

IBIZA INTERNATIONAL
MUSIC SUMMIT
FILTERING THE FUTURE




MAY 21-23, 2014

IMS Business Report 2014

An annual study of the Electronic Music industry

by Kevin Watson

The IMS Business Report 2014 covers five different aspects of the industry

-  **1 Music**
Sales of tracks by country and analysis of most popular tune
-  **2 DJs & Live Acts**
Profiles of leading artists, including social media following
-  **3 Clubs & Festivals**
Popularity of festivals and focus on Indian market
-  **4 Companies & Brands**
Key players in industry, recent M&A activity and partnerships
-  **5 Industry Overall**
Updated estimate of value and growth of Dance Music globally

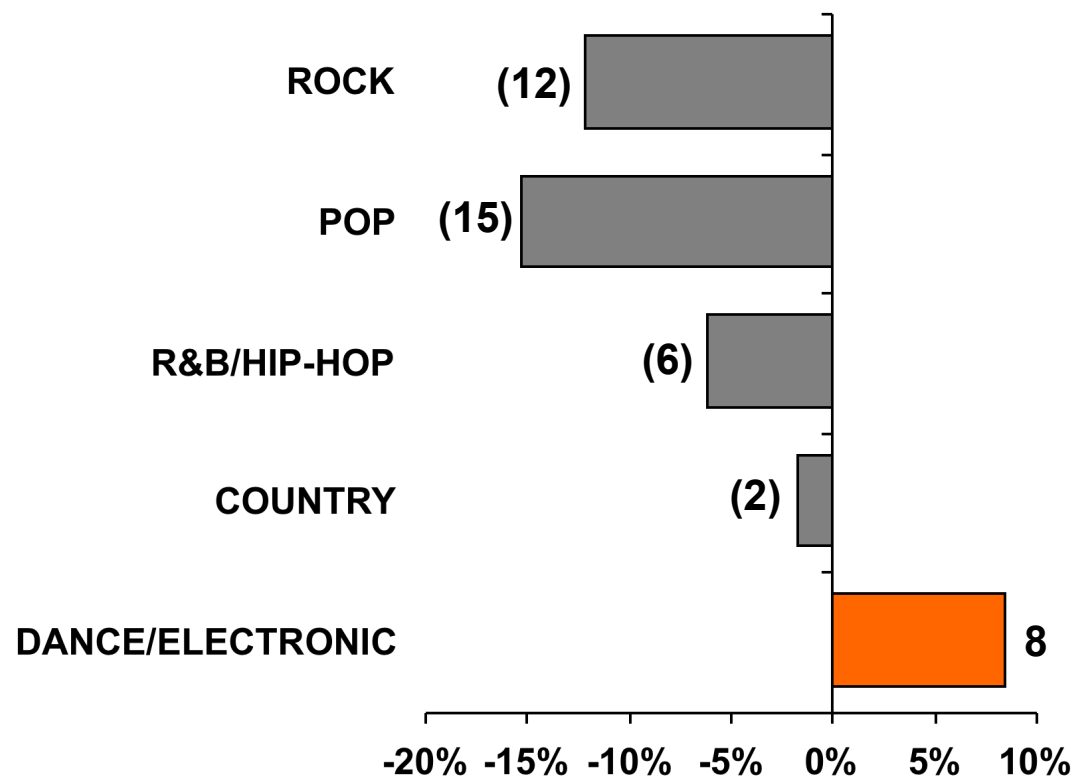
 *Hint: follow the sections through the report by looking for the starred number at the top of each page*



Music

In the USA, Dance was the only genre to achieve positive growth in digital track sales in 2013

USA Digital Track Sales by Genre
(YoY % Change 2013)



- For the second year in a row, Dance was the highest growing genre in terms of tracks sold
- Dance's share of both digital tracks (5%) and albums (3%) also improved for the third consecutive year
- In 2014, the Grammy awards for best album & record went to a dance act for the first time ever (Daft Punk)

nielsen
SoundScan

Billboard

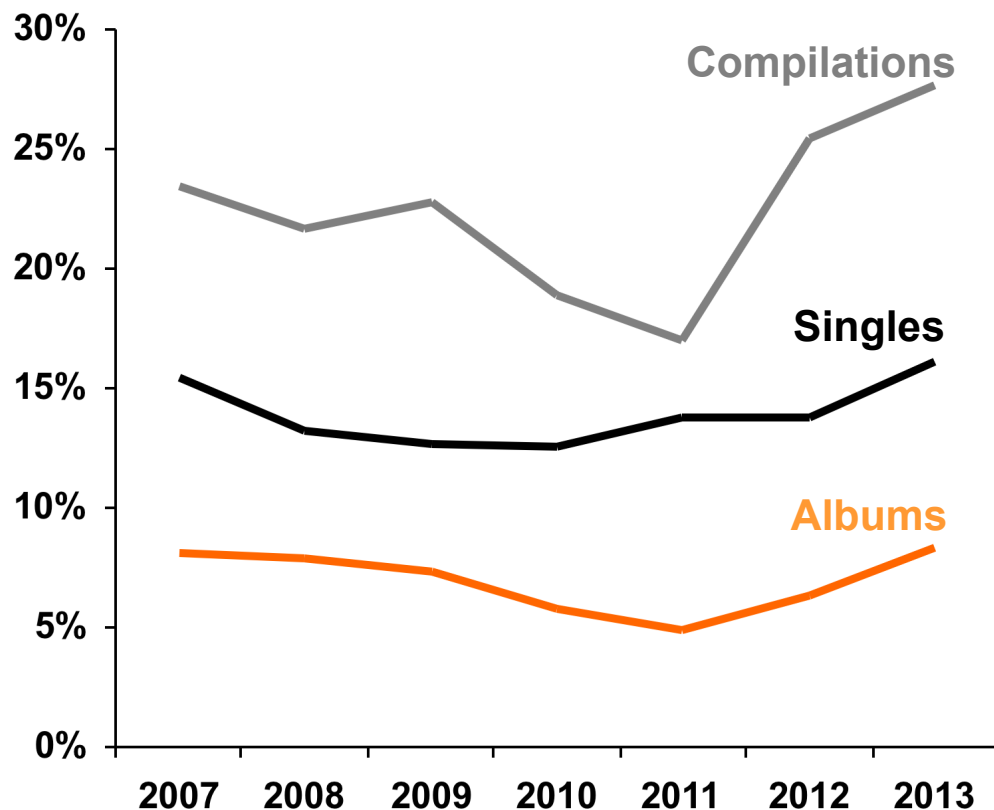
Source: The Nielsen Company & Billboard's 2013 Music Industry Report, industry press



Music

Dance's share of single, album & compilation sales in the UK reached a 7 year high in 2013

Dance Music Share of Sales by Format (UK)



- Dance music share of all formats grew strongly in 2013 versus 2012
- The genre is now back to, and in some cases exceeding, the levels reached in 2005/06
- 12 of the 100 top selling albums were Dance in 2013 (vs 5 in 2012)
- These included releases from Rudimental, Calvin Harris & Disclosure



