



Explaining Music Royalties as the Best Investment Opportunity

Forward Looking Statements



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Key Artists Selling



Bob Dylan sold his publishing to UMG for \$300 Million in 2020



Sells Sony ATV – Beatles & his work in 2016 for \$850 Million



Swift's Masters are sold for around \$450 million 2020



Lil Wayne's masters sold in 2020 for \$100 Million



BTS members become multi-millionaires by their masters and label listing on the stock market in 2020



Stevie Nicks sells publishing to Primary Wave in 2020 for \$100 million

The Streaming Model

- Transparency with views
- Easy to listen to music
- Sell a customer once (Apple has to convince customers every year to buy another iPhone)
- Initial fixed cost (create content) then almost no costs indefinitely
- Monthly payments are an extremely small utility bill = unlikely to give up
- Infinitely expandable across the universe



Section 1:

The Music Industry

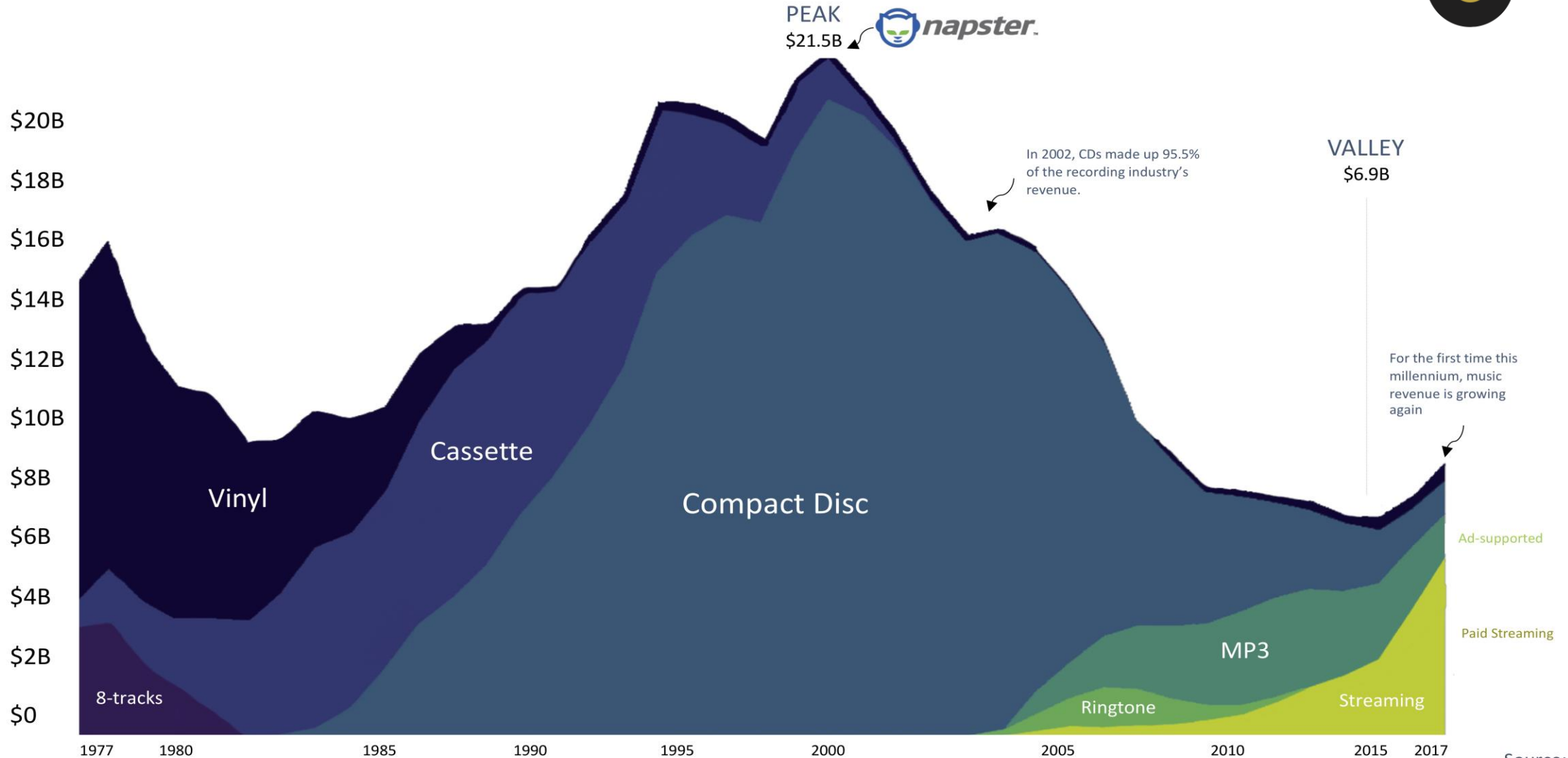
Digitization, How long music lasts, how royalties are paid

Historical Music Revenues

Music Revenues

Adjusted for Inflation, 2017 Dollars

Music Royalties Inc.

