

Case Study

Kobalt Music Group^{*}

*"Musicians say there is no money in streaming. Well, that's wrong...Someone has lied to them."*¹

Willard Ahdritz, CEO & Founder of Kobalt

It is June 2017, and Willard Ahdritz is sitting in his office in New York, foreseeing yet another year of strong growth for Kobalt Music Group. The previous month, the group successfully raised \$75 million in funding led by Hearst Entertainment,² achieving a post-money valuation³ of \$775 million.⁴

Founded in 2000, Kobalt has grown exponentially each year becoming the fifth biggest music publisher after Universal, Warner, Sony, and BMG. Every year since 2009, Kobalt has won the Music Week Award as Independent Music Publisher^{5 6} and serves more than 100 territories with almost 300 employees (as for June 2016) distributed across offices in London, New York, Los Angeles, Miami, Nashville, Sydney, Stockholm, Berlin, and Hong Kong. Kobalt serves more than 25,000 songwriters with publishing services, more than 20,000 artists with label services, and more than 1,500 artists with neighbouring rights services, including clients such as Max Martin, Paul McCartney, Bruce Springsteen, Ed Sheeran, Taylor Swift, Madonna, Coldplay, and Justin Timberlake.⁷ (See Appendices 15, 16, and 17 for Kobalt's most famous clients, songs, and patents.)

For the coming year, the group expects to enhance and expand its global licensing, collection, and payment platform as well as its client portal, providing clients with unparalleled transparency.⁸

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^{*} This material was prepared by Berklee graduate student Flavio Mondaini and Associate Professor Alexandre Perrin. The case is intended as a basis for class discussion rather than to illustrate either effective or ineffective handling of management situations.

1. The Music Industry

The global music industry generates value through the creation and exploitation of copyright-based assets, the delivery of services, and the sale of related goods. The recording industry is established on the basis of this copyright for around \$24 billion,⁹ while the live music industry, involved with concerts and festivals, accounts for around \$25 billion.¹⁰ Other sources include merchandise sales (accounting for \$3.1 billion globally)¹¹ and sponsorships (which account for more than \$2 billion in the U.S. alone).^{12 13}

Copyrights 101

The basis of the copyrights segment of the music industry is intellectual property. Like patents and trademarks, copyright protects products of the mind by granting the creator a limited duration monopoly over the work. Copyright gives the owner the following exclusive rights:¹⁴

- Reproduction right (e.g., by recording, printing, downloading, sampling, etc.).
- Distribution right (e.g., by physical distribution).
- Public performance right (e.g., by playing recordings publicly, broadcasting, or performing songs in a venue).
- Adaptation right (by making a derivative work).

The reproduction and distribution controls are known in the industry as *mechanicals* and originally refer to physical copies (e.g., a CD). On the other hand, *performing rights* refer to the act of communicating or performing the work publicly (e.g., radio or a concert). And a third category has arisen with the internet: online rights (e.g. digital downloads or streaming), which are a mix of mechanicals and performing rights, depending on the country.¹⁵ Additional rights include print rights and synch rights (the right to use the music in synchronization with images or video, such as a movie or commercial).¹⁶

Rights holders give licenses over those rights in exchange for remuneration, and the licensing process varies depending on usage type.

Two Different Assets

In the previous section, we talked about copyrights in plural because there are two basic assets over which copyright protection can be established for music:

- **Musical Work** (a composition of music that may or may not contain lyrics). The creators of musical works are called authors or composers. The music industry is established on the basis of this copyright. The copyright over the musical work is represented with the © symbol.
- **Sound Recording** (a specific audio recording of a musical work, also called master). The creators of sound recordings are called recording artists. On the basis of this copyright the recording industry is established. The copyright over the sound recording is represented with the ® symbol.

On the basis of these two different copyrights, two main sectors of the music copyrights industry are established:

Sound Recording	Musical Work
Artists	Songwriters and Composers
Record Companies	Music Publishers
Distributors	Rights Administrators
Label Collection Societies	Performing Rights Collection Societies
Artist Collection Societies	Reproduction Rights Collection Societies

Figure 1: Recording rights and publishing rights¹⁷

Current State of the Music Industry

The copyrights music industry has undergone multiple changes throughout its history. Several social, cultural, and technological changes have impacted its development.

The era of music publishers lasted from the late 19th century to the early 1920s, and was dominated by the production logic of music publishers in Tin Pan Alley in the U.S. or operetta and Schlager productions in Europe. Since the jazz revolution, the era of broadcasting lasted from the early 1920s to the mid-1950s, dominated by the action routines of large broadcasting networks in the U.S. and nationalized radios in Europe. Since the rock 'n roll era, the era of phonographic companies saw the perfection of the model of production and distribution of records.¹⁸ Since the digital revolution in the late 1990s, a new era began, whose characteristics are yet to be defined, although it seems that streaming is growing to become the leading format.

Since the digital revolution (the transition from physical to digital formats of distribution), the recording industry has seen a decline in revenue (see Appendix 1). Revenue for physical sales have strongly declined, and the rise of digital has still not been able to generate as much revenue as to regain the revenue levels of the 1990s. However, in 2016 there was growth, led fundamentally by streaming. Digital revenues have come to represent 50 percent of the global revenues for the recording industry (see Appendix 2).

The same decline happened for publishing collections on *mechanicals*, given that they arise ultimately from record companies' sales. Nonetheless, global music publishing collections as reported by CISAC, driven mainly by *public performance*, actually increased (see Appendix 3).¹⁹

As for 2015, the copyrights music industry generated a yearly value of \$24 billion, comprised of \$14 billion²⁰ generated by the recording industry (including artists' share) and \$10 billion generated by the publishing industry (including writers' share).²¹

Main Stakeholders

Authors

An author is the originator of any written work and can thus also be described as a writer. In this case, we are referring to writers of musical works, whether it be a purely instrumental composition (where the word *composer* would most typically be used) or one containing lyrics, usually in the form of a song (in this case the author of the music or lyrics is defined as a *songwriter*).

Performers

The musicians performing the musical work, whether in a live setting or in a recording studio, are called artists. Nowadays, the lines between author and artist are blurry as many artists also write their own songs, but still each musician is treated separately as author or artist in terms of copyrights.

Music Publishers

Music publishers work with authors, *signing* them into a publishing contract in which the acquisition of rights over the musical works and/or the authors' writing services is established. Publishers are responsible for finding users for the musical works, issuing licenses, collecting money; they split the revenue collected with the author. In the traditional publishing contract, the writer assigns the copyright to the publisher, who then pays a royalty to the writer. Administrative publishers offer to license the work, and ownership is retained by the writer. Some writers are self-published and do not work with a music publisher. Publishers are usually categorized into *majors* and *independents*. Major publishers dominate the industry and are owned by corporate groups. Today those are Universal (owned by Vivendi), Sony (owned by Sony Corporation), and Warner (owned by Access Industries).

Market share is distributed in the following way:

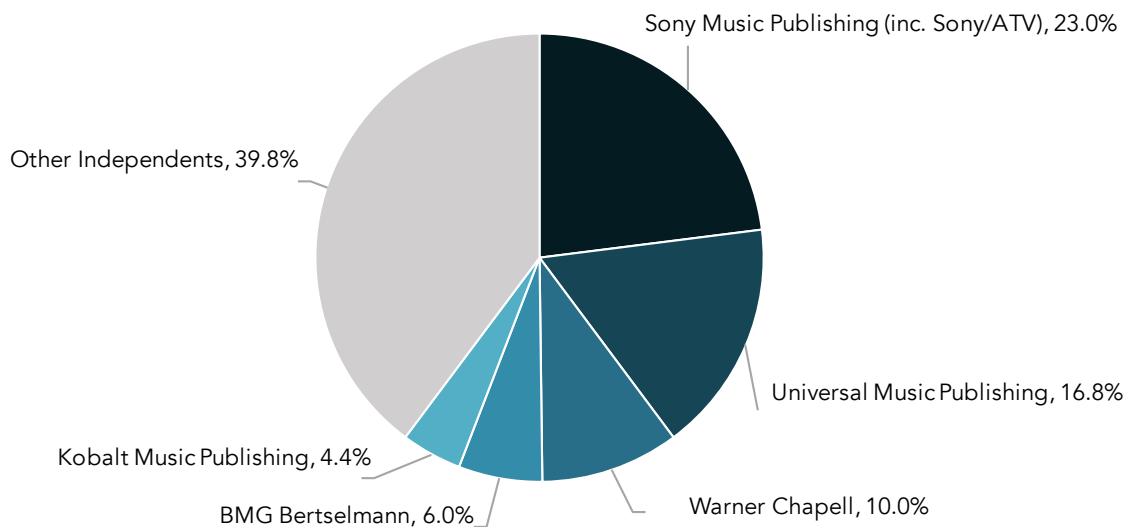


Figure 2: Market share by Publisher²² [FIX]

Record Labels

Labels work with artists, *signing* them into a recording contract in which the acquisition of rights over the sound recordings and/or the artists' recording services is established. Labels are usually responsible for production, finding users for the sound recording, distribution, marketing, and other activities. When a label *signs* an artist, it obtains the rights over the recordings, and not the writer's rights. If the artist is also a songwriter, a separate agreement would typically be signed with a publisher. Label services companies, a variation of traditional labels, are those that provide all of the services of a record label except for production, by licensing an already-existing recording owned by the artist. Record labels are usually categorized into *majors* and *independents*. Major labels dominating the industry are owned by corporate groups; today those are Universal (owned by Vivendi), Sony (owned by Sony Corporation), and Warner (owned by Access Industries).