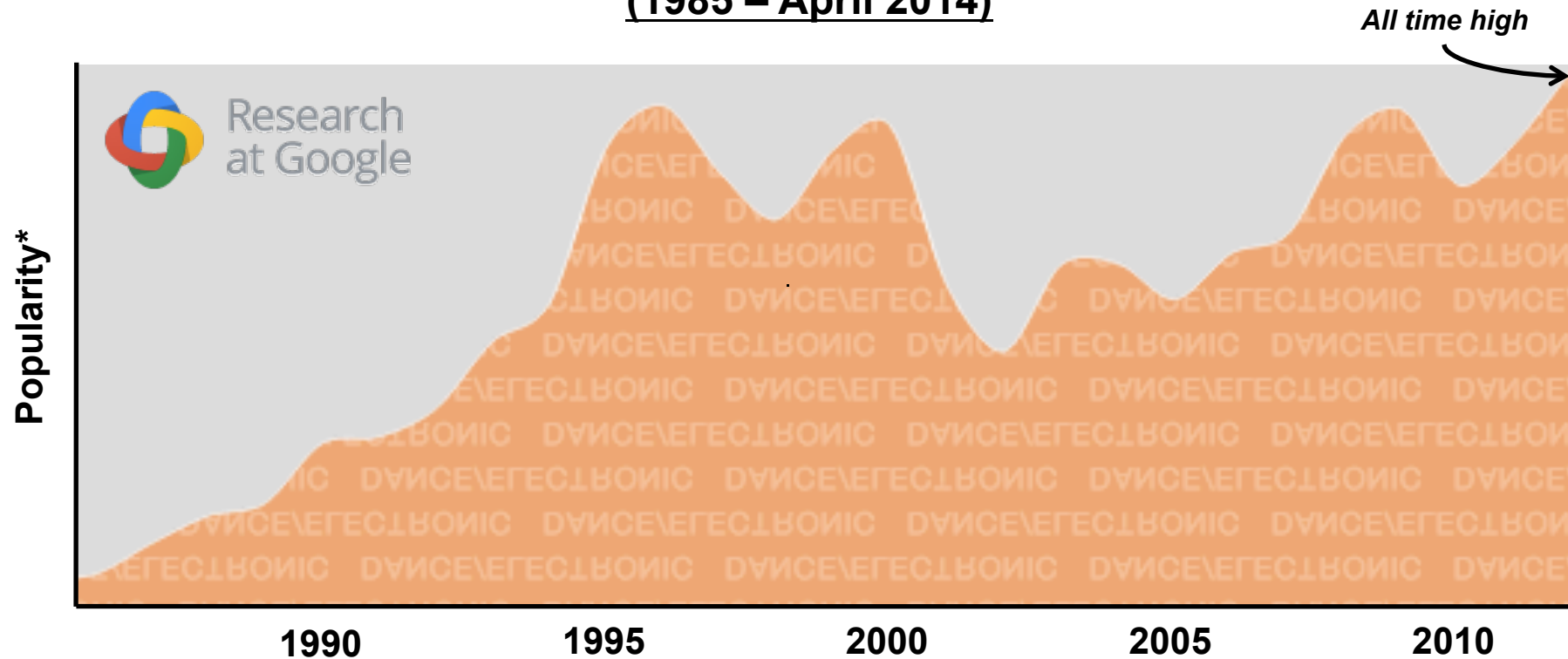
Source: Official Charts Company / BPI



Music

Google's music timeline shows global popularity of Electronic Music is now at an all-time high

Dance / Electronic Music – Popularity by Year (1985 – April 2014)



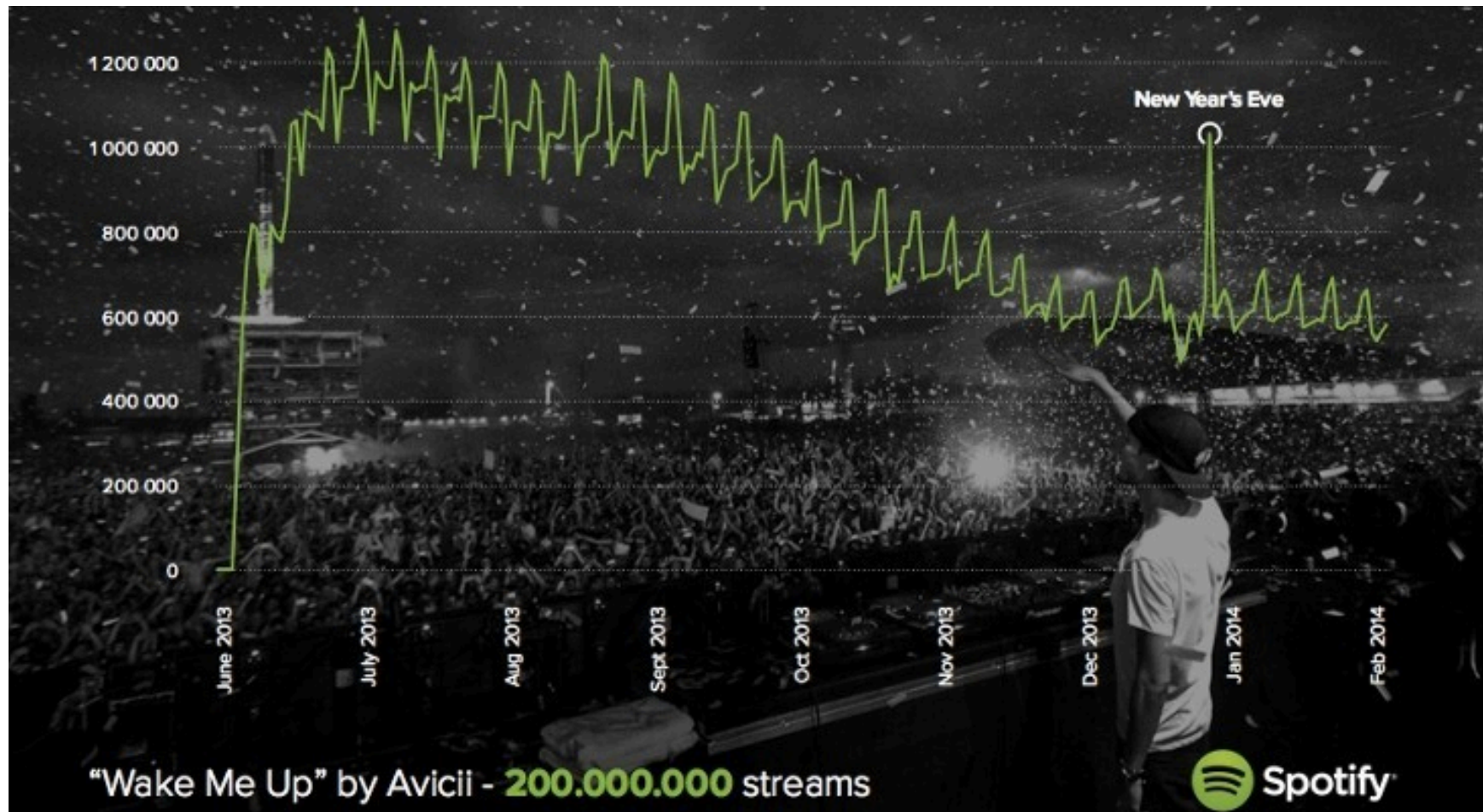
** Relative popularity of Dance / Electronic music by year of release, using number of users who have an artist or album in their music library, normalised by total number of albums released in that year*

Source: Google Music Timeline: http://research.google.com/bigpicture/music/#DANCE_ELECTRONIC

1

Music

Avicii's 'Wake Me Up' is the most streamed track of any genre on Spotify, at over 200m streams



Track achieved 100m streams in September 2013, 200m in February 2014, and could now have hit 250m!

