IMS Technology Report
Asia Pacific 2016

David Boyle, EVP Insight, BBC Worldwide

Content courtesy of MIDiA
Content supplied by MIDiA.

About the author:

I am a music, media and technology analyst and consultant of 17 years standing, I previously held senior positions at Jupiter and Forrester Research, I now head up MIDiA Research.

Mark Mulligan

MIDiA Research is a research, data and analysis service focused on the intersection of media & technology. Our reports leverage proprietary consumer data, market forecasts and indices.

MIDiA Research clients pay a one-off annual fee to get online access to our research reports and data to get unique insight into the digital content and consumer technology marketplaces.
PART 1: Streaming

PART 2: Beyond the audio

PART 3: Messaging and the future
RECORDED MUSIC:

Streaming is changing everything

IMS 2012

Streaming grows engagement and spend
Streaming is changing everything

IMS 2012
Streaming grows engagement and spend

IMS 2016
Streaming CANNIBALISES spend
RECORDED MUSIC:

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27% have stopped or reduced buying downloads
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Discovery = consumption
RECORDED MUSIC:

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Rapid change ... still
RECORDED MUSIC:

Streaming is changing everything

IMS 2012

Streaming grows engagement and spend

IMS 2016

Streaming CANNIBALISES spend

27% have stopped or reduced buying downloads

Discovery = consumption

Rapid change ... still

More like radio than purchasing
WHERE WE ARE AT

• Total sales declined by 1%
• Streaming increased its share of revenues from 16% to 21%
  ... but growth is slowing
• Music sales (downloads and CDs) fell by 8%
  ... but were still 71% of all revenue
• Streaming Music Activity Is Breaking Through To The Mainstream
  ... Though Paid Streaming Remains Niche. 52% stream, 13% pay
• Global music subscribers grew from 42 million to 70 million
  ... though around 15 million are zombies and ‘super trials’
• Free streaming was 31% revenue but 90% of users
Music sales is **FAR** from dead

Sales (downloads and CDs) fell by 8% ...
Music sales is FAR from dead

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... but were still 71% of all revenue.
Streaming Breaking into mainstream ... but landscape is uneven
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Paid Streaming Remains Niche. 52% stream, 13% pay

Note: user numbers are cumulative totals not unique audience. Source: MIDiA Research 1/16
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... though around 15 million are zombies and ‘super trials’

10m

57m

310m

Note: user numbers are cumulative totals not unique audience. Source: MIDiA Research 1/16
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... though around 15 million are zombies and ‘super trials’

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“Streaming playlists appear to have overtaken albums for listening time in the US”
- May 2016
More Choice Leads To More Fickle Fans

Mainly listen to albums

FREE STREAMERS

PAID STREAMERS

31% 60%

MIDiA Research Consumer Survey 6/15 (US, UK and France) n=1,500
More Choice Leads To More Fickle Fans

Mainly listen to albums

- FREE STREAMERS: 31%
- PAID STREAMERS: 60%

Listen to albums & tracks less

- FREE STREAMERS: 38%
- PAID STREAMERS: 60%

... because discovering more music

MIDiA Research Consumer Survey 6/15 (US, UK and France) n=1,500
Border Breaker: Curated Playlists Transformed Feder From Local French Success To International Success

Spotify Streams Of Feder ‘Goodbye (feat. Lyse)’ March 2015 To December 2015 And Key Playlisting Activity
Border Breaker: Curated Playlists Transformed Feder From Local French Success To International Success

Spotify Streams Of Feder ‘Goodbye (feat. Lyse)’ March 2015 To December 2015 And Key Playlisting Activity

Added to ‘Hot Hits NL’
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Added to ‘Hot Hits NL’

Added to German Spotify lists
Border Breaker: Curated Playlists Transformed Feder
From Local French Success To International Success

Spotify Streams Of Feder ‘Goodbye (feat. Lyse)’ March 2015 To December 2015 And Key Playlisting Activity