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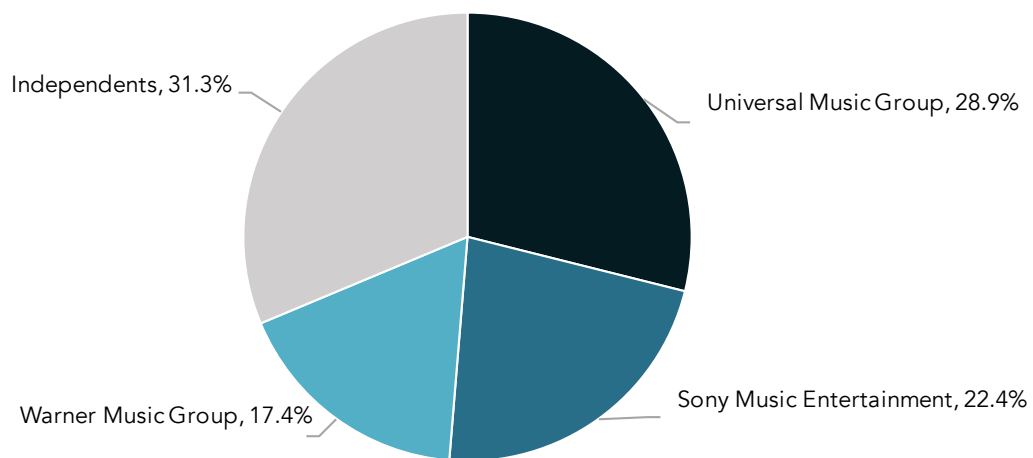


Figure 3: Market share by Label²³

Distributors

Traditionally, distributors were intermediaries that would take the physical products (e.g., CDs) to the stores, i.e., wholesalers. The digital revolution changed both the production (an artist can easily produce music on his own) and distribution. New players (digital distributors/aggregators) enable artists to distribute their music even if they do not have a contract with a record company. There are two main types of digital distributors:

- Bulk aggregators: these allow any artist to distribute their music, offer low service level, and are cheap. Examples: Tunecore, CD Baby, Songflow, EmuBands, Distrokid, DI++O, Loudr, MondoTunes, ReverbNation and Symphonic.
- Specialist digital distributors: these work only with labels or big established artists and place a quality filter over the content they distribute. Examples: AWAL (owned by Kobalt), the Orchard (owned by Sony), Label Engine, and Label Worx.

Collection Societies

In some cases, it is highly impractical for rights holders to license directly to each and every user. For instance, it would be impossible for a songwriter to monitor globally whether a song is played in a shop or restaurant, in a live concert, on radio or on YouTube. In that case, collection societies play an important role. Collection societies license copyrighted works and collect royalties as part of compulsory licensing, or individual licenses negotiated on behalf of its members. They collect royalty payments from users of copyrighted works and then distribute royalties to rights holders.

The volume administered by collection societies is considerable. Publishers usually license directly unless there is a good reason not to do so; in contrast, record labels usually license directly. Much of what publishers collect takes place through collection societies. Therefore, collection societies in the publishing side tend to be bigger than those on the recording side. In 2016, CISAC (International Confederation of Societies of Authors and Composers) reported collections of \$8.3 billion;²⁴ this of course, does not include collections by artist/label societies.

Collection societies can be in charge of collecting and distributing royalties arising from the musical work (societies for authors, composers, and publishers) or royalties arising from the sound

recording (societies for recording artists and record labels). Another way to categorize collection societies would depend on the types of rights they administer, performing rights or reproduction rights (mechanicals):

	Publishing	Recording
Performing rights	PRS (U.K.), ASCAP (U.S.) BMI (U.S.) SEASC (U.S.)	PPL (U.K.)
Mechanicals	MCPS ²⁵ (U.K.) HARRY FOX (U.S.)	

Figure 4: Examples of collection societies²⁶

For international collections, societies from different countries have agreements and work together, sending the collected royalties to one another. Furthermore, many usage conditions require both mechanical and public performance rights. Therefore, alliances between those different types of societies are also common, such as PRS with MCPS in the U.K.

Other players in the industry include managers, lawyers, concert promoters, and booking agents. Media industries are closely related, including radio, TV and the press.

Industry challenge #1: The Value Gap

A combination of several issues has fostered an environment in which it is difficult for firms and creators in the music industry to capture value.

1. Loss of perceived value of recorded music in the mind of the consumer

The first issue is that piracy has had a strong impact on the industry since the digitalization of distribution because of the internet and mp3s. The primary and most noticeable effect was the loss of revenue, as consumers had the opportunity to access music, illegally, for free. This was evidenced in the Napster v. RIAA case,²⁷ in which a group of record labels belonging to the Recording Industry Association of America (RIAA) sued Napster for enabling copyright infringement. There was another less evident effect: the loss of value in the mind of a consumer. The perceived value of recorded music, in which an album was worth nearly \$15, dropped significantly, even though iTunes introduced a market for digital downloads that was successful.²⁸

2. Safe Harbor: Content vs. Tech

There is a conflict between content owners and technology companies that use content. Platforms like Facebook and YouTube that distribute user-generated content (some would say user *uploaded* content because in most cases the user does not own the copyrights over what they upload) enjoy the protection of the Safe Harbor that was initially intended for internet service providers (ISPs) and server hosting companies. Safe Harbor means that these tech companies are not responsible for actively monitoring whether their content is properly licensed unless they are notified of an infringement. The effect of this is a loss of revenue for the music industry because a portion of the content is not monetized, and even when platforms pay, rights holders have limited bargaining power. Some studies argue that music is undervalued even for fully licensed services, and platforms should pay 80 percent of gross revenue instead of the 60 percent or 70 percent they pay today.²⁹

Platforms can be categorized under two categories:

- *User-generated* content distributors,³⁰ such as YouTube and Facebook. Estimated revenue per user: less than \$1.³¹
- *Fully licensed* content distributors, such as Spotify, Deezer, Tidal, Netflix. Estimated revenue per user: \$18.³²

The future may look different: industry sources indicate that Facebook is negotiating with the major labels regarding content licensing,³³ and in Europe there could be further changes if the proposal on the Digital Single Market³⁴ is implemented.

3. *Publishers and writers vs. Labels and artists*

Another issue is the revenue split between the recording and the publishing side of the business, especially in the digital world. Some research argues that monies distributed to rights holders by streaming services should be split 50/50 between the two main rights holder groups: record labels/performing artists vs. publishers/songwriters/composers. The current split is closer to 95/5, in favor of labels.³⁵

4. *Music Companies vs. Creators*

One last issue is whether the value is fairly distributed among the individuals who create the music and the companies that deal with them commercially, such as record labels and publishers. There has been debate about whether the royalty rates, as well as the terms of contracts for artists and songwriters are fair. A famous example of conflict between an artist and his record label was George Michael vs. Sony,³⁶ a case in which the artist sued the label, arguing that his contract represented an unreasonable restraint of trade. Furthermore, in many cases, artists and songwriters have been suspicious of whether they have been properly paid and with transparency. Data provided to artists/songwriters is often obscure, and artists often don't understand the payments and accountings that they receive.³⁷

Industry challenge #2: Complexity, infrastructure, and data

1. *Multiple sources of revenue*

Revenue can come from many sources, especially now that the digital landscape is growing exponentially. It can arise from live concerts, radio, public performance at a shop, sales of CDs, digital downloads, streaming, and other forms. Furthermore, within each of those categories, there will be multiple providers: a stream can come from Spotify, Deezer, Apple Music, YouTube, Soundcloud, or other providers.

2. *Complex licensing schemes and flow of royalties*

The flow of royalties follows a complex structure depending on the type of rights that are being exploited (reproduction, performance, or adaptation), the type of copyrighted asset (composition or phonographic/sound recording) and the format or channel of consumption. The process of payment of royalties among the different stakeholders has been summarized in the Appendix 4.

3. *Multiple copyright owners for one asset*

A single asset such as a song can be owned by several people. Therefore, royalties have to be split among several people. The average pop song nowadays is usually written by several authors who are signed to different publishers and are members of different songwriters' collection societies.

Several artists who are signed to different record labels and are members of different artists' collection societies will perform the song.

As an example, let us examine "California Gurls," performed by Katy Perry and featuring Snoop Dogg, since one of the writers is Max Martin, who is signed to Kobalt. This example illustrates the complexity of having to split revenue among eight different writers, five different publishers, four different collection societies, several performers signed to different record labels, and members of different artists' organizations.