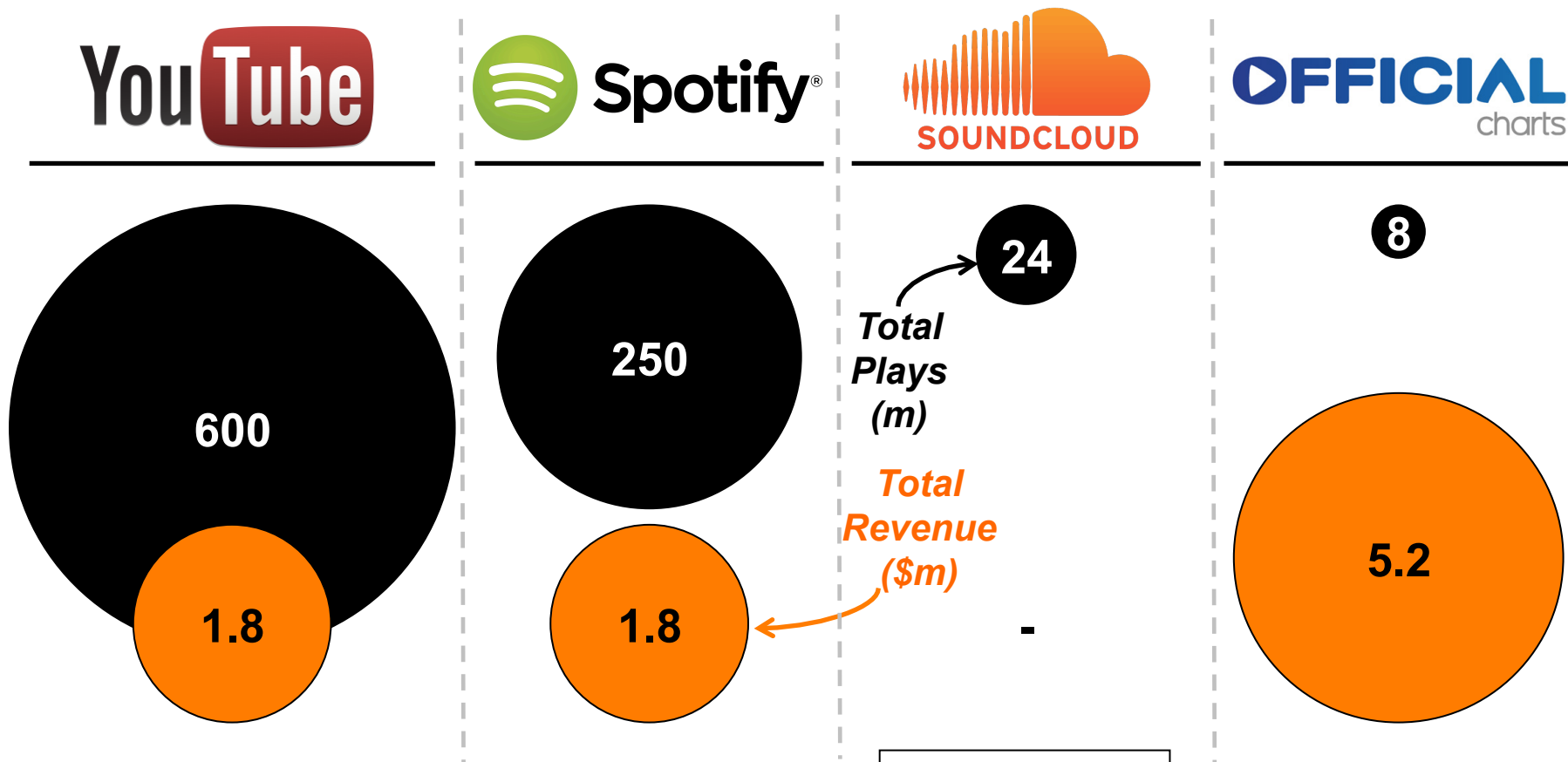
Source: Spotify



Music

However, YouTube has the most ‘plays’ of the track, and downloads generate the most revenue

Avicii – Wake Me Up – Views / Plays & Estimated Track Revenue by Source*



Note: * As at April 2014; Total revenue to all stakeholders

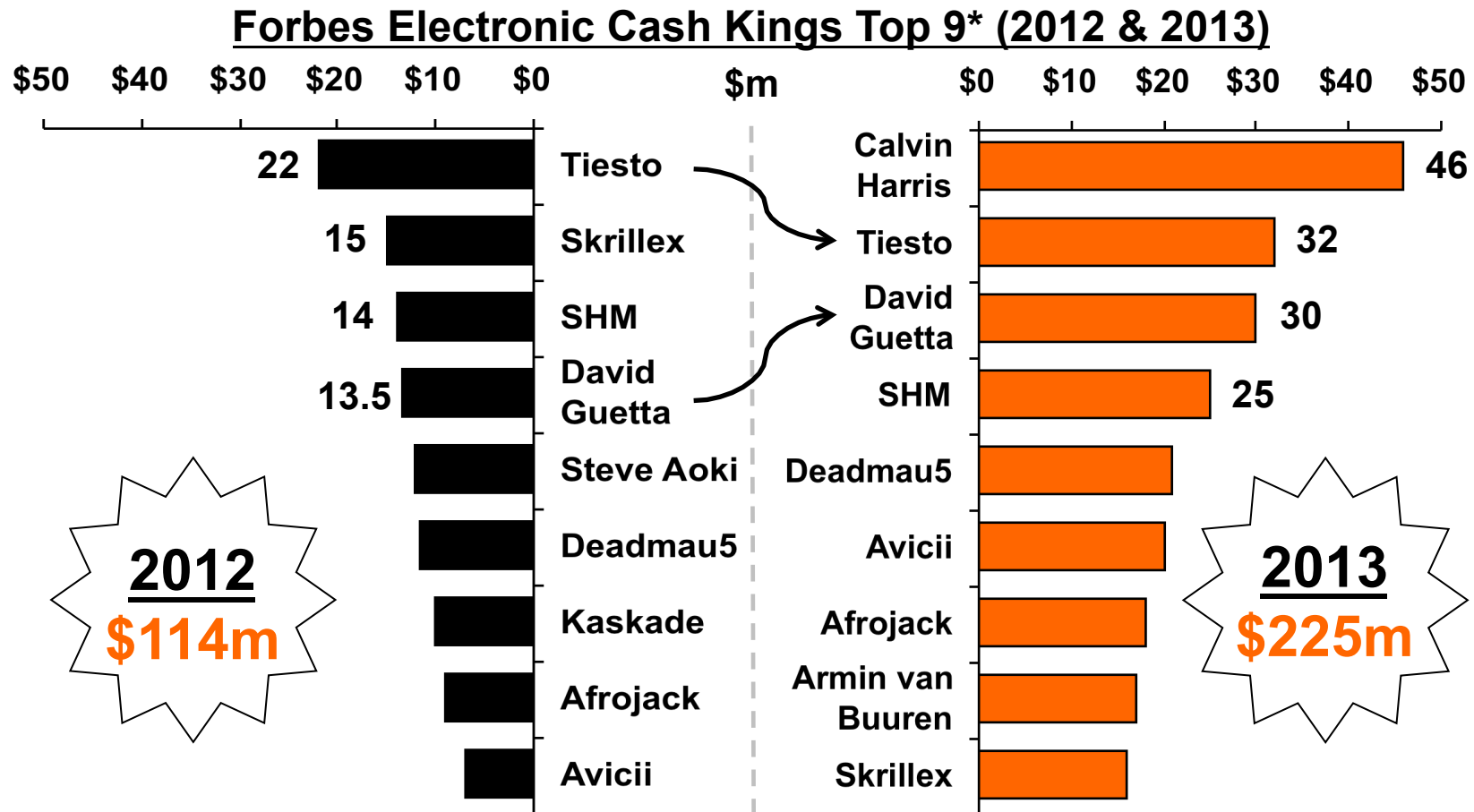
Source: channel websites, official chart bodies, Google, BPI, Wikipedia, The Cynical Musician, IMS Analysis