- Added to ‘Hot Hits NL’
- Added to German Topsify lists
- Added to ‘Today’s Top Hits’ (US)
Border Breaker: Curated Playlists Transformed Feder From Local French Success To International Success

Spotify Streams Of Feder ‘Goodbye (feat. Lyse)’ March 2015 To December 2015 And Key Playlisting Activity

- Added to ‘Hot Hits NL’
- Added to German Spotify lists
- Added to ‘Today’s Top Hits’

France
PART 1: Streaming

PART 2: Beyond the audio

PART 3: Messaging and the future
YouTube Music Video Viewing Is Now Mainstream And Sophisticated Behaviours Are Emerging At Scale

YouTube Music Consumer Behaviour, 2016

Free audio streaming penetration 38%

Question asks: Thinking about how you discover, consume and interact with music which of the following do you do?

- Watch music videos online: 54%
- Only listen to audio on YouTube music videos: 39%
- Watch videos on artists's YouTube channel: 33%
- Create artist playlists on YouTube: 18%
- Use YouTube ripper: 11%
- Upload music to YouTube or Soundcloud: 7%
- Upload videos of my own music to YouTube or Soundcloud: 4%

MIDiA Research Consumer Survey 3/16 n=3,500 (US, Brazil, Australia, UK, France, Sweden)
Curated Playlists Are Becoming The Key Currency Of Streaming Discovery And Consumption

Millions of Followers Of Key Curated Playlists On Spotify

<table>
<thead>
<tr>
<th>Label</th>
<th>Followers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spotify / Today's Top Hits</td>
<td>7.8</td>
</tr>
<tr>
<td>Sony/Filtr</td>
<td>5.2</td>
</tr>
<tr>
<td>Universal / Digster</td>
<td>3.9</td>
</tr>
<tr>
<td>Warner / Topsify</td>
<td>3.7</td>
</tr>
</tbody>
</table>

Sources: MIDiA Research / Company Reports
Consumers are demanding video: A Whole New Generation Of YouTube Native Artists Is Emerging

- BOYCE AVENUE
- HANNAH TRIGWELL
- DAVE DAYS
- TYLER WARD

12 million subscribers
3.3 billion views

@beglen
Consumers are demanding video: A Whole New Generation Of YouTube Native Artists Is Emerging

BOYCE AVENUE

HANNAH TRIGWELL

DAVE DAYS

TYLER WARD

12 million subscribers

3.3 billion views

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Consumers are demanding video: A Whole New Generation Of YouTube Native Artists Is Emerging

NOT JUST YOUTUBE:

“Miaopai, a leading video clip capturing and sharing app in China has seen daily views surpass 1.7 billion, up from 510 million in late 2015”

“Weibo is seeing a 9.7 times year-over-year increase in video views”
Music Aficionados Want More Than Just The Song From Their Favourite Artists

For me music is more than just the song, it is about the singer, band or DJ and their story

Would pay for an interactive album app with music, video, photos and interviews

Penetration By Age Of Super Fans And Consumers Interested In 360° Music Products

Question asks: Which of the following statements apply to you?
Note: Music Aficionados are consumers that spend above average money and time with music
Source: MIDiA Research Consumer Survey 06/14 (UK, US, Brazil) n = 3,000
Artist Subscriptions

• A few £/$/€ a month per artist
• Super easy opt-in / opt-out
• Interactive experience with all artist’s music plus others such as influences and influenced playlists
• Live streams, concert footage, interviews, acoustic sessions, video, images etc.
• Streaming artist subscriptions can monetize the revenue no man’s land between ad supported and subscriptions
PART 1: Streaming

