

INTERNATIONAL MUSIC SUMMIT

IMS IBIZA

MAY 23-25, 2018

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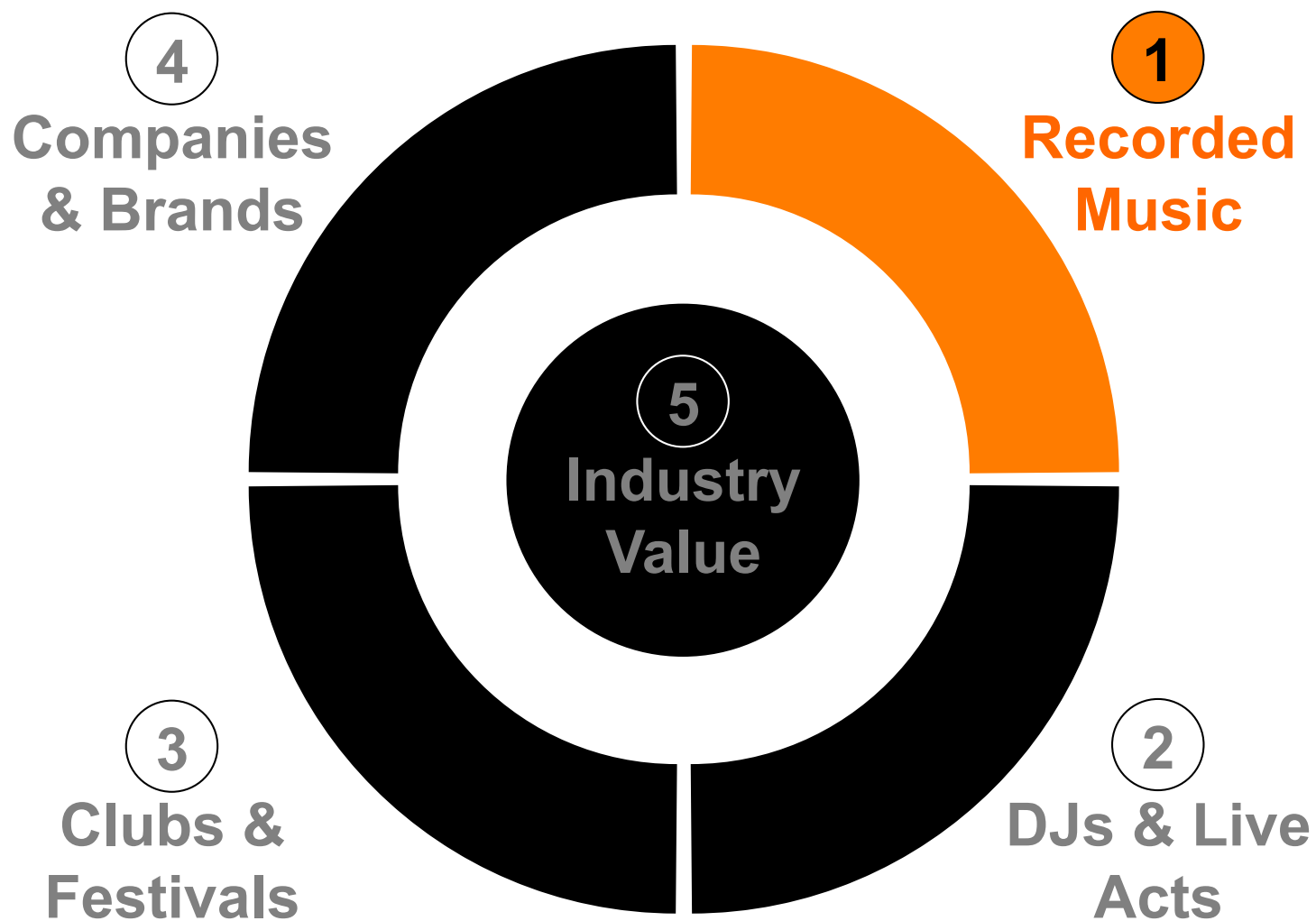
IMS BUSINESS REPORT 2018

AN ANNUAL STUDY OF THE ELECTRONIC MUSIC INDUSTRY

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BY KEVIN WATSON

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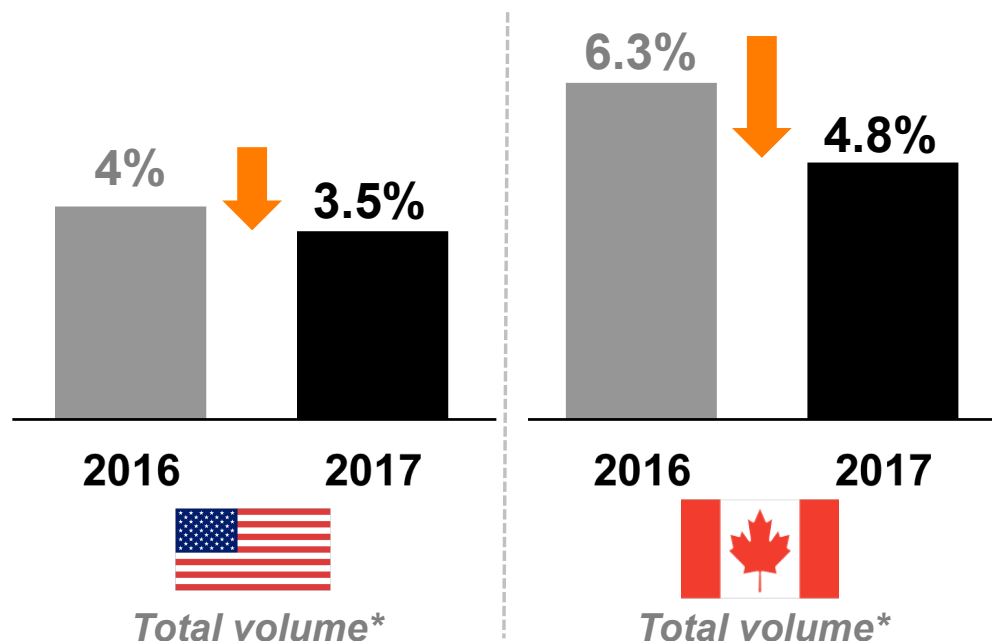


North America

Overall N.A. recorded music revenue grew 12.8% in 2017, but Dance/Electronic share in the USA & Canada fell YoY

YoY growth in recorded music revenue (N. America, 2017, all genres) = 12.8%

Dance / Electronic Share of Recorded Music by Country in North America (2016-2017)



- Electronic share of recorded music fell in 2017 in the two biggest N. American markets
- However this was against a backdrop of overall growth in recorded music revenue of 12.8% for the continent
- Dance/Electronic share was also impacted by the many crossover tracks classified as 'pop' or 'R&B' genres:

'EDM continued its takeover of mainstream music... superstar DJ-producers...teaming up with pop acts...and...dipped into R&B...'
Nielsen Music 2017 Year-End Music Report

Note: * Total volume = Albums + TEA + On-Demand Audio SEA

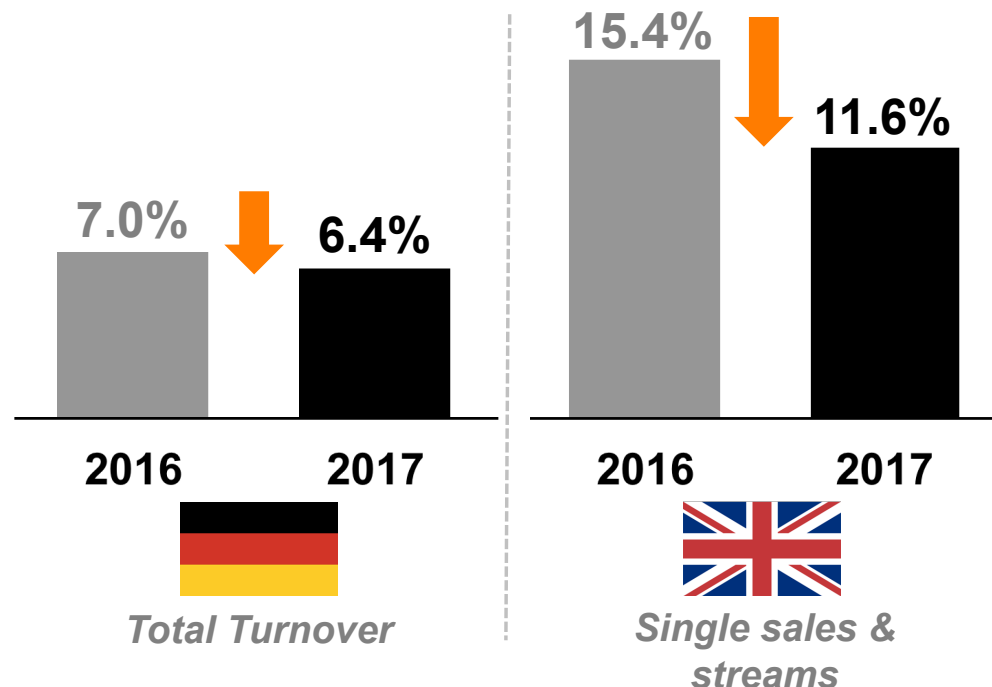
Source: Nielsen 2017 & 2016 Year-End Music Reports, IFPI Global Music Report 2018

Europe

Dance share of recorded music also fell in Germany & UK in 2017, on the back of significant gains in prior years

YoY growth in recorded music revenue (Europe, 2017, all genres) = 4.3%

Dance / Electronic Share of Recorded Music by Country in Europe (2016-2017)



- Electronic share of recorded music fell in 2017 in the two biggest European markets
- In Germany, overall share of turnover at 6.4% remains significantly above historical values – Dance share was just 3.5% back in 2013
- UK saw a resurgence in Pop and Hip-Hop genres in 2017
- Overall recorded music revenue in Europe grew by 4.3% in 2017, driven by strong growth in streaming (Germany +46%, UK +41%)