Writers			Publishers		
ASCAP controls 26.25%	PRO	IPI	ASCAP controls 26.25%	PRO	IPI
BROADUS CORDOZAR CALVIN	BMI	280557260	KASZ MONEY PUBLISHING Contact Info ▼	ASCAP	341449963
GOTTWALD LUKASZ	ASCAP	339431656	MXM MUSIC AB Contact Info ▼	STIM	657349509
LEVIN BENJAMIN JOSEPH	NS	503442298	PRESCRIPTION SONGS Contact Info ▼	ASCAP	585355908
LOVE MICHAEL EDWARD	ASCAP	18590772	W B MUSIC CORP Contact Info ▼	ASCAP	53026414
MARTIN MAX	STIM	293094253	WHEN I'M RICH YOU'LL BE MYBITCH Contact Info ▼	ASCAP	514955051
MC KEE BONNIE LEIGH	BMI	444411483	Additional Non-ASCAP Publishers		
PERRY KATY	ASCAP	515661656			
WILSON BRIAN DOUGLAS	BMI	33029811			

Figure 5: Song with multiple authors and publishers³⁸

As this table demonstrates, the song was co-written by eight different writers: *Cordozar Calvin Broadus, Lukasz Gottwald, Benjamin Joseph Levin, Michael Edward Love, Max Martin, Bonnie Leigh McKee, Katy Perry, and Brian Douglas Wilson*. Some of these writers are members of ASCAP, but others are members of other collection societies such as the American BMI or the Swedish STIM (which is the case of Max Martin). It can also be seen that, on the publishing side, five different publishers control the song: KASZ MONEY PUBLISHING, MXM MUSIC AB (Max Martin's company), PRESCRIPTION SONGS, WHEN I'M RICH, and W B MUSIC CORP. The first three publishing companies are administered through Kobalt Music, while the latter two are administered through Warner Chapell. On the performers' side, the most famous version is the one by Katy Perry, featuring Snoop Dogg, but other versions have been performed by more than 200 artists.³⁹

4. Ownership is dynamic, as assets can be transferred

To add complexity to the equation, ownership can change hands, as copyrights can be transferred. This happens both for musical works and sound recordings, usually taking place through private transactions. In the last decade, there has been extensive buying and selling of large publishing catalogs. And when the entire catalog is for sale, the buyer usually prefers to acquire the copyrights rather than the corporate stock of the publisher.⁴⁰ Today, there are also online marketplaces to buy and sell copyrights, such as Royalty Exchange.⁴¹

5. Global music and global users

An additional issue is the fact that music is consumed globally. For instance, a song played on a German radio would generate public performance royalties for the songwriter. This would be collected by the German authors' collection society (GEMA). If the songwriter is American and associated with ASCAP and not GEMA, GEMA would have to transfer the money (after taking a percentage) to ASCAP, who would then pay the songwriter. This means reduced revenue and delayed payments for songwriters (it can take years for payments to reach the songwriter).

6. *Lack of a unified format and database regarding copyright ownership for musical compositions and sound recordings*

Although there are some standard identifiers,⁴² there is a lack of a unified format and a unified database to identify ownership of copyrights over music assets, leading to a difficulty in paying the right party. Significant funds are often paid to the wrong party, and large pools of royalty revenue end up outside the artist/songwriter's reach in a so-called "black box," a situation in which rightful owners of royalty revenue cannot be accurately identified because of a lack of an industry-wide system for linking usage to ownership.⁴³ It is estimated that anywhere from 20 to 40 percent of music payments don't make it to their rightful owners.⁴⁴ There have been attempts to create a worldwide database, such as the Global Repertoire Database Working Group (GRD WG) launched in September 2008 or the WIPO's International Music Registry in 2011, but none of them has been successful. The most successful effort in this respect has been the implementation of DDEX (for Digital Data Exchange, typically pronounced "Dee-Dex"), but it does not cover all music usages and is a format, not a single database. Founded in 2006, DDEX is a broad-based not-for-profit organization made up of leading media companies, music licensing organizations, and digital service providers working together in a unique collaboration to create voluntary standards that support efficient digital distribution of digital content. DDEX has developed a range of international standards for the communication of metadata along the music supply chain. Today more than 2,500 companies are using DDEX's standards, from music rights societies, music publishers, record companies, and musical work licensing companies, to technology intermediaries and online music services.⁴⁵

7. *Industry "not quite best" practices*

Even the infrastructure that *is* available is often underused or misused. For instance, despite industry attempts at implementing unique identifiers such as the International Standard Recording Code (ISRC) for sound recordings and International Standard Work Code (ISWC) for music works, these identifiers are not often linked properly for music releases.⁴⁶ For instance, when record labels provide content to streaming services, they do not necessarily include all the metadata collecting societies would like—particularly songwriter and composer information. Metadata is a way of digitally identifying or coding music works, and, even when it is included, sometimes music services themselves don't maintain the data properly or send it to the collecting society.⁴⁷

8. *Streaming: billions of microtransactions*

As the business models change from ownership to access, complexity increases. When music was meant to be bought, the purchase finalized the transaction; one sale was a single register on a database. Today, one hit song has 4 billion microtransactions because of all the streams generated each time a user plays a song on any platform. That number is projected to grow to 10 billion by the end of 2018.⁴⁸ To manage such growth, the adequate technological infrastructure is needed.

2. Kobalt Music Group

Genesis

In the early 2000s, the music industry was being disrupted by the Internet, threatened by piracy, and increasing in complexity. Under these circumstances, Kobalt was founded in 2000 by Willard Ahdriz. This Swedish entrepreneur watched the decline of the music industry, envisioning the

critical role that technology could play in creating a more efficient, fair, and transparent music industry. While most technology companies focused on digital music offerings for consumers, Ahdritz was determined to create technology that better served content creators and copyright owners.⁴⁹ The result has been the creation of an online platform—the Kobalt portal and mobile app (Appendix 5). This makes it easy for clients to track and manage all income and activity data across all rights in real time.

He summarizes the whole philosophy of the company: “Every element of Kobalt is based on the idea of transparent technology and services to help creators. This enables a model where we are 100% aligned with our clients, based on the idea of the ‘principal agent’, a core idea that aligns management and owner to create better returns. Fundamentally, it is this: if I own your rights, then every dollar I have to pay you [in royalties] means my value goes down. I have no beneficial interest to give you more money. But if we have aligned interests – which describes the relationship between an artist and a service provider – then there are significant economic upsides for both of us as your business grows.”⁵⁰

The Founder

Ahdritz holds a Master of Science in Finance from New York University Stern School of Business and a Bachelor of Electrical Engineering. He has nine years' experience in corporate strategy and M&A (mergers and acquisitions) from L.E.K. Consulting and UBS Capital, cofounded and served as COO (chief operating officer) and director SPARKidea, and he served as the CFO (chief financial officer) of dx3 Technologies. Ahdritz has extensive knowledge of the music industry, having cofounded Telegram Records & Publishing, now part of Warner Music.⁵¹ Because of Ahdritz's experience as founder of Telegram Publishing, as well as his 10-year management consulting experience in the financial and transportation sectors, he recognized how administration models from other industries, such as financial services companies, could be applied to manage the complex information flow in the global collections process.

The Swede Factor

Companies are not born in isolation but within a business environment. The notion of the entrepreneur in the garage or the small warehouse is romantic and true in many ways, but that does not happen without a lot of other infrastructure.⁵² Even though Kobalt is based in London, it is not a coincidence that the founder of this fast-growing company is Swedish. In 1988, 12 years before founding Kobalt, Ahdritz launched Telegram Publishing in Stockholm with Klas Lunding.

Sweden has a strong environment that favors the creation of successful companies, with Stockholm being called a “unicorn factory.”⁵³ It has developed a human, social, educational, and corporate infrastructure that has favored the global success of well-known companies such as Skype, Spotify, Minecraft, Candy Crush, and MySQL.

There is also a rich songwriting tradition. According to Swedish songwriter and producer Klas Ahlund, Swedes are very musical and love to write songs.⁵⁴ He explains: “Songwriting was just a thing you did on your own when you were watching the cows, a kind of meditation. You didn’t focus as much on your ability as a performer as you did on the structure and craft of the songs. Which is really not the case in the U.S., where your charm and your voice and your powers as a performer come immediately into play.”⁵⁵

The Swedes have made an impact in pop music. Some notable cases include ABBA, Ace of Base, and Max Martin, a low-profile songwriter and producer who has created songs for artists such as Backstreet Boys, Britney Spears, Bon Jovi, Pink, Celine Dion, Taylor Swift, Katy Perry, Avril Lavigne, Ke\$ha, Ellie Goulding and Ariana Grande. Max Martin has won five Grammys, nine ASCAP prizes and is the third songwriter with the most Billboard No. 1 singles, after Paul McCartney and John Lennon.⁵⁶ He is one of Kobalt's most important clients.

Kobalt Music Group Activities

Kobalt originally started as an administrative music publisher in 2000 but continued to expand toward other activities. Since its founding, Kobalt's revenue has shown consistent growth. But despite all the success and revenue growth, the group has never been profitable (Appendix 6). However, Kobalt Music Group has been able to raise funds from several major investors (Appendix 7).

Today it provides multiple services: music publishing, label services (such as distribution and marketing for recordings), neighbouring rights (collection of public performance rights for sound recordings), a collection society, and an investment fund. The group structure is detailed in Appendix 8. In 2016, the company employed around 300 people across ten offices in London (headquarters), New York City, Los Angeles, Nashville, Atlanta, Miami, Berlin, Stockholm, Hong Kong, and Sydney (Appendix 9). The financial performance of the most important activities of the group are detailed in Appendices 11 and 12.

1. Kobalt Music Publishing (KMP)

Publishing is Kobalt's main activity. Leveraging their technology, Kobalt offers administrative and creative[†] music publishing services. The author retains 100 percent and is able to receive flexible online payments. There are no lock-in or song commitments. Kobalt takes 15 percent of artist royalties in return for offering these services.

