

# Music Royalties Inc. – Non-Correlated Monthly Passive Income

\$0.50 per Share with a \$0.036/Share Dividend for a 7.2% Yield



## Company Overview

- Founded in 2018 Music Royalties Inc. ("MRI" or the "Company") is a privately owned Canadian-based investment firm that acquires passive, predominantly music royalties (some book, film and TV) from rightsholders (artists, producers, songwriters, etc.) in partnership with rightsholders (vs. investment funds), and thus provides direct exposure to music royalty revenue from streaming (Spotify, Apple Music, YouTube)
- MRI owns a diverse portfolio of 31 music royalties, protected by long-term copyrights (life of author + 70 years or "LOA") and benefitting from some perpetual contracts
- Utilizes data analytics to drive purchase decisions and actively manages its portfolio of interests in over 7,000 songs
- MRI has a network of partners across North America, Europe, and the United Kingdom who deliver a steady pipeline of potential rights acquisitions
- Key corporate objectives include purchasing royalties at fair market value (yielding an average 10%), paying shareholders a monthly dividend, and continuing to grow and diversify its music royalty portfolio with a proprietary pipeline of investment opportunities. MRI plans to apply for a listing on a Canadian and US stock exchange in the future
- MRI transacts directly with rightsholders by offering them a combination of both shares and cash thereby diversifying their own income streams, allowing them to continue to earn income and provide them with upside from a portfolio of rights

## Transaction Overview

- Currently seeking \$15M in private funding to acquire additional royalties to grow MRI's portfolio of royalty assets
- MRI is able to deploy capital immediately via their access to existing royalty partners and proprietary professionals network which allows them to identify and execute on investment opportunities

## Term Sheet

<b>Issuer:</b>	<b>Music Royalties Inc.</b>
<b>Offering:</b>	Private placement of up to approximately C\$20,000,000 of common shares (the " <b>Common Shares</b> ") from treasury
<b>Offering Price:</b>	C\$0.50 per Common Share (the " <b>Issue Price</b> ")
<b>Dividends Per Share:</b>	Current cash dividend per share is \$0.003 per month (\$0.036 per annum) for a <b>7.2% yield after-tax</b> . Dividends are distributed monthly to all shareholders
<b>Offering Basis:</b>	The Common Shares will be offered on a best efforts private placement basis subject to a formal agency agreement with conventional termination provisions and the receipt of all necessary regulatory approvals and the other conditions listed herein
<b>Valuation:</b>	The current pre-money capitalization of the Company is approximately C\$50M and the capitalization after this proposed Offering will be approximately \$70M (post agents fees)
<b>Hold Period:</b>	The Company is a private company and there is currently no market through which its securities may be sold and holders may not be able to resell securities purchased under this Offering. The Common Shares may be subject to an indefinite hold period pursuant to applicable securities laws
<b>Use of Proceeds:</b>	The net proceeds from the sale of the Common Shares will be used to acquire predominantly music royalties and some book, film, and TV royalties
<b>Closing Date:</b>	Monthly closings, or such other date as the Company may agree to

## Contact Information

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## Investment Highlights



**Leading Canadian Music Royalties Investor**

- The Company acquires passive (predominantly) music royalties and some book, film and television
- Direct exposure to stable music revenues through a diversified portfolio of rights due to subscription “utility” model
- MRI currently owns 31 catalogs of royalties that generate annual cash flow and are protected by long-term copyrights for predictable reliable, recurring revenue



**Experienced Management Team & Advisory Board**

- Chairman and CEO Tim Gallagher has extensive experience managing royalty cash flow assets
- Advisory team with decades of music industry experience (Beyoncé & Solange Knowles, The Rolling Stones, Beach Boys, King Harvest)
- Proven track record of negotiating well structured royalty deals with artists, producers, managers and rights holders