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DJs & Live Acts

Forbes (much debated) estimates suggest the earnings of the top DJs & Artists doubled in 2013



Comparing Forbes' other earnings lists suggests Calvin Harris earned more than Cristiano Ronaldo (\$44m) & Jay-Z (\$42m) in 2013

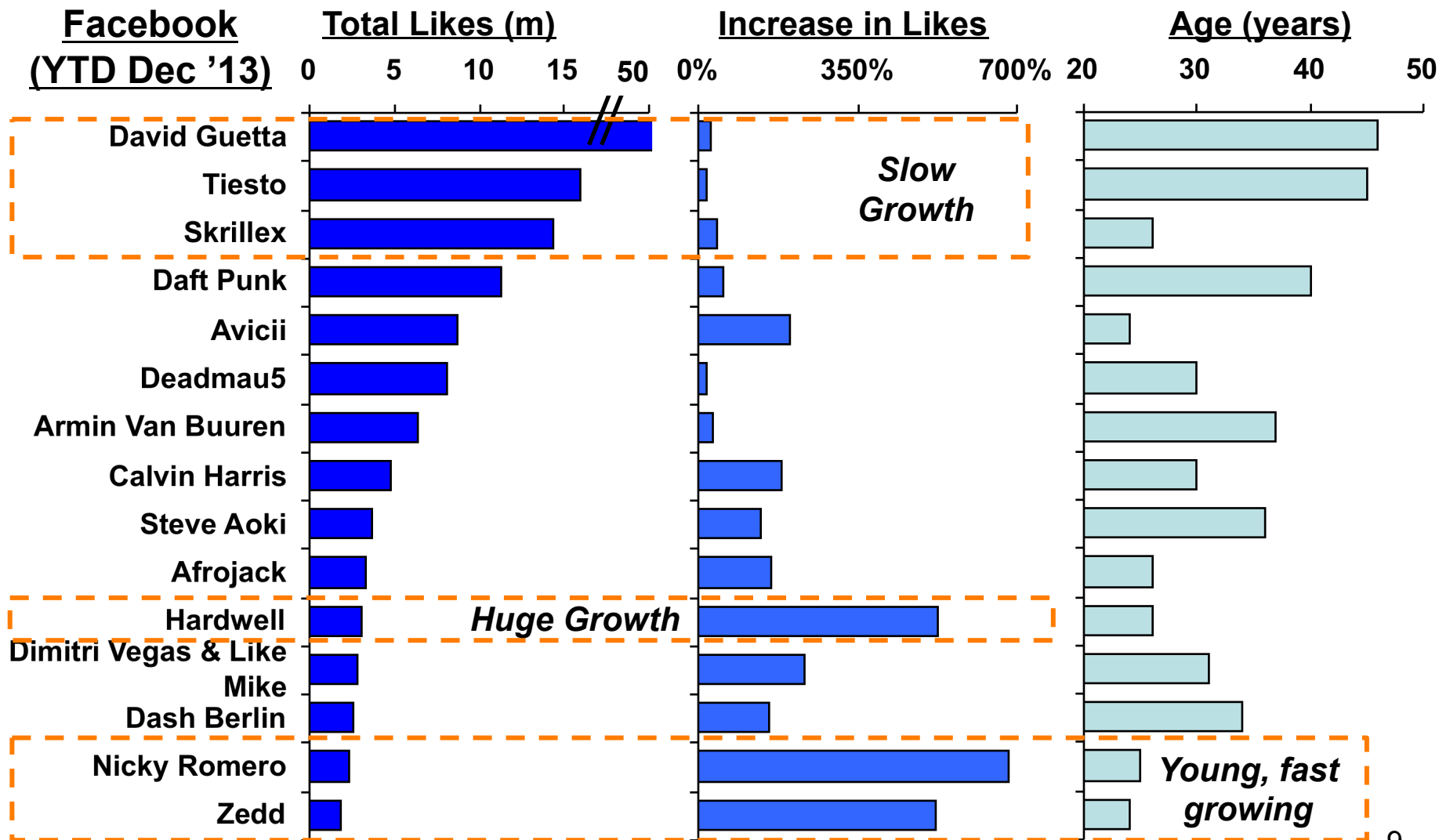
Source: Forbes; Note: * Excludes 'DJ Pauly D'

Forbes 8

2

DJs & Live Acts

Younger DJs, such as Hardwell, have grown their Facebook fan base at 20 times the rate of Guetta



