

SELLING SOUNDS



**THE ARTIST MANAGER'S
GUIDE TO CATALOGUE SALES**

**COOPER PARRY
WEALTH**

LET'S RIFF THIS FOR A MINUTE

Have you, or the artists you manage, ever wondered how much their back catalogue of music could be worth? They've likely spent years producing albums, EPs, singles, and one-off tracks that make up their musical legacy. But did you know there's a whole industry devoted to buying and selling music catalogues?

In the UK, catalogue acquisitions have become big business. Major labels, investment firms and publishing companies are willing to pay top dollar to own the rights to songs with a proven commercial track record. For the right catalogue, deals can reach into the tens or even hundreds of millions.

Having had first-hand experience of supporting and advising musicians and managers through life-changing catalogue sales, I have produced this guide to support others that may be considering a catalogue sale. If you or your artists would like to confidentially discuss their options, then please feel free to reach out.

James

James Greenly, Relationship Director
Cooper Parry Wealth
jamesgr@cooperparry.com
07713 670192



SETTING THE SCENE

The UK music industry contributed £6.7 billion to the UK economy in 2022*. The British music scene is thriving, with many independent artists as well as major labels experiencing success. This vibrant market means there are lots of opportunities for musicians to generate income from their back catalogues.

A music catalogue, or copyrights, refers to the ownership of the rights to musical compositions and sound recordings. Selling a catalogue means transferring the ownership of some or all of an artist's music to a buyer. Usually a music publisher, investor, or record label.

In 2021, investors spent over \$5 billion purchasing recorded music catalogues, publishing rights and other royalties – up 180% from the previous year.

Major catalogue deals, like Bob Dylan selling his catalogue to Universal Music Publishing Group for over \$300 million, make headlines. However, catalogue sales also happen on a smaller scale and can be very valuable for independent artists.

Selling a music catalogue is a huge decision, but with the right partners and deal structure, it can provide financial security and open up new opportunities for their music. Speaking to a music lawyer or business manager is highly advisable to guide you and your artist through the process.

The UK music market continues to grow, and catalogue sales are a viable path for musicians to unlock greater value from their life's work.



CATALOGUE SALES 101

A catalogue sale refers to the acquisition of a back catalogue of music. This could include the master recordings and publishing rights to all the songs in an artist's repertoire. For many musicians, especially legacy acts, their back catalogue can become one of their most valuable assets over time.

Music catalogues contain valuable assets that can be sold for considerable sums. Over the years, many well-known artists and bands have sold parts or all of their back catalogues. These deals provide insight into the potential value of music rights. Some of the biggest deals in recent years include:

KATY PERRY

In 2023, it was announced that Katy Perry sold some of the rights to her songs and albums released between 2008 and 2020. Litmus Music paid a reported \$225 million.

JUSTIN BEIBER

In early 2023, Justin Bieber sold the rights to publishing and artist royalties to Hipgnosis, the music rights investment company. The deal was reported to have been worth around \$200 million.

BOB DYLAN

Bob Dylan sold his catalogue of more than 600 songs in 2020 to Universal Music Publishing Group for over \$300 million. This monumental deal gave UMPG the rights to timeless classics like 'Blowin' in the Wind', 'Like a Rolling Stone' and 'Mr. Tambourine Man'.

Obviously, these are headline-grabbing numbers, due to the fame of the artists in question. For most musicians, regardless of size, a catalogue sale will likely be the biggest financial decision they will ever make.



ARE YOUR ARTISTS CONSIDERING A SALE? **ASK THEM THESE QUESTIONS:**

- The most important question you should ask is why they are considering a sale in the first place.
- Will they be selling their masters, publishing, or both? Each component has a different value.
- Do they want to sell their full catalogue or just a portion? Some artists sell a majority stake but retain some control.
- How will a sale impact their legacy and future earnings potential? While a lump sum is appealing, their catalogue could continue generating royalties for life.
- What are their financial goals? If maximising income is key, a catalogue sale may not be the right move. But if they want to generate a large amount of capital or provide for their family, it could be worth exploring.
- How will the catalogue be valued? This depends on many factors like its age, commercial success, and revenue potential. Seeking professional guidance is key to understanding a catalogue's true value.
- Do they (and you) understand the tax implications of selling the catalogue versus the tax implications of collecting royalties? It is worth engaging tax advisers and music lawyers early on.
- Do they (and you) fully understand the legal implications? Music rights can be complex, so legal counsel is highly advisable before signing any contracts.