2. Kobalt Label Services (KLS)

Created in 2012, KLS provides more service level, expertise, and hands-on support to established independent artists. There are two sub-divisions within this category: Kobalt Music Recordings and AWAL.

- Kobalt Music Recordings provides record label services to artists such as global, physical, and digital distribution as well as proactive synch/brand deals. The company receives a share of revenues, while allowing artists to retain ownership of their master recordings. Kobalt Music Recordings offers clients dedicated project management, personalized marketing, and global coordination services.
- AWAL, on the other hand, offers a lower service with the platform and tools for smaller (but selected) independent artists. Its clients can access advanced data analytics within the AWAL App. AWAL is an acquisition made in December 2011 that gave Kobalt an access to digital service providers (DSPs), such as iTunes, Amazon, Spotify, or Deezer.

[†] Finding songwriting and networking opportunities, working collaboratively to pitch songs to artists, secure co-writes with other songwriters, providing leads for upcoming projects, finding opportunities for Synchronization.

3. Kobalt Neighbouring Rights (KNR)

Launched in 2012, KNR's division is in charge of collecting fees and royalties owed to artists and producers from the public performance of their recordings. Leveraging technology and direct relationships with collection societies, Kobalt provides efficient and transparent services in this area too. To expand these operations (and also publishing), in September 2016, Kobalt bought Fintage House, the market leader in the field of neighboring rights (a sector worth more than \$2 billion for rights holders globally).⁵⁷

4. Collection Society (AMRA)

In 2014, Kobalt purchased the American Mechanical Rights Agency (AMRA), a collection agency. It operates independently, providing services to publishers and writers focused on digital music collection and leveraging Kobalt technology.

5. Kobalt Capital Limited (KCL)

Founded in 2011, Kobalt Capital Limited (KCL) is a Financial Conduct Authority (FCA) regulated investment advisory firm that focuses on music rights. KCL advises two investment funds, the first having been launched in 2011 and the second in 2017 (Appendix 12), which have a number of institutional and private investors. KCL was created to give copyright owners a better way to sell their copyright and receive capital. To date, the firm has invested over \$350 million in music rights including copyrights, master recording rights and neighbouring rights through acquisitions and advances.

Kobalt Value Proposition

As Figure 6 shows, by providing solutions to industry challenges, Kobalt has been able to position itself in the market, becoming the fifth largest music publisher.

Industry Challenge	Kobalt's Solution
Music companies vs. creators: Inconvenient long-term contracts, songwriter assigns copyright to publisher.	Freedom and control for authors: Kobalt's flexible contracts give the authors more control over their works and future. There is no commitment to deliver a minimum number of songs and no lock-in. Furthermore, the authors are free to make the artistic choices they believe are right for them. The author retains 100 percent of the rights, can receive flexible advances at the client's convenience, and there are "no strings attached" (no lock-in and no song commitments).
Music companies vs. creators: Lack of transparency and obscure accounting.	Kobalt seeks to ensure transparent reporting for their clients. The Kobalt portal (and app) for clients make it easy to track and manage all income and activity data across all rights in real time.

Safe Harbor: Content vs. Tech	In 2014, Kobalt introduced ProKlaim, a YouTube integration that significantly increased artist revenue on the platform. ProKlaim serves as an "advanced detection platform" by integrating with YouTube's own music detection technology.
Complexity in the licensing schemes and royalty processing systems	Strong backend technology, known as "KORE." KORE manages rights and tracks, collects, and pays royalties among disparate markets, with the collected data accessible through the Kobalt Portal.
Global music and global users	Kobalt registers songs directly across collection societies globally to avoid delays and inefficiencies in transactions in between societies from different countries.
Industry "not quite best" practices	Kobalt created best practices. Established after a directive team with expertise in process management, they ensure that all data is managed properly when a release takes place.
Streaming: billions of microtransactions	Powerful and cutting-edge technology in data processing.

Figure 6: Industry challenges and Kobalt's solutions[†]

Competition

Universal Music

Universal Music was once the record company attached to film studio Universal Pictures. Its origins go back to the formation of the American branch of Decca Records in September 1934. The Decca Record Co. Ltd. of England spun off American Decca in 1939. MCA Inc. merged with American Decca in 1962. The present organization was formed when its parent company Seagram purchased PolyGram in May 1998 and merged it with Universal Music Group in early 1999. In February 2006, the label became 100 percent owned by French media conglomerate Vivendi when Vivendi purchased the last 20 percent from Matsushita (renamed as Panasonic Corporation in 2008), the group's sole owner from 1990 to 1995 and co-owner from 1995 to 2006. On June 25, 2007, Vivendi completed its €1.63 billion (\$2.4 billion) purchase of BMG Music Publishing.⁵⁸

Sony Music

The company was first founded in 1929 as American Record Corporation and renamed Columbia Recording Corporation in 1938, following its acquisition by the Columbia Broadcasting System. In 1966, the company was reorganized to become CBS Records. Sony Corporation bought the company in 1987 and renamed it Sony Music Entertainment in 1991. In 2004, Sony and Bertelsmann established a 50-50 joint venture called Sony BMG Music Entertainment and transferred businesses of Sony Music Entertainment (former CBS Records) and Bertelsmann Music Group (BMG; Ariola, Arista, RCA Records, etc.) into the joint venture; however, later in 2008, Sony

[†] Sources include Kobalt's company website.

acquired Bertelsmann's stake, and the company reverted to the SME name. The buyout led to the dissolution of BMG, which relaunched as BMG Rights Management.⁵⁹

Warner Music

Warner/Chappell Music (publishing) dates back to 1811 with the creation of Chappell & Company, a sheet music and instrument merchant in London. In 1929, Jack L. Warner, president of Warner Bros. Pictures Inc., founded Music Publishers Holding Company (MPHC) to acquire music copyrights as a means of providing inexpensive music for films, and, in 1987, Warner Bros.' corporate parent, Warner Communications, acquired Chappell & Company. Its printed music operation, Warner Bros. Publications, was sold to Alfred Publishing on June 1, 2005.⁶⁰

BMG Rights Management

BMG Rights Management (the "new BMG") is a company established in late 2008 as a joint venture between Bertelsmann and Kohlberg Kravis Roberts. It is important to distinguish BMG Rights Management (the "new BMG") from Bertelsmann Music Group, a 1987-2008 division of Bertelsmann that was purchased by Sony in 2008 (the "old BMG") as different companies.

The formation of the company was first announced in October 2008 shortly after Bertelsmann's sale of its music interests to Sony Music Entertainment. BMG Rights Management opened its first offices in January 2009 in Paris, London, Milan, Madrid, and Amsterdam, with headquarters in Berlin. The company trades under the name BMG Chrysalis in the U.S., in the U.K., and Sweden. In 2010, BMG made its biggest acquisition at the time with the purchase of Cherry Lane Music, which gave them a major presence in the U.S.⁶¹

Company	Catalog Size (Songs)	Publishing Revenue ⁶²	Avg. annual revenue per song ⁶³	Operating Margin ⁶⁴
Universal	3 million ⁶⁵	\$ 876 million	\$ 292	13%
Sony	3 million ⁶⁶	\$ 655 million	\$ 218	14.10%
Warner	1 million ⁶⁷	\$ 524 million	\$ 524	6.60%
BMG	2,5 million ⁶⁸	\$ 317million	\$ 127	26.40%
Kobalt	600,000 ⁶⁹	\$ 229 million	\$ 382	-6.40%

Figure 7: Top Five Publishers by revenue, operating margin and catalog size⁵

3. Future decisions for Kobalt Music Group

Although Kobalt is the biggest player disrupting the publishing and royalty collection sector, it operates in a space with other rights management companies such as Majorly indie, Sentric Music, which also has a partnership with YouTube, and their most notable competitors, RoyaltyShare, which offers web-based royalty processing and reporting solutions for the entertainment industry. Of course, the traditional players of the music industry such as music labels and publishers are also very fierce competitors trying to protect their old business model.

⁵ Source: Company annual reports.

The firm boasts a 98 percent artist retention rate and continues to expand beyond music publishing and royalties' administration, also offering music label services including campaign management and data analytics for artists' online presence.

Kobalt experienced a revenue increase of 15 percent, announcing an annual revenue of \$260 million for the 12-month period up to the end of June 2016. As seen in the financial statements in Appendix 13, Kobalt lost \$19.5 million, and by the end of the accounting period, liabilities exceeded assets by \$1.6 million.

After successfully securing funding and saving the company from bankruptcy, Ahdritz is reflecting on what the next steps should be. As an entrepreneur, he has a passion for growth and launching new projects. Since he founded Kobalt in 2000, many developments took place, and he was proud of all the achievements.

On the other hand, his analytical mind as an ex-consultant told him that he would need to find a way toward profitability in order for the group to be sustainable.

He still wrestles with the question, where to next?

What is Kobalt's main competitive advantage, and how can he sustain it?