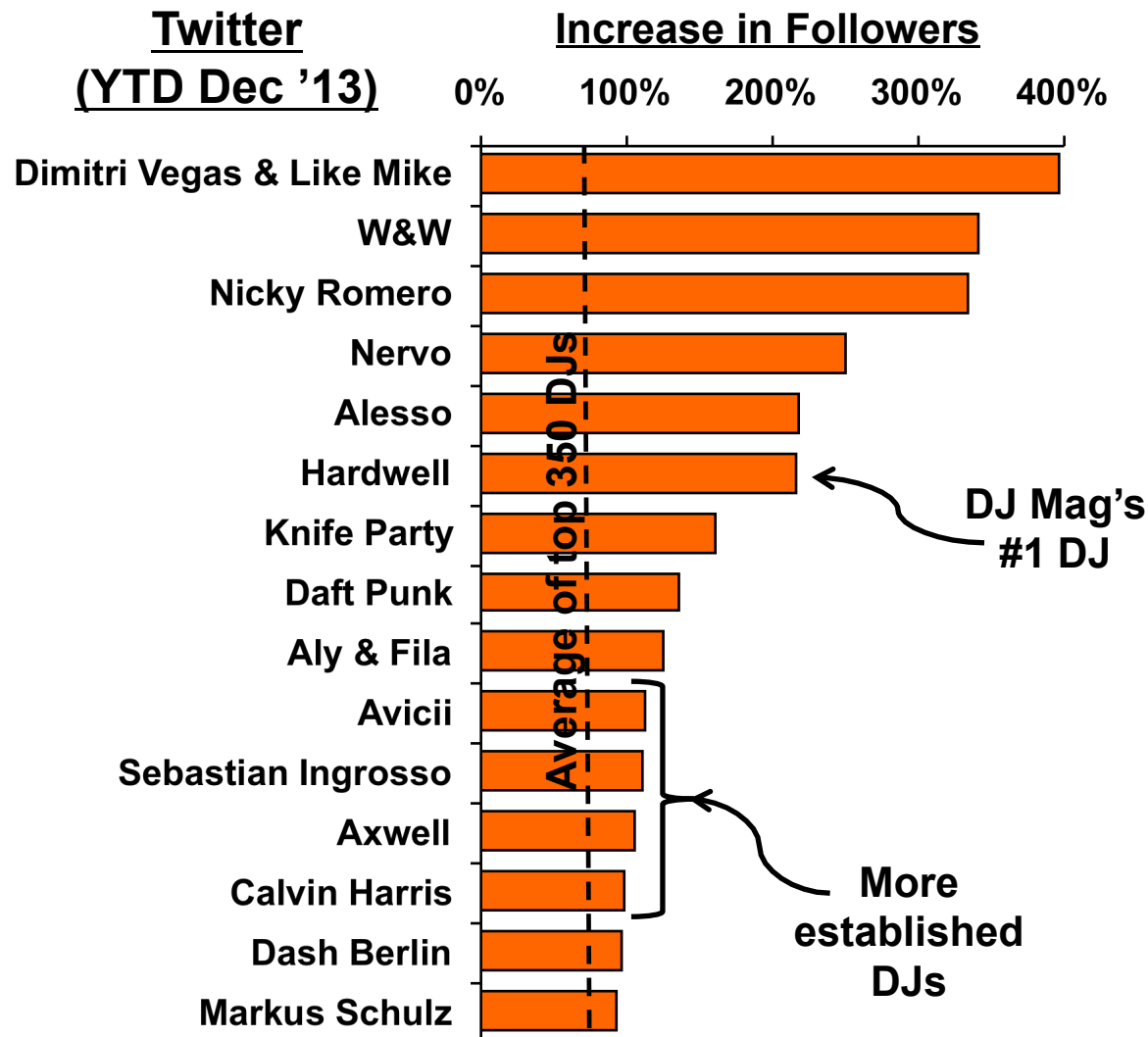
Source: Rankingz EDM Monitor 2013

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DJs & Live Acts

On average, DJs increased their twitter followers by 77% in 2013, with some achieving 400% growth



- On average, DJs increased their twitter followers by 77% in 2013
- 3 of the top 4 DJs in terms of growth are duos – Dimitri Vegas & Like Mike, W&W and Nervo
- The World's #1 DJ, Hardwell, was 6th highest, more than doubling his twitter followers in the year



Source: Rankingz EDM Monitor 2013

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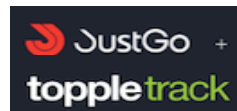


DJs & Live Acts

Ranking DJs using online data produces some different results to the 2013 DJ Mag Top 100



2013 Ranking by Source



1	Hardwell	1
2	Armin van Buuren	18
3	Avicii	6
4	Tiesto	14
5	David Guetta	11
6	Dimitri Vegas & Like Mike	5
7	Nicky Romero	3
8	Steve Aoki	4
9	Afrojack	8
10	Dash Berlin	23
11	Skrillex	12
12	Deadmau5	24
13	Alesso	13
14	W&W	44
15	Calvin Harris	2
24	Zedd	7
25	Knife Party	9
26	Swedish House Mafia	10
44	Krewella	15
64	Diplo	34

Hardwell
is #1

Relatively
stagnant fan
base

Massive
social media
fan growth

Huge musical
success

Up & coming
artists / DJs

- DJ Mag Top 100 is based on public vote
- JustGo / toppletrack methodology considers social media fans added in year (30%), total social media fans (60%) & Google mentions related to piracy notices (10%)

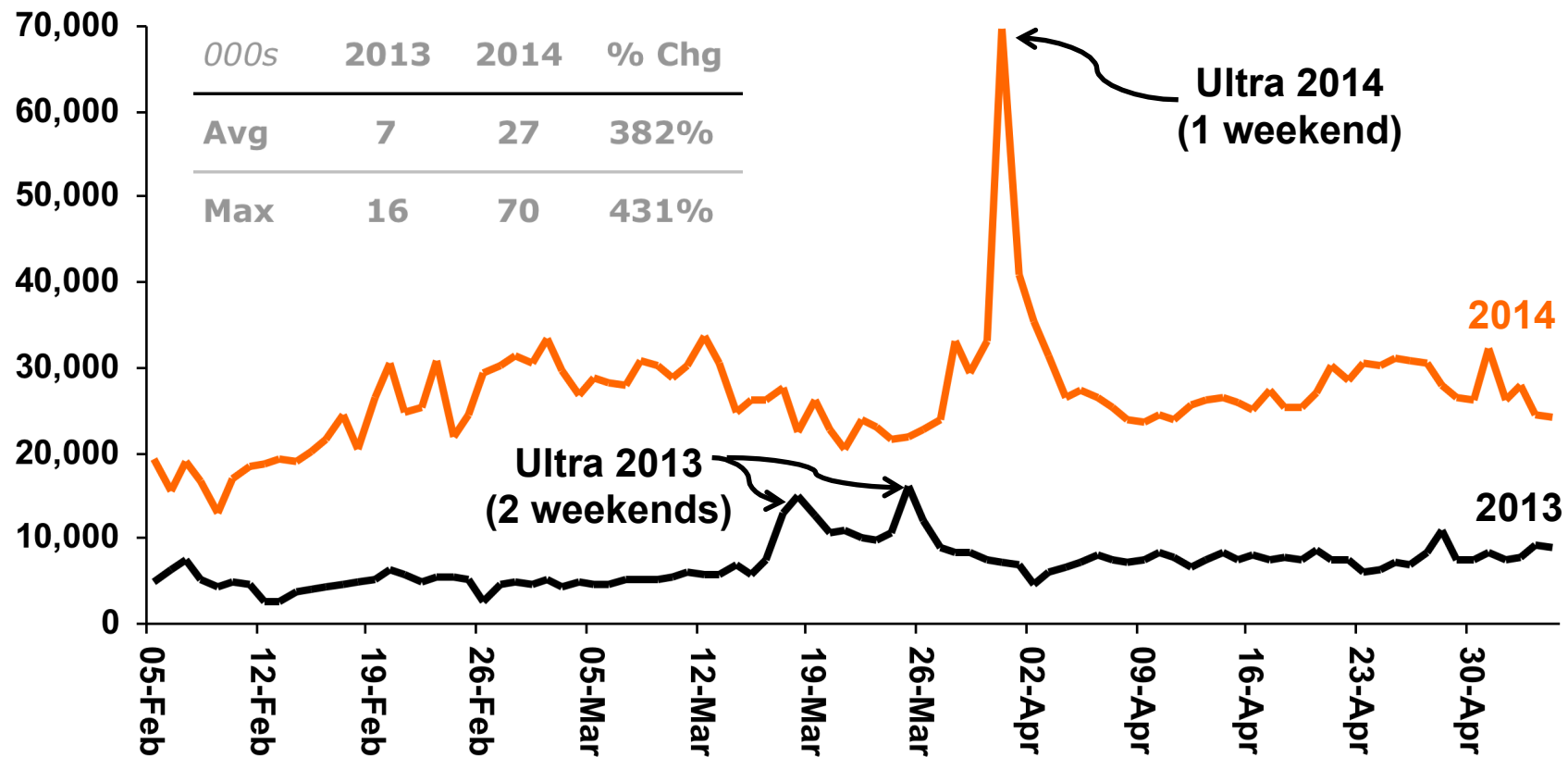
Source: DJ Mag Top 100, 'The Top 100 DJs of 2013, by Data' presented by JustGo + toppletrack



DJs & Live Acts

In one year Hardwell has quadrupled the fans he adds per day, peaking at 70k on 31st March 2014