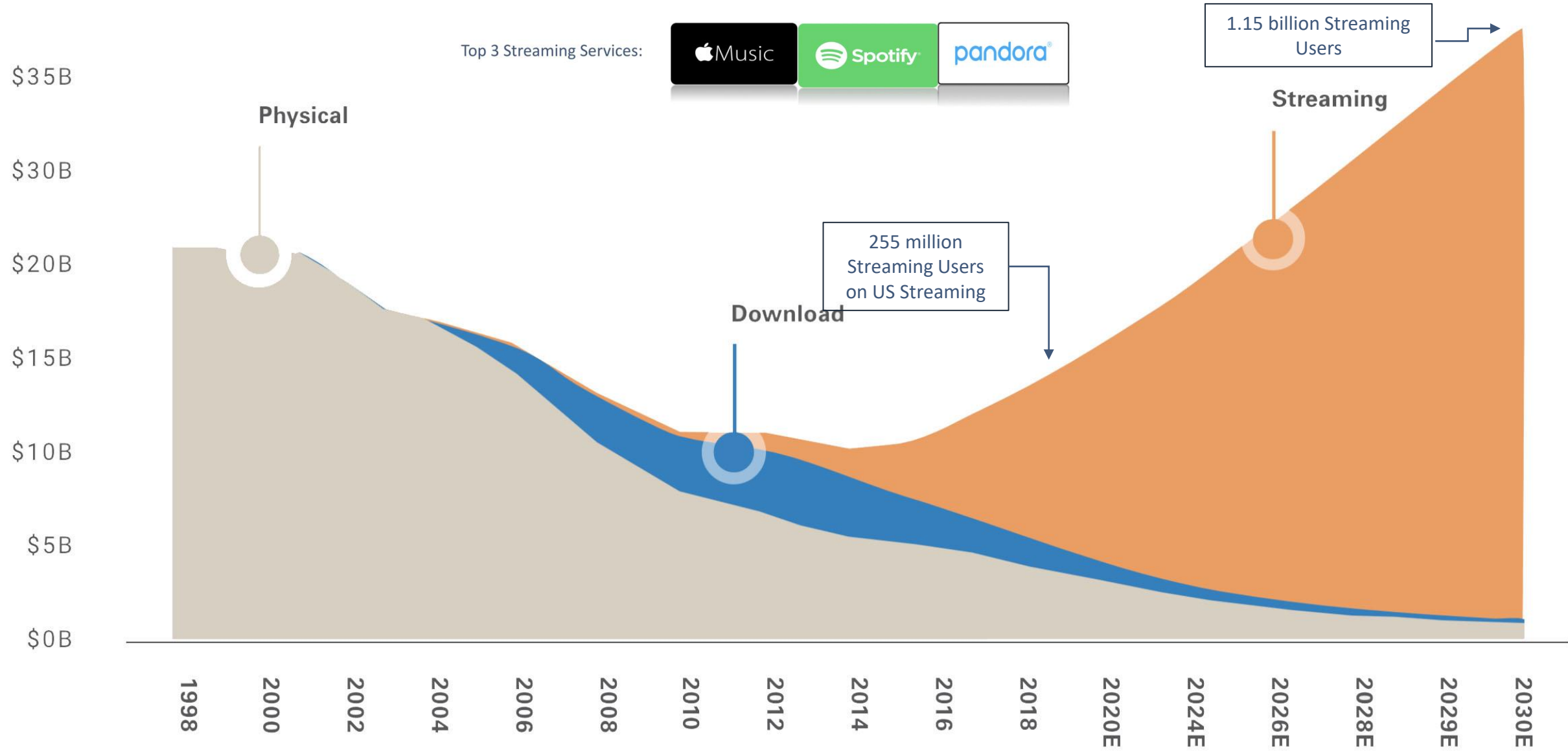


Streaming Growth

\$40 Billion



Top 3 Streaming Services:



Market Opportunity – Streaming (Tech infrastructure)



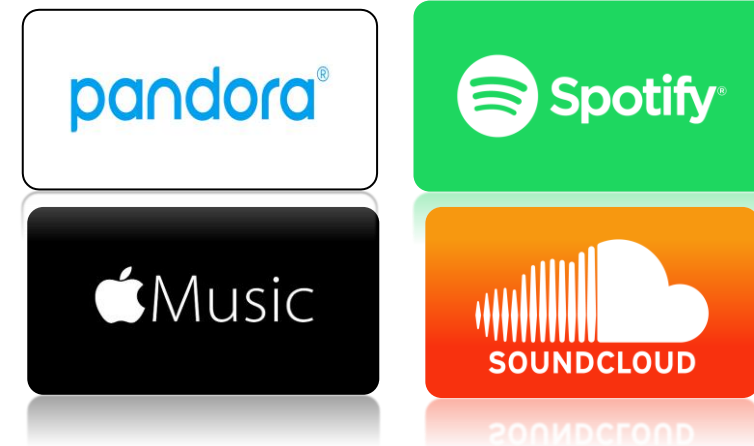
Napster destroyed the industry and it took 20 years for people outside of the industry to fix it with the new streaming model