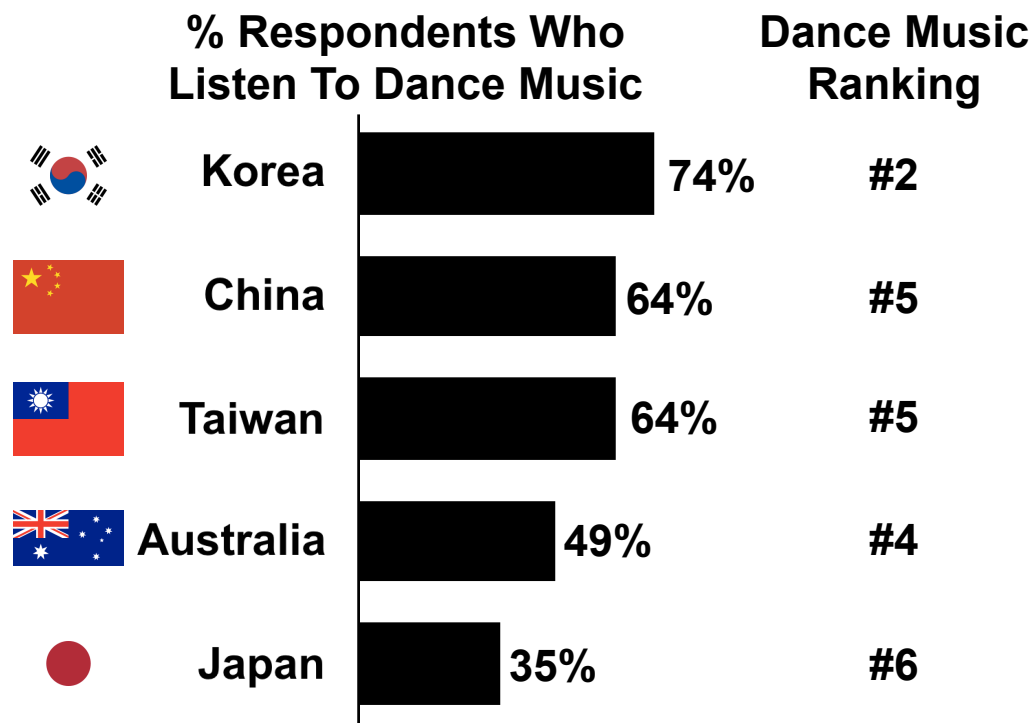
Source: Bundesverband Musikindustrie (BVMI), BPI, IFPI Global Music Report 2018

Asia

A Nielsen study into music habits in Asia-Pacific found that Koreans are most likely to listen to Dance music

YoY growth in recorded music revenue (Asia & Australasia, 2017, all genres) = 5.4%

Asia Pacific Dance Music Listening 2017



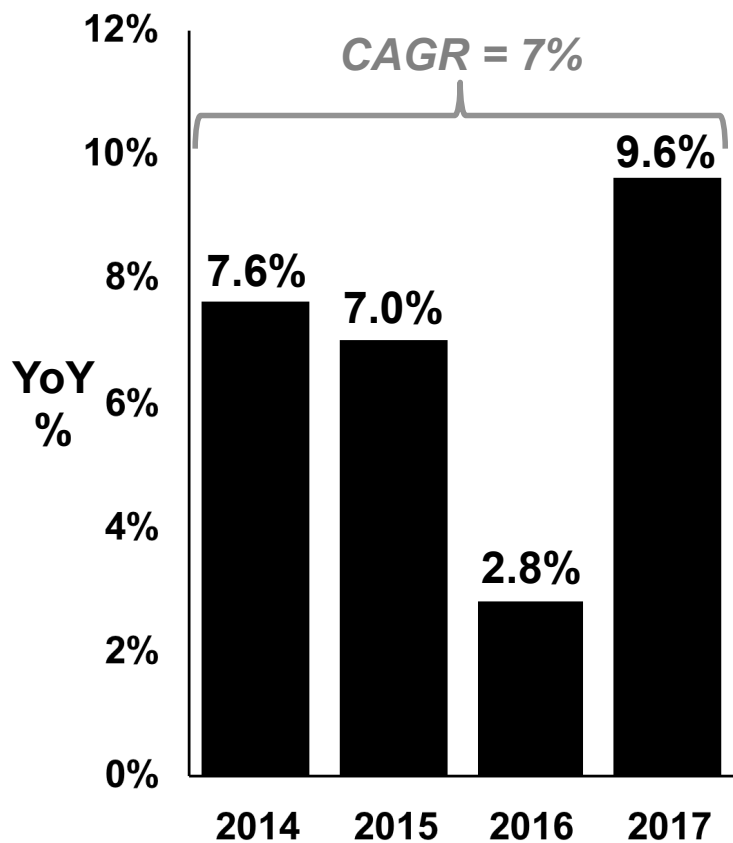
- A 2017 study into music listening habits in Asia-Pacific surveyed 5k people
- Results showed 74% of Korean respondents listen to dance music, with the genre ranked 2nd
- Elsewhere, Dance ranked in the top 5 genres in China, Taiwan & Australia, with up to 64% of respondents listening to Dance
- Overall recorded music revenues grew 5.4% in Asia and Australasia in 2017, with China up 35% YoY

Source: Nielsen Asia-Pacific Dance Music Study 2017: Q. How often, if ever, do you listen to each of the following types of music?; IFPI Global Music Report 2018

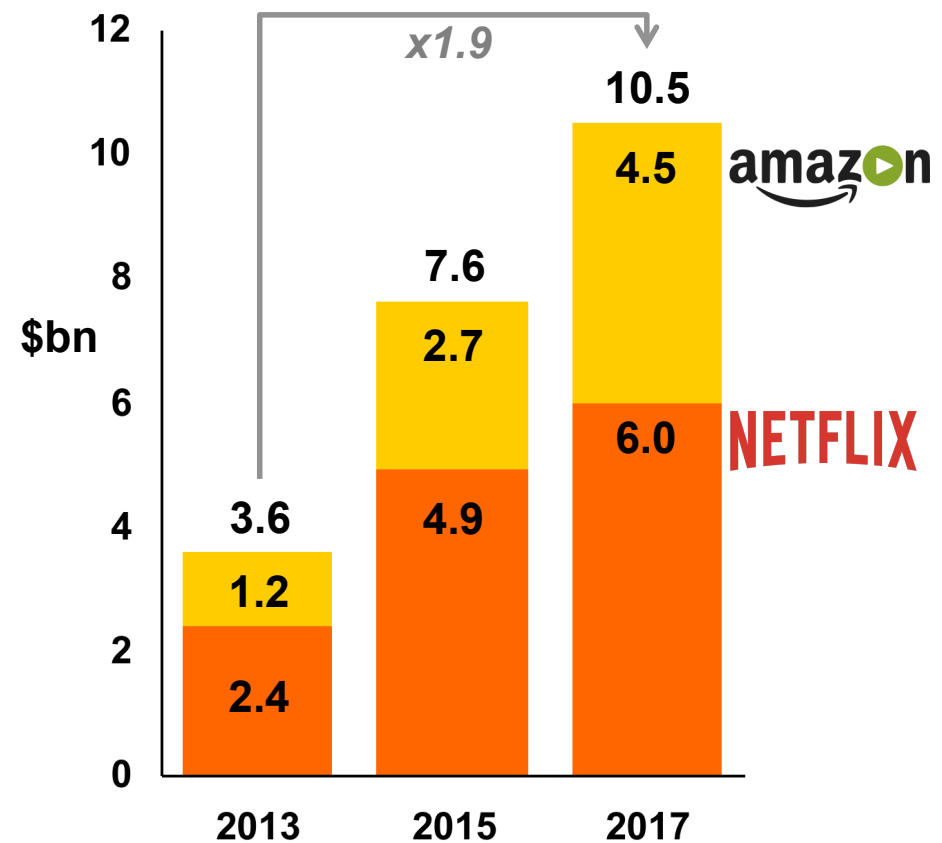
Music sync

Electronic music can benefit from sync revenue growth (7% pa since 2013), partially driven by Netflix & Amazon

**Global Recorded Music Industry:
Synchronisation Revenue Growth**
(2013-2017)



**Estimated Annual Video Content
Budgets: Netflix & Amazon**
(2013, 2015, 2017)

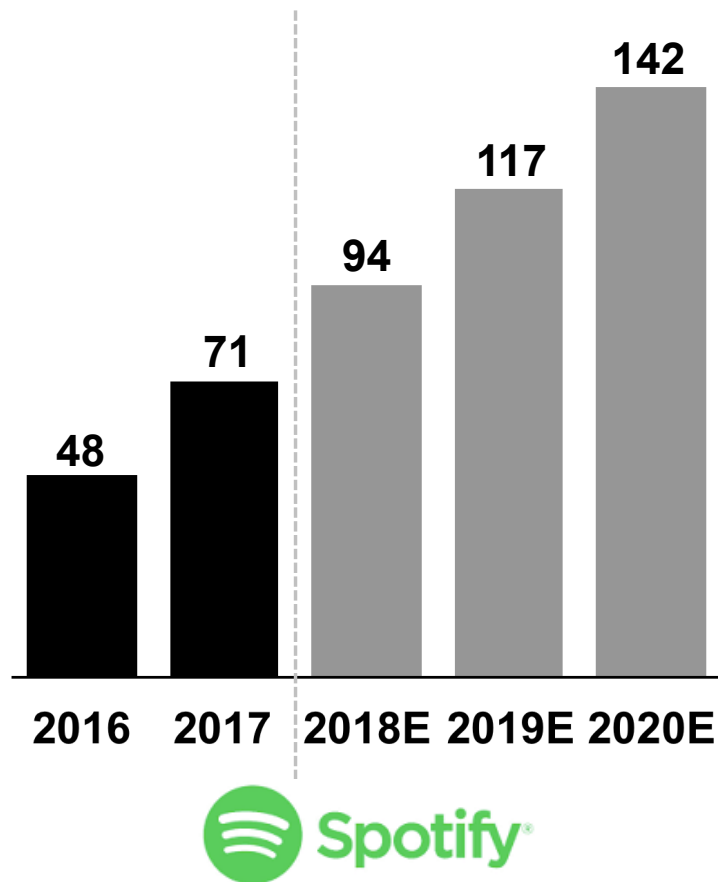


Source: IFPI Global Music Report, Statista, IHS Markit, Netflix, JP Morgan

Spotify

Business valued at \$28bn, subs forecast to double by 2020; Electronic music over indexes on the platform

Spotify Premium Subscribers
(2016-2020E)