Hardwell Total Fans Added by Day (5th Feb – 5th May 2013 & 2014)

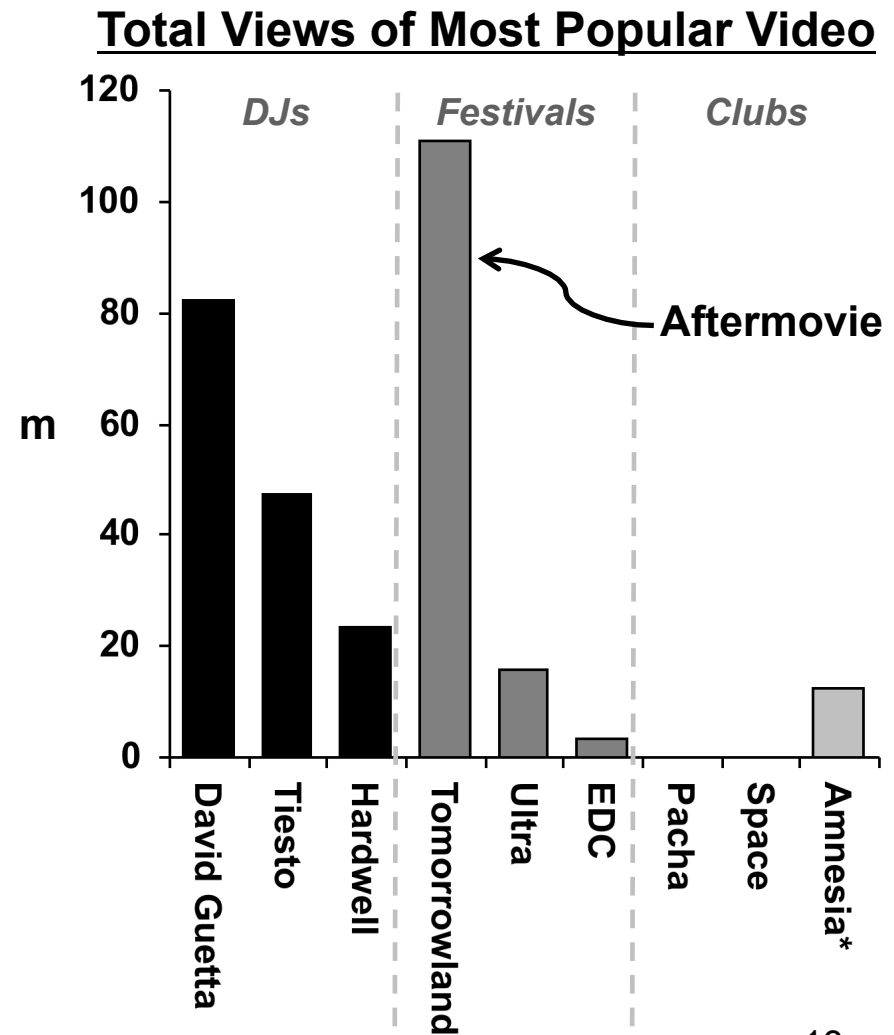
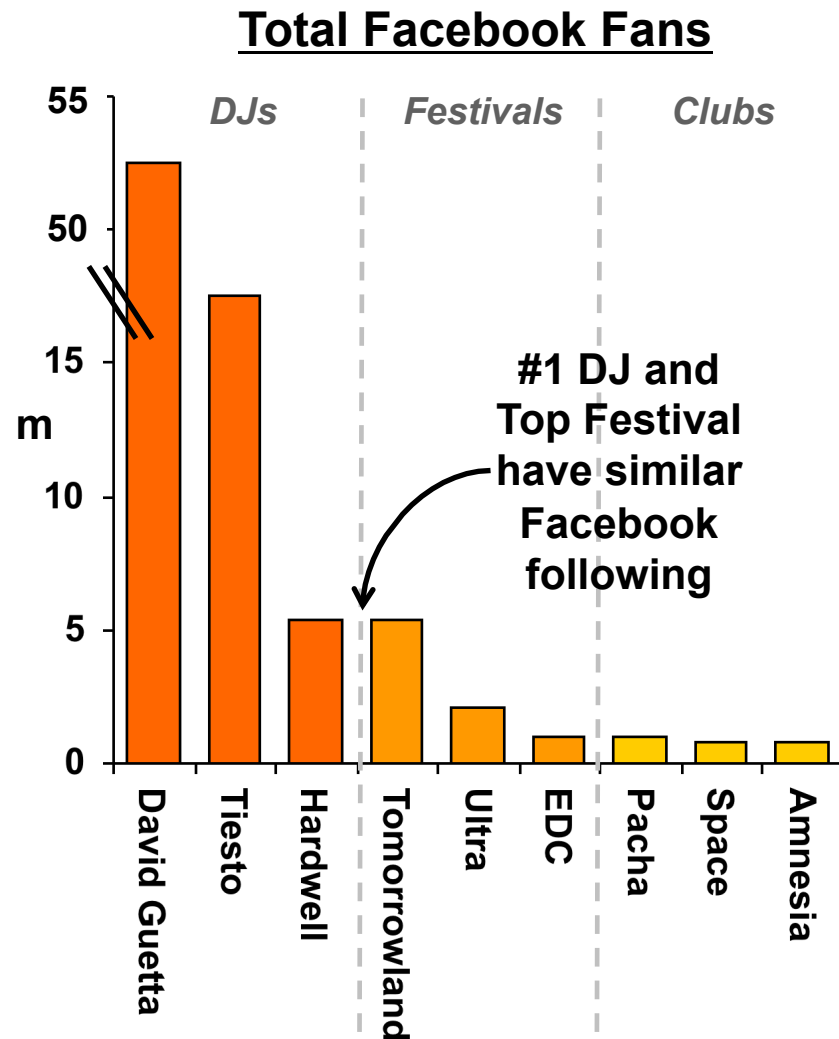


Source: Music Metric



Festivals & Clubs

Festivals have started to match DJs on social media, and exceed them on YouTube views



Source: Facebook, YouTube (as at 7th May 2014); * Includes Matinee Group Video



Festivals & Clubs

Electronic Music fans are much more engaged on social media, especially during live events



11

tweets per day
(Vs 1.85 twitter
average)