PART 2: Beyond the audio

PART 3: Messaging and the future
How people hear about live Events in China

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>WeChat</td>
<td>52%</td>
</tr>
<tr>
<td>TV shows/ads</td>
<td>42%</td>
</tr>
<tr>
<td>Weibo</td>
<td>39%</td>
</tr>
<tr>
<td>Official website of band/label/event/venue</td>
<td>36%</td>
</tr>
<tr>
<td>Friends/relatives</td>
<td>35%</td>
</tr>
<tr>
<td>iQiyi.com</td>
<td>28%</td>
</tr>
<tr>
<td>Internet ads</td>
<td>27%</td>
</tr>
<tr>
<td>Youku.com</td>
<td>26%</td>
</tr>
<tr>
<td>Radio</td>
<td>25%</td>
</tr>
<tr>
<td>Newspapers/Magazines</td>
<td>22%</td>
</tr>
<tr>
<td>LeTV.com</td>
<td>20%</td>
</tr>
<tr>
<td>Damai</td>
<td>18%</td>
</tr>
<tr>
<td>Billboards/outdoor ads</td>
<td>18%</td>
</tr>
<tr>
<td>Blogs, forums, message boards, chat rooms</td>
<td>18%</td>
</tr>
<tr>
<td>Online reviews</td>
<td>16%</td>
</tr>
<tr>
<td>Social networking sites (other than Weibo)</td>
<td>15%</td>
</tr>
<tr>
<td>Piao.com</td>
<td>13%</td>
</tr>
<tr>
<td>Text message notifications</td>
<td>13%</td>
</tr>
<tr>
<td>Email notifications</td>
<td>13%</td>
</tr>
<tr>
<td>Other music websites</td>
<td>10%</td>
</tr>
<tr>
<td>iTunes</td>
<td>9%</td>
</tr>
<tr>
<td>Yongle 228.com.cn</td>
<td>8%</td>
</tr>
<tr>
<td>Video websites</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
</tr>
</tbody>
</table>
How people hear about live Events in China

- Among those who attend live events, half find out through WeChat, followed by around 40% who discover through TV shows/ads and Weibo.

CTD. How do you typically hear about upcoming concerts/live music events, if at all? Base: Attend Live Music Events (832)
Messaging apps have now surpassed social networks

Monthly active users of the top four messaging apps and social networks

@beglen
WEBSITES
WEBSITES

SOCIAL NETWORKS

@beglen
WEBSITES
SOCIAL NETWORKS
APPS
MESSAGING
@beglen
GLOBAL MUSIC MESSAGING APP MARKET

Average number of sessions per user per month:

34

Average session length (minutes):

6
GLOBAL MUSIC MESSAGING APP MARKET

- Monthly active users: 458m
- Cumulative Downloads: 140m

Average number of sessions per user per month: 34
Average session length (minutes): 6
GLOBAL MUSIC MESSAGING APP MARKET

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Average number of sessions per user per month: 34
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58.6 billion
Total number of monthly interactions on mobile messaging apps
GLOBAL MUSIC MESSAGING APP MARKET

- **Monthly active users**: 34
- **Cumulative Downloads**: 458m
- **Average session length (minutes)**: 6
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**Top 5 Music Messaging Apps By Monthly Active Users**

1. Musical.ly
2. Flipagram
3. Dubsmash
4. Triller
5. Music Messenger

**Total number of monthly interactions on mobile messaging apps**: 58.6 billion
Global Music Messaging App Market

Top 5 Music Messaging Apps By Monthly Active Users

1. Musical.ly
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5. Music Messenger
A wild ride: Rapidly accelerating change
The next wave: Asia will bring massive new audiences

Global population & mobile penetration, June 2016
7.3bn People, 5.4bn over 14 years old, 4.6bn mobiles, 2.5bn smartphones

- Mobile
- Smartphone
- Not mobile
The next wave: Asia will bring massive new audiences

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- Not mobile
- Mobile
- Smartphone

- Developed markets
- China
- Latam
- MENA
- India
- SSA
- Other

350m
110m
The next wave: Asia will bring massive new audiences

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7.3bn People, 5.4bn over 14 years old, 4.6bn mobiles, 2.5bn smartphones

- **Mobile**
  - Developed markets: 350m
  - China: 180m
  - Latam: 140m
  - MENA: 110m

