, "[Smells Like New Revenue](#)", October 24, 2006, accessed: 2024-12-18.
- ¹⁹² Reuters, "[Dozier catches Primary Wave](#)", July 30, 2007, accessed: 2024-12-18.
- ¹⁹³ Primary Wave press release, "[Primary Wave: The Turning Point](#)", September 5, 2013, accessed: 2024-12-18.
- ¹⁹⁴ Billboard, "[Primary Wave Nabs \\$125 Million Financial Partnership](#)", May 9, 2013, accessed: 2024-12-18.
- ¹⁹⁵ Music Business Worldwide, "[Primary Wave agrees \\$150m deal with BMG](#)", September 3, 2013, accessed: 2024-12-18.
- ¹⁹⁶ Variety, "[Evolution Management Merging into Primary Wave](#)", November 10, 2014, accessed: 2024-12-18.
- ¹⁹⁷ The Hollywood Reporter, "[Primary Wave Merges Talent Management Division With Intellectual Artists Management](#)", January 21, 2015, accessed: 2024-12-18.
- ¹⁹⁸ Primary Wave press release, "[Primary Wave partners with Steve Cropper in the ownership of his music publishing catalogue](#)", April 4, 2016, accessed: 2024-12-18.
- ¹⁹⁹ Billboard, "[Primary Wave's CEO Explains a New \\$300 Million BlackRock Partnership, Getting Smokey Robinson a Sneaker Deal](#)", September 28, 2016, accessed: 2025-01-07.
- ²⁰⁰ Music Business Worldwide, "[Primary Wave buys chunk of Bob Marley catalogue in \\$50m deal](#)", January 15, 2018, accessed: 2024-12-18.