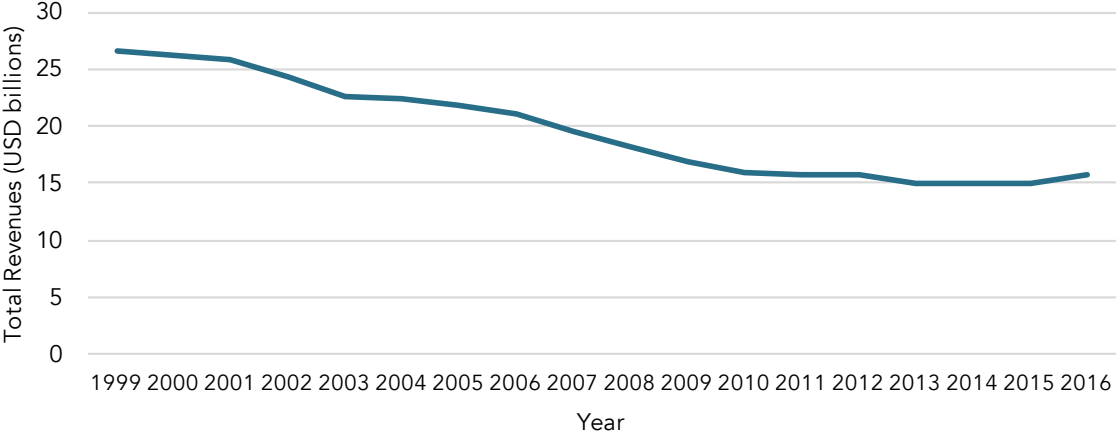
Should Kobalt make changes in its strategy, structure, or business model to become profitable?

Are specific changes in business units, segments, or divisions needed?

How can he convince future investors that it is worth putting their money into Kobalt?

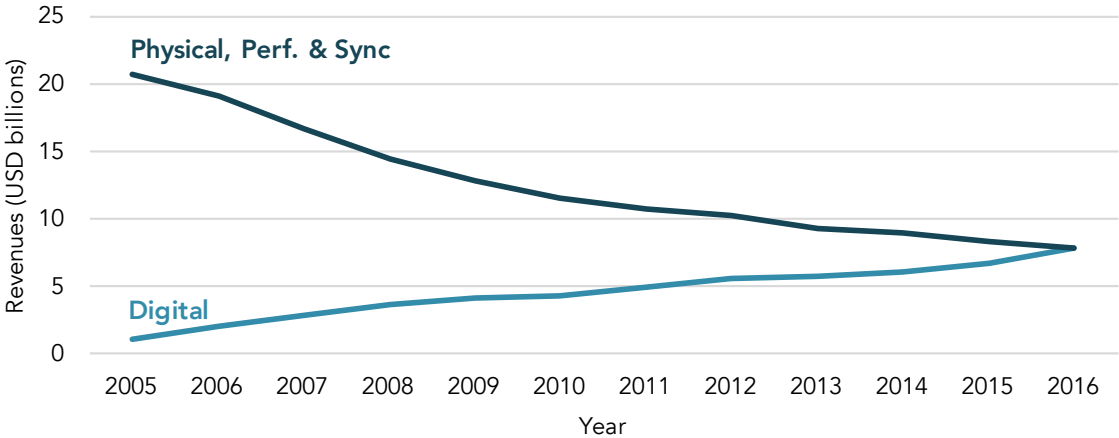
Appendices

Appendix 1. Global recording industry revenues by year



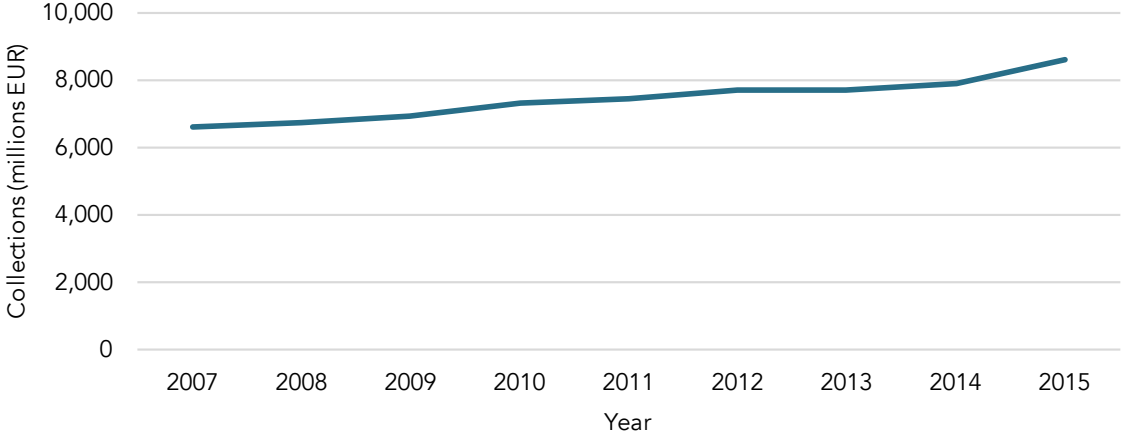
Source: IFPI reports

Appendix 2. Global recording industry revenues by year: Digital vs. Physical



Source: IFPI reports

Appendix 3. Global CISAC collections by year

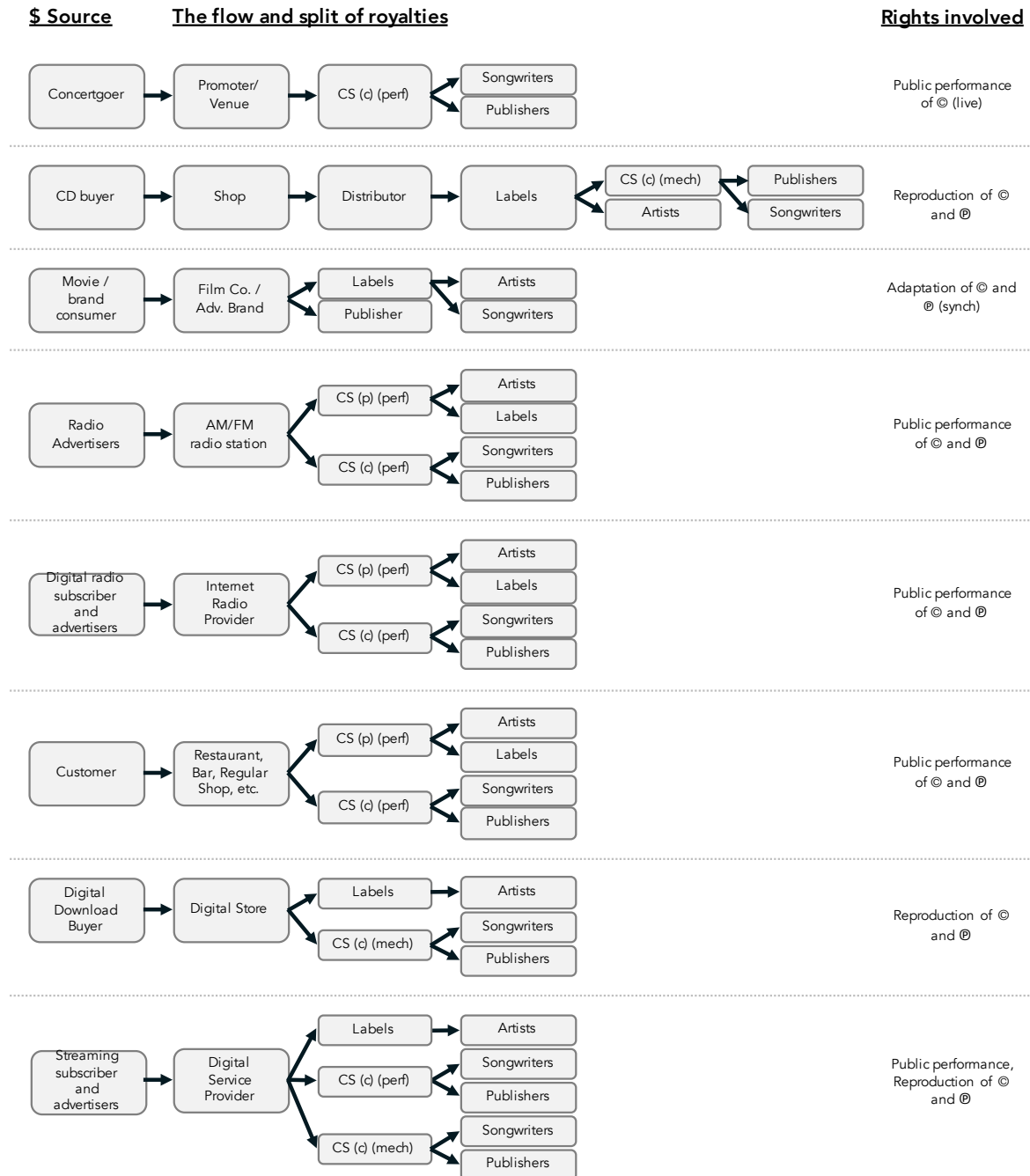


Source: CISAC

Appendix 4. The complex royalties' money flow and metadata

References for the chart below:

- CS = Collection Society,
- (p) = phonographic/sound recording,
- (c) = musical work/composition,
- (perf) = performing rights,
- (mech) = mechanical/reproduction rights.



The following basic metadata is usually used to identify music assets and copyright owners.