4x more

tweets about
the music they
listen to

30%

more talk about
concerts &
events

1 in 3

posts are about
EDM – 52% more
than fans of
other genres

1 in 4

posts about
EDM occurs
during a live
event

17 m

posts per
annum from
EDM
concerts

Source: Eventbrite EDM Audience Analysis

Eventbrite

THE EDM AUDIENCE ANALYSIS 14

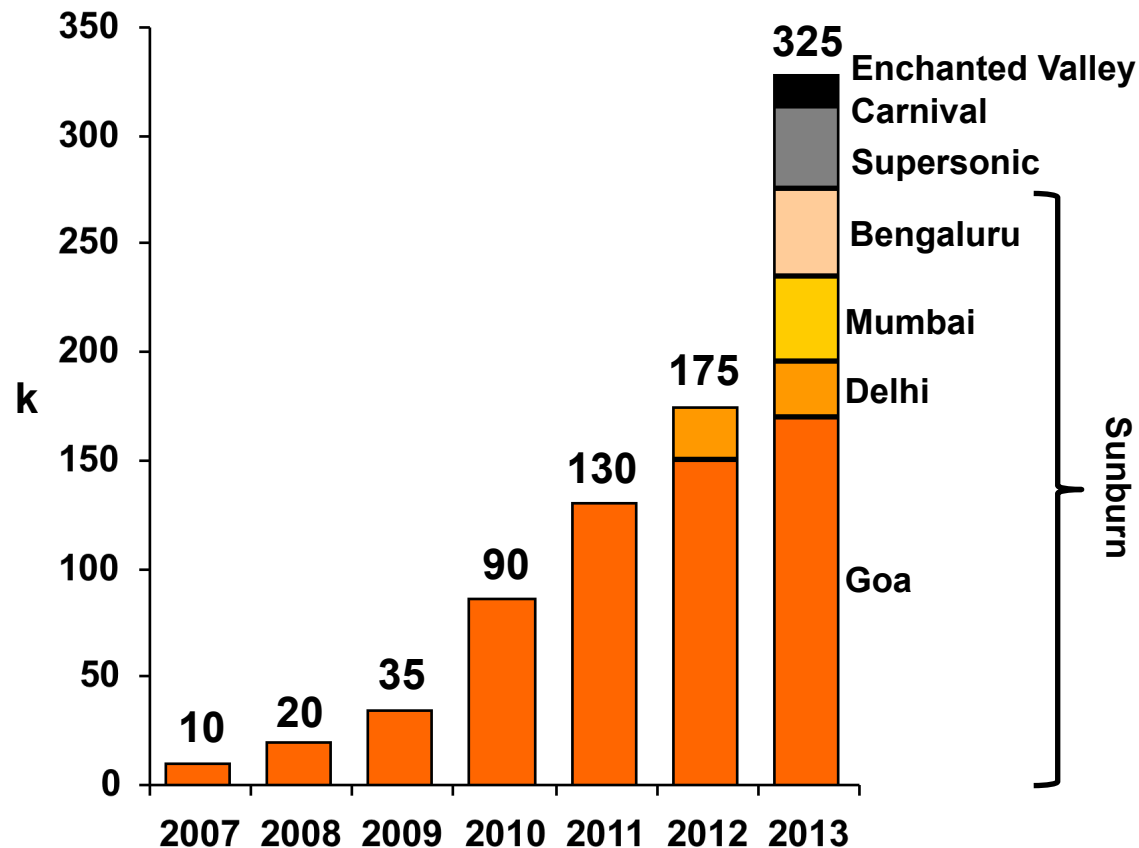


Festivals & Clubs

The Indian festival scene exploded in 2013, with capacity almost doubling & several new events

India Dance Music Festival Capacity by Event

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- Sunburn has dominated the festival scene & doubled attendance since 2011, adding three new locations
- A second major festival, Supersonic, launched in December 2013
- Indian cities have also welcomed arena gigs from Swedish House Mafia (18k), Avicii (35k) & Tiesto (20k) since the beginning of 2013

Source: Percept, event websites, Wikipedia, industry press



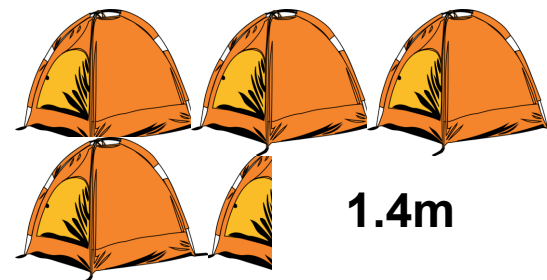
Festivals & Clubs

However, the Indian festival market is still significantly under-penetrated Vs the USA



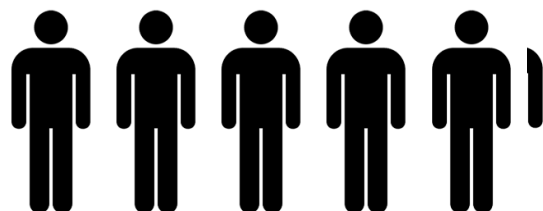
0.3m

**Dance Music
Festival
Capacity
(2013)**



1.4m

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225m

**Population
15 – 24
Years Old**



45m

If penetration in India reached just half that of the USA, it would be equivalent to 18 new festivals the size of Tomorrowland (3m capacity)

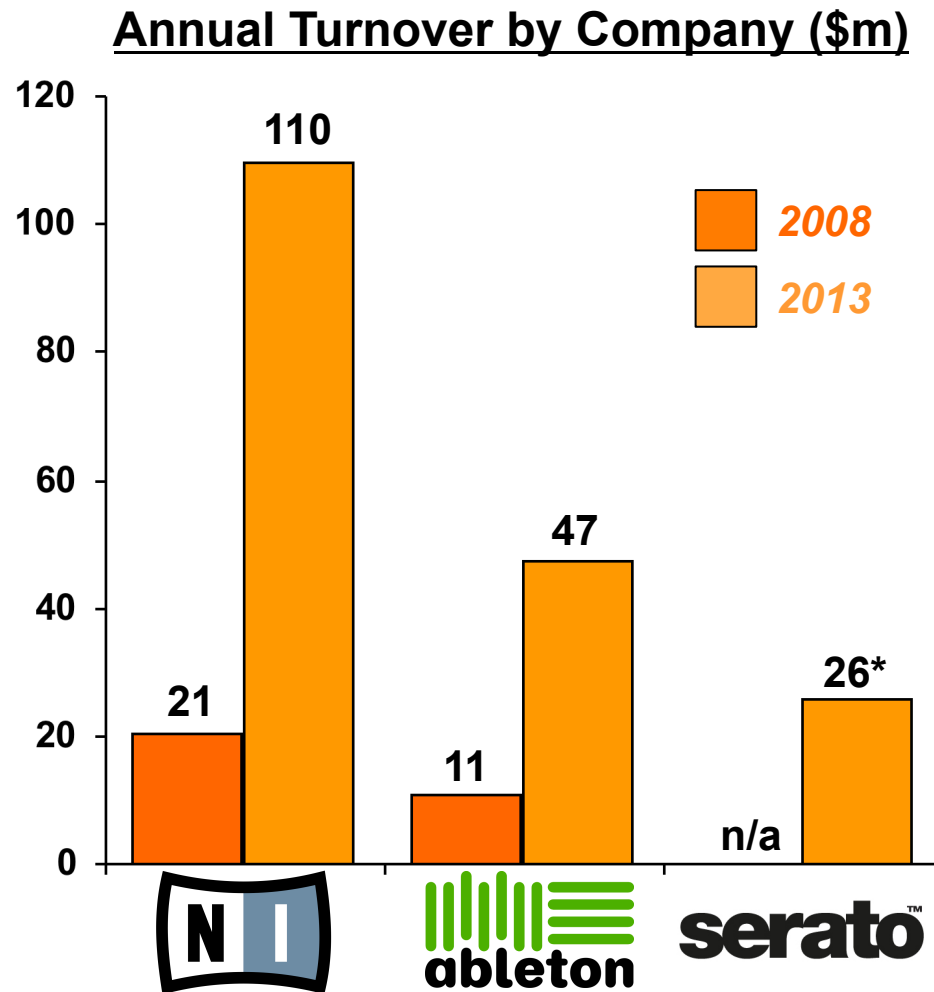
Source: Percept, event websites, Wikipedia, CIA World Factbook, Resident Advisor, Billboard, industry press, IMS Analysis

IMS Business Report 2014 by KevinWatson.net



4 Companies & Brands

Companies providing software and hardware for DJs & artists have experienced huge growth