-
- ²⁰¹ Music Business Worldwide, "[David Weitzman joins Primary Wave – with access to a \\$500m-plus acquisition fund](#)", November 19, 2019, accessed: 2024-12-18.
- ²⁰² Music Business Worldwide, "[Primary Wave Music Publishing acquires 50% stake in Whitney Houston Estate](#)", May 20, 2019, accessed: 2024-12-18.
- ²⁰³ Music Business Worldwide, "[Primary Wave buys Culture Club catalog stake in 'multi-million dollar deal'](#)", June 29, 2019, accessed: 2024-12-18.
- ²⁰⁴ Music Business Worldwide, "[Primary Wave Music Publishing acquires minority equity interest in Premier Music Group](#)", June 24, 2019, accessed: 2024-12-18.
- ²⁰⁵ Music Business Worldwide, "[Primary Wave acquires stake in Dave Navarro music catalog](#)", July 18, 2019, accessed: 2024-12-18.
- ²⁰⁶ Music Business Worldwide, "[Primary Wave buys music publishing & other rights of legendary producer Bob Ezrin](#)", October 23, 2019, accessed: 2024-12-18.
- ²⁰⁷ Music Business Worldwide, "[Primary Wave agrees 'multi-million deal' to acquire majority stake in Ray Charles' pre-1964 publishing catalog](#)", May 20, 2020, accessed: 2024-12-18.
- ²⁰⁸ Music Business Worldwide, "[Primary Wave buys legendary Sun Records in \\$30m deal, including masters for Johnny Cash, Jerry Lee Lewis](#)", January 28, 2021, accessed: 2024-12-18.
- ²⁰⁹ Music Business Worldwide, "[Primary Wave raises \\$375m investment from Oaktree Capital, sells minority stake](#)", June 11, 2021, accessed: 2024-12-18.
- ²¹⁰ Music Business Worldwide, "[Another \\$50m+ music deal, as Primary Wave buys stake in Bing Crosby estate](#)", October 11, 2021, accessed: 2024-12-18.
- ²¹¹ Brookfield Corporation, which was named Brookfield Asset Management until 2023, is also the majority owner of the private equity company Oaktree Capital Management, in which Brookfield bought a 62 per cent stake for US \$4.7 billion in 2019. See: Reuters, "[Brookfield to buy most of Oaktree to build juggernaut to rival Blackstone](#)", March 14, 2019, accessed: 2025-01-07.
- ²¹² Primary Wave press release, "[Just Announced: Strategic Partnerships with Brookfield Asset Management and CAA!](#)", October 6, 2022, accessed: 2025-01-07.
- ²¹³ Financial Times, "[Brookfield buys Whitney Houston hits with music royalty investment](#)", November 15, 2022, accessed: 2024-12-18.
- ²¹⁴ Music Business Worldwide, "[Primary Wave buys music rights of Robby Krieger and Ray Manzarek of the Doors, in 'monumental' deal](#)", January 23, 2023, accessed: 2024-12-18.