400 million subscribers
Globally

3 billion smartphones

All Streaming Services

400 million current paying subscribers paying an average of \$5/month. This \$2 billion/month in streaming revenue is expected to grow to \$40 billion (Goldman Sachs) due to the 3 billion smartphones in the world as the streaming services launch in new countries.



How are Royalties Paid – Performing Rights Organizations



Global non-profit song collection agencies (120) which distribute the royalty income to rights holders

\$12 billion distributed in 2019

Streaming revenues growing to \$40 billion

PROs

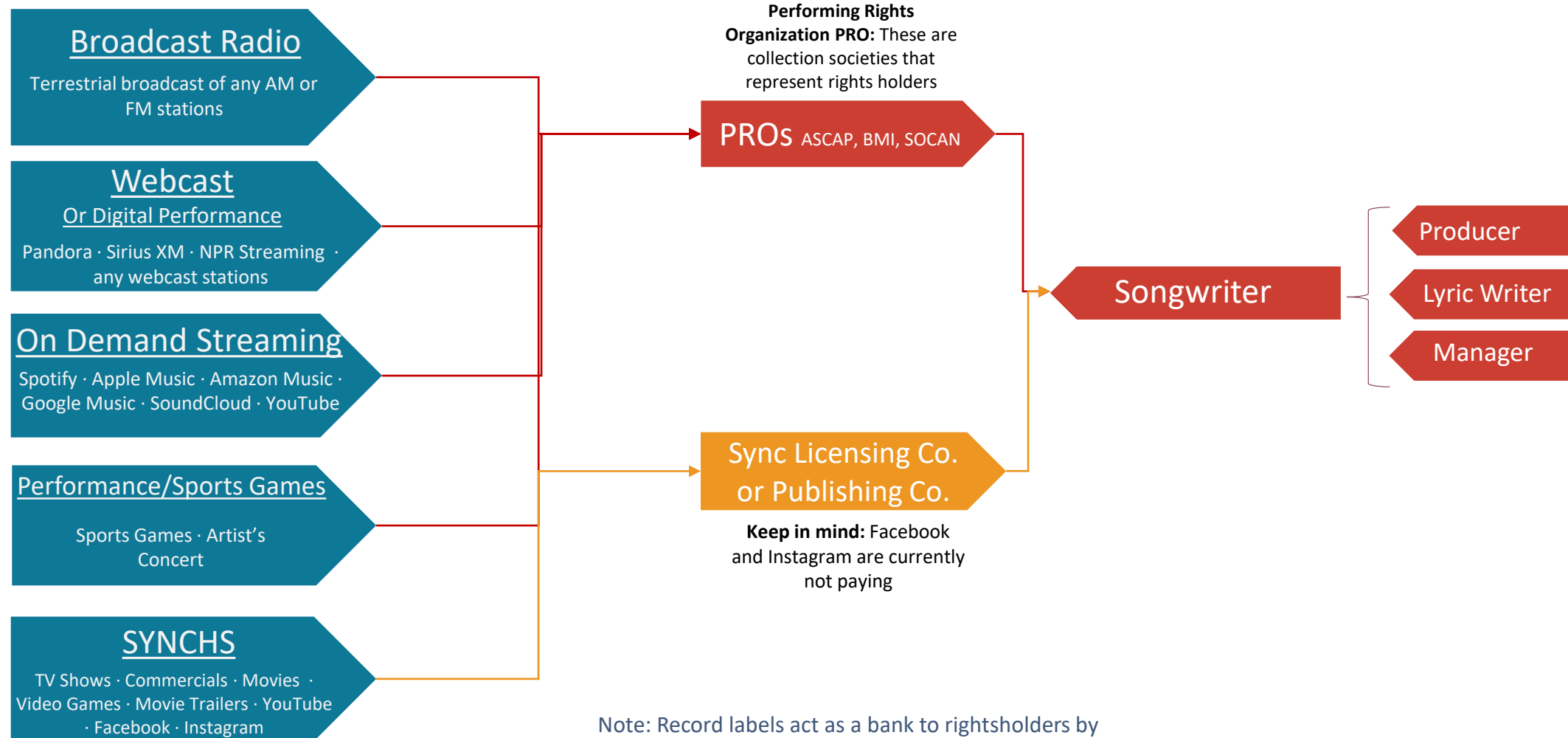
Most countries around the world have a Performing Rights Organizations (PROs). These are non-profit organizations which physically and electronically collect from radio stations, franchises, bars, stadiums, and streaming services, which they pay to artists, producers, record labels and songwriters usually on a quarterly or semi-annual basis. The growth of streaming has increased distribution from US\$ 7 billion in 2017 to US\$12 billion in 2019.





