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## ‘This is Where the Action is’: Hot Publishing Market Should Keep Pace Through 2023

By Glenn Peoples

October 1, 2020

The market for music publishing rights is likely to maintain its breakneck pace for another three years after the Federal Reserve’s decision to leave interest rates unchanged through 2023. To counter the “considerable risks” of low employment and weak economic activity, the Fed will maintain the federal funds rate near 0% to keep the inflation rate at 2%, it announced Sept. 16.

The Fed’s decisions to change or maintain interest rates impact the acquisition market for music publishing assets. Currently, low interest rates mean “investors, the buyers in this market, are even more desperate and hungrier for places they can put their money to generate income,” says [Gary Young](#), a partner at Royalty Exchange, an online auction for songwriters’ rights. “The desperate search for yield seems to be kicking into high gear.”

“Publishing’s competition is the bond market when it’s a financing play,” explains lawyer [Michael Sukin](#). Put another way, bond prices and interest rates move in opposite directions: when the Fed raises the interest rates on its Treasury bonds, their prices rise and their yields fall.

Borrowing and spending becomes more expensive so inflation, the Fed’s focal point, slows or reverses course. As a result, publishing companies more easily finance acquisitions with the expectation their returns exceed their debt payments. Today’s 10-year Treasury bill yield is low by historic measures, currently 0.69%, far below 2.06% five years ago and 2.53% a decade ago. “If interest rates went back up to 4%, life would change,” says Sukin.

A handful of companies have benefitted from recent investor enthusiasm for publishing rights. Most notably, Hipgnosis Songs raised a total of £423 million (\$547 million) in two funding rounds in July and September, bringing its tally since its 2019 IPO on the London Stock Exchange to £1.05 billion (\$1.36 billion). Pitched as “a pure-play exposure to songs and associated musical intellectual property,” Hipgnosis made 19 deals — publishing, writer’s share or both — over the summer for catalogs of the [Pretenders’ Chrissie Hynde](#), [Wu-Tang Clan’s RZA](#) and [Barry Manilow](#), among others.

Concord Music Publishing raised \$600 million to pay off existing debt and spent over \$100 million of a \$450 million debt facility **on the writers' share** of **Imagine Dragons'** back catalog.

This week, Primary Wave Music Publishing announced the acquisitions of a majority stake in the catalog of prolific songwriter **Allee Willis** ("Boogie Wonderland" by **Earth, Wind and Fire**, "What Have I Done to Deserve This?" by the **Pet Shop Boys**) and a stake in the publishing catalog and master artist royalties of **Tommy Shaw** (**Styx**, **Damn Yankees**). Downtown Music Holdings bought the publishing contracts of Good Soldier Songs (**The 1975**, **The Wombats**) and South Africa's Sheer Music Publishing.

The battered U.S. economy shows signs of improvement: household spending is 75% of pre-COVID levels; half of the 22 million payroll jobs have been won back; and the housing market has "rebounded," Fed chair- man **Jerome Powell** told the House Committee on Financial Services on Sept. 22. If the economy shows signs of rising prices, the Fed will raise interest rates to keep inflation at 2%.

But right now, interest rates favor music publishing. "This is where the action is," says **Miles Cooley**, a lawyer at DLA Piper who has represented both buyers and sellers. If the Fed holds course, the party will continue at least through 2023.