- **Not mobile**
  - SSA: 180m
  - Other: 140m
Technology is eating everything
Technology is eating everything

PART 1: Streaming

Get on the playlist bandwagon
Technology is eating everything

PART 1: Streaming

*Get on the playlist bandwagon*

PART 2: Beyond the audio

*Authentic stream of video + experiences*
Technology is eating everything

PART 1: Streaming
Get on the playlist bandwagon

PART 2: Beyond the audio
Authentic stream of video + experiences

PART 3: Messaging and the future
Messaging is the new mall. Be there
... and watch out for the next Asian billion
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Contact: Mark Mulligan
Phone: +44 (0) 780 11 66 712
Email: mark@midiaresearch.com
Web: http://midiaresearch.com
Blog: http://musicindustryblog.wordpress.com
Twitter: @mark_mulligan

@beglen
Awakening

The definitive account of the music industry’s digital journey

Available from Amazon, iTunes and Google Play Store now!
Musical.ly is one of the leading music messaging apps. Users create videos such as lip synchs and dance routines to 15 second audio clips, with music being the most popular format. Musical.ly’s core user base is young females, particularly teens and tweens. The app is most popular on iOS, reaching #1 in the Apple App Store Free charts in 20 countries. Musical.ly’s core competitor Dubsmash’s core platform is Android.

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<tr>
<td>Company Type</td>
<td>Music messaging app</td>
</tr>
<tr>
<td>Pricing &amp; Product</td>
<td>Free</td>
</tr>
<tr>
<td>Key Metrics</td>
<td>100 million registered users</td>
</tr>
<tr>
<td>Peak regular users (millions)</td>
<td>60</td>
</tr>
<tr>
<td>Date Launched</td>
<td>2014</td>
</tr>
<tr>
<td>Country Of Origin</td>
<td>US</td>
</tr>
<tr>
<td>Investment To Date (Millions Of US Dollars)</td>
<td>116</td>
</tr>
<tr>
<td>Investors</td>
<td>GGV Capital, Qiming Venture Partners, Greylock Partners, DCM</td>
</tr>
</tbody>
</table>
**COMPANY OVERVIEW**

Flipagram was one of the first wave of music messaging apps. The company had a modest 150,000 users, allbeit paid, before being acquired by Farhid Mohit’s Cheers company. Relaunched in October 2013 Flipagram enjoyed a rapid ascent, hitting #1 on app stores in 87 countries by December 2013 which in turn led to a $70 million investment round led by Sequoia Capital. Although Flipgram retains a highly engaged user base its growth slowed, only adding 3 million MAUs between December 2015 and July 2016 to its existing 30 million.

| Company Synopsis |音乐信息应用
| Pricing & Product | 免费
| Key Metrics | 4.2亿视频视图每日，5亿个视频故事创造 - 90%带有歌曲，3300万活跃用户，2亿累积用户
| Peak regular users (millions) | 33
| Date Launched | 2013
| Country Of Origin | US
| Investment To Date (Millions USD) | 70
| Investors | Index Ventures, Sequoia, Kleiner Perkins

| Company Type | 音乐信息应用
| Pricing & Product | 免费
| Key Metrics | 4.2亿视频视图每日，5亿个视频故事创造 - 90%带有歌曲，3300万活跃用户，2亿累积用户
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| Date Launched | 2013
| Country Of Origin | US
| Investment To Date (Millions USD) | 70
| Investors | Index Ventures, Sequoia, Kleiner Perkins
Dubsmash is a German originated social video messaging app with a strong focus on music and lip synching. Users upload sounds or select from a curated list uploaded by others. Sounds include TV shows and movie clips and music videos. Users record their own videos and can share across social platforms. While core competitor Musical.ly is stronger on iOS, Dubsmash is stronger on Android.