- ²¹⁵ Music Business Worldwide, "[Primary Wave Music strikes 'multimillion-dollar deal' with Stevie Van Zandt](#)", February 5, 2023, accessed: 2024-12-18.
- ²¹⁶ Billboard, "[Primary Wave Buys Lynyrd Skynyrd Founder's Royalties for 'Free Bird' and Other Early Hits](#)", March 28, 2023, accessed: 2024-12-18.
- ²¹⁷ Music Business Worldwide, "[Primary Wave acquires stake in catalog of Grammy-winning singer-songwriter Sarah McLachlan](#)", April 4, 2023, accessed: 2024-12-18.
- ²¹⁸ Music Business Worldwide, "[Hipgnosis Songs Fund](#)", n.d., accessed: 2024-12-11.
- ²¹⁹ Music Business Worldwide, "[Merck Mercuriadis fund successfully raises US \\$260m+ to buy music copyrights](#)", June 29, 2018, accessed: 2024-12-11.
- ²²⁰ Music Business Worldwide, "[Merck Mercuriadis fund pays US \\$23m to buy 75% stake in The-Dream catalog](#)", July 11, 2018, accessed: 2024-12-11.
- ²²¹ Annual report Hipgnosis Songs Fund Ltd. For the period from June 8, 2018, to March, 31 2019, p 5.
- ²²² Annual report Hipgnosis Songs Fund Ltd. 2021, p 141.
- ²²³ Music Business Worldwide, "[Hipgnosis acquires majority stake in Mark Ronson catalog, including Uptown Funk and Shallow](#)", April 23, 2020, accessed: 2024-12-11.
- ²²⁴ Annual report Hipgnosis Songs Fund Ltd. 2020, p 100.
- ²²⁵ Due to new legal requirements, the reporting currency has been changed from British pounds to US dollars for the 2020/21 financial year. (Annual report Hipgnosis Songs Fund Ltd. 2021, p 10).
- ²²⁶ Music Business Worldwide, "[Hipgnosis acquires 50% of Neil Young's song catalog for around US \\$150m](#)", January 6, 2021, accessed: 2024-12-11.
- ²²⁷ Music Business Worldwide, "[Hipgnosis buys 100% of Shakira's publishing catalog, spanning 145 songs](#)", January 13, 2021, accessed: 2024-12-11.
- ²²⁸ Music Business Worldwide, "[Hipgnosis Songs Fund buys huge catalog from Kobalt in US \\$322.9m acquisition](#)", November 2, 2020, accessed: 2024-12-11.
- ²²⁹ Annual report Hipgnosis Songs Fund Ltd. 2021, p 6.
- ²³⁰ Music Business Worldwide, "[Netzwerk sells 30-year-old publishing catalogue to Kobalt investment fund](#)", July 24, 2016, accessed: 2024-12-11.
- ²³¹ Annual report Hipgnosis Songs Fund Ltd. 2021, pp 144-147.
- ²³² Annual report Hipgnosis Songs Fund Ltd. 2021, p 141.
- ²³³ Annual report Hipgnosis Songs Fund Ltd. 2022, p 9.