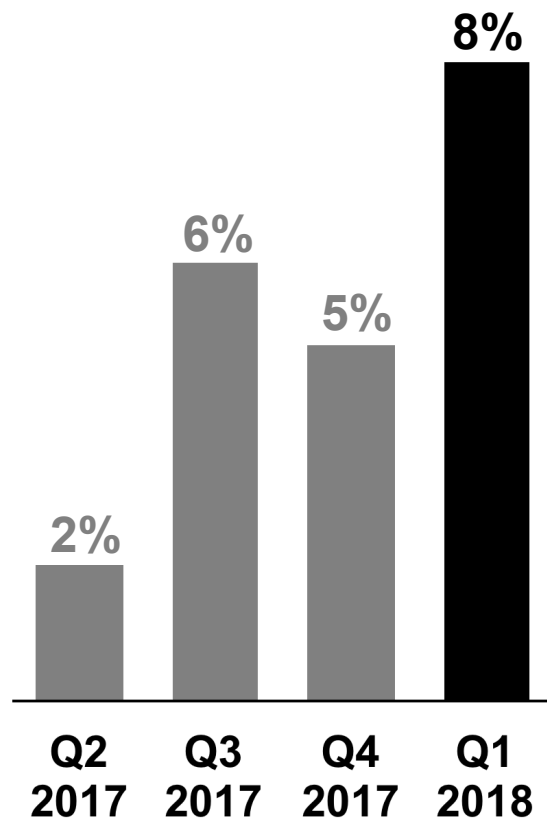
- Spotify market value has reached \$28bn following float in April 2018
- Electronic music is a significant contributor to Spotify's success
- 'mint' Electronic playlist is sixth most popular on Spotify, with 5m followers and 126k estimated listeners
- 3rd and 4th most streamed tracks on Spotify and Dance / Electronic
- MIDiA Research estimates c.27% of 100 All Time Most Streamed tracks are EDM / Electronic / House
- The Chainsmokers are only the third act to achieve >1 billion streams for more than one single on Spotify

Source: Morgan Stanley Research, Yahoo Finance (15th May), Chartmetric, MIDiA Research, industry press

Beatport

Track sales growth almost doubled in 2017 and acquisition of Pulselocker enables launch of new services in 2018/19

Beatport Quarterly Revenue Growth (Q2 2017-Q1 2018)



Source: Beatport

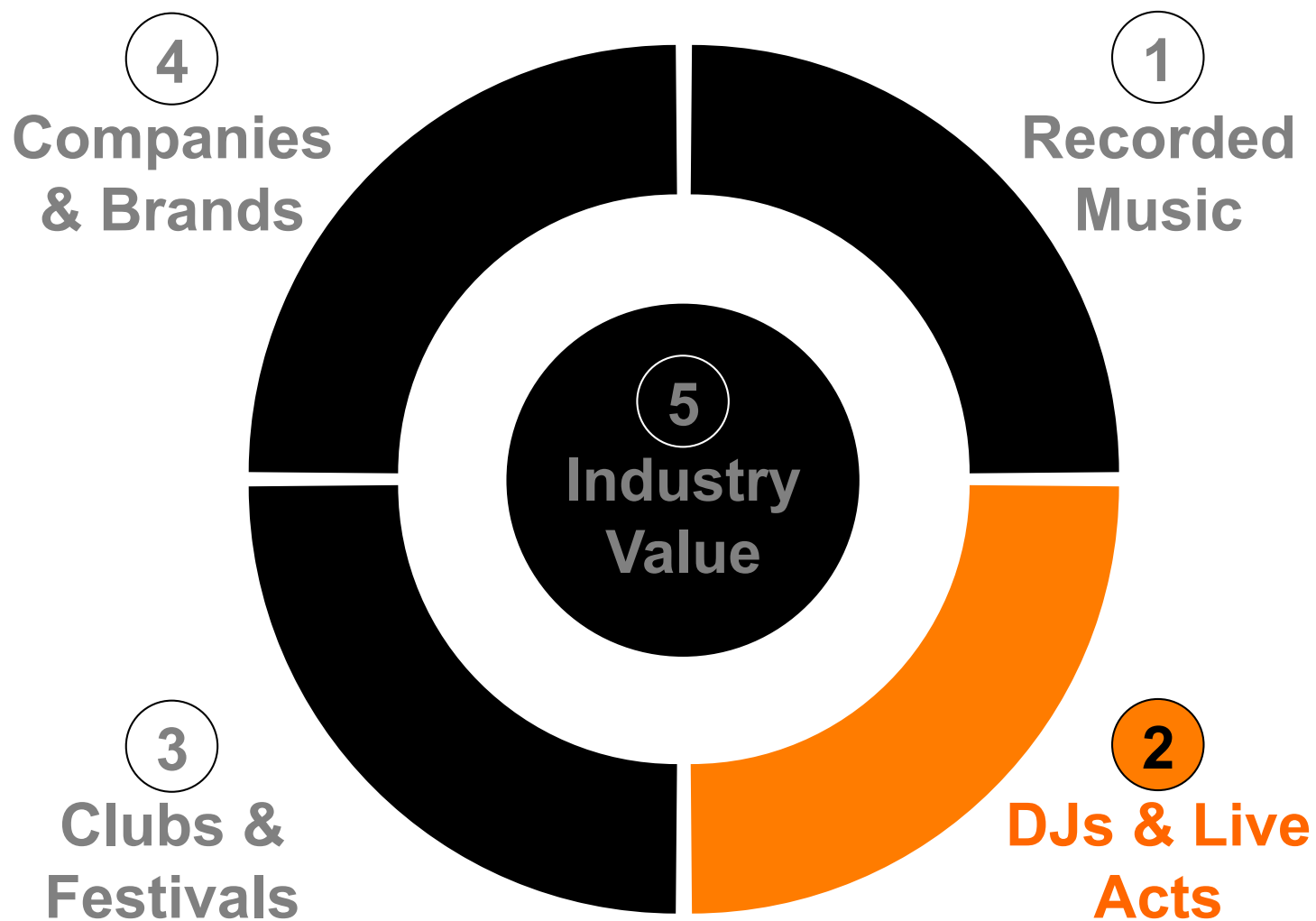
- Beatport achieved YoY track sales growth of 8% in Q1 2018 – up from 2% in Q2 2017
- Pulselocker acquired in April 2018 – technology being used to underpin launch of new services in 2018/19, with strong focus on streaming

Beatport product roadmap (2018/19)

- Q3 2018** Beatport Hype
Genre page charts for emerging labels to gain more promotional opportunities
- Q4 2018** Beatport Subscription
Bundled discount subscription service for DJs, with unlimited re-downloads
- Q1 2019** Beatport Streaming
Stream entire catalogue into leading performance software applications



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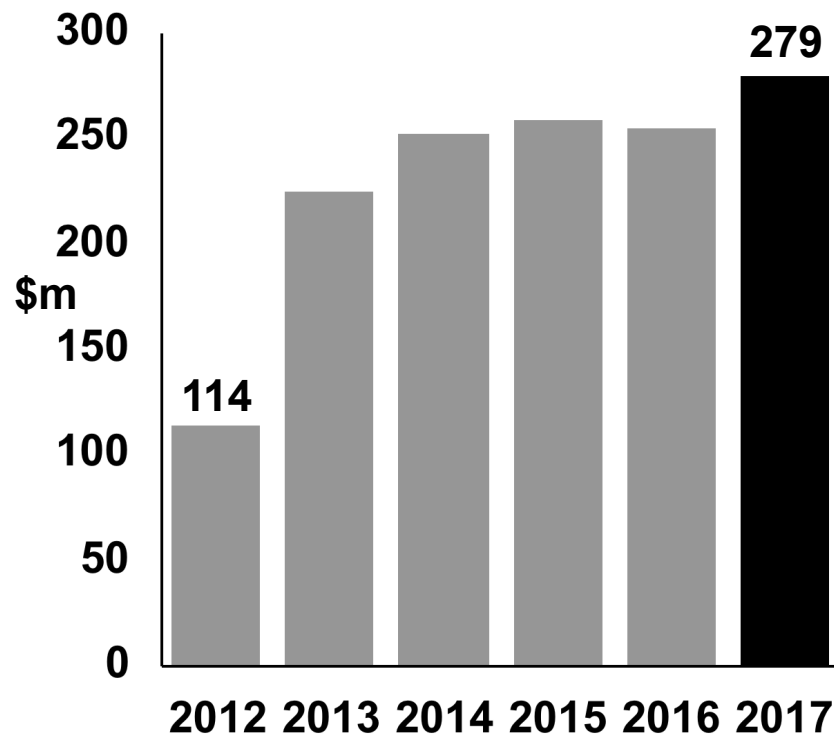


Forbes

Estimated DJ Earnings rebounded in 2017, rising c.10% YoY; Calvin Harris down to \$49m, Tiesto up to \$39m

Forbes Electronic Cash Kings

(Top 9*, 2012-2017)

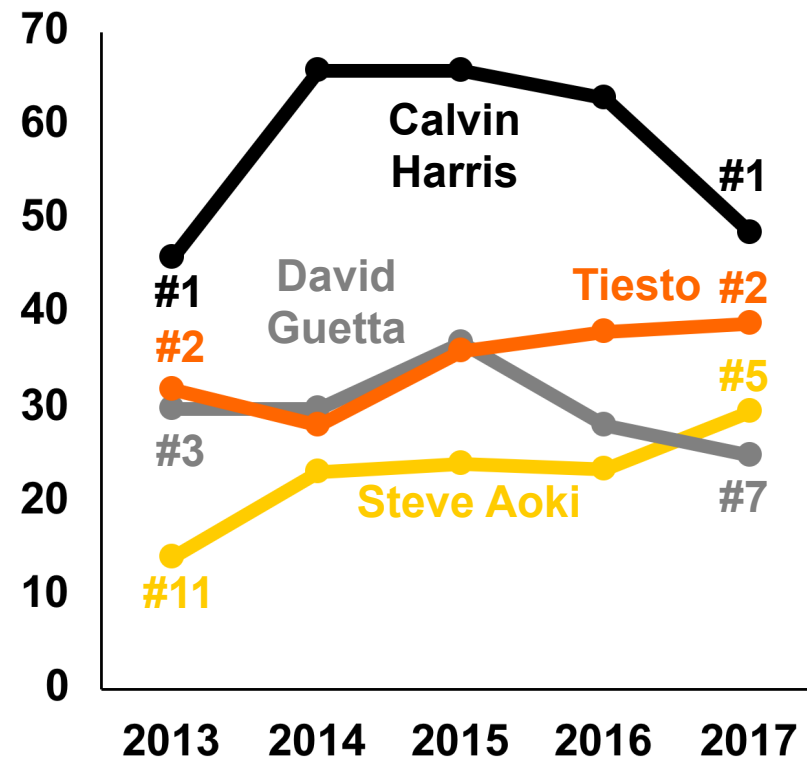


YoY% 97% 12% 3% -1% 9%

Note: * Excludes DJ Pauly D in 2012
Source: Forbes

Forbes Electronic Cash Kings

(Selected DJs, 2013-2017)