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<tr>
<td>Pricing &amp; Product</td>
<td>Free</td>
</tr>
<tr>
<td>Key Metrics</td>
<td>100 million downloads</td>
</tr>
<tr>
<td>Peak regular users (millions)</td>
<td>25</td>
</tr>
<tr>
<td>Date Launched</td>
<td>2013</td>
</tr>
<tr>
<td>Country Of Origin</td>
<td>Germany</td>
</tr>
<tr>
<td>Investment To Date (Millions USD)</td>
<td>5.7</td>
</tr>
<tr>
<td>Investors</td>
<td>Index Ventures, Sunstone Capital, Hasso Plattner Ventures, Eniac Ventures</td>
</tr>
<tr>
<td><strong>Company Synopsis</strong></td>
<td>Triller is a well funded but as yet relatively small music messaging / music video creation app. Triller provides users with a catalogue of music from which they can create their own music videos using a range of filters and other creator tools. During its launch year (2015) it gained significant support from a host of top tier talent including Kevin Hart, Justin Bieber and Charlie Puth.</td>
</tr>
<tr>
<td>---------------------</td>
<td>---</td>
</tr>
<tr>
<td><strong>Company Type</strong></td>
<td>Music messaging / video creation app</td>
</tr>
<tr>
<td><strong>Pricing &amp; Product</strong></td>
<td>Free</td>
</tr>
<tr>
<td><strong>Key Metrics</strong></td>
<td>Over 33 million music videos created and 1 million music videos made in a single day (end 2015)</td>
</tr>
<tr>
<td><strong>Peak regular users (millions)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Date Launched</strong></td>
<td>2015</td>
</tr>
<tr>
<td><strong>Country Of Origin</strong></td>
<td>US</td>
</tr>
<tr>
<td><strong>Investment To Date (Millions USD)</strong></td>
<td>4.5</td>
</tr>
<tr>
<td><strong>Investors</strong></td>
<td>IDG Ventures USA, Flight Ventures</td>
</tr>
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</table>
Rithm is a hybrid music messaging/streaming music app. Launched as a pivot by recommendation company MavenSay Rithm lets users listen to and share music as well as music based messages with text, images and animated emojis. Following securing licensing deals with the major labels Rithm also allows users to listen to and share full tracks. A $3.99 a month tier allows users to listen to music in their entire chat history as well as a playlist that holds up to 40 additional tracks.

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<tbody>
<tr>
<td>Company Type</td>
<td>Music messaging app/streaming music service</td>
</tr>
<tr>
<td>Pricing &amp; Product</td>
<td>Free and $3.99 to listen to all songs in chat history</td>
</tr>
<tr>
<td>Key Metrics</td>
<td>3 million monthly active users</td>
</tr>
<tr>
<td>Peak regular users (millions)</td>
<td>3</td>
</tr>
<tr>
<td>Date Launched</td>
<td>2013</td>
</tr>
<tr>
<td>Country Of Origin</td>
<td>US</td>
</tr>
<tr>
<td>Investment To Date (Millions USD)</td>
<td></td>
</tr>
<tr>
<td>Investors</td>
<td></td>
</tr>
</tbody>
</table>
**COMPANY OVERVIEW**

**Tagbeat**

Founded by serial Nordic entrepreneur Inge Andre Sandvik, Tagbeat enables users to take music from Spotify and create visual stories. Sandvik’s previous startup Soundrop followed the same route of creating an app entirely dependent on the Spotify ecosystem and was left high and dry when Spotify closed its apps platform in November 2014.

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</tr>
<tr>
<td><strong>Investors</strong></td>
</tr>
</tbody>
</table>
**Company Synopses**

Music Messenger is an app of Israeli origin that allows users to share music from YouTube and Soundcloud and users’ collections. Despite skirting right on the edge of ‘fair use’ of copyright it quickly became a smash among music industry luminaries with artists and managers such as Nicki Minaj, will.i.am, David Guetta, Sebastian Ingrosso, and Gee Roberson joining Russian tycoon Roman Abramovic in investing. Following on from its initial $5m round Music Messenger’s holding company Shellanoo group raised a $30 million series B round 7 months from the initial launch in April 2014. Growth however was harder to come by. After hitting around 5 million by April 2015 growth appears to have slowed and the marketplace has shifted more towards lipsynch apps like Musical.ly and Dubsmash.