-
- ²³⁴ Music Business Worldwide, "[Hipgnosis Songs Fund didn't buy a single catalog in the 6 months to end of March. It still grew in value by US \\$140m](#)", July 14, 2022, accessed: 2024-12-11.
- ²³⁵ Music Business Worldwide, "[Hipgnosis' Blackstone fund set to spend US \\$440m buying 29 catalogs from Hipgnosis' UK-listed fund; competitors have 40 days to try and outbid its offer](#)", September 14, 2023, accessed: 2024-12-11.
- ²³⁶ Reuters, "[Hipgnosis shareholders reject US \\$440 mln music catalogues sale](#)", October 26, 2023, accessed: 2024-12-11.
- ²³⁷ Music Business Worldwide, "[Hipgnosis Songs Fund sells 20,000 songs for US \\$23.1m](#)", December 11, 2023, accessed: 2024-12-11.
- ²³⁸ Music Business Worldwide, "[Hipgnosis buys Leonard Cohen catalog via Blackstone-backed fund](#)", March 6, 2022, accessed: 2024-12-11.
- ²³⁹ Music Business Worldwide, "[Hipgnosis and Blackstone acquire 80% of Kenny Chesney's recorded music royalties](#)", January 19, 2022, accessed: 2024-12-11.
- ²⁴⁰ Music Business Worldwide, "[Justin Timberlake sells song catalog to Hipgnosis and its US \\$1bn-backed Blackstone fund](#)", May 26, 2022, accessed: 2024-12-11.
- ²⁴¹ Variety, "[Justin Bieber Sells Music Rights to Hipgnosis Songs for US \\$200 Million-Plus](#)", January 24, 2023, accessed: 2024-12-11.
- ²⁴² Billboard, "[Hipgnosis and Timbaland's Beatclub Synch Up to Boost Catalog for Sampling](#)", February 14, 2023, accessed: 2024-12-11.
- ²⁴³ Music Business Worldwide, "[Merck Mercuriadis to step away as Chairman of Hipgnosis Song Management](#)", July 2, 2024, accessed: 2024-12-11.
- ²⁴⁴ Music Business Worldwide, "[The elephant is leaving the building: Hipgnosis name and branding set to change to reflect new structure under Blackstone](#)", September 26, 2024, accessed: 2024-12-11.
- ²⁴⁵ Digital Music News, "[Goodbye Hipgnosis, Hello Recognition Music — Catalog Investor Officially Rebrands Following Stock-Market Exit](#)", March 12, 2025, accessed: 2025-06-23.
- ²⁴⁶ Forbes, "[Golden Oldies: How To Become A Music Publishing Mogul](#)", February 12, 2014, accessed: 2024-12-19.
- ²⁴⁷ Round Hill Music press release, "[RHM Acquires The Adage V Catalog](#)", January 28, 2011, accessed: 2024-12-19.
- ²⁴⁸ Round Hill Music press release, "[RHM Acquires the Catalog of the American Songbook Writer Gerald Marks](#)", May 23, 2011, accessed: 2024-12-19.
- ²⁴⁹ Round Hill Music press release, "[RHM Acquires The Catalog of the Hit Maker Andreas Carlsson](#)", September 22, 2011, accessed: 2024-12-19.
- ²⁵⁰ Music Business Worldwide, "[Round Hill Music](#)", n.d., accessed: 2024-12-19.
- ²⁵¹ Round Hill Music press release, "[RHM Acquires Rights In Six Early Beatles Songs Along With The Entire GIL Music and George Pincus and Sons Music Catalogs](#)", December 31, 2011, accessed: 2024-12-19.
- ²⁵² Music Business Worldwide, "[Round Hill Music acquires chunk of Dallas Davidson's hit-filled catalogue](#)", October 21, 2016, accessed: 2024-12-19.
- ²⁵³ Music Business Worldwide, "[Concord set to buy Round Hill's UK-listed royalty fund in a huge \\$468.8m deal](#)", September 8, 2023, accessed: 2024-12-11.
- ²⁵⁴ The Guardian, "[Shakira becomes latest artist to sell rights to catalogue of hits](#)", January 13, 2021, accessed: 2024-12-19.
- ²⁵⁵ New York Times, "[Shakira Is Accused of Tax Evasion in Spain. Here's What We Know](#)", September 29, 2022, accessed: 2024-12-19.
- ²⁵⁶ UK Company House, [Queen Production Limited](#), accessed: 2024-12-19.
- ²⁵⁷ In the US and Canada, the master rights are held by Hollywood Records, part of the Disney Group; see: Music Business Worldwide, "[Queen shows no sign of fading into history as band's earnings jump 4.3% to \\$50m in 2022](#)", July 5, 2023, accessed: 2024-12-19.
- ²⁵⁸ UK Company House, [Queen Music Ltd.](#), accessed: 2024-12-19.
- ²⁵⁹ Ibid.
- ²⁶⁰ Queen Productions Limited, [Annual Report and Financial Statements for the Year Ended 30 September 2022](#), accessed: 2024-12-19.
- ²⁶¹ Wikipedia, "[Bohemian Rhapsody \(film\)](#)", n.d., accessed: 2024-12-19.
- ²⁶² Wikipedia, "[Greatest Hits \(Queen album\)](#)", n.d., accessed: 2024-12-19.
- ²⁶³ Queen Productions Limited, [Annual Report and Financial Statements for the Year Ended 30 September 2019](#), accessed: 2024-12-19.
- ²⁶⁴ Queen Productions Limited, [Annual Report and Financial Statements for the Year Ended 30 September 2022](#), accessed: 2024-12-19.
- ²⁶⁵ Music Business Worldwide, "[Queen catalog to be acquired by Sony Music in \\$1.27bn deal](#)", June 20, 2024, accessed: 2024-12-19.
- ²⁶⁶ UK Company House, [Queen Production Limited](#), accessed: 2024-12-19.