PRE-SALE CONSIDERATIONS

1. KNOW THEIR WORTH

When considering selling a music catalogue, determining its value is one of the most important steps. There are several factors that influence the value, so take the time to evaluate each one carefully.

Genre and Era

The type of music your artist produces, like pop, rock, or hip hop, as well as the time period in which they were most popular or prolific can significantly impact their catalogue's value. Music from the 1960s through the 1990s, for example, tends to be very desirable right now due to nostalgia and the proven long-term earning potential of songs from that era.

Size and Diversity

A large, diverse catalogue spanning many years, with lots of recorded material, remixes, live recordings and more is ideal. The more songs they have, the more opportunities there are for licensing and streaming revenue. Having a variety of music in different styles, tempos and genres also makes their catalogue more attractive to potential buyers.

Earning Potential

Buyers will evaluate their catalogue's current and future ability to generate income through mechanical royalties, performance royalties, sync licensing, and streaming. Catalogues with a solid history of earnings and songs with the potential for placement in TV, movies, commercials, and other media could get higher offers. Proven moneymakers are appealing!

Popularity and Influence

If they have achieved a high level of success and recognition as an artist, especially over a long career, their catalogue will be much more valuable.

Icons with an instantly recognisable sound and style, as well as artists who have influenced other musicians, typically command the highest prices for their work. Their status and reputation absolutely impact their catalogue's worth.



2. GET PREPPED

Preparing a catalogue for sale is essential to achieving the best possible deal. Do your homework and understand the true value of what your artist is selling. Catalogue sales are complex, so seeking advice from music industry experts is key.

Audit The Catalogue

Conduct a comprehensive audit of the catalogue to determine exactly what assets they hold. Check for any missing royalty, licensing or sync payments owed to your artist. Make sure all songs are properly registered with the relevant performing rights organisation. Check early on whether any third party collection societies require consent to assign the royalty payments to the purchaser. Address any copyright or contractual issues. Getting their catalogue in order demonstrates its worth to potential buyers.

Build Your Team

Navigating a catalogue sale is challenging. Seek advice from specialist music solicitors and financial professionals who specialise in this area. They can help determine the catalogue's fair market value, address legal considerations, and find suitable buyers. Their experience and expertise are invaluable.

Create a Sales Memorandum

With the help of your team, develop an in-depth memorandum highlighting why your artist's catalogue is a valuable investment. Include key details on copyrights, licensing and sync opportunities, as well as royalty and performance payment histories. Share biographies of any notable songwriters. The more comprehensive the memorandum, the better positioned you'll be to get the best deal.

Consider Your Options

Discuss with your artist if they want an outright sale, a joint venture, or to retain a percentage of ownership. An outright sale provides an immediate payout, but they lose future upside. A joint venture or retaining partial ownership allows them to share in future success. You can evaluate the pros and cons of each option based on your artist's goals.

With preparation and professional guidance, your artist can unlock the full value of their catalogue.

Do your due diligence, build the right team, and stay actively involved in the negotiation process. By following these steps, you'll be in the best position to cut a deal that benefits them, both now and in the future.



3. THE MAGIC NUMBER

You should now have a vague idea as to what your artists' back catalogue is worth if it were to be sold today. You've started to put your team in place, and you've begun to research the market.

That's all great, but how do you know if the price tag attached to their catalogue is actually enough? Let's say they've had their catalogue valued at £10 million. A big sum, but what if they need a lump sum of £15 million today to ensure complete financial freedom in the future?

