



Merck Mercuriadis
Founder and CEO

At a glance

| | 131 DEC 2020 | 130 SEP 2020 | CHANGE |
|----------------|--------------|--------------|--------|
| Catalogues | 129 | 117 | +12 |
| Songs | 60,836 | 57,836 | +3,000 |
| Grammys | 145 | 119 | +26 |
| Number 1 Songs | 3,164 | 2,845 | +319 |
| Top 10 Songs | 11,746 | 10,618 | +1,128 |

† Unaudited

Investment objective

The Company's objective is to provide Shareholders with an attractive and growing level of income, together with the potential for capital growth, from investment in Songs and associated musical intellectual property rights, in accordance with its investment policy.

Launch date: 11 Jul 2018

Total shares in issue: 1,011,456,797

Market capitalisation (MC): £1.214bn

Adjusted Operative NAV per share as at 20 Jan 2021: 118.31p*

Borrowing limit: up to 30% of NAV*

Gearing as at 30 Sep 2020: 20%*

Ongoing charges: 1.35% pa*

Target annualised dividend: 5.25p

Advisory fee:

1.0% of MC up to £250m
0.9% of MC £250m-£500m
0.8% of MC >£500m

Performance fee:

10% of share price excess total return >10%, subject to high water mark and overall cap

AIC sector: Royalties (Music)

Domicile: Guernsey

Website: www.hipgnosissongs.com

*For definitions, see page 3

Management commentary

With our songs dominating the top spots of the US and UK singles charts in December, Hipgnosis had an exceptional end to what has been a transformational year.

The 2020 industry data that has come through in the last three weeks continues to corroborate our thesis that song revenues are an uncorrelated asset class and that, thanks to streaming, music is almost always being paid for. Nielsen/MRC Data announced that global recorded-music on-demand streaming finished 2020 up 22.6% on 2019. This growth was led by territories including Japan, Australia, Belgium, Switzerland, Turkey, Spain, Brazil and Germany. In the US, streaming grew by 17%, while total audio consumption was up 11.6%. In the UK, the music trade body BPI showed a 20.2% increase in streaming with overall recorded music consumption up 8.2%. Music streaming revenues are now bigger than the entire music market was worth as recently as 2016.

I'm delighted that 2021 is off to a flying start with some of the most important acquisitions ever to be made including Neil Young, Shakira, Jimmy Iovine, Joel Little, Lindsey Buckingham/Fleetwood Mac and Bob Rock. These acquisitions have been aided by our newly amended Revolving Credit Facility which has increased in size from \$400m to \$600m, and simultaneously decreased our Cost of Debt.

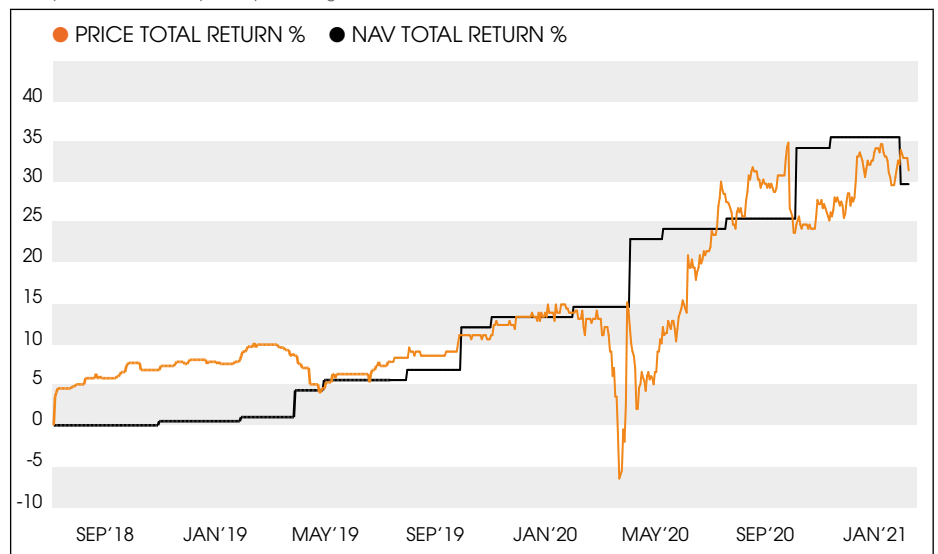
With a catalogue now around 60,000 songs we have added best in class executives such as Ted Cockle (President), Amy Thomson (Chief Catalogue Officer), Nick Jarjour (Global Head Of Song Management) and Kenny MacPherson (CEO, HSG, US), to ensure we are focused on using our song management to grow both the income and legacies of these incredible songs.

Further to this, we are in active discussions on a significant pipeline of the highest quality catalogues and on 21 January announced an Initial Placing, Offer for Subscription and Intermediaries Offer of new Ordinary Shares at a price of 121p.