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</tr>
</thead>
<tbody>
<tr>
<td>Pricing &amp; Product</td>
<td>Free</td>
</tr>
<tr>
<td>Key Metrics</td>
<td>5 million users and adding 1 million a month (April 2015)</td>
</tr>
<tr>
<td>Peak regular users</td>
<td>5</td>
</tr>
<tr>
<td>(millions)</td>
<td></td>
</tr>
<tr>
<td>Date Launched</td>
<td>2014</td>
</tr>
<tr>
<td>Country Of Origin</td>
<td>Israel</td>
</tr>
<tr>
<td>Investment To Date</td>
<td>35 million USD</td>
</tr>
<tr>
<td>(Millions USD)</td>
<td></td>
</tr>
<tr>
<td>Investors</td>
<td>Roman Ambramovic, Nicki Minaj, David Guetta, Sebastian Ingrosso, Gee Roberson, will.i.am</td>
</tr>
</tbody>
</table>
PingTune is a UK based music messaging app that was acquired by Indian content company Eros Digital in October 2015. PingTune combines YouTube and Soundcloud search and share functionality with personalized messaging and video creation tools.

<table>
<thead>
<tr>
<th>Company Synopsis</th>
<th>PingTune combines YouTube and Soundcloud search and share functionality with personalized messaging and video creation tools.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Type</td>
<td>Music messaging app</td>
</tr>
<tr>
<td>Pricing &amp; Product</td>
<td>Free</td>
</tr>
<tr>
<td>Key Metrics</td>
<td></td>
</tr>
<tr>
<td>Peak regular users (millions)</td>
<td></td>
</tr>
<tr>
<td>Date Launched</td>
<td>2013</td>
</tr>
<tr>
<td>Country Of Origin</td>
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<td>Investment To Date (Millions USD)</td>
<td>1.6</td>
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<tr>
<td>Investors</td>
<td>Rupert Hambro, Dominic Perks</td>
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</table>
Launched in June 2016 Flippy is a pivot from next-gen presentation start up Meograph (founded 2015) with team members from MIT, Berkeley, and McKinsey. Flippy is a hybrid of FaceSwap and Dubsmash, allowing users to use their smartphone’s front camera to superimpose their face onto a celebrity’s face to lip synch, including music videos and well known movie scenes. Clips can be shared across social media.

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<tr>
<td>Key Metrics</td>
</tr>
<tr>
<td>Peak regular users (millions)</td>
</tr>
<tr>
<td>Date Launched</td>
</tr>
<tr>
<td>Country Of Origin</td>
</tr>
<tr>
<td>Investment To Date (Millions Of US Dollars)</td>
</tr>
<tr>
<td>Investors</td>
</tr>
</tbody>
</table>
WordUp is a music messaging platform which has similar functionality to Flipagram and Muscial.ly but with a deeper focus on lyrics and music as the message. WordUp allows users to customize their messages by selecting the lyrics that best convey users’ desired sentiment. Users type keywords reflecting what they want to say and the app finds the songs that say it. WordUp has acquired one of the largest databases of lyrics to power the service. The consumer app is in private beta with an API that is currently available to artists, brands, and platforms alike.

<table>
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<tr>
<th>Company Synopsis</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Company Type</strong></td>
<td>Music messaging app</td>
</tr>
<tr>
<td><strong>Pricing &amp; Product</strong></td>
<td>Artist and brand partnerships</td>
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<tr>
<td><strong>Key Metrics</strong></td>
<td></td>
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<tr>
<td><strong>Peak regular users (millions)</strong></td>
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<tr>
<td><strong>Date Launched</strong></td>
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<tr>
<td><strong>Country Of Origin</strong></td>
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<tr>
<td><strong>Investors</strong></td>
<td>Founders</td>
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