<p>Song/Composition</p> <ul style="list-style-type: none"> • Title of the composition • Alternate title • Author/Composer/Lyricist • ISWC (International Standard Musical Work Code). E.g., T-909.644.083-4 • Date published • Publisher • CAE CODE: Composer, Author and Publisher (BMI)
<p>Recording/Track</p> <ul style="list-style-type: none"> • Title of the recording • Artist • Producer • ISRC (International Standard Recording Code). E.g., US-S1Z-99-00001 • Date of release • Album (if applicable) • Featured artists • Genre • Label
<p>Product (e.g. CD)</p> <ul style="list-style-type: none"> • UPC barcode. E.g., 67385 504502 3
<p>Parties (stakeholders)</p> <ul style="list-style-type: none"> • ISNI (<i>International Standard Name Identifier</i>): identifies the creative entity. It was developed under the auspices of the International Organization for Standardization and is governed by the ISNI-IA, a consortium of organizations that includes CISAC. <ul style="list-style-type: none"> ○ Artist ISNI. E.g., 0000 0000 5514 0263 ○ Label ISNI. E.g., 0000 0001 0724 8189 • IPI (<i>Interested Party Information</i>): a unique identifying number assigned by the CISAC database to each <i>Interested Party</i> in collective rights management. It is used worldwide by more than 120 countries and 3 million rights holders.⁵

Source: authors

⁵ "CISAC - IPI." Accessed June 5, 2017. <http://www.cisac.org/What-We-Do/Information-Services/IPI>.

Appendix 5. Kobalt's User Interfaces and App⁶

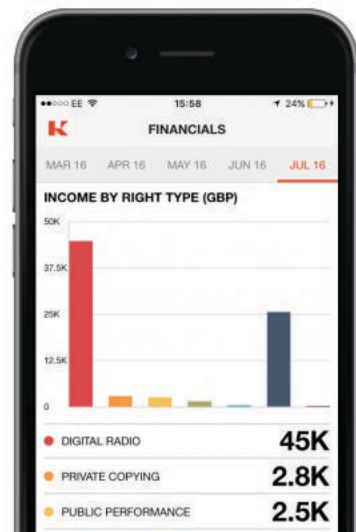
The Kobalt Portal and mobile app

Powerful and transparent reporting. In-depth information and insights to make better decisions with tailored features for labels, publishing, and neighbouring rights:



Real-time Financials

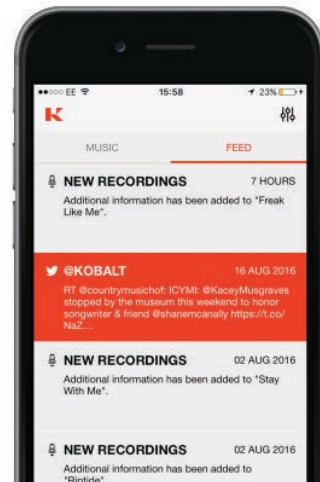
Breakdown of income by top earning works, right type, or country. Compare financial data across previous quarters, and find out when your next statement is due.



⁶ Source: Kobalt Music Group. "About". Accessed February 7, 2017. <http://www.kobaltmusic.com/page-about.php>

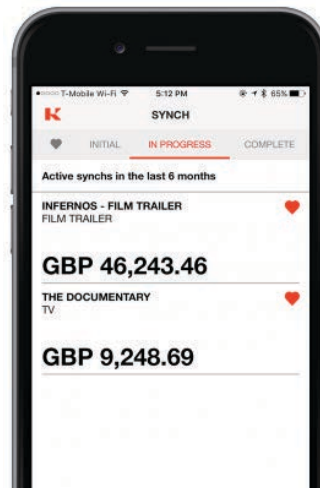
Personalized feed

Up to date on industry news and important account updates from Kobalt, including synch activity, payments, registration, and much more. Filters to get the updates that matter most.



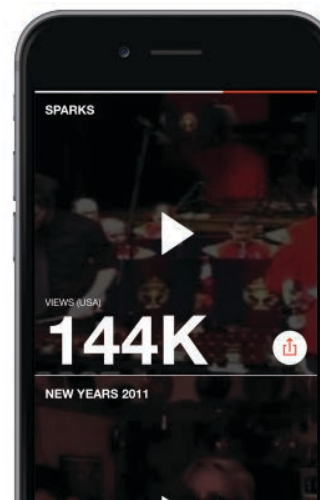
Track synch activity

From pitch to payment, allows to keep track of every synch opportunity around the world. Allows to track the synch projects the client prefers to follow closely to stay up to date on progress.

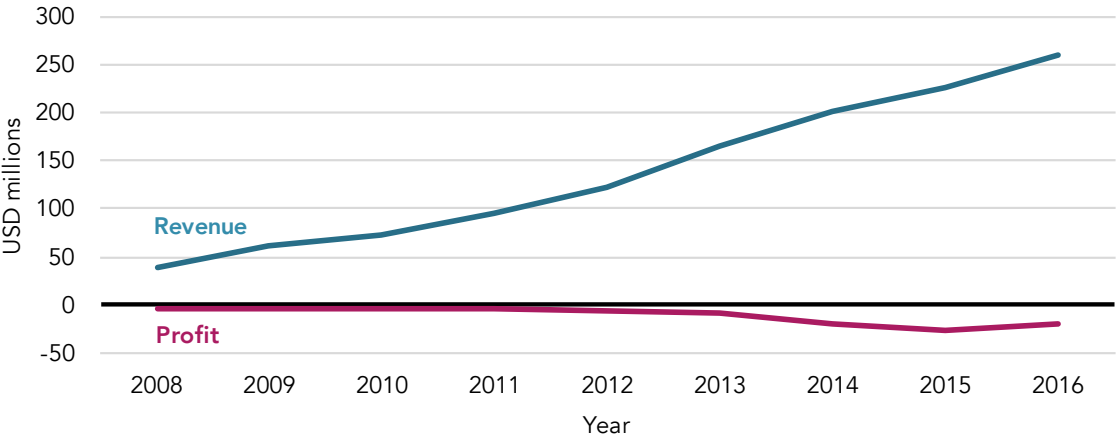


YouTube monetization

Track how the music is being used on YouTube. Whether it's your official video, a cover or a viral sensation, it allows to know exactly how many views we're monetizing.



Appendix 6. Kobalt Music Group revenues and profits by year



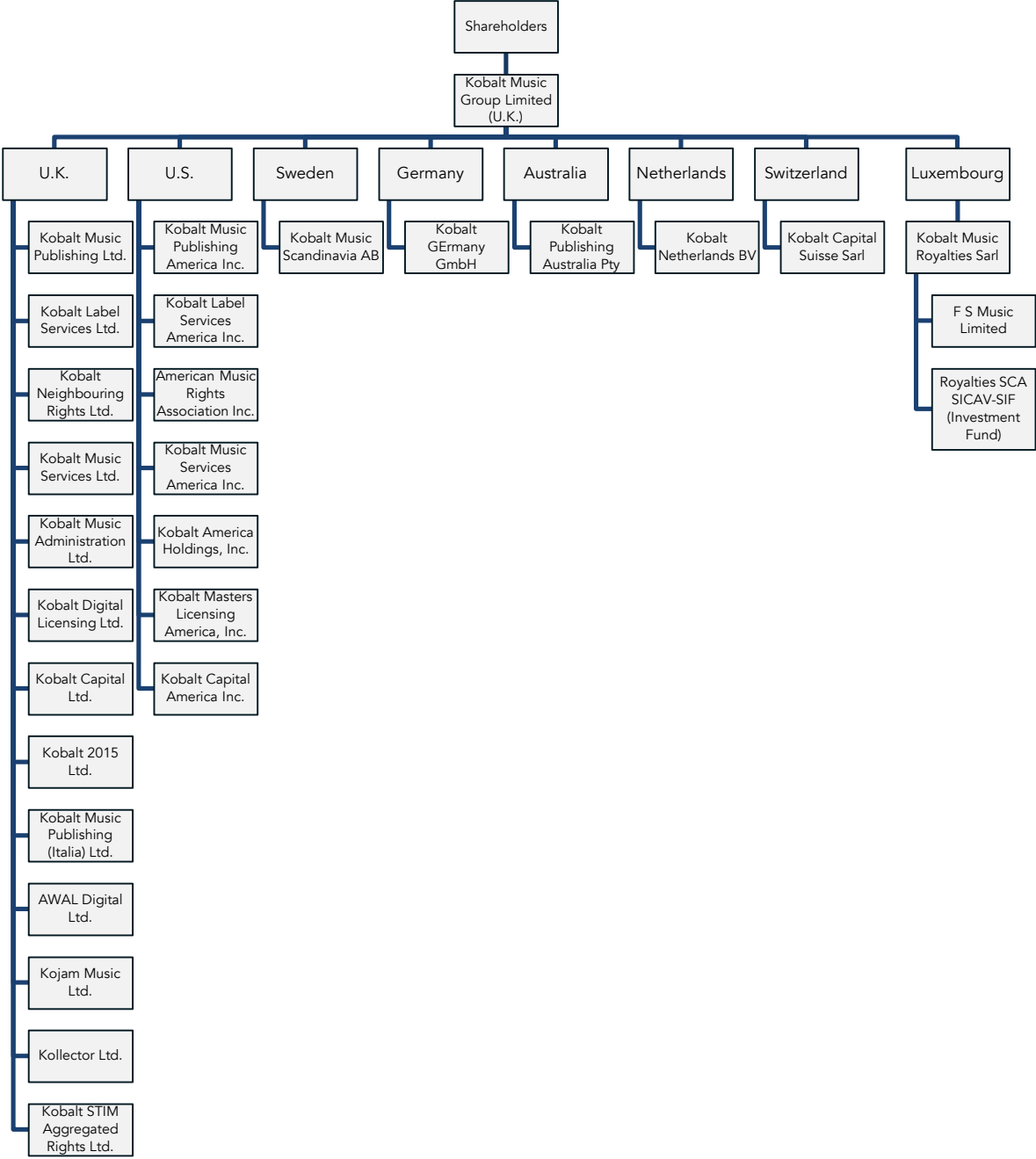
Source: authors

Appendix 7. Investment rounds – Kobalt Music Group

Funding Type	Money Raised	Announced Date	Lead Investors	Other Investors
Series B	\$16 million	Feb 1, 2008	-	Balderton Capital
Series B	\$40 million	Oct 1, 2013	-	Balderton Capital, MSD Capital
Series C	\$60 million	Feb 26, 2015	Google Ventures	Michael Dell
Series D	\$75 million	May, 7 2017	Hearst Entertainment	MSD Capital, Balderton Capital
Series D	\$14 million	Oct 12, 2017	Section 32 (Bill Maris)	-