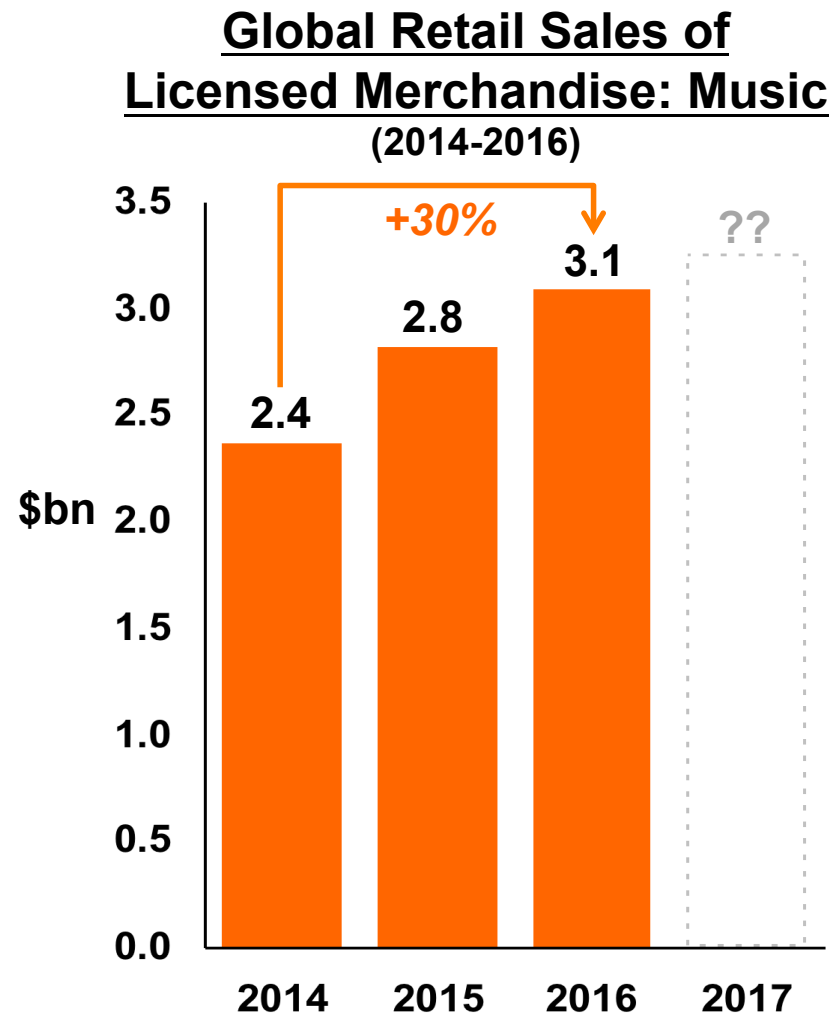
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Forbes

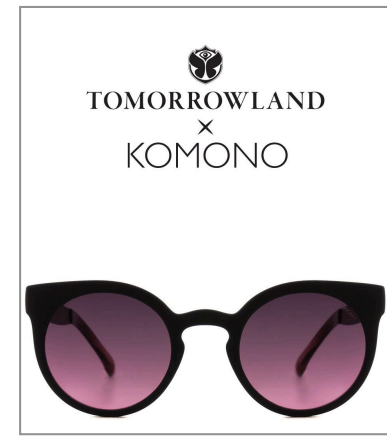
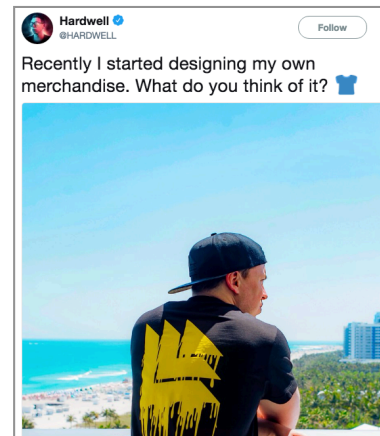
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Merchandise

DJs are tapping into the rising demand for music merchandise; global sales grew by 30% between 2014 and 2016



- As music consumption has shifted to digital, fans have turned to branded merchandise to get their physical fix
- In 2016 global sales of music merchandise increased 9% to \$3.1bn
- Electronic music DJs, artists & events have all expanded their range of branded goods to capture this demand



Source: LIMA (The International Licensing Industry Merchandisers' Association), industry press

DJ Rankings

Role of public votes is changing – RA Poll has ceased, Billboard Dance 100 also uses chart and touring data

	DJ Mag	Resident Advisor	Billboard
	Top 100 DJs	RA Top DJs Poll	Dance 100
Basis for ranking	Public vote	Public vote	Public vote + chart stats + touring data
First edition	1997 (public vote)	2006	2018
Latest edition	Oct 2017	Dec 2016 (ceased Nov 2017)	Mar 2018 (first edition)
Number of votes	1 million	Unknown	180k
Top 5	1. Martin Garrix 2. D. Vegas & Like Mike 3. Armin Van Buuren 4. Hardwell 5. Tiesto	1. Dixon 2. Jackmaster 3. Tale of Us 4. Maceo Plex 5. Solomun	1. The Chainsmokers 2. Calvin Harris 3. Kygo 4. Marshmello 5. Major Lazer

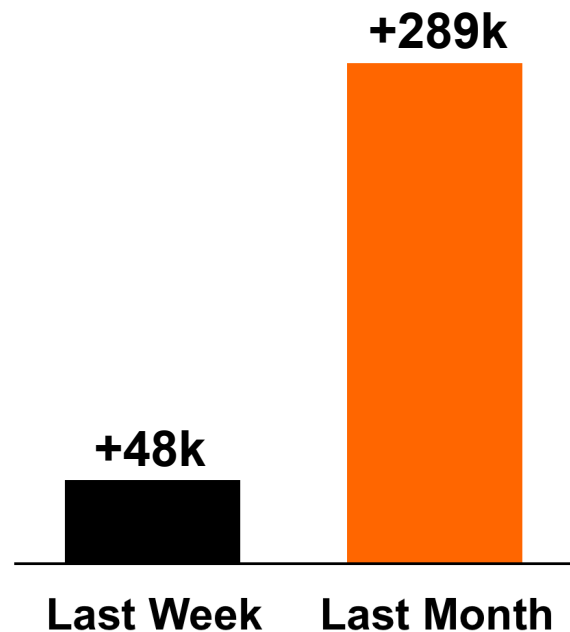
No DJ appears in the Top 5 of more than one ranking

Source: DJ Mag, Resident Advisor, Billboard, industry press

Instagram

Social network has just announced Spotify & Eventbrite integrations; Top 10 DJs now adding 50k followers a week

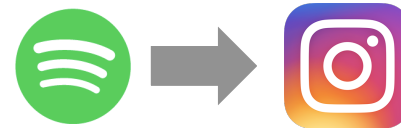
**Instagram Followers Added by
Time Period: Top 10 DJs**
(May 2018)



***Total followers =
79 million***

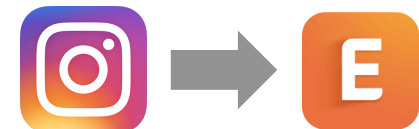
Instagram Product Developments
(May 2018)

Spotify
**'We've Made it Easier
to Share Spotify to
Instagram Stories'**
1st May 2018



- Spotify users can now post directly to Instagram, boosting exposure for DJs & artists

Eventbrite
**'A New Way to Turn
Browsing Into Ticket
Sales on Instagram'**
7th May 2018



- Venues, events, DJs & artists can now sell tickets directly from their Instagram profile pages

Source: Viberate, Instagram, industry press, IMS analysis

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Online Fanbases

Most popular DJs are continuing to focus on growing their fanbases on Instagram, YouTube and Spotify

Increase in Followers – Current Month vs Last Quarter*

(Top 10 DJs & Artists on Viberate, as at 20th May 2018)



				
1 David Guetta	n/a	11%	31%	
2 Calvin Harris	75%	n/a	31%	
3 Marshmello	40%	36%	38%	Marshmello: had the biggest increase in monthly Spotify additions, and added a total of 2m followers on this year alone
4 Martin Garrix	74%	34%	29%	Martin Garrix: most popular DJ on Instagram (14.9m) continues to grow his fanbase on the platform
5 The Chainsmokers	47%	n/a	30%	
6 Skrillex	67%	30%	29%	Skrillex: now has 8.2m Instagram followers as he continues to share his personal & DJ life with fans
7 Alan Walker	50%	33%	28%	
8 Zedd	58%	n/a	31%	
9 Major Lazer	63%	22%	28%	
10 Diplo	64%	51%	30%	Diplo: original tracks helped deliver 51% increase in monthly YouTube subscribers – now 655k
Top 10 Average	60%	31%	31%	

Note: * change in followers in last month / change in followers over last quarter
Source: Viberate, Instagram, YouTube, Spotify

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Online Fanbases

A number of emerging DJs & artists are growing their online fanbases on those platforms at even higher rates

Increase in Followers – Current Month vs Last Quarter*

(Selected DJs & Artists on Viberate, as at 20th May 2018)