**Industry Tailwinds Supporting Resilient Growth**

- Accelerated growth in paid global music streaming services; top platforms (i.e. Apple Music, Spotify, Tencent Music, YouTube) are increasingly becoming part of a consumer’s monthly utility bill
- Incremental upside from live performances, films, TV shows and online social media platforms (i.e. Facebook, Instagram, Peloton, TikTok).
- Positive regulatory developments (i.e. Music Modernization Act and the Copyright Royalty Board royalty increase) driving and protecting monetization rates



**Institutions are Taking Part in the Music Industry**

- Significant private equity fundraising focused on IP rights being led by KKR, Brookfield Asset Management, Ontario Teachers, Providence Equity Partners, Blackstone, Apollo
- Warner Music Group, Hipgnosis Song Fund and Universal Music have all gone public at significant valuations
- PE fund raising and asset purchases focused on IP rights have accelerated dramatically over the last 5-10 years



**Steady Dividend Growth**

- In July 2023, MRI increased its monthly dividend by 20% to \$0.003 per share, previous increases have been +25% (July 2022), +33% (July 2021), +20% (June 2020), +50% (July 2020)
- MRI has paid out over \$14M to shareholders in 73 dividend payments (paid monthly)
- Constantly evaluating potential accretive acquisitions through its network of partners to continue to increase its dividend
- Current management structure provides the company with operating leverage to generate dividend growth



**Music Royalties are Uncorrelated to Other Asset Classes**

- Source of recurring revenue with little to no variable costs required to generate additional revenue
- Good source of yield, steady dividend growth with defensive characteristics
- Music is consumed as a low-cost distraction among family and friends which provides a true hedge against inflation
- Low correlation to other asset classes providing good source of diversification and portfolio risk management

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## MRI's Leadership Team



**Tim Gallagher**  
Chairman & CEO  
METALLA  
ROYALTY & ENTERTAINMENT LTD.  
ROYALTIES INC. UBS



**Chris Sisam**  
Director  
CORUS.



**Ted Ellis**  
Director  
CORUS. CMA  
CCMA  
CANADIAN COUNTRY MUSIC ASSOCIATION



**Connor Gallagher**  
Director  
METALLA  
ROYALTY & ENTERTAINMENT LTD.  
ROYALTIES INC.



**Andrew Robertson**  
Director  
RBC  
canada life

## MRI's Advisory Team



**Mathew Knowles**  
30 Yrs. Experience in music,  
TV, film, artist management  
(Beyoncé & Solange Knowles)



**Andrew Loog Oldham**  
First Manager and Producer  
of The Rolling Stones



**Iain Taylor**  
President & CEO of  
Cadence Music Group



**Dan Hill**  
Grammy Awarded  
Singer-Songwriter



**Gary Procknow**  
Because Entertainment  
TLF Royalty Enhancement

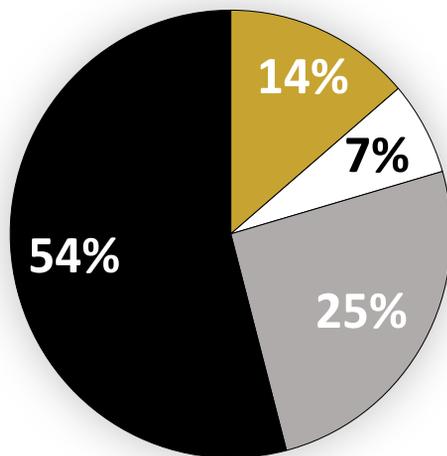


**Ron Altbach**  
Dancing in the  
Moonlight, King Harvest  
Beach Boys

## MRI Shareholders

- Tim Gallagher (CEO) owns 9.5M shares, representing ~ 9.4 %of the total shares outstanding
- MRI currently has 100M common shares outstanding consisting of over 330+ accredited shareholders
- Other top shareholders include six family offices each owning over 2m shares

### Top Shareholders



■ Management & Directors □ Advisory Team ■ Top Family Offices ■ Individuals

### Ownership Summary

#### Founders & Management

Tim Gallagher	9.4%
Andrew Robertson	2.4%
Chris Sisam	1.1%
Connor Gallagher	0.9%
<b>Total Founders &amp; Management</b>	<b>14.0%</b>