-
- ²⁶⁷ It is improbable that a buyer will purchase knowing she can more or less immediately sell on for a higher price to another party, as both the initial rightsholder as well as the subsequent buyer would have any incentive to directly trade with one another.
- ²⁶⁸ Potential music IPR buyers may also be able to raise money through credit, sales of bonds or shares, or attract investors through other vehicles, which are not available to the selling party.
- ²⁶⁹ To be sure, all major record labels are minority shareholders in Spotify, for instance.
- ²⁷⁰ Music Business Worldwide, "['Bowie bonds' are back: Northleaf uses Spirit Music Group assets to raise \\$303.8m offering](#)", December 20, 2021, accessed: 2025-02-14.
- ²⁷¹ Music Business Worldwide, "[Spirit Music Group acquires master recordings of Tim McGraw originally released by Big Machine](#)", September 9, 2020, accessed: 2025-02-14.
- ²⁷² Music Business Worldwide, "[The name's bonds. Music bonds.](#)", October 19, 2021, accessed: 2025-02-14.
- ²⁷³ Music Business Worldwide, "[KKR bought a music catalog from Kobalt for \\$1.1bn. Now it's turning it into bonds](#)", February 7, 2022, accessed: 2025-02-24.
- ²⁷⁴ Reuters, "[SESAC sells \\$560 million in bonds backed by music royalties](#)", August 2, 2019, accessed: 2025-02-24.
- ²⁷⁵ Bloomberg, "[Adele License Fees to Help Fund \\$335 Million of Bonds](#)", July 1, 2022, accessed: 2025-02-24.
- ²⁷⁶ Music Business Worldwide, "[Music's bond adventure continues, as SESAC and Hipgnosis both launch nine-figure offerings](#)", August 10, 2022, accessed: 2025-02-24.
- ²⁷⁷ Music Business Worldwide, "[Concord prices \\$1.8bn bond offering backed by over 1m music copyrights](#)", December 8, 2022, accessed: 2025-02-24.
- ²⁷⁸ Billboard, "[Kobalt Raising \\$267M From Security Backed by Song Catalog Including YoungBoy & More](#)", March 19, 2024, accessed: 2025-02-24.
- ²⁷⁹ Music Business Worldwide, "[HarbourView raises \\$500m in debt financing led by KKR](#)", March 13, 2024, accessed: 2025-02-24.
- ²⁸⁰ Music Business Worldwide, "[Blackstone's Hipgnosis closes \\$1.47bn asset-backed securities transaction](#)", November 11, 2024, accessed: 2025-02-24.
- ²⁸¹ Kroll Bond Rating Agency, 2022, [Hipgnosis Music Assets 2022-1 L.P., ABS Pre-Sales Report](#), August 2, 2022.
- ²⁸² Ibid., p. 8.
- ²⁸³ Ibid., p. 7.
- ²⁸⁴ Ibid., p. 9.
- ²⁸⁵ The Wall Street Journal, "[Dream On: Own Part of a Hit Song](#)", September 10, 2008, accessed: 2025-03-10.
- ²⁸⁶ Ibid.
- ²⁸⁷ USA Today, "[Website turns music royalties into investments](#)", June 9, 2014, accessed: 2025-03-06.
- ²⁸⁸ Huffington Post, "['Snow White,' 'Cinderella,' Other Disney Song Royalty Rights Up For Auction](#)"; June 23, 2011, accessed: 2025-03-06.
- ²⁸⁹ Ibid.
- ²⁹⁰ Billboard, "[Royalty Exchange Raises \\$6.4 Million In Funding](#)", June 19, 2017, accessed: 2025-03-06.
- ²⁹¹ Rolling Stone, "[Former Eminem Producers Selling Portion of Rapper's Royalties](#)", September 25, 2017, accessed: 2025-03-06.
- ²⁹² Royalty Exchange, "[How we overcame an embarrassing and costly public failure to grow our business by 276% in a year](#)", April 9, 2019, accessed: 2025-03-06.
- ²⁹³ Royalty Exchange, "[Past Deals](#)", n.d., accessed: 2025-03-06.
- ²⁹⁴ Global Rockstar, "[For artists](#)", n.d., accessed: 2025-03-13.
- ²⁹⁵ Global Rockstar, "[Opportunity: 'Broken Melody' by KRYSTOF](#)", n.d., accessed: 2025-03-13.
- ²⁹⁶ Global Rockstar, 2022, Informationsblatt für Anleger gemäß § 4 Abs 1 Z 1 des Alternativfinanzierungsgesetzes (AltFG), pp. 2-4.
- ²⁹⁷ Ibid., p. 6.
- ²⁹⁸ TechWeek, "[Vezt – A Financial Tool For Artists](#)", March 4, 2019, accessed: 2025-03-13.
- ²⁹⁹ Pitchbook, "[Vezt](#)", n.d., accessed: 2025-03-13.
- ³⁰⁰ Musicow, "[History](#)", n.d., accessed: 2025-03-17.
- ³⁰¹ The Korean Economic Daily, "[Music copyright trading platform Musicow revitalizes Korea's startup scene](#)", November 22, 2021, accessed: 2025-03-17.
- ³⁰² The Korea Bizwire, "[Regulator Sees Fractional Ownership in Music Copyrights as Investment](#)", April 20, 2022, accessed: 2025-03-17.
- ³⁰³ The Korean Economic Daily, "[STIC injects \\$168 mn in pre-unicorn Musicow](#)", January 18, 2022, accessed: 2025-03-17.
- ³⁰⁴ The Korean Economic Daily, "[Music copyright trading platform Musicow attracts \\$46 mn from STIC](#)", May 23, 2023, accessed: 2025-03-17.
- ³⁰⁵ The Korean Economic Daily, "[Hanwha, Musicow to launch JV in US for copyright trading abroad](#)", December 10, 2021, accessed: 2025-03-17.

