



Hipgnosis Songs Fund

Final results for year ending 31 March 2022

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Alternative Performance Measures ("APMs")

Throughout this presentation, reference is made to adjusted measures which the Company considers to be alternative performance measures ("APMs"). APMs are used by the Company to analyse the business and financial performance, track the Company's progress and help develop long-term strategic plans and they also reflect more closely the cash flow of the Company. The Company believes that these APMs are used by investors, analysts and other interested parties as supplemental measures of performance and liquidity.



Chris Helm

Chief Financial Officer

Financial Highlights



- **Operative NