

# Forbes

## 10 Reasons Why Musicians Should Consider Selling Publishing & Masters

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In my last article for Forbes, I discussed why today's acquisition market for music, movie and television content (intellectual property or IP) has never been hotter. Demand for content is at its peak in our new tech and streaming-driven multi-platform world of media and entertainment. Deep pocketed, well-resourced buyers abound. It's a seller's market.

Here, I discuss the flip side - music acquisitions from the artist's perspective - and lay out ten reasons why artists (songwriters, recording artists) should consider selling some or all of their music publishing, masters and/or royalty streams. And, why artists and their representatives (gatekeepers who frequently don't even pass these opportunities on to their artists because they don't understand them) should resist the knee jerk reaction to dismiss them outright.

**(1) Artists and musicians hold the power in this seller's market and can retain control over their songs and recordings if they decide to sell. Control, plus significant benefits.**

Musicians frequently fought hard to retain or take back control and ownership of their songs and recordings, which are deeply personal to them. But a sale of publishing and/or master rights does not mean loss of control. Artists hold the power to define specific parameters of how their songs and recordings can (and cannot) be used.

And, it's not an "all or nothing" proposition when considering selling publishing and/or master rights. In fact, there is no pressure to sell 100%. Many buyers are happy to buy a portion of publishing and master IP (in fact, most major buyers are happy to simply be in business with the artist). Buyers are flexible and listen to the songwriter's and artist's goals and what they want. So, while some artists are happy to sell 100% of their IP to maximize their immediate upfront payment and enjoy their money today (rather than wait to collect it over the years), others are more comfortable selling 50% or less of their

publishing and/or master IP (or streaming royalties). That partial sale enables them to retain a continuing financial stake in their songs and recordings.

In those cases where an artist sells only a portion of their IP, musicians can take a significant chunk of money off the table right now (with major tax benefits described below). Yet they can still hold on to a significant percentage of their IP and "let it ride" with the percentage that they retain. This scenario enables artists to participate in the upside growth that inevitably results from "active" management of their songs and recordings by sophisticated buyers who become real "partners" to maximize value in everything the artist does. Respected buyers carry deep expertise and sophisticated teams of specialists who actively promote the artist's valuable songs and recordings. These are resources that most artists and songwriters simply can't match on their own. Active, significant attention generates real results. Period.

**(2) It's a great time to be an owner of valuable music publishing, master rights and streaming royalties.**

Well-funded buyers actively and aggressively compete for music publishing, master recordings and streaming royalties right now. So-called financial multiples on these rights and royalty streams (essentially a multiplier placed on current royalty streams) have never been higher. That means that artists can get a big cash payment right now - in one immediate lump sum - rather than wait for royalty checks arriving over many years that may never add up to the lump sum they can enjoy right now.

Multiples today typically range from 10X-15X on the publishing side (and go significantly higher for the biggest names). So, for example, if an artist's annual royalties for the past 3 years average \$500,000, a 12X multiple means that they can expect to receive an offer of at least \$6 million (depending on the mix of publishing versus master royalties). If those royal-

ties average \$2 million annually, a 15X multiple means that the artist can expect an offer of at least \$30 million and potentially more. Remember, multiples can go even higher. Significantly higher.

**(3) These acquisition deals can generate major tax benefits over ongoing royalty payments.**

Buyout compensation (in the above case, the \$6-\$30 million number) may be treated as long-term capital gains in the U.S., whereas the feds treat continuing royalty checks as ordinary income. So, that gives artists even more money to enjoy right now. This is a significant, yet frequently not appreciated, factor to consider.

**(4) Buyers understand that musicians frequently "don't need the money." But getting paid top dollar right now is only one reason to sell. Perhaps even more important to many artists, "active" buyers' deep expertise and resources grow new opportunities for songs, recordings and the artist's overall "brand" and legacy.**

These are resources that artists, bands and songwriters - no matter how "big" - can't match. Resources that expand a song's reach and artist's audience (including to new generations of fans). Some buyers (those who take an "active" approach) have built significant teams of brand experts, marketing experts, digital experts - in addition to traditional synch and licensing experts - who proactively manage catalogs and create important and innovative new opportunities to maximize the artist's "brand" and extend their legacy.

**(5) Not all buyers are massive nameless, faceless entities. Active buyers listen to the artist's goals and give real attention and focus to the artist, songs, recordings and overall "brand."**

Sophisticated active buyers think of artists as partners in every sense of the word (and want the artist to feel the same way about them). They develop real strate-

gies together with artists, and frequently share their vision and those strategies early in the deal process. They seek active input. They are receptive to the artist's wishes. They crave active artist participation. That's why many of the top artists and legends of all time have entered into these kinds of deals.