Source: Crunch Base

Appendix 8. Kobalt Music Group - Corporate group structure



Source: authors

Appendix 9. Staff costs: average monthly number of employees - including executive directors - for the years 2016, 2015 and 2014⁷

	2016	2015	2014
Management	18	17	16
Copyright administration	55	48	38
Other administration	132	96	72
Music recordings	40	38	30
Client services	16	12	10
Synchronisation and creative	54	53	46
Total Staff	315	264	212

Source: Companies of House

⁷ "KOBALT MUSIC GROUP LIMITED - Filing History (free Information from Companies House)." Accessed December 1st, 2017. <https://beta.companieshouse.gov.uk/company/04018752/filing-history>.

Appendix 10. Kobalt Music Group – Revenues by business segment for the years 2016, 2015 and 2014 – USD thousands

Segment Information (in thousand)		Publishing	Label Services	Neighbouring Rights	Society	Other- Corporate
2016	Revenue	\$228,864	\$19,143	\$2,000	\$21,648	-
	EBITDA	6,412	(8,519)	625	(3,298)	(11,156)
	Assets	749,268	80,700	29,464	5,441	131,403
	Liabilities	(795,290)	(130,552)	(32,269)	(15,927)	(22,656)
2015	Revenue	194,180	29,428	1,797	967	-
	EBITDA	7,119	(8,168)	540	(3,465)	(10,295)
	Assets	205,602	27,772	9,484	2,917	-
	Liabilities	(247,491)	(64,288)	(13,780)	(8,979)	-
2014	Revenue	166,723	19,153	9,179	-	-
	EBITDA	3,880	(7,208)	(350)	-	-

Source: Companies of House

Appendix 11. Kobalt Music Group – Revenues by geographic segments for the years 2016, 2015 and 2014 - USD thousands

	2016	2015	2014
United Kingdom	\$33,395	\$31,573	\$33,062
Rest of Europe	\$75,128	\$50,880	\$56,921
North America	\$118,375	\$114,056	\$83,143
Rest of World	\$33,048	\$29,483	\$21,929
Total Revenue	\$259,946	\$225,992	\$195,055

Source: Companies of House

Appendix 12. Investments made by Kobalt Capital Limited

Fund Name	Money Raised (in thousands)	Announced Date	Lead Investors
Music Royalties Fund I	\$350 million	Mar 3, 2011	-
Music Royalties Fund II	\$600 million	Nov 6, 2017	RPMI Railpen

Source: Crunch Base

Appendix 13. Kobalt Music Group consolidated financial statements for the years 2016, 2015 and 2014 - USD thousands

Consolidated Income Statement

	2016	2015	2014
Revenue	\$259,946	\$225,992	\$195,055
Cost of sales	(229,293)	(197,723)	(172,739)
Gross profit	30,653	28,269	22,316
Other operating income	2,376	-	-
Administrative expenses	(38,339)	(50,328)	(38,408)
Other operating expenses	(11,390)	(2,628)	-
Net operating income	(16,700)	(24,687)	(16,092)
Investment revenues	13	-	25
Finance costs	(458)	(384)	(522)
Net income before tax	(17,145)	(25,071)	(16,589)
Tax	(2,367)	(1,928)	(1,922)
Net income	(\$19,512)	(\$26,999)	(\$18,511)

Consolidated Balance Sheet

	2016	2015	2014
<i>Non-current assets</i>			
Goodwill	\$2,500	\$3,878	\$1,668
Other intangible assets	5,300	4,467	3,687
Property, plant and equipment	2,425	2,182	1,997
Investments	4,275	5,020	3,803
Total Non-current assets	14,500	15,547	11,155
<i>Current assets</i>			
Trade and other receivables	127,681	96,899	86,646
Cash and bank balances	35,146	46,251	20,352
Deferred tax assets	945	1,110	1,226
Total current assets	163,772	144,260	108,404
Total assets	178,272	159,807	119,559
<i>Current liabilities</i>			
Trade and other payables	(7,083)	(5,856)	(3,981)
Current tax liabilities	(2,074)	(1,308)	(643)
Borrowings	(17,550)	-	-
Accruals	(144,166)	(115,131)	(94,334)
Deferred revenue	(8,996)	(12,068)	(17,469)
Total current liabilities	(179,869)	(134,363)	(116,427)
Total liabilities	(179,869)	(134,363)	(116,427)
Net current assets /liabilites	(16,097)	9,897	(8,023)
Net assets/liabilities	(1,597)	25,444	3,132
<i>Equity</i>			
Share capital	783	778	631
Share premium account	104,407	103,045	61,927
Retranslation reserves	(9,142)	1,387	(2,249)
Share option reserve	8,348	6,715	2,305
Retained earnings	(105,993)	(86,481)	(59,482)
Total equity	(1,597)	25,444	3,132
Total liabilities + equity	\$178,272	\$159,807	\$119,559

Source: Companies of House

Appendix 14. List of Kobalt’s most famous clients⁸

Publishing

50 Cent, Beck, Carlos Vives, Danger Mouse, Dave Bassett, deadmau5, Dixie Chicks, Doc McKinney, Eg White, Elvis Presley, Enrique Iglesias, Father John Misty, Jake Bugg, John Denver, Kuk Harrell, Lindy Robbins, Lionel Richie, Punch Brothers, Steve Winwood, Lumineers, Todd Terje, VÉRITÉ, Wolf Alice, ZAYN.

Recordings

Courtney Barnett, David Gray, De La Soul, Die Antwoord, Good Charlotte, Julian Casablancas, Karen O, Laura Marling, Lenny Kravitz, Massive Attack, Neil Finn, New Kids On The Block, Nick Cave & The Bad Seeds, Noel Gallagher's High Flying Birds, Pet Shop Boys, Peter Bjorn & John, Placebo, Todd Terje, Tom Misch, VÉRITÉ.

Neighbouring Rights

Akon, Alessia Cara, Aloe Blacc, Alvaro Soler, Ariana Grande, Bjork, Calvin Harris, Carly Rae Jepsen, Charli XCX, Cher Lloyd, Dua Lipa, Duran, Ellie Goulding, Felix Jaehn, Foxes, Gotye, Jake Bugg, James Bay, Jess Glynne, Jessie Ware, John Newman, Katy Perry, Kygo, Lukas Graham, Macklemore & Ryan Lewis, Mumford & Sons, Nico & Vinz, OMI, Passenger, Pitbull, Red Hot Chili Peppers, Sam Smith, Simon & Garfunkel, Taio Cruz, Tame Impala, the Chainsmokers, Thirty Seconds to Mars, Todd Terje, Tove Lo, ZAYN.

⁸ Kobalt Music Group. "All Roster." *Kobalt*, May 28, 2017. <https://www.kobaltmusic.com/roster/all>.

Appendix 15. List of songs administrated by Kobalt (44% of Billboard 200)⁹

Pos	Song	Artist
#2	24K Magic	Bruno Mars
#3	The Weight Of These Wings	Miranda Lambert
#6	Trolls (Original Motion Picture Soundtrack)	Various Artists
#8	Sremmlife 2	Rae Sremmurd
#9	Hamilton (Original Broadway Cast Recording)	Original Soundtrack
#10	Views	Drake
#11	Collage	The Chainsmokers
#12	That's Christmas To Me	Pentatonix
#13	Dangerous Woman	Ariana Grande
#14	Joanne	Lady Gaga
#15	Suicide Squad: The Album	Various Artists
#17	DNCE	DNCE
#19	Christmas	Michael Bublé
#24	Illuminate	Shawn Mendes
#25	Glory Days	Little Mix
#26	25	Adele
#27	Anti	Rihanna
#31	Now That's What I Call Music! 60 (Now 60)	Various Artists
#32	Epic Lit	Various Artists
#33	Ripcord	Keith Urban
#34	Kidz Bop 33	Kidz Bop Kids
#36	The RCA-List, Vol. 2	Various Artists
#38	The Life Of Pablo	Kanye West
#39	Cosmic Hallelujah	Kenny Chesney
#40	A Seat At The Table	Solange
#41	Beauty Behind The Madness	The Weeknd
#44	Here	Alicia Keys
#45	57th & 9th	Sting
#50	Encore	DJ Snake
#51	Nobody But Me	Michael Bublé
#53	Cleopatra	The Lumineers
#54	Trap Or Die 3	Jeezy
#55	Tangled Up	Thomas Rhett
#56	Death Of A Bachelor	Panic! At The Disco
#60	Purpose	Justin Bieber
#61	Lemonade	Beyoncé
#67	Storyteller	Carrie Underwood
#69	Cry Baby	Melanie Martinez
#71	Hard II Love	Usher
#73	Islah	Kevin Gates
#75	They Don't Know	Jason Aldean
#78	Oh My My	OneRepublic
#83	Merry Christmas	Mariah Carey
#86	PARTYNEXTDOOR 3	PARTYNEXTDOOR