#### Top Family Offices ("FO")

FO #1	8.4%
FO #2	7.9%
FO #3	4.0%
FO #4	2.1%
Other Family Offices	3.4%
<b>Total Top Family Offices</b>	<b>25.9%</b>

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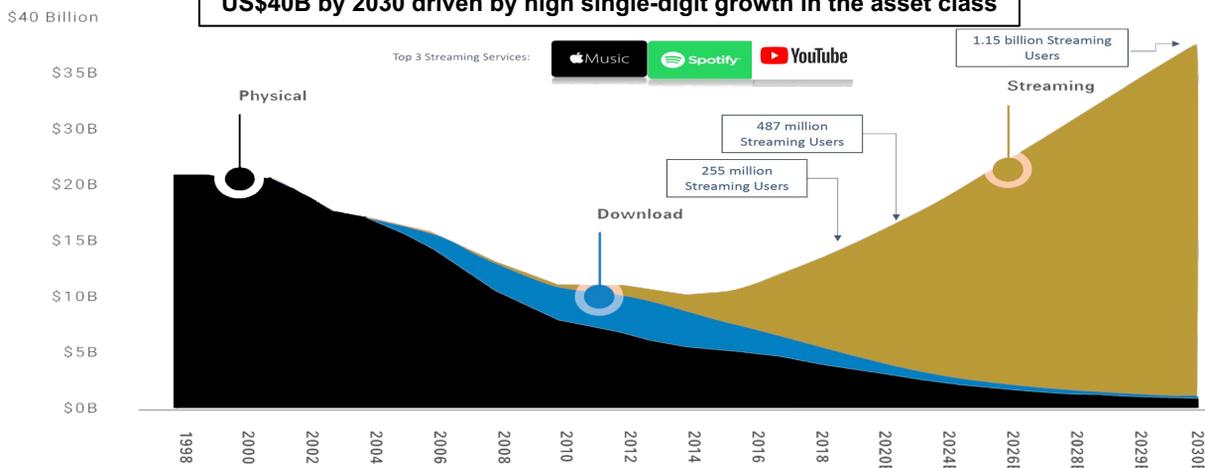
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## Macroeconomic Themes In the Music Royalty Sector

- Revival and globalization of “iconic” and “classic” music catalogues with increased global accessibility
- Smartphone adoption and affordable music subscription plans have led to significant international growth in legal and recurrent music consumption (i.e. India, Africa, South America)
- Rising collaboration between various artists, stemming from digitization of creative and recording process
- Aging demographic of iconic North American music artists looking to monetize their catalogues

**Recorded Music industry revenues of US\$20B expected to double to US\$40B by 2030 driven by high single-digit growth in the asset class**



## Economics Of The Music Streaming Service

**Example: Hit Song X Streaming on Spotify**

**Annual Income - \$1M**

- 200M Streams Annually \* \$0.005 per stream
- 0.067% Market Share of Total Streams
- Total \$1M Royalties for All Rights Holders

	<b>Recording Co./Artist</b>	<b>\$333K</b>	<b>33%</b>
	<b>Publisher/Songwriter</b>	<b>\$333K</b>	<b>33%</b>
	<b>Distributors</b> (Spotify, YouTube, Apple Music)	<b>\$333K</b>	<b>33%</b>

*Music rights provides long term<sup>1</sup> cash flows since contracts are signed for the life of the author plus 70 years*

## Notable Transactions in the Industry

Date	Headline
October 2022	Brookfield Asset Management announced a US\$2B deal with Primary Wave Music to fund a permanent capital vehicle focused on acquiring music rights from top acts
September 2022	Concord purchased a package of Genesis, Phil Collins, and some Mike + the Mechanics music assets for over US\$300M
September 2021	While no additional cash was raised, Vivendi's (VIV) spin off of Universal Music group (UMG) to the public markets in 2021 valued at US\$38B
July 2020	Shamrock Capital closed its second content IP Fund (US\$400M)
June 2020	Warner Music Group's (WMG) IPO in 2020 raised just under US\$2B at a US\$13B valuation
December 2019	Providence Equity Partners announced US\$650M of equity and debt capacity for Tempo Music Investments, its music IP acquisition platform