-
- ³⁰⁶ The Korean Economic Daily, "[Jay-Z's Roc Nation to invest \\$5 mn in S.Korea's Musicow](#)", November 4, 2024, accessed: 2025-03-17.
- ³⁰⁷ Global Economics, "[Accumulated transaction amount of 420 billion won... 'Music Cow' advances beyond Korea to the US](#)", September 25, 2024, accessed: 2025-03-18.
- ³⁰⁸ See <https://www.eu-startups.com/directory/fanvestory/>, accessed: 2025-03-18.
- ³⁰⁹ Inforegister Estonia, "[Fanvestory OÜ, registry code: 14221756](#)", March 17, 2025, accessed: 2025-03-18.
- ³¹⁰ Ibid.
- ³¹¹ ANote Music, 2024, Investors Booklet, November 2024.
- ³¹² Ibid., p. 18.
- ³¹³ ANote Music, "[Creators: How It Works](#)", n.d., accessed: 2025-03-18.
- ³¹⁴ ANote Music, 2024, Investors Booklet, p. 10.
- ³¹⁵ Digital Music News, "[European Royalty-Investment Platform ANote Music Announces €3.3 Million Funding Milestone. Institutional Investor Expansion](#)", July 31, 2023, accessed: 2025-03-19.
- ³¹⁶ Tangy Market, "[About Us](#)", n.d., accessed: 2025-03-19.
- ³¹⁷ Tangy Market, "[For Creators](#)", n.d., accessed: 2025-03-19.
- ³¹⁸ Tangy Market, "[Investment Calculator](#)", n.d., accessed: 2025-03-19.
- ³¹⁹ Bolero, "[Frequently Asked Questions](#)", n.d., accessed: 2025-03-19.
- ³²⁰ MasterExchange, "[How It Works](#)", n.d., accessed: 2025-03-19.
- ³²¹ Music Business Worldwide, "[After raising \\$2.7m, music royalties marketplace MasterExchange sells out its first 'initial music offering'](#)", August 17, 2023, accessed: 2025-03-19.
- ³²² Music Business Worldwide, "[Web3 music startup anotherblock raises \\$4.3m in latest funding round](#)", May 17, 2023, accessed: 2025-03-19.
- ³²³ Anotherblock, "[The trusted bridge to music rights investments](#)", n.d., accessed: 2025-03-19.
- ³²⁴ Anotherblock, "['We Are Bulletproof: The Eternal' by Alex Karlsson](#)", n.d., accessed: 2025-03-19.
- ³²⁵ Fintech Finance News, "[Sonomo Hits the Right Note With Weavr's Support](#)", November 22, 2022, accessed: 2025-03-24.
- ³²⁶ Sonomo, "[How It Works](#)", n.d., accessed: 2025-03-24.
- ³²⁷ OG Music, "[FAQ](#)", n.d., accessed: 2025-03-24.
- ³²⁸ Parça, "[How It Works](#)", n.d., accessed: 2025-03-24.
- ³²⁹ GlobeNewswire, "[Band Royalty Makes History With the Release of the World's First Multi-Track Music NFT](#)", May 11, 2022, accessed: 2025-03-24.
- ³³⁰ Band Royalty, "[FAQs](#)", n.d., accessed: 2025-03-24.
- ³³¹ Music Business Worldwide, "[BeatBread brings fractional investing to the independent artist funding scene](#)", April 12, 2023, accessed: 2025-03-24.
- ³³² Billboard, "[Want to Invest In Your Favorite Song? JKBX Bets Fans Will Bring Billions to Market](#)", August 25, 2023, accessed: 2025-03-25.
- ³³³ Billboard, "[Sony's Orchard Acquisition, By the Numbers and Behind the Scenes](#)", March 19, 2015, accessed: 2025-03-25.
- ³³⁴ Music Business Worldwide, "[Official: Warner hires Scott Cohen, co-founder of The Orchard, as Chief Innovation Officer, Recorded Music](#)", March 6, 2019, accessed: 2025-03-25.
- ³³⁵ Music Business Worldwide, "[Confirmed: Kobalt sells catalog to new KKR venture, Chord, for \\$1.1 billion](#)", October 19, 2021, accessed 2025-01-15.
- ³³⁶ Music Business Worldwide, "[KKR buys majority stake in Ryan Tedder catalog, marking investment giant's return to music rights ownership](#)", January 11, 2021, accessed: 2024-12-11.
- ³³⁷ Music Business Worldwide, "[Kobalt Music Group sold to US-based private equity firm Francisco Partners](#)", September 7, 2022, accessed: 2024-12-11.
- ³³⁸ In September 2023, JKBX also launched its Creator Program for artists, who want to sell a share in their royalty revenue streams; see: Music Business Worldwide, "[JKBX, launching this week, confirms it will pay songwriters and artists direct via 'Creator Program' – even if they don't own their rights](#)", September 11, 2023, accessed: 2025-03-25.
- ³³⁹ A Regulation A offering is a kind of mini Initial Public Offering (IPO), which allows to offer and sell securities to the public through a process that is similar to, but less extensive than, a registered offering; see: US Securities and Exchange Commission (SEC), "[Regulation A](#)", November 14, 2024, accessed: 2025-03-25.
- ³⁴⁰ Music Business Worldwide, "[Music royalties trading platform JKBX launches – with regulatory approval from the SEC](#)", March 6, 2024, accessed: 2025-03-25.
- ³⁴¹ Jukebox Hits Vol. 1 LLC, "[Offering Circular](#)", March 1, 2024, p. 1.
- ³⁴² Ibid.
- ³⁴³ Ibid., p. 2.
- ³⁴⁴ Ibid., p. 1.
- ³⁴⁵ Ibid., p. 16.
- ³⁴⁶ Ibid., p. 45.