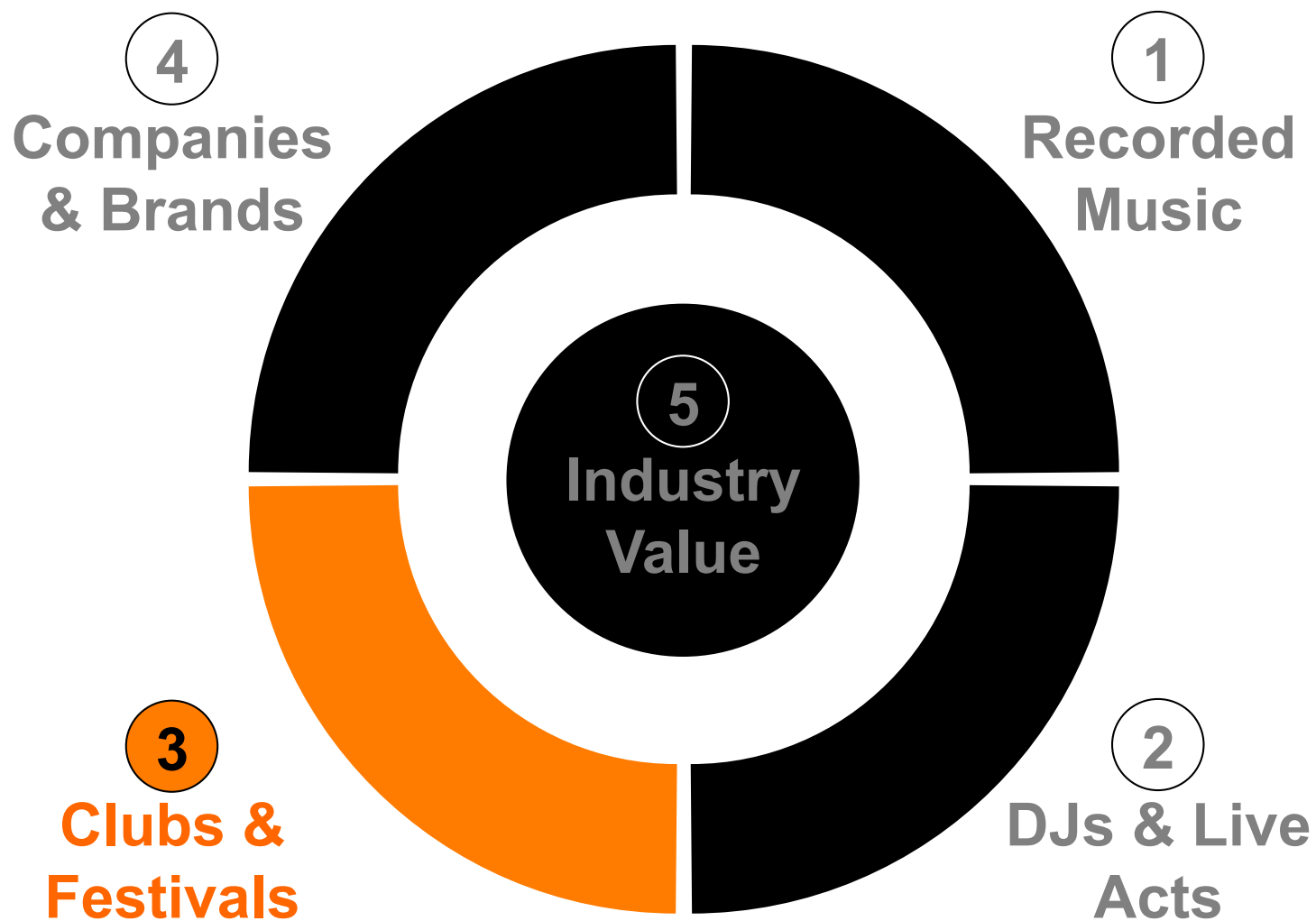
				
Alok	40%	62%	33%	
Amelie Lens	34%	30%	34%	Amelie Lens: Belgian Techno DJ with 53k followers on Spotify and 281k on Instagram
ODESZA	46%	34%	35%	ODESZA: duo ranked #10 on Billboard Dance 100; strong growth across all platforms, now 344k Instagram followers
Illenium	38%	31%	31%	
REZZ	29%	n/a	28%	
K?d	38%	37%	28%	K?d: 21 year old American DJ & artist had 37% MoM growth in new YouTube followers
Machine Woman	41%	n/a	32%	
RAMZi	35%	26%	35%	RAMZi: recently profiled in the RA 'Breaking Through' feature, added 35% more Spotify followers in May than the prior month
Top 10 Average	60%	31%	31%	

Note: * change in followers in last month / change in followers over last quarter
Source: Viberate, Instagram, YouTube, Spotify

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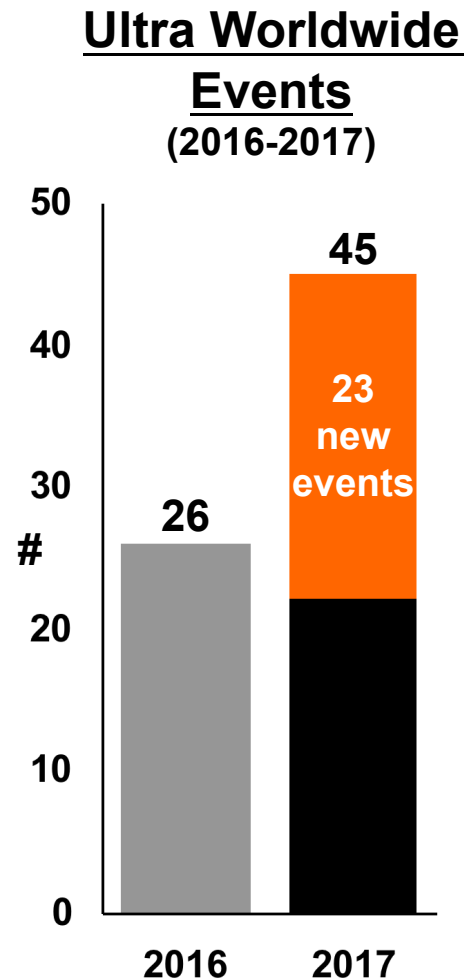
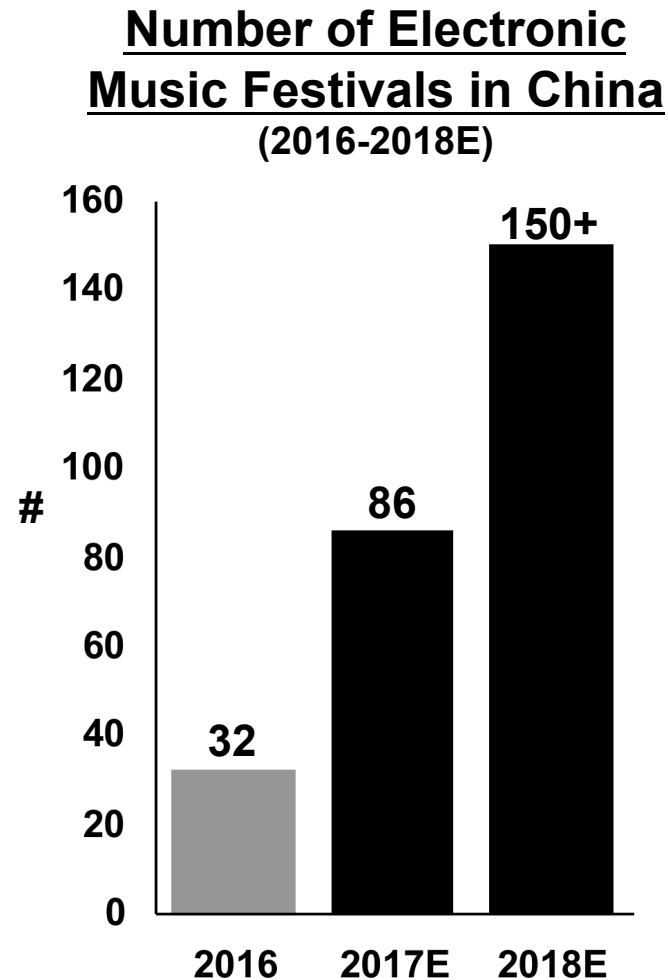
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Festivals

Worldwide expansion continues – China events expected to double in 2018, Ultra launched 23 new events in 2017



- Number of electronic music festivals in China expected to rise from 32 in 2016 to >150 this year
- Storm has led this expansion, going from 1 event / 24k attendees in 2013 to 9 events / 180k+ attendees last year
- Ultra Worldwide continued their global expansion in 2017, adding 23 new events in the year and attracting over 1 million attendees

Source: Ultra Worldwide, iiMedia Research: 2016-2017 China Electronic Music Market Research Report, industry press

Ultra Worldwide

Attendance of 1m+ at 45 events in 20 different countries puts Ultra on par with the Winter Olympics & Formula 1

Ultra Worldwide in 2017 vs Other Events



1m	Total attendees	≈	Winter Olympics PyeongChang
20	Countries hosted events	≈	Formula 1 season in 2017
45	Events	≈	A leg of Ed Sheeran's ÷ tour
165k	Largest event attendance*	≈	Glastonbury festival 2017

- Ultra Worldwide continued to expand their event offering in 2017 across all four brands
- Total attendance of over 1 million is similar to that achieved by the Winter Olympics in PyeongChang
- Events took place in 20 countries across 5 continents – matching an entire Formula 1 season
- Attendance at UMF Miami is in line with that for Glastonbury festival