Streaming now has over 450 million paid global subscribers and is well on its way to the projected 2 billion by 2030. With over 100 million homes in the US now having a paid music subscription (according to MRC), music has moved from a discretionary/luxury purchase to being a utility. This, combined with the reducing cost of capital in the entertainment industry (evidenced by damodaran.com showing cost of capital/discount rates fell from 7.8% to 4.82% in 2020), has all served to bring our thesis to life.

Share price and NAV total return since launch

11 July 2018 to 28 January 2021, percentage return with dividends added back

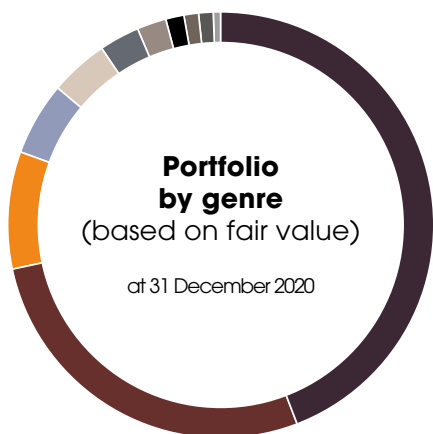


| Company information | Registered office | Founder | Board of Directors |
|------------------------------------------------------------|----------------------------------------------------------------------------------------------|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Listing London Stock Exchange Premium Segment | PO Box 286 Floor 2 Trafalgar Court Les Banques St Peter Port Guernsey GY1 4LY | Merck Mercuriadis CEO | Andrew Sutch Chair Paul Burger Senior Independent Director Andrew Wilkinson Chair of Audit Committee Simon Holden Sylvia Coleman |
| Index: FTSE 250 | | | |
| Registered No. 65158 | | | |

Song Management update

We continue to focus on delivering significant value-adds through Song Management. Below are some recent highlights:

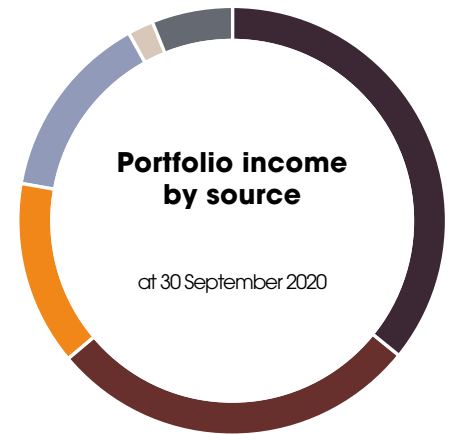
- Mariah Carey’s *All I Want For Christmas Is You* made it to the Number 1 slot in the UK Official Charts as well as the US Billboard Hot 100, for the first time in its 26-year history. It also became the global Number 1 streaming song throughout the festive period setting new consumption records on an almost daily basis.
- Journey’s *Don’t Stop Believin’* covered/parodied by LadBaby was the highly coveted UK Christmas Number 1 song. This song had never been in the top spot since its release in 1981. This resulted in Hipgnosis having interests in both the Number 1 and 2 UK Christmas 2020 singles.
- Michael Bublé’s *Christmas*, through our Bob Rock catalogue, was the Number 1 album globally on streaming services and also made Number 1 on the Official UK Album Chart and Number 4 on the Billboard Top 200.
- Nelly performed several songs from our catalogue on *Dick Clark’s New Year’s Rockin’ Eve*, the biggest US New Year’s Eve Countdown show on television. *Hot In Herre* is also the themed soundtrack to a major new television advertisement for Lay’s Potato Chips ie crisps in the US.
- Nile Rodgers & CHIC performed *Good Times* and *Everybody Dance* on BBC 1 television on New Year’s Eve.
- We had key songs that were approved for use in the recent US Presidential inauguration on 20 January including Nile Rodgers’ / Bernard Edwards’ *We Are Family*.
- We had several songs that we have placed for use in key ads that will be aired during the Superbowl on 7 February. These include Sacha Skarbek’s *Wrecking Ball* performed by Miley Cyrus which will be featured in a new McDonalds advert. Additionally, the trailer for *Coming 2 America*, starring Eddie Murphy featuring Mark Ronson’s *Feel Right* will be aired.
- *The Crown* – the most talked about streaming TV series leading up to the holidays featured four of our songs including Blondie’s *Call Me*, Diana Ross’s *Upside Down*, Eurythmics’ *Love Is A Stranger* and 10cc’s *I’m Not In Love*.
- *Bridgerton* – the most talked about streaming TV series following the holidays – featured 2 of our songs performed by the Vitamin String Quartet: *Girls Like You* – originally performed by Maroon 5 and co-written by Starrah and *In My Blood* – originally performed by Shawn Mendes and co-written by Teddy Geiger and Scott Harris.
- Barry Manilow’s *Can’t Smile Without You* as well as Blondie’s *Call Me* appear in an American sitcom TV series *Call me Kat*, which premiered on Fox in January 2021.
- The Blondie single *Heart Of Glass*, which was a Number 1 single on both sides of the Atlantic, has been secured as the soundtrack to the new Nissan ‘Rogue’ advert, their compact crossover SUV.
- The new Lindsey Buckingham catalogue is already producing synch wins for Hipgnosis, with the use of Fleetwood Mac’s *Go Your Own Way* in a commercial for the pharmaceutical product Anoro in a 7 figure deal (GSK).
- Looking at the list of the 50 most streamed artists of 2020 as tabulated by Hits magazine, more than half of them have key songs co-owned by Hipgnosis.
- *Prisoner*, by Miley Cyrus and Dua Lipa, as co-written by Stefan Johnson, entered the UK charts at Number 8 before Christmas. The song is currently at Number 13 having been streamed 130 million times globally. Justin Bieber’s *Anyone*, also co-written by Stefan Johnson, released on 1 January 2021 has already been streamed over 50 million times and was a top 5 single all over the world, and growing.
- Erica Banks’s *Buss It* which samples Nelly’s *Hot in Herre* is a breakout hit on TikTok and is Number 2 on the Spotify Viral chart. The chart which is heavily driven by TikTok also features Blondie’s *Heart of Glass* and Nelly Furtado’s *Promiscuous* from our Timbaland catalogue.
- Cedric Gervais x Franklin featuring Nile Rodgers’ s cover of *Everybody Dance* is showing explosive growth on streaming and on the radio and looks set to be a hit all over again 44 years later.
- We have had 4 songs in the UK Top 10 in the last month including 2 at Number 1.