Pos	Song	Artist
#87	Day Breaks	Norah Jones
#89	Take Care	Drake
#90	The Getaway	Red Hot Chili Peppers
#93	If You're Reading This, It's Too Late	Drake
#95	If I'm Honest	Blake Shelton
#100	Montevallo	Sam Hunt
#102	I'll Have Another... Christmas Again	Straight No Chaser
#103	Thank You	Meghan Trainor
#104	Doo-Wops & Hooligans	Bruno Mars
#105	21	Adele
#106	Mr. Misunderstood	Eric Church
#109	A Very Kacey Christmas	Kacey Musgraves
#120	Good Kid, M.A.A.D. City	Kendrick Lamar
#122	Nothing Was The Same	Drake
#124	42943	Fifth Harmony
#125	What A Time To Be Alive	Drake & Future
#127	This House Is Not For Sale	Bon Jovi
#129	Unorthodox Jukebox	Bruno Mars
#130	X	Ed Sheeran
#132	Hero	Maren Morris
#136	Sit Still, Look Pretty	Daya
#140	Nine Track Mind	Charlie Puth
#142	Glory	Britney Spears
#147	Late Nights: The Album	Jeremih
#156	In The Lonely Hour	Sam Smith
#157	1989	Taylor Swift
#158	Chaos And The Calm	James Bay
#159	Kidz Bop 32	Kidz Bop Kids
#160	Meat and Candy	Old Dominion
#163	Handwritten	Shawn Mendes
#164	Beyoncé	Beyoncé
#168	I Like It When You Sleep, For You Are So Beautiful Yet So Unaware Of It	The 1975
#171	Trilogy	The Weeknd
#173	Legend: The Best Of Bob Marley & The Wailers	Bob Marley & The Wailers
#179	Back From The Edge	James Arthur
#180	Black	Dierks Bentley
#181	Under The Mistletoe	Justin Bieber
#183	Reloaded: 20 #1 Hits	Blake Shelton
#184	Revival	Selena Gomez
#189	Pentatonix	Pentatonix
#191	Now That's What I Call Country #1's	Various Artists
#194	California	Blink 182
#195	Damn Country Music	Tim McGraw
#199	Greatest Hits: Decade #1	Carrie Underwood

⁹ Kobalt. "Billboard Top 200." Text/html. Kobalt, May 28, 2017. <https://www.kobaltmusic.com/charts>.

Appendix 16. List of Kobalt’s U.S. Patents

1	<u>D773,492</u>	<u>Display screen with a graphical user interface</u> ⁷⁰
2	<u>D773,491</u>	<u>Display screen with a graphical user interface</u> ⁷¹
3	<u>D773,490</u>	<u>Display screen with a graphical user interface</u> ⁷²
4	<u>9,336,360</u>	<u>Analysis and display of a précis of global licensing activities</u> ⁷³

The first three patents protect the design of the user interfaces of their platform, while the last one protects also the technology behind the functioning of the Kobalt portal. In the following section this last patent is presented. A description of the fourth patent is presented below:

Analysis and display of a précis of global licensing activities (US 9336360 B1)

ABSTRACT

The system and method provide an efficient and effective way to provision views of up-to-date ongoing activities associated with the works of a client (e.g., global registration of rights relating to licensing of multimedia material) by territory and content. The system provides the client a way to configure a selection précis of up to date activities and extract from a full complement of data (e.g., royalty administration and rights management life cycle metrics) received from global partners responsible for collecting work rights information. The system reformats the data received from partners into a unified format, applies compression rules to obtain an optimized summary of the data, and filters the summarized data according to the predetermined client customized preferences.

Endnotes

- ¹ Gray, Kevin. "Kobalt Changed the Rules of the Music Industry Using Data -- and Saved It." WIRED UK. Accessed April 11, 2017. <http://www.wired.co.uk/article/kobalt-how-data-saved-music>.
- ² Hearst Communications Inc., is an American mass media and business information conglomerate. It publishes newspapers and magazines, operates television stations, radio stations, cable networks; provides information, insights, analytics, and workflow solutions to finance, healthcare, and transportation markets, ratings agencies and real estate businesses. Source: Bloomberg. "Hearst Communications Inc.". Accessed April 11, 2017. <https://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=165238>.
- ³ Post-money valuation is the value of a company after an investment has been made. This value is equal to the sum of the pre-money valuation and the amount of new equity.
- ⁴ Dredge, Stuart. "Kobalt Raises New \$75m Funding Round Led by Hearst Entertainment." Accessed May 28, 2017. <http://musically.com/2017/05/08/kobalt-75m-funding-hearst-entertainment/>.
- ⁵ "Kobalt Music Group Wins Independent Music Publisher of the Year Award," April 19, 2010. <http://www.businesswire.com/news/home/20100419005901/en/Kobalt-Music-Group-Wins-Independent-Music-Publisher>.
- ⁶ "Music Week Awards 2016 - All the Winners." Accessed April 11, 2017. <http://www.musicweek.com/live/read/music-week-awards-2016-all-the-winners/064676>.
- ⁷ "KOBALT MUSIC GROUP LIMITED - Filing History (free Information from Companies House)." Accessed May 28, 2017. <https://beta.companieshouse.gov.uk/company/04018752/filing-history>.
- ⁸ "KOBALT MUSIC GROUP LIMITED - Filing History (free Information from Companies House)." Accessed May 28, 2017. <https://beta.companieshouse.gov.uk/company/04018752/filing-history>.
- ⁹ Ingham, Tim. "The Global Music Copyright Business Is Worth More than You Think - and Grew by Nearly \$1bn Last Year." Music Business Worldwide, December 13, 2016. <https://www.musicbusinessworldwide.com/the-global-music-copyright-business-is-worth-more-grew-nearly-1bn-last-year/>.
- ¹⁰ PricewaterhouseCoopers. "Music." PwC. Accessed May 28, 2017. <https://www.pwc.com/gx/en/industries/entertainment-media/outlook/segment-insights/music.html>.
- ¹¹ Christman, Ed. "Global Music Merch Biz Grew to \$3.1 Billion in 2016: Study." Accessed June 5, 2017. <http://www.billboard.com/articles/business/7801357/global-music-merch-biz-grew-to-31-billion-in-2016-study>.
- ¹² Peoples, Glenn. "This \$25 Billion Global Music Industry Isn't Everything." Billboard. Accessed May 28, 2017. <http://www.billboard.com/articles/business/6805318/25-billion-global-music-industry-not-everything>.
- ¹³ Some categorizations would also consider musical instruments sales (\$18 billion globally according to Reportlinker. "Global Musical Instruments Market 2016-2020.") and music education as part of the music industry.
- ¹⁴ Laws vary depending on the country but the general principles tend to be similar.
- ¹⁵ For instance, in the U.S. digital downloads are only associated with mechanicals, but in Europe public performance may apply as well.
- ¹⁶ Other rights include adaptation and rental, which will not be discussed in the case.
- ¹⁷ Adapted from: Cooke, Chris. "Report | Dissecting The Digital Dollar | CMU Insights." Accessed June 5, 2017. <http://cmuinsights.com/digitaldollar/>.
- ¹⁸ Tschmuck, Peter. Creativity and Innovation in the Music Industry. Springer Science & Business Media, 2012.
- ¹⁹ Please note that prior to 2015, collections by U.S. Harry Fox Agency were not included.
- ²⁰ Adjusted to avoid double accounting.
- ²¹ Ingham, Tim. "The Global Music Copyright Business Is Worth More than You Think - and Grew by Nearly \$1bn Last Year," December 13, 2016. <https://www.musicbusinessworldwide.com/the-global-music-copyright-business-is-worth-more-grew-nearly-1bn-last-year/>.
- ²² Source: own elaboration based on MIDiA Research. "Reports." Accessed June 11, 2017. <https://www.midiaresearch.com/reports/>.
- ²³ Source: MIDiA Research. "Reports." Accessed June 11, 2017. <https://www.midiaresearch.com/reports/>.
- ²⁴ "CISAC - Global Royalties for Creators Reach Record High of €8.6 Billion." Accessed June 3, 2017. <http://www.cisac.org/Newsroom/News-Releases/Global-royalties-for-creators-reach-record-high-of-8.6-billion>.
- ²⁵ In 1997, PRS and MCPS joined in an alliance, but could still be considered different organizations in terms of functions.
- ²⁶ Source: own elaboration.
- ²⁷ A&M Records, Inc. v. Napster, 239 F.3d 1004 (9th Cir. 2001)
- ²⁸ "Rethink Music Report on Transparency." Accessed June 4, 2017. <http://www.rethink-music.com/news/rethink-music-report-on-transparency>.
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