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## Selected Assets In MRI's Portfolio

<b>Purchase Price</b>	RS	US\$172,500	US\$193,000	US\$145,000	US\$51,000	US\$62,000
<b>Purchase Multiple<sup>1</sup></b>	Confidential	7.1x	3.2x	4.5x	12x	9.1x
<b>Annual Royalties<sup>2</sup></b>	High Profile Acquisition	~US\$24,446	~US\$58,921	~US\$32,222	~US\$4,135	~US\$6,546
<b>Annual Yield<sup>2</sup></b>		14%	31%	22%	8%	11%

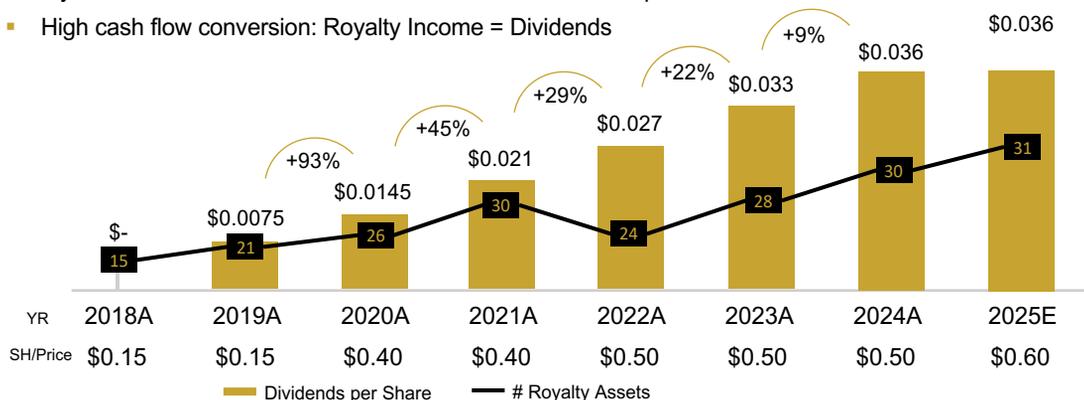
<b>Purchase Price</b>	US\$190,500	US\$76,000	US\$235,640	US\$260,000	US\$156,375	US\$181,750
<b>Purchase Multiple<sup>1</sup></b>	3x	9.1x	7.6x	16.5x	6.2x	9.1x
<b>Annual Royalties<sup>2</sup></b>	~US\$62,142	~US\$8,489	~US\$51,979	~US\$16,557	~US\$25,473	~US\$19,113
<b>Current Annual Yield<sup>2</sup></b>	33%	11%	13%	6%	16%	11%

<b>Purchase Price</b>	US\$370,000	US\$300,000	US\$201,400	Not Public	MWEC	Not Public
<b>Purchase Multiple<sup>1</sup></b>	12x	5.5x	11x			
<b>Annual Royalties<sup>2</sup></b>	~US\$30,291	~US\$53,772	~US\$18,222			
<b>Current Annual Yield<sup>2</sup></b>	8%	18%	9%			

## Key Financial Highlights

- Music royalties have stable, 'utility-like' cash flow characteristics – diverse and uncorrelated to other asset classes generated from thousands of top songs and millions of digital streams. Provides a good hedge against inflation given that music is consumed as low-cost entertainment among family and friends
- MRI's key objective is to increase its monthly dividend through strong portfolio performance and continued acquisitions of attractive music royalties
  - 5 year track record of annual dividend increases since inception
  - High cash flow conversion: Royalty Income = Dividends



1. Purchase Multiple is based on LTM acquired cash flow  
 2. Annual Royalties and Annual Yield are based on 2023 cash flow