| GENRE | 31 DEC 2020 |
|------------|-------------|
| Pop | 44.4% |
| Rock | 27.6% |
| R&B | 8.8% |
| Dance | 5.5% |
| Hip-Hop | 4.4% |
| LATM | 3.1% |
| Country | 2.3% |
| Disco | 1.4% |
| Christian | 1.2% |
| Soul | 1.1% |
| Latin Rock | 0.3% |



| AGE | 31 DEC 2020 |
|------------|-------------|
| 0-3 years | 6% |
| 3-10 years | 47% |
| 10+ years | 47% |



| SOURCE | 30 SEP 2020 |
|-----------------|-------------|
| Streaming | 36% |
| Performance | 28% |
| Mechanical | 14% |
| Synchronisation | 14% |
| Digital | 2% |
| Other | 6% |



Key financial data

| | SIX MONTH PERIOD TO 30 SEP 2020 | 12 MONTH PERIOD TO 31 MAR 2020 |
|-------------------------------------------|---------------------------------|--------------------------------|
| Net Operating Income | £44.8m | £65.6m |
| Net Profit exc Amortisation | £32.6m | £51.6m |
| EBITDA | £34.2m | £52.0m |
| EPS exc Amortisation* | 4.77p | 10.75p |
| Operative NAV | £1265.1m | £718.9m |
| Operative NAV/share (Ords) | 125.35p | 116.73p |
| Adjusted Operative NAV/share: 20 Jan 2021 | | 118.31p |

*Based on weighted average number of shares
Source: Hipgnosis Songs Fund Limited Interim Report 2020 and Annual Report 2020

Dividend history (per Ordinary Share)

| VALUE | ANNOUNCEMENT DATE | EX-DIV DATE | PAYMENT DATE |
|---------|-------------------|-------------|--------------|
| 1.3125p | 21 Jan 2021 | 28 Jan 2021 | 18 Feb 2021 |
| 1.3125p | 28 Oct 2020 | 5 Nov 2020 | 30 Nov 2020 |
| 1.25p | 3 Jul 2020 | 16 Jul 2020 | 31 Jul 2020 |
| 1.25p | 29 Apr 2020 | 7 May 2020 | 27 May 2020 |
| 1.25p | 23 Jan 2020 | 30 Jan 2020 | 21 Feb 2020 |

Key dates

| | |
|------------------------|----------------|
| Full year end | 31 March |
| Half year end | 30 September |
| Annual General Meeting | September 2021 |

Share identifiers

| HIPGNOSIS SONGS FUND LIMITED | TICKER | ISIN | SEDOL |
|------------------------------|--------|--------------|---------|
| Ordinary Share (GBP) | SONG.L | GG00BFYT9H72 | BFYT9H7 |
| Ordinary Share (USD) | SOND.L | GG00BFYT9H72 | BLH8YF6 |
| | SONG.L | | SOND.L |
| Share price (28 Jan 2021) | | 120.0p | \$1.64 |

About Hipgnosis Songs Fund Limited

Hipgnosis, which was founded by Merck Mercuriadis, is a Guernsey registered investment company established to offer investors a pure-play exposure to songs and associated musical intellectual property rights. The Company has raised a total of over £1.05bn (gross equity capital) through its Initial Public Offering on 11 July 2018, and subsequent issues in April 2019, August 2019, October 2019, July 2020 and September 2020. In September 2019, Hipgnosis transferred its entire issued share capital to the Premium listing segment of the Official List of the FCA and to the London Stock Exchange’s Premium segment of the Main Market, and in March 2020 became a constituent of the FTSE 250 Index.