Note: * UMF Miami 2017
Source: industry press

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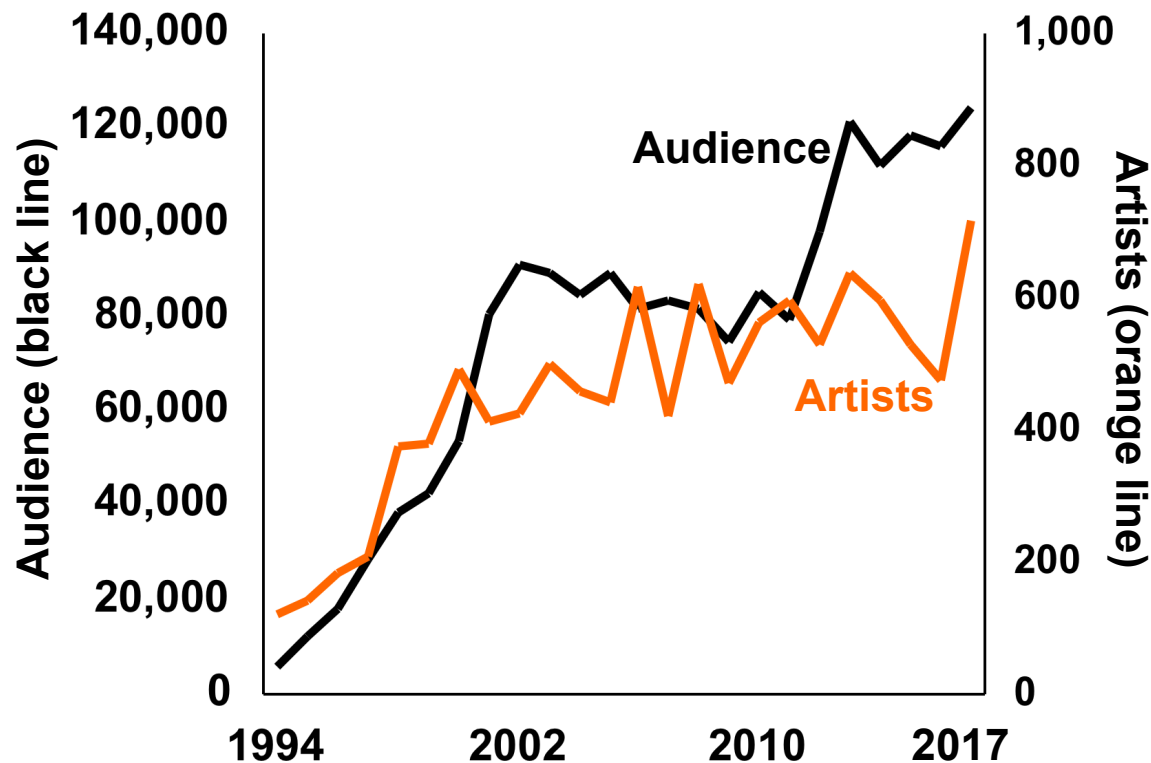
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Sonar

Events now attract 124k attendees & 700+ artists a year, who represent over a third of the countries in the world

Sonar Audience and Artists by Year

(1994-2017)



- Sonar has grown hugely since 1994 – events in 2017 attracted 21x the audience (124k people)
- The number of artists is now 6x that of 1994, with over 700 last year
- In all, 64 countries are represented – a third of those in the world
- Press attendance has also risen, with 400 media outlets registered in 2017 vs 40 in 1994

Countries represented	10	34	38	64
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one third of all countries in the world

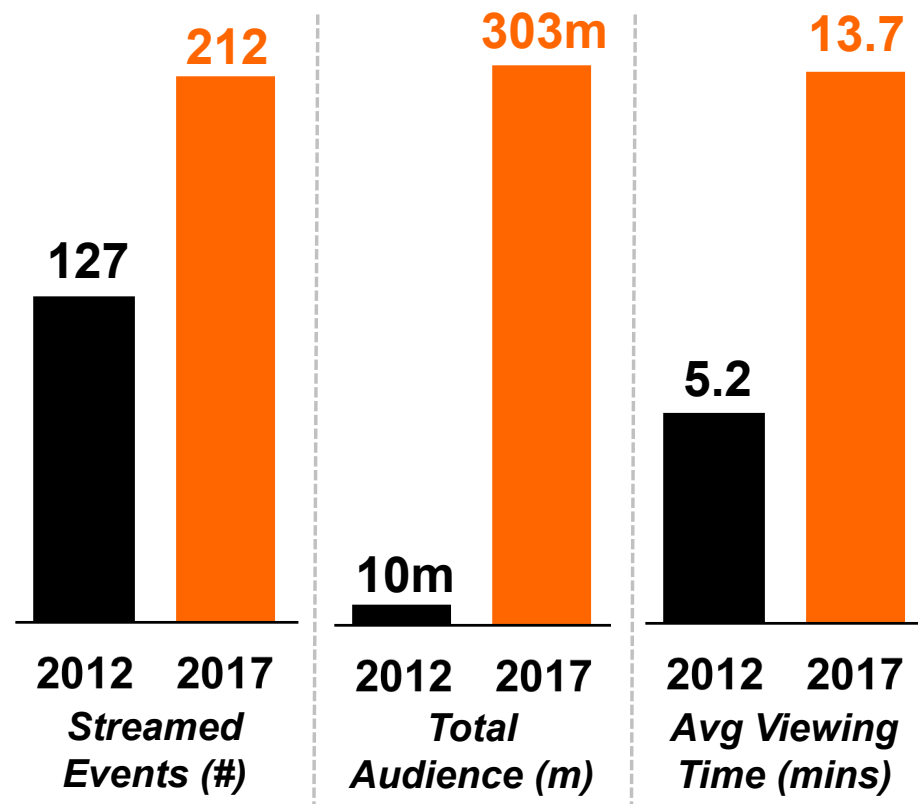
Source: Sonar



Boiler Room

In the 5 years to 2017 Boiler Room has grown its audience from 10m to 303m, and nearly tripled average viewing time

Boiler Room Streamed Events, Audience & Viewing Time (2012, 2017)



- In 2017 Boiler Room streamed over 200 events, up from 127 five years earlier (+67%)
- Of these 45% are Electronic music events and 23% Hip Hop
- Total audience reached 303 million, who are watching nearly 14 mins on average per session
- In 2017 events were broadcast from 68 cities in 40 countries around the world; to date 160 cities have hosted events

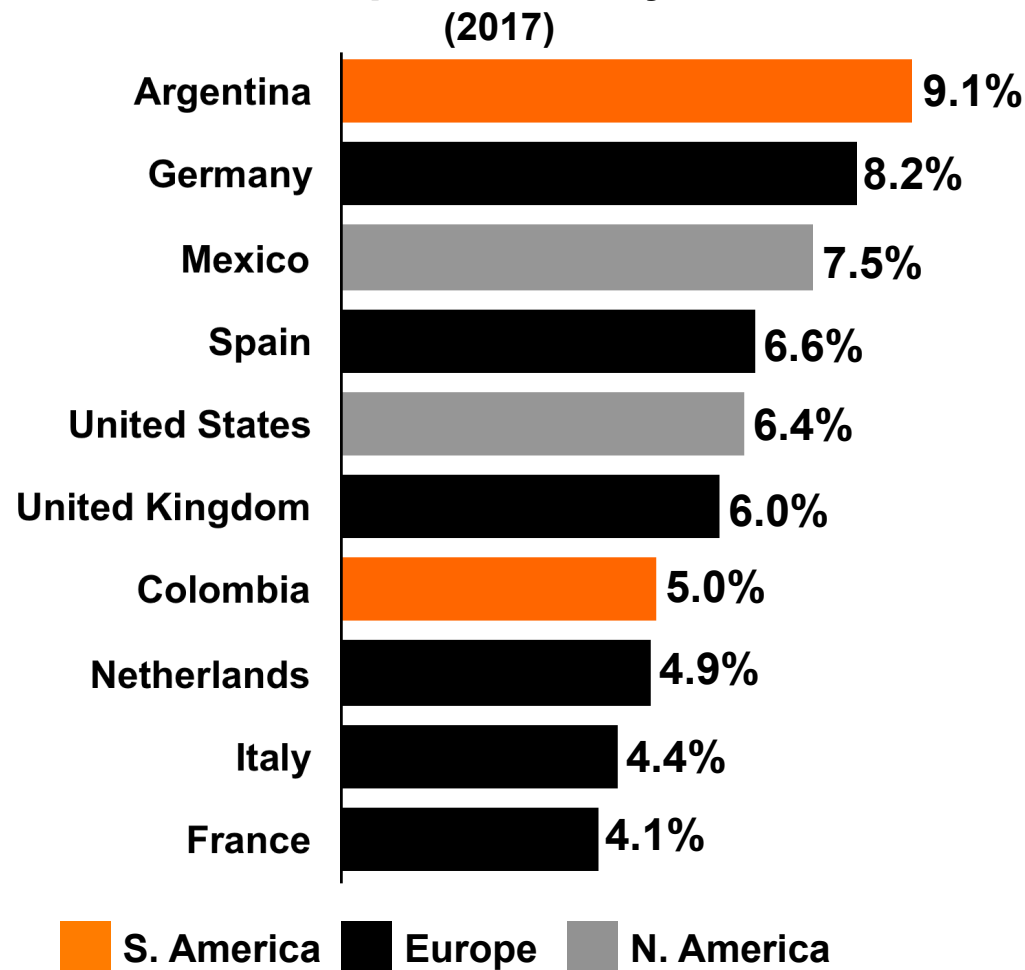
Source: Boiler Room



BE-AT.TV

Top 10 locations on BE-AT.TV are from four continents, with Argentina, Germany & Mexico the most popular