- Leading manufacturers of DJ & music production software have seen huge revenue growth over the past 5 years
- Both Native Instruments & Ableton have more than trebled their turnover
- Pioneer has also cited 'DJ equipment' as one of the key drivers of its recent financial growth across all key markets (excluding Japan)
- Over the coming 12 months, Pioneer expects significant growth from the sector, especially in Europe

Source: FT, New Zealand International Business Awards, Pioneer; Note: * estimate based on range



Companies & Brands

SFX have continued their acquisition spree and signed some significant partnerships in 2014

SFX Entertainment Acquisitions & Partnerships by Type (Oct '13 to May '14)

Type	Companies	Comments
Festivals & Clubs	Totem One Love Group, Made Event, i-Motion, Opium Group, Rock in Rio (50%, \$62m), React Presents, ID&T	<ul style="list-style-type: none">• Significant investments in EDM related clubs & festivals• Also 50% of Rock in Rio festival
Partnerships	Anheuser-Busch InBev, Clear Channel, Syco & T-mobile ("Ultimate DJ")	<ul style="list-style-type: none">• Sponsorship deal with AB InBev• Marketing & content partnership with Clear Channel
Ticketing	Paylogic (75%, \$22m), Flavorus (\$18m)	<ul style="list-style-type: none">• c.\$40m spent on ticketing companies
Marketing	Arc 90, Fame House, Tunezy, Meta Agency, Learned Evolution	<ul style="list-style-type: none">• Multiple additions to bolster in-house FX1 team
Other	TMWRK, Perryscope Productions	<ul style="list-style-type: none">• Includes artist management and merchandising companies

SFX have spent in excess of \$120m in the past 6 months, but partnerships such as that with AB InBev should start generating revenue of c.\$25m pa



SFX Entertainment – Year In Review

Operational Performance

- In 2013, SFX entities sold over 6m tickets to 1,500 events across 23 countries in 6 continents
- In Q1 2014, festival attendance doubled to 175k, with 9 events taking place (Vs 4 the year before)
- A switch of focus away from other (smaller) events meant attendance at those dropped 28% to 260k
- Overall, SFX expects to deliver 70 festivals in 2014, with most growth in North America



Financial Performance

- In October 2013, SFX floated on the Nasdaq, selling 20m shares for \$13 each, raising \$260m and giving a market cap of \$1bn
- Since then, the share price has fallen almost 50%, with a net loss of \$63.6m reported in Q1 2014 (up from \$19.3m in Q1 2013)

	<u>IPO</u> (Oct '13)	<u>Now</u> (May '14)
Share price (\$)	13.00	6.70
Market Cap (\$m)	1,000	594

Electronic Music remains central to Live Nation's strategy, hence their deal with Motorola



"Newer...genres also contributed to our growth, with...EDM as our fastest growing genre"

800k increase in festival attendance "largely due to EDM activity"

"Our strategy is to grow and innovate through ... expanding our electronic dance music, or EDM, festival and show base"



- In December 2013 Live Nation signed a deal with Motorola
 - initially covered activity such as installations at LN's EDM festivals
- This was extended in April 2014 to cover The Discovery Project
 - a competition for undiscovered talent in music, costume design, art installations & stage design



4

Companies & Brands

Four of the World's biggest entertainment brands have entered the Electronic Music market in 2014



HBO Developing Electronic Music Comedy with Calvin Harris, Jay-Z

Variety, January 2014



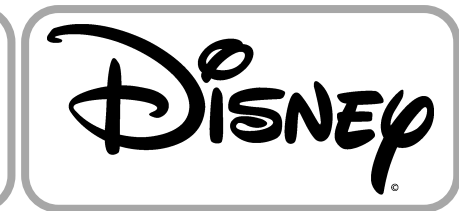
Avicii, Carlos Santana, Wyclef to Perform World Cup Closing Anthem

Billboard, March 2014



SFX, Syco Entertainment, T-Mobile Partner for 'Ultimate DJ' TV Show

Billboard, April 2014



Disney Gets Into EDM, Overtakes Interscope in Album Market Share

Billboard, May 2014



Source: Variety, Billboard, Industry Press



5 Industry Overall

A combination of two methodologies has been used to estimate the value of the industry

A

Bottom-Up approach

1. Research individual elements of each segment – e.g. total number of festivals & capacity
2. Triangulate different sources to generate estimate of overall size of segment
3. Multiply by average spend / revenue per element – e.g. spend by festival attendee

B

Top-Down approach

1. Use value of overall music industry segments, such as Recorded Music, Live & instrument sales
2. Estimate market share of Electronic music in each segment (e.g. c.5% of UK recorded music)
3. Combine and add together to give total value of Electronic Music industry

C

Final Estimate

Compare results of two approaches and produce final estimate of value of overall Electronic Music industry



Industry Overall

Overall, we estimate the global Electronic Music industry is now worth over \$6 billion p.a.

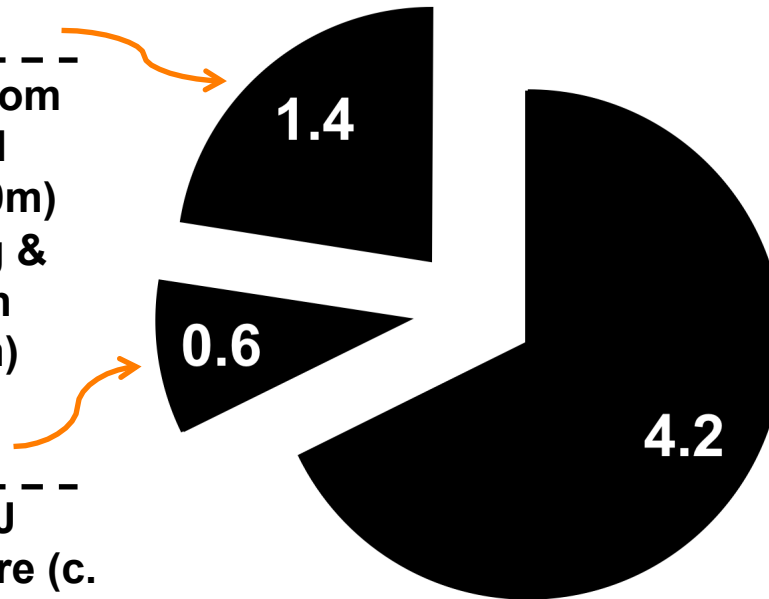
Electronic Music Industry Revenue by Sector (2013/14)

Music

Includes revenue from traditional recorded music sales (c.\$800m) and from streaming & video services such as Spotify (c.\$600m)

Other

Includes sales of DJ Software & Hardware (c. \$360m), DJ earnings from additional sources (c.\$60m) and value of other platforms such as Soundcloud (c.\$140)



= \$6.2 billion

Festivals & Clubs

Income from top 3 festivals (c.\$230m), other festivals (c.\$800m), clubs in Las Vegas (c.\$800m) and other clubs across the globe (c.\$2,400m)

INDICATIVE

Source: Wikipedia, RIAJ, BPI, The Nielsen Company & Billboard's 2013 Music Industry Report, Google Research, Forbes, Economist, Official Charts Company / BPI, PWC, EVAR Advisory Services, UK Music, FT, Pioneer, SFX, CIA World Factbook, electronic-festivals.com, industry press, IMS Analysis

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The **sources** used in this report & other industry insight



Danceonomics.com