**(6) Songwriters can customize publishing deals any way they want, selling some or all of their publisher's share, writer's share, or one but not the other. And, recording artists need not sell any master rights, period.**

Again, artists and musicians hold the power in these deals. Songwriters shouldn't feel the need to sell their writer's share on publishing deals (unless they want to, of course). If they desire to continue to receive their "mailbox" money, buyers will accommodate. And, on masters deals, musicians need not sell any rights/IP at all. Some buyers are happy to simply buy some or all ongoing streaming royalties flowing from specific recordings (even potentially one recording). That opportunity gives even music's biggest names immediate liquidity to finance their goals as artists. Again, tremendous flexibility exists in terms of how to structure these deals.

**(7) The artist's songs, recordings and legacy become even more lucrative and valuable over time as a result of an active buyer's active management and development of new strategic opportunities.**

Even when musicians choose to sell their full ownership interest to maximize their immediate payout, a buyer's active management of their songs and recordings yields substantial continuing benefits for the artist. First, new opportunities serve as tremendous new marketing for all of the musician's continuing pursuits and overall brand (touring and merchandise, being two examples). That means more opportunities for artists to maximize their ongoing income. Second, a buyer's active management extends the artist's legacy and introduces artists (and their songs) to new audiences.

Just think of all the new technology and new forms of consumer engagement for music out there (about which I recently wrote in Forbes). Immersive entertainment (virtual reality, augmented

reality, games, esports) are just some examples. And, think of new audiences in emerging markets in our increasingly global music world. Those are new highly lucrative opportunities to introduce young audiences - who enjoy and engage with music very differently than they did just a few years ago - to the artist's songs and recordings. For those songs and recordings to drive entirely new experiences. To drive entirely new fan engagement. To drive entirely new fans.

**(8) For many artists, bands and songwriters, without active management, their "brand" slowly diminishes over time and their songs and recordings lose out on the critical opportunity to be exposed to (and enjoyed by) new generations of fans.**

Gen Y and Z'ers face an onslaught of new media choices and new artists vying for their attention in this new tech and streaming-driven world of entertainment. Not only does this reality risk diminishing and marginalizing a song's impact and artist's legacy over time, it also risks significantly slowing down relevant IP royalty streams. The artist's "mailbox money" becomes less significant.

It's important for artists and their representatives to fully appreciate these risks before they reject acquisition opportunities out of hand. Managers frequently block those opportunities from even reaching their artists in the first place, because they simply don't understand them.

**(9) For iconic and legacy artists, active management by a dedicated and passionate team of experts is especially critical.**

Active "care and feeding" of artist IP by a team of dedicated, innovative experts increases and extends the overall value and impact of those songs, recordings and the artist's overall "brand" (and all opportunities and revenues that flow from that).

And, the buyout portion of any deal - at current high multiples with the additional tax benefits - would require many years (perhaps decades) of royalty checks to match the sum iconic and legacy artists can enjoy today. In many cases, artists will never make up that number. So, it makes sense to enjoy that monetary value today, rather than wait for an un-

known tomorrow.

**(10) These deals give songwriters and recording artists control over their songs, recordings and legacies, including control to decide who will care for and nurture those songs, recordings and their legacies in the future.**

Many artists see tremendous benefit in making their own personal decisions about their songs, recordings and legacies today. The alternative is to have others (including family members) attempt to define and carry out the artist's wishes when the artist is no longer able to do so. We have seen stories of epic and ugly family battles over the past few years when, instead, the focus should always be on artists and their songs (and their place in music's great pantheon).

### The Bottom Line

That's a lengthy list of positives.

That's why there is no downside for songwriters and recording artists (and their representatives) to seriously consider an acquisition deal of some kind at this unique moment in time. Why not listen to buyers and receive a formal offer? After all, the songwriter and recording artist - the content/IP owner - holds the power to say "yes" or "no."

### One More Thing: Reversion Rights

And, don't forget about music reversion rights under U.S. copyright law. So long as songwriters and artists give sufficient notice, ownership of post-1978 music publishing rights - and potentially even master recordings (there is some debate here) - revert back artists after 35 years (assuming the songwriter or recording artist didn't originally own them outright). That means that, in most cases, songwriters should own all of their publishing rights - and recording artists potentially their master recordings - for all works created prior to 1985 (no matter what those deals looked like back then).

**[Peter Csathy is Chairman of CREATV Media and represents both buyers and sellers in music and IP-related acquisitions. He has facilitated transactions for a diverse list of music legends, including classic rock's BOSTON, Grammy-winning duo AIR SUPPLY, and jazz great COUNT BASIE.]**