It's crucial that they go into this process being fully informed as to what this sale actually means for them in real life. How will this impact them, their family and those around them? Do they have a plan for the cash? If they don't, they're heading down a dangerous path.

This is where a financial planner comes in. A financial planner will work with your artist pre-sale to determine what their ideal future lifestyle looks like, help them understand what that lifestyle might cost both now and in decades to come, and let them know the amount they need today to ensure that they minimise their chances of financial failure. At this point, they may realise that the value of their catalogue is actually not sufficient to allow them to live the life they want, or they may find that they will have more than enough.

Whatever the outcome, you and your artist must understand their 'magic number' and go into this process with complete clarity.

'Seller's regret' is very real, and often comes from not understanding how a sale will actually impact them in the real world. In addition, some people may 'anchor' themselves to an unrealistic amount, to the detriment of living their ideal life now.



4. FIND A BUYER

The music catalogue market has experienced huge growth over the past decade. Many companies are eager to acquire catalogues to diversify their portfolios. Major players purchasing catalogues include:

PUBLISHERS

Large publishers like Sony/ATV, Universal and Warner Chappell are always on the hunt for successful catalogues that will generate long-term, recurring revenue. They have the infrastructure to actively promote and maximise the earnings potential of any catalogue they acquire.

INVESTMENT FUNDS

Private equity firms and music investment funds like Hipgnosis, Kobalt and Round Hill see music catalogues as an asset class and revenue generator. They are looking for a solid return on investment and catalogues with proven success and longevity.

INDEPENDENT MUSIC COMPANIES

Successful indie labels may look to acquire catalogues, especially those that complement their existing roster and musical style. They often have a hands-on, artist-centric approach and close industry ties to help reinvigorate a catalogue.

STARTUPS

New players are entering the music investment space, using technology and data to identify future hits and untapped value in catalogues. They are willing to take risks on catalogues that may be undervalued in the traditional music market.

SUMMARY

Before entering into any deal, make sure you understand the vision and expertise of the potential buyer. Consider things like:

- Will they actively promote and revitalise the catalogue to maximise its value?
- Do they have a track record of successfully acquiring and managing music assets?
- Will the sale allow your artist to retain some control or involvement in how the catalogue is managed?
- Are they offering a fair valuation and deal terms for the catalogue based on its assets and potential?

Seeking advice from industry experts can help determine the right path forward and ensure your artist gets the best possible result from the sale of their catalogue. An experienced music lawyer and business manager can evaluate offers, negotiate the best deal, and protect their long-term interest.

5. LAWYER UP

Once your artist has decided to explore a catalogue sale, the next step is negotiating the best possible deal. This is where your A-Team of specialist advisers comes in. They can take the lead and guide you through the negotiation process, and ensure the final terms are in your artists' best interest.

Some key things to consider in negotiations:

- **ASKING PRICE**

Work with your advisers to determine a realistic valuation for their catalogue based on factors like revenue, growth potential, and comparable deals. Be willing to provide financial records and data to help justify the asking price.

- **ADVANCE AND ROYALTIES**

Push for the highest advance possible, as this is guaranteed money upfront. Also aim for a high royalty rate, especially for digital streaming. As the industry continues shifting to streaming, a fair digital royalty rate is crucial.

- **RIGHTS INCLUDED**

Be very clear about which rights are included in the sale, e.g. master rights, publishing rights, neighbouring rights, etc. Don't give away more rights than necessary. Retain as many rights as possible, especially for new and emerging formats like VR and gaming.

- **TERM LENGTH**

Shorter deal terms, like 5-10 years, give you more flexibility and the option to renegotiate the terms sooner. Longer terms, 15-20 years or in perpetuity, provide more stability but less flexibility. Find the right balance for your situation.

- **CONTROL AND APPROVAL**

Push to maintain some level of control and approval over how your catalogue is used, especially for sync licensing. This allows you to prevent uses that could negatively impact your legacy or brand.