BE-AT.TV Top 10 Country Locations



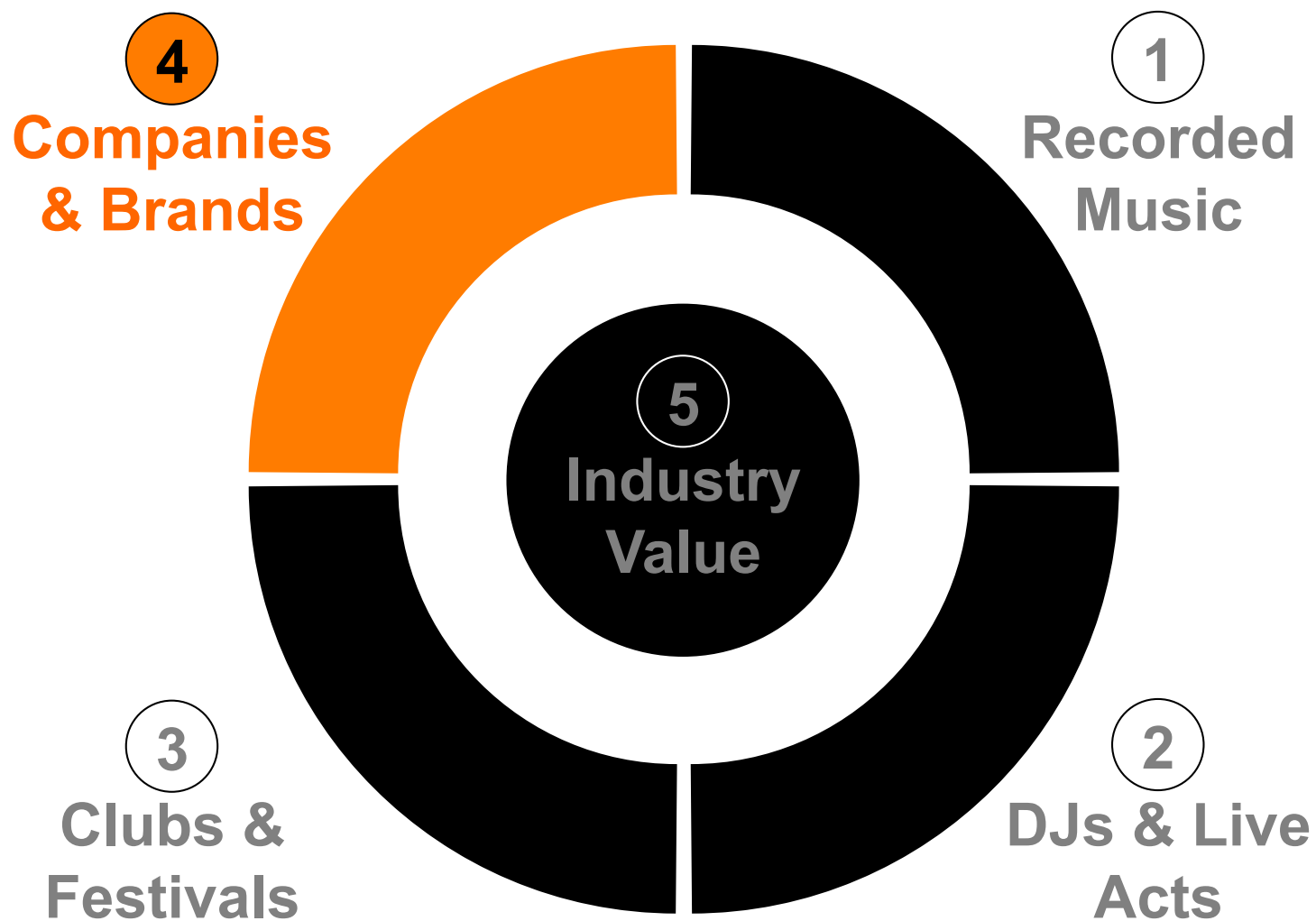
- Of the Top 10 country locations on BE-AT.TV, 2 are South American, including #1 Argentina
- North American countries are third (Mexico) and fifth (USA), with the remaining 6 countries in Europe
- Over 100m combined views have been generated on YouTube and the BE-AT.TV website
- Average viewing time is 24 minutes on BE-AT.TV

Source: BE-AT.TV



BE-AT.TV

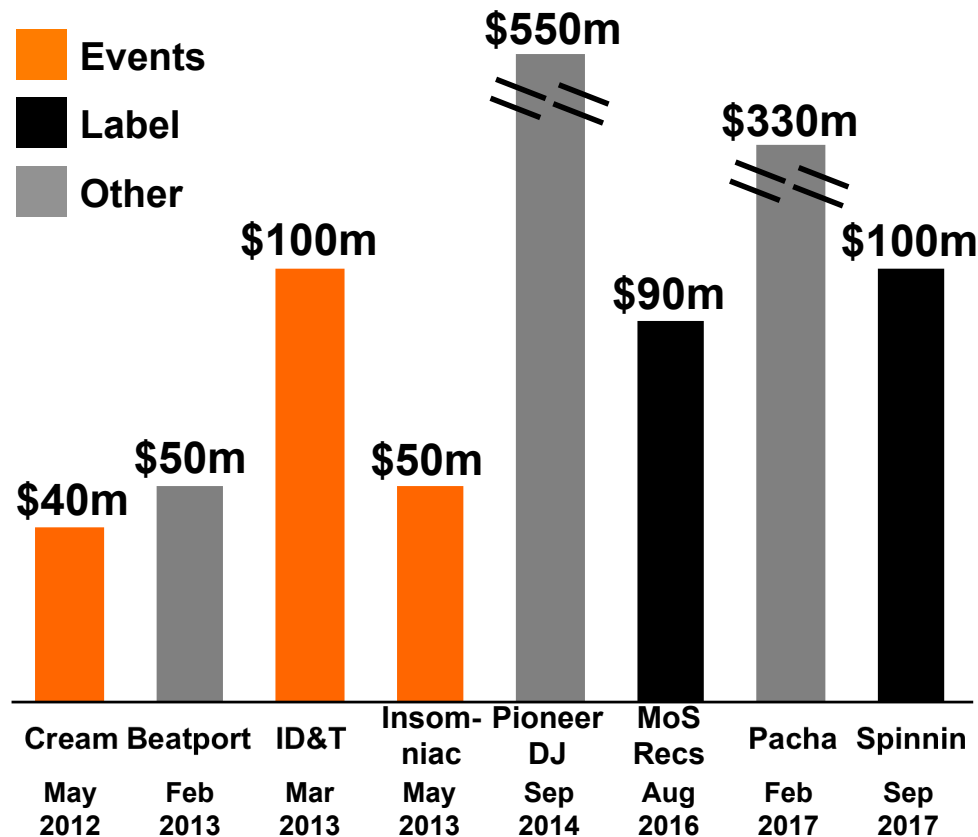
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M&A

Spinnin Records acquisition by Warner for \$100m is the 3rd largest Electronic Music deal in the past six years

Electronic Music Company Acquisitions: Estimated Purchase Price



- In September 2017 Warner Music Group announced the acquisition of Spinnin Records
- The estimated price of 'more than \$100m' makes it the biggest deal for an Electronic Music label in recent history
- Spinnin has created a huge fanbase since being founded in 1999, which now includes:
 - 🎵 12.8bn views on YouTube
 - 🎵 21m YouTube subscribers
 - 🎵 2m Spotify playlist followers
 - 🎵 1.7k tracks on SoundCloud

Note: Estimated purchase prices may relate to a stake in the acquired company
Source: Music Business Worldwide, Reuters, social media, industry press

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Investment

Funding remains strong for companies focussed on Electronic music, with a number of deals in the past year



€50m investment

in hardware & software creator
by PE firm EMH Partners

to “democratize music creation”

Oct 2017



VC firm representing the
electronic music industry
investing heavily in music
technology companies



\$11.5m of funding

in online music streaming service
by holding company WndrCo

to “diversify the platform”

Dec 2017

Apr 2018



\$35m of series B funding

in creation & collaboration platform
by DFJ Growth, True Ventures,
Union Square Ventures & Flybridge

Source: industry press

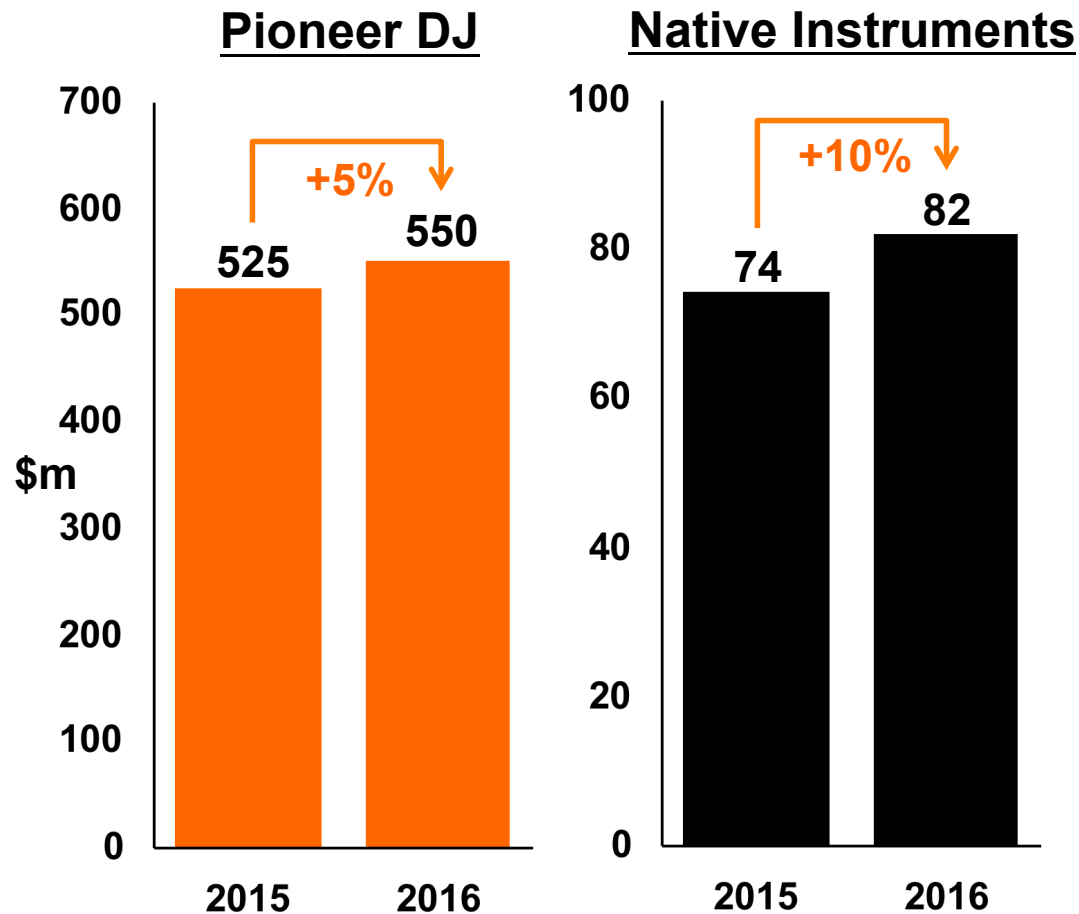
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Hardware & Software