-
- ³⁴⁷ Ibid., p. 61.
- ³⁴⁸ Ibid., p. 13.
- ³⁴⁹ Ibid., p. 49.
- ³⁵⁰ Ibid.
- ³⁵¹ Ibid., p. 25.
- ³⁵² Ibid., p. 34.
- ³⁵³ Ibid., p. 14.
- ³⁵⁴ Ibid., p. 2.
- ³⁵⁵ Ibid., p. 34.
- ³⁵⁶ Rosen, Sherwin, 1981
- ³⁵⁷ Adler, Moshe, 1985
- ³⁵⁸ See e.g. Chris Anderson, 2006, *The Long Tail: Why the Future of Business Is Selling Less of More*, New York: Hyperion Book
- ³⁵⁹ The Economist, "[Mass entertainment in the digital age is still about blockbusters, not endless choice](#)" by Gady Epstein, February 9, 2017, accessed: 2025-11-28
- ³⁶⁰ Music Business Research blog, "[The Music Streaming Economy. Part 15: Pro-Rate Versus User-Centric](#)" by Peter Tschmuck, September 23, 2024, accessed: 2025-11-28

© WIPO, 2026

World Intellectual Property Organization
34, chemin des Colombettes, P.O. Box 18
CH-1211 Geneva 20, Switzerland



Attribution 4.0 International (CC BY 4.0)

This work is licensed under Creative Commons Attribution 4.0 International.

The user is allowed to reproduce, distribute, adapt, translate and publicly perform this publication, including for commercial purposes, without explicit permission, provided that the content is accompanied by an acknowledgement that WIPO is the source and that it is clearly indicated if changes were made to the original content.

Suggested citation: Tschmuck, P., Collopy, D., Handke, C. (2026), "IP Finance in the Music Industry", WIPO Economic Research Working Paper No. 98, Geneva: World Intellectual Property Organization. <https://doi.org/10.34667/tind.59373>.

Adaptation/translation/derivatives should not carry any official emblem or logo, unless they have been approved and validated by WIPO. Please contact us via the [WIPO website](#) to obtain permission.

For any derivative work, please include the following disclaimer: "The Secretariat of WIPO assumes no liability or responsibility with regard to the transformation or translation of the original content."

When content published by WIPO, such as images, graphics, trademarks or logos, is attributed to a third-party, the user of such content is solely responsible for clearing the rights with the right holder(s).

To view a copy of this license, please visit <https://creativecommons.org/licenses/by/4.0>.

Any dispute arising under this license that cannot be settled amicably shall be referred to arbitration in accordance with Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) then in force. The parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of such a dispute.

The designations employed and the presentation of material throughout this publication do not imply the expression of any opinion whatsoever on the part of WIPO concerning the legal status of any country, territory or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

This publication is not intended to reflect the views of the Member States or the WIPO Secretariat.

The mention of specific companies or products of manufacturers does not imply that they are endorsed or recommended by WIPO in preference to others of a similar nature that are not mentioned.

Cover: WIPO Design