

Hipgnosis Songs Fund Ltd – IPO

Summary

- **Pure-play exposure to music royalties** with no correlation to financial markets
- Seeking to **raise up to £200m**
- **10% target total NAV return p.a.** over the medium term (net of fees)¹
- **6.5% target dividend yield p.a.**¹
- Access to multiple “off-market” catalogues of songs
- **Hipgnosis Songs Ltd** (“Hipgnosis”), the Investment Adviser, has a team of **highly influential and award-winning music industry experts** with key relationships and a strong reputation

Market opportunity

1. Streaming Growth

- Legal streaming replacing illegal downloading
- 630m audio streams consumed per day in the US
- Streaming revenues forecast to grow to \$23bn by 2030 from \$2.3bn in 2015²
- 950m paid subscribers forecast by 2021

2. Technology disruption driving new sources of music income

- Improvement in royalty collection, tracking and transparency
- Emerging markets: increased smartphone usage and reducing piracy rates
- Increasing synch opportunities: TV, movies, video games, virtual reality
- Spotify or Apple Music are being pre-installed in cars and speakers

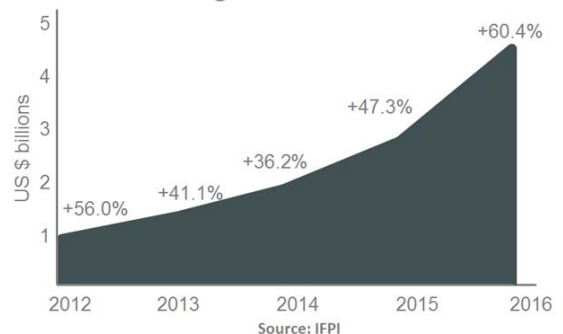
3. Longevity of Income

- Royalty income is protected by law
- In the UK, copyrights last for 70 years after the death of the writer or last surviving co-writer³
- Fortunate owners of a good song’s copyright often view it as their pension plan, producing predictable and reliable income

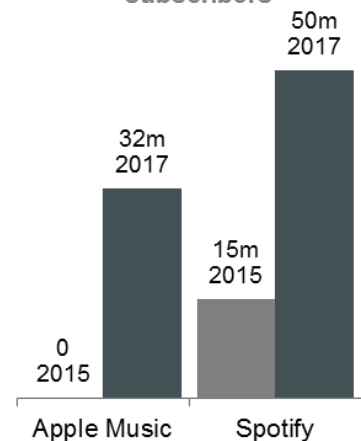
4. Identified Pipeline

- Catalogues include global top 10 songs with proven royalty income
- Own a minimum of 300 songs once fully invested
- Acquisition prices based on 3-5 years’ historical normalised income
- Hipgnosis believe catalogues are currently attractively priced
- Any uninvested net IPO proceeds returned 24 months post-IPO

Global Streaming Revenue Growth Year on Year



Paying streaming subscribers



1. Once fully invested; based on an IPO price of 100p. Target total NAV return over the medium term net of fees. Dividend target for 12 months following Admission is 3.5p and the first dividend is expected to be paid in November 2017. The 3.5p dividend target 12 months after Admission, target dividend yield and target total NAV return are targets only and are not profit forecasts. There can be no assurance that these targets will be met and they should not be taken as an indication of the Company’s expected or actual future results. Potential investors should decide for themselves whether or not these targets are reasonable or achievable in deciding whether to invest in the Company.

2. Source: Goldman Sachs (Equity Research) 2016

3. For musical works/composition. Not applicable for sound recordings. Copyright terms vary from jurisdiction to jurisdiction

Sources: Goldman Sachs (Equity Research) 2016, IFPI, Strategy Analytics, Spotify, Verto Analytics



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The Investment Adviser – Hipgnosis Songs Ltd

- 8 person team handpicked as a result of their **industry experience and strong relationships** in the music, film, TV and video game communities⁴
- Advisory Board consisting of Grammy winners, members of the Songwriters Hall of Fame, leading music producers and writers
- **Writers are willing to sell their songs to Hipgnosis** as they are trusted members of the artist and songwriter community
- **Experienced synch managers and publishing experts** to exploit untapped value through actively managing songs
 - **Lower ratio of songs to relationship manager** vs. major music publishing houses
 - Tracking and monitoring all income for every song



Merck Mercuriadis
CEO and Founder
of Hipgnosis Group

- **Over 30 years of experience** in the music industry
- **Former Manager of iconic artists:** Elton John, Beyoncé, Guns N' Roses
- **Former Manager of #1 Hit songwriters:** Diane Warren, Justin Tranter, The-Dream

Key Terms

Structure	Guernsey incorporated, self-managed AIF London Stock Exchange, Premium Segment
Target total NAV return	10% p.a. total NAV return over the medium term (net of fees) ¹
Target dividend yield	6.5% p.a. dividend yield , payable quarterly. First dividend expected to be paid in November 2017. First year dividend expected to be 3.5p ¹
IPO Stats	Targeting up to £200m; IPO costs capped at 2% of gross proceeds; 100p issue price Any uninvested net IPO proceeds returned 24 months post-IPO
Advisory fee	First two years post Admission, flat fee equal to 1.5% of gross proceeds on the first £200m; 1.25% of gross proceeds on the next £100m 1.5% of market cap p.a. on the first £200m; 1.25% of market cap p.a. on the next £100m; 1% of market cap p.a. on any excess of £300m
Performance fee	10% of any excess total shareholder return (share price performance plus dividends paid) over a 10% hurdle, subject to a high watermark Total fees (advisory and performance fees) capped at 5% of NAV p.a. Paid in shares ⁵ locked up for 18 months
Gearing	Up to 20% of NAV for working capital and short-term bridging for acquisition of catalogues
Reporting	Semi-annual NAVs based on independent catalogue valuations; quarterly factsheets
Indicative Timing	Intermediaries Offer and Offer for Subscription close: 11am on 12 September 2017 Placing close: 3pm on 12 September 2017 Admission: 15 September 2017

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4. To join shortly after IPO

5. Some of the performance fee will be paid in cash to cover taxes and charges payable by the Investment Adviser

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