Definitions

The Ongoing charges ratio is calculated as Adjusted Operating Costs less Non Recurring Administrative Expenses and Tax divided by the Average Operative NAV. This excludes loan interest and refers to the six months ending 30 September 2020..

For Gearing and the Borrowing limit, Net Asset Value is calculated as the value of the gross assets of the Company less its liabilities (including accrued but unpaid fees) as determined by the Directors in accordance with the accounting policies adopted by the Directors from time to time, adjusted to reflect the fair value of intangible assets held at the relevant reporting date.

The target dividend is not a profit forecast. There can be no guarantee that this target will be met and it should not be taken as an indication of the Company’s expected or actual future results. Potential investors should decide for themselves whether or not this target is reasonable or achievable in deciding whether to invest in the Company.

Adjusted Operative NAV as at 20 Jan 21 is calculated as the Operative NAV as at 30 Sept 20 plus net income less dividends less FX movements for the period 1 Oct 20 to 20 Jan 21.

For further definitions and information, please refer to the Company’s most recent annual report and accounts, available at www.hipgnosissongs.com

Recent Catalogue acquisitions

Here are some of the most recent Catalogue acquisitions that the Company has made.

| Catalogue | Acquisition date | Interest Ownership | Total Songs |
|--------------------|------------------|--------------------|-------------|
| Neil Young | 31 Dec 2020 | 50% | 1,180 |
| Shakira | 31 Dec 2020 | 100% | 145 |
| Brian Kennedy | 31 Dec 2020 | 100% | 139 |
| Lindsey Buckingham | 24 Dec 2020 | 100% | 161 |
| Joel Little | 24 Dec 2020 | 100% | 178 |
| Jimmy Iovine | 24 Dec 2020 | 100% | 259 |
| Nelly | 15 Dec 2020 | 100% | 240 |
| Caroline Ailin | 10 Dec 2020 | 100% | 2 |
| Bob Rock | 4 Dec 2020 | 100% | 43 |
| Eric Stewart | 2 Dec 2020 | 100% | 255 |
| Tricky Stewart | 27 Nov 2020 | 100% | 95 |
| Sacha Skarbek | 20 Nov 2020 | 100% | 303 |

In total, the acquisition cost for the whole portfolio has been approx \$1.75bn, which represents a blended acquisition multiple of 15.63x historical annual net publisher share income (incl the right-to-income).

Hipgnosis playlists

Here are our Top 5 most important Songs from every Catalogue:

[Spotify](#)

[Apple Music](#)



About The Family (Music) Limited

The Company’s Investment Adviser is The Family (Music) Limited, which was founded by Merck Mercuriadis, former manager of globally successful recording artists, such as Elton John, Guns N’ Roses, Morrissey, Iron Maiden and Beyoncé, and hit songwriters such as Diane Warren, Justin Tranter and The-Dream, and former CEO of The Sanctuary Group plc. The Investment Adviser has assembled an Advisory Board of highly successful music industry experts which include award winning members of the artist, songwriter, publishing, legal, financial, recorded music and music management communities, all with in-depth knowledge of music publishing. Members of The Family (Music) Limited Advisory Board include Nile Rodgers, The-Dream, Giorgio Tuinfort, Starrah, Nick Jarjour, David A. Stewart, Bill Leibowitz, Ian Montone, Rodney Jerkins, Björn Lindvall and Chris Helm.



Key contacts

Investment Adviser

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Disclaimer

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You are recommended to seek financial advice or otherwise satisfy yourself of the suitability for you of an investment in the Company. Past performance cannot be relied on as a guide to future performance and, accordingly, there can be no assurance that the value of an investment in the Company will increase. The value of an investment and the income from it may go down as well as up and you may not be able to realise the full amount of your original investment on sale. Changes in exchange rates between currencies may also cause the value of the Company's shares to increase or diminish. In addition, the Company's Ordinary shares are geared by its flexible loan facility, which increases the Company's investment exposure but can magnify losses where the

market moves adversely.

Details of charges and their effect on returns are contained in the most recently published Annual Report and in the Company's PRIIPS Key Information Document (KID), both of which may be downloaded from www.hipgnosissongs.com. Current tax levels and reliefs will depend on your individual circumstances. All defined terms used in this fact sheet are explained in the Company's most recent published Annual Report.

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