How are Rights Holders Paid?

The following is an example of an unsigned songwriter.



Note: Record labels act as a bank to rightsholders by providing advances (loans), advice, etc.

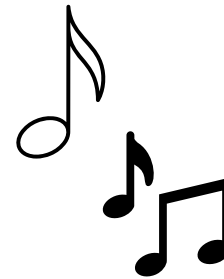


Other Questions:

- **How long do royalties last**
 - Life of last Author + 70 years
 - Even when it comes off copyright if people are still listening to your version you still get paid it just means people can record their version
 - Eg. Happy Birthday song.
- **How do you determine the value**
 - Do you want a billion views song or million views song
- **I thought Justin Bieber owns all his songs?**
 - There are co-writers on ever song.
 - The modern song has 10-20 co-writers that all have partial ownership
- **Difference between publishing and songwriter**
 - Publishing or Masters is actively being in the business of working the catalog
 - For example: getting songs into movies, ads, Shows. There are costs associated to this and this requires active involvement and connections
 - Sync's and licensing can generate a lot of income this is why we see artists selling for hundreds of millions
 - Songwriters royalties are the passive part... sit back and collect. For an artist who is looking to sell publishing its usually due to priorities and estate planning.
 - It's better to leave it to UMG or a big publishing house to do this job.
- **What if a Song stops being played?**
 - True for most songs but our focus is on the top 1% iconic 'anthem' evergreen cash flow songs
 - By owning the copyright we can enhance revenues through SYNCs in an advertisement, movie, TV show, etc
 - Copyrights can be repurposed or 'covered' by new artists to create more income

Section 2:

The Analogy to Real Estate but Music is better





Location Location Location to Iconic Iconic Iconic

- Use the Warren Buffet strategy of buying top brands
 - Will be passed down to the next generation
 - Will automatically be sync/licensed to future movies, TV Shows, Advertisements
 - Eg. Home Alone or Christmas songs
- Buy real estate in downtown NYC
 - People will be going to NYC for generations to come





No Renovations or Building depreciation

- Once a song is created digitally there is minimal upkeep required
 - Most of the 50 million songs on Spotify are declining in revenue but the iconic songs are stable and even growing due to 3 billion smartphones
 - Tenants can't damage and its harder to pirate now due to technology
 - Artists love to sample other top songs which creates new income
- Buildings need to be updated = huge capital cost
 - Every 20 years a roof needs replacing
 - Buildings need renovations due to weather erosion
 - The hassle of these renovations exceeds the tax benefits





Tenants or Renters

- 3 billion Smart phones 400 million are paying for streaming as of 2020
 - If you have an iconic songs, you have loyal fans, curtesy of the brand the artist has built up and if the song is just that good
 - Music Modernization act was signed in 2019 – like rent control is will increase the royalty payments by 44% in the next 5 years
- Finding good Tenants is hard and you're limited to the rooms you have
 - Replacing tenants can take up to months and to get it done fast you would have to pay a real estate agent
 - Rent control (both good and bad)





Stadiums to bonus income

- Streaming is the stable income, licenses/Sync's are the bonus
 - Predictable monthly listeners via Spotify, Apple music, etc.
 - Hard to know which movies, Shows, or Ads will want to use your songs
- **Madison Square Gardens**
 - Seasonal sports games are reoccurring income and are predictable (82 hockey games in a season)
 - Performances are the bonus income. Hard to know who will rent out the stadium for events



Section 3:

Music Investment Strategies

Potential Risks

- If bank interest rates rise valuations can compress as investors are more inclined to put their money in the bank and not seek investments on the stock market
 - Due to high global government debt, interest rates likely to remain low indefinitely
- If a royalty business is tied to a volatile industry like the commodity prices in the resource industry
 - Freehold Royalties Ltd. being tied to oil & gas prices
- If songs don't get played or naturally decline
 - True for most songs but our focus is on the top 1% iconic 'anthem' evergreen cash flow songs
 - By owning the copyright we can enhance revenues through SYNCs in an advertisement, movie, TV show, etc
 - Copyrights can be repurposed or 'covered' by new artists to create more income



Music Investment Companies



Primary Wave

Private Fund Structure



Round Hill Music

Public Fund Structure

- Quarterly Div



Warner Music

Public Company

- no dividend



Hipgnosis

Public Fund Structure

- Quarterly Div



Music Royalties Inc.

Soon to be Public Basket of
Artist royalties

- Monthly Div



Royalty Exchange

Website Auction house for
anyone to buy royalties