

EMI half sold as Sony closes \$2.2B publishing deal

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LOS ANGELES (AP) -- A group led by Sony Corp. said Friday it has purchased Britain's EMI Music Publishing for \$2.2 billion from Citigroup, creating the world's largest music copyrights company with a catalog that includes hits from Motown, The Beatles, Jay-Z and Norah Jones.

Now all that remains of the storied British label group is its recorded music division, which Vivendi's Universal Music Group has offered to buy for \$1.9 billion. That deal is being looked at by European and U.S. regulators. If they approve some time later this year, the world's major music companies will be reduced from four to three.

Recorded music companies have argued that they need to combine resources to survive in an industry crippled by piracy, as the legitimate digital distribution of music is still in its infancy around the globe.

But publishing has remained a steady business over the years, despite the onslaught of the Internet and the ongoing decline of compact disc sales, because of its diverse revenue sources. And by acquiring EMI, Sony/ATV, a 50-50 joint venture between Sony and the Michael Jackson estate, will control just over 2 million copyrighted songs. The new entity is estimated to capture nearly a third of publishing revenue in the world.

Size wouldn't necessarily give the company the ability to use its dominance to boost licensing revenue, Sony/ATV argued, because licensing rates are closely controlled by laws in various countries.

Friday's clearance by the U.S. Federal Trade Commission means that regulators agreed the new entity would not have the market power to raise rates on its own or coordinate such a move with others, which could have affected the price of songs. The FTC's conclusion of its investigation without objections was the final hurdle before the deal's closing was announced later in the day.

"We've gone over the rainbow and hit the pot of gold," said Sony/ATV CEO Marty Bandier, adapting a lyric from "The Wizard of Oz" song "Over the Rainbow," which is part of the EMI catalog. Bandier ran EMI's publishing division for 17 years.

Last year, publishing companies generated about \$3.9 billion in revenue, relatively unchanged over the last several years, according to Simon Dyson, editor of Music & Copyright, an industry newsletter.

Publishing's revenues have held up better than the recording side because there are more streams of revenue that aren't tied to declining sales of compact discs.

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Published on Electronic Component News (<http://www.ecnmag.com>)

Publishers and songwriters share a cut of about 8 to 9 cents for every 99-cent download purchased from online retailers like Apple Inc.'s iTunes. But they also make money from radio airplay, free online streaming and the placement of songs in movies, TV shows and commercials.

Sony/ATV's 11.7 percent share and EMI's 19.3 percent share means the combined entity will now control about 31 percent of the global market for music copyrights, leapfrogging past the 22.2 percent share of Universal Music Publishing Group, Dyson said. The next largest is Warner Music Group Corp.'s Warner Chappell with 14.1 percent. All independent music publishers combined have a 32.6 percent share.

Dyson said Sony/ATV will have increased leverage in setting licensing rates for new digital music startups if it chooses to bypass royalty collection societies like The American Society of Composers, Authors and Publishers in the U.S. But he acknowledged that would require a major shift in how most business is conducted.

"If you're a big publisher with a 10 percent lead, you're going to have a big say in what licensing rates are," Dyson said.

Fostering fair competition in the digital landscape was one of the concerns of regulators, according to Sony/ATV's Bandier. The company argued that even if there were still four major music publishers, new digital entrants like streaming music services Spotify or Songza would need to go to all of them to start up any business that has a chance to survive. It would need EMI's songs by Kanye West and Rihanna as much as it would need Sony/ATV's Beatles, Lady Gaga and Taylor Swift, Bandier said.

"It didn't make a difference if you'd put them together or separate, you'd still have to make a deal if you were a digital service that was just starting," Bandier said in an interview. "We had to convince all of the regulators that that was the case. We're happy we're past that. We never felt it would be an issue."

The transaction was cleared by EU regulators in April. That came after Sony/ATV offered the concession that it would sell the publishing rights to several catalogs as well as the works of 12 artists including Ozzy Osbourne, Robbie Williams, and Ben Harper.

Besides Sony, the buyers of EMI Music Publishing include the Michael Jackson estate and several investment funds including United Arab Emirates government-backed fund Mubadala Development Co.

Citigroup seized EMI from private equity firm Terra Firma in February 2011 after Terra Firma defaulted on \$5.5 billion in debt stemming from its 2007 purchase of the music company.

Source URL (retrieved on 09/02/2014 - 1:37am):

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