OUTRO

Saying that selling your catalogue is the end of an era would be an understatement. For most, it signifies the loss of something that has long dominated their life and has been integral to their identity. But fear not, a new stage of your life awaits...

After signing the contract

We know from experience that very few regret the sale. In fact, many say they wish they'd done it earlier. The fear of an empty life post-sale is rarely realised. Financial independence is rewarding and means you can tick some things off your bucket list, should you fancy. Everyone's goals are personal and artists may go on to write new music or start a new venture - the creative spirit never leaves some people.

A new life begins

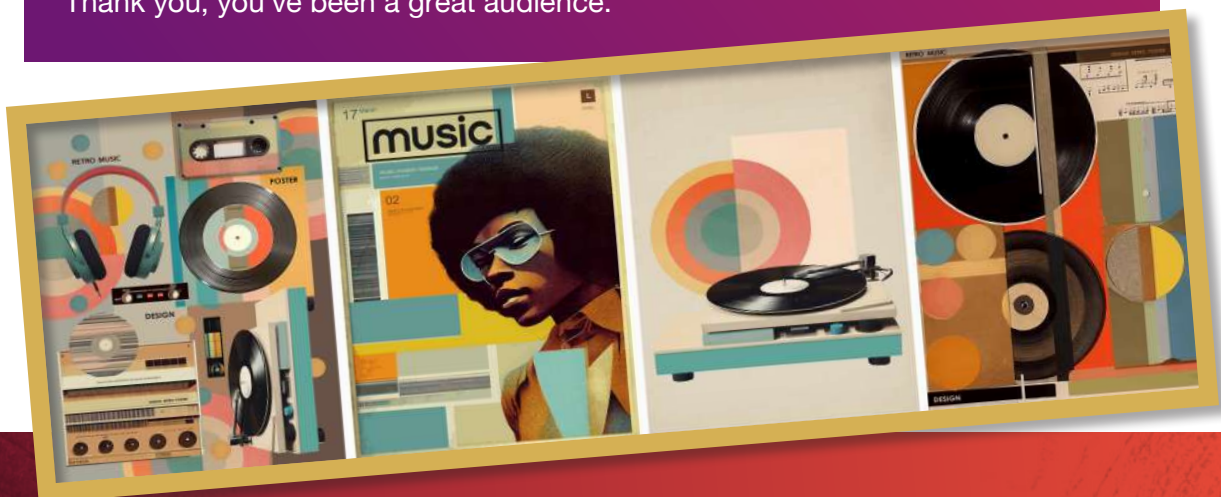
This doesn't mean a life of inactivity. Selling a catalogue can give artists the opportunity to live the life of their dreams. A life packed with travel, time spent with friends and family, or pursuing a hobby. After all, people who are used to the buzz of the music industry aren't likely to be content with a sedentary life.

So, there you have it. An overview of how catalogue sales work in the UK and why now could be the perfect time for your artist to consider unlocking the value in their music. The industry is booming, streaming and sync revenues are on the rise, and buyers are actively looking to acquire quality back catalogues.

For your artist, the prospect of selling their life's work will be daunting, however with the right team by their side to guide them through the process, they can make the most of this opportunity.

For both you and the artists you manage, speaking to a specialist financial planner is the first step to understanding your options. What are you waiting for? Pick up the phone and start the conversation. The music industry is changing fast, so take control of your destiny today.

Thank you, you've been a great audience.



GET IN TOUCH



If you have any questions or would like to arrange a confidential discussion with us, please reach out to James Greenly, Relationship Director at Cooper Parry Wealth.

E: jamesgr@cooperparry.com

T: 07713 670192

W: cooperparrywealth.com

For fine tuning

Thanks to Marina Javed, Solicitor at Cooper Parry Law, for her help with this guide.

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The value of an investment can go down as well as up. The return at the end of the investment period is not guaranteed and you may get back less than you originally invested. Past performance is not a reliable indicator of future returns.

This information represents our understanding of law and HM Revenue & Customs practice as at the 12 September 2023 and may change if legislation changes.

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