**Pioneer DJ & Native Instruments sales continue to rise;
music production software market to grow at 9% pa**

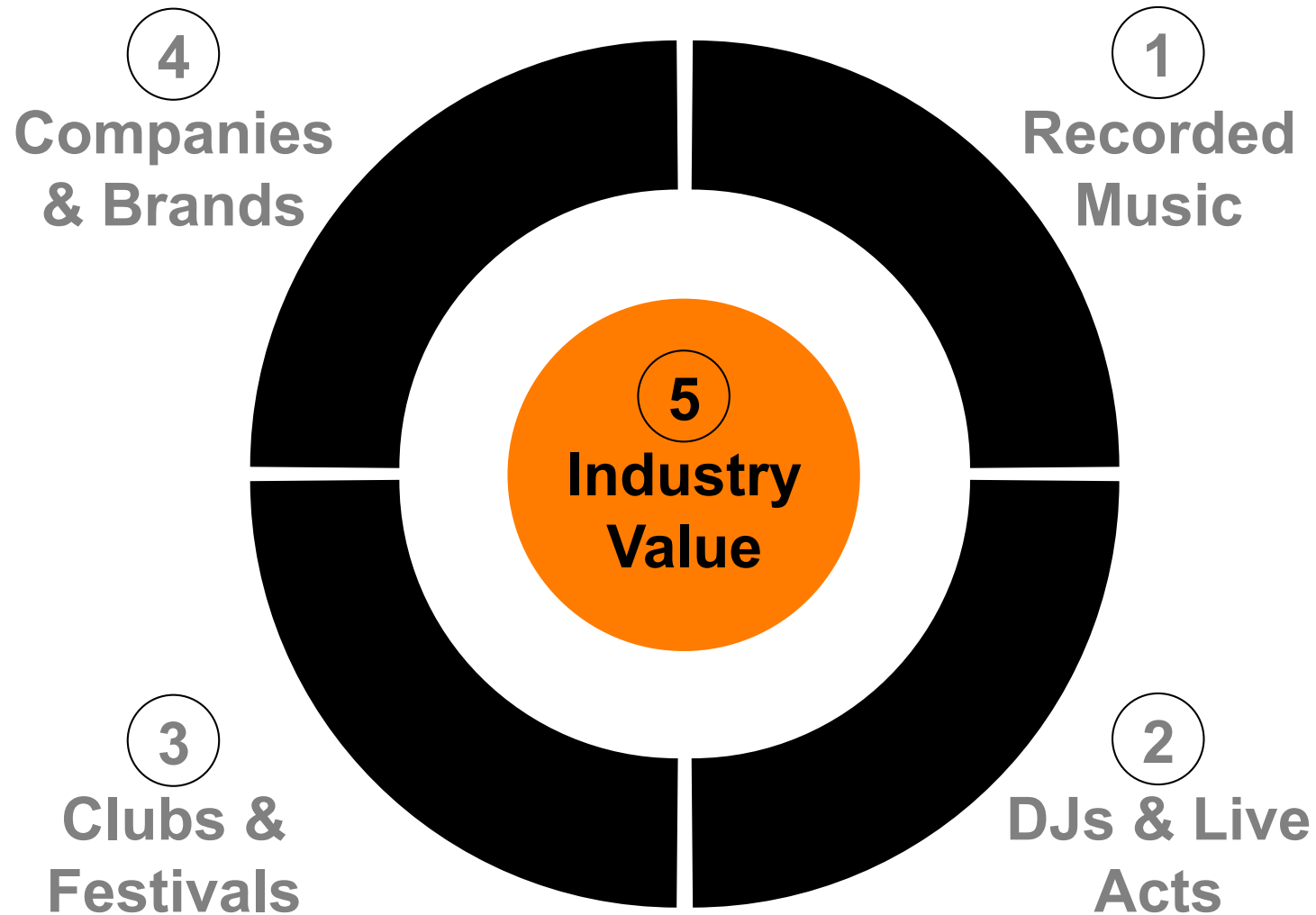
Estimated Global Sales



- Pioneer DJ has shown continued growth since being acquired by KKR in 2014 – global sales grew 5% in 2016 to \$550m
- Native Instruments' recent growth, including 10% in 2016, has helped the company secure additional investment
- Going forward, the market for Music Production Software is forecast to grow at over 9% pa until 2021

Source: Music Trades, Research and Markets 'Global Music Production Software Market 2017-2021'

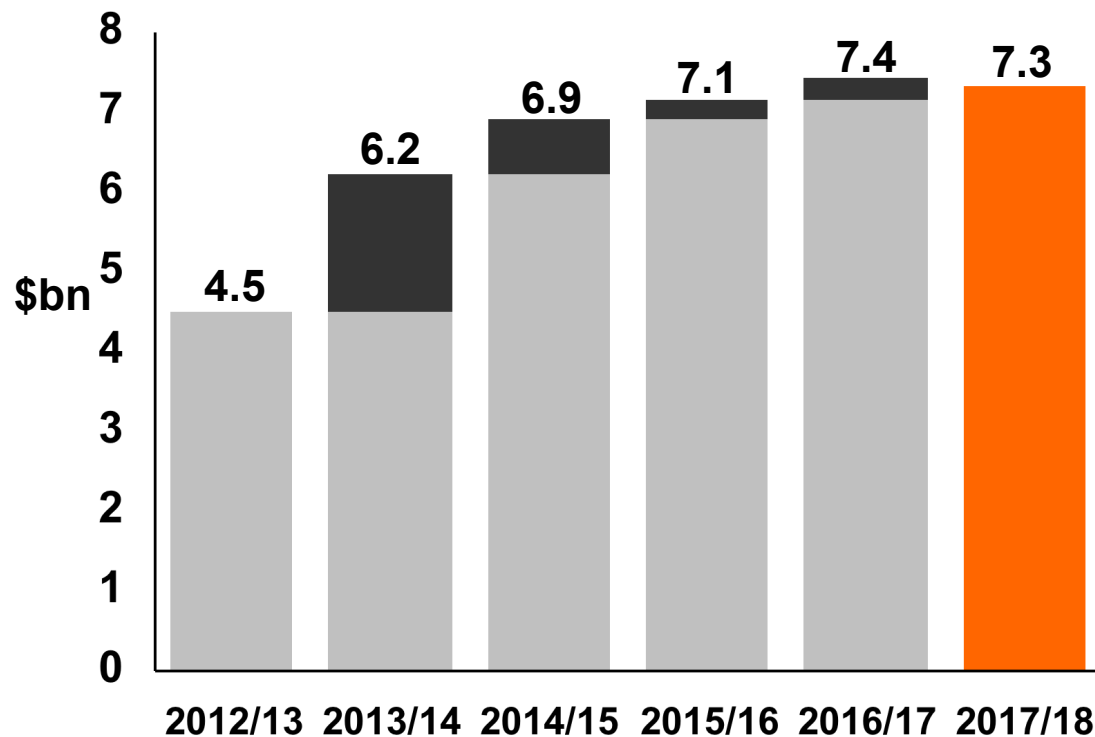
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Industry Value

**Overall Electronic Music industry down 2% YoY to \$7.3bn;
value of integration into mainstream culture immeasurable**

**Global Electronic Music Industry –
Estimated Annual Value**



YoY%
37%
12%
3.5%
3%
(2)%

- As the Electronic Music industry has evolved, growth has started to be captured in other parts of mainstream culture
- This value, such as tracks classified under different genres, and DJs playing mainstream festivals, is largely immeasurable
- In the Electronic Music industry itself, DJ earnings returned to growth in 2017, and festival expansion continued outside North America & Europe

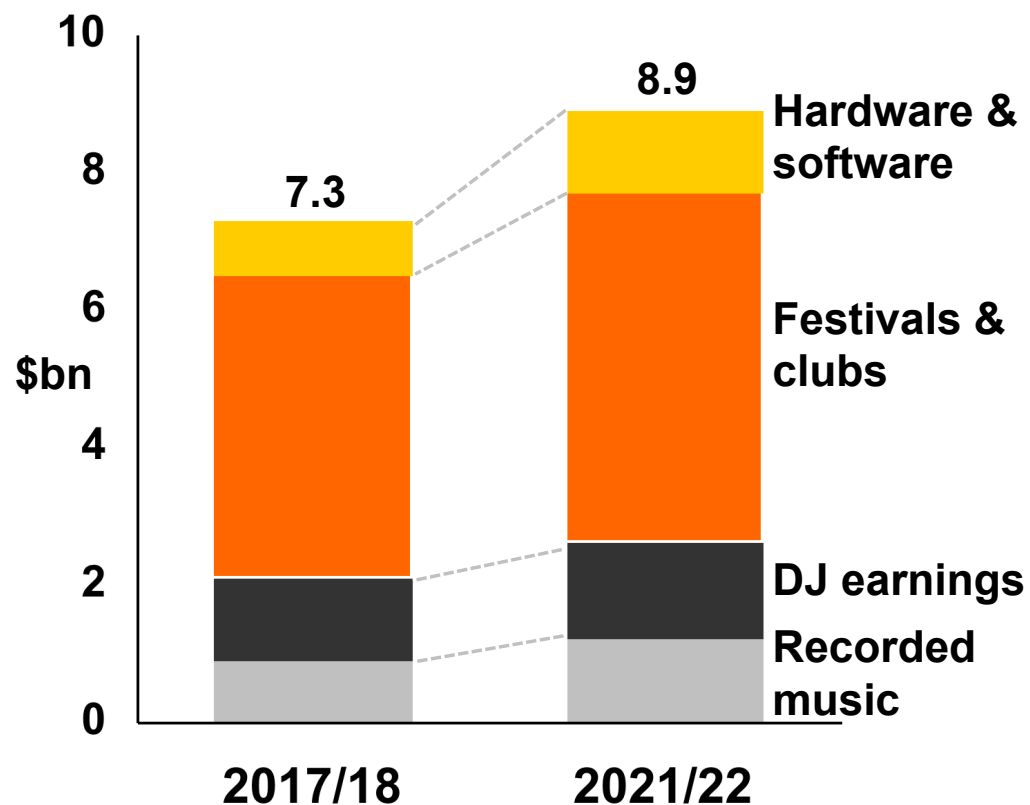
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Source: BPI, Nielsen, Billboard, IFPI, Google, Forbes, Economist, BPI, BVMI, SNEP, PWC, EVAR Advisory, UK Music, FT, Pioneer, CIA World Factbook, electronic-festivals.com, NAMM, Reuters, DDMCA, Ticketmaster, Mixmag, DJ Mag, Viberate, Beatport, YouTube, Soundcloud, Statista, Ultra Worldwide, iiMedia Research, Music Trades, industry press, IMS Analysis

Industry Value

If Electronic Music maintains share in each segment of the music industry, it could be worth nearly \$9bn by 2021

Global Electronic Music Industry – Estimated & Forecast Annual Value



- Morgan Stanley have forecast the value of the overall music market from now until 2021
- Likewise Research & Markets have forecast growth in the Music Production market
- If Electronic music maintains its current share of each segment of the overall music industry, the forecasts imply that the overall Electronic music industry will be worth almost \$9 billion by 2021/22

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Source: Morgan Stanley Research 'Revival - Music Emerges as a Growth Industry'; Research and Markets 'Global Music Production Software Market 2017-2021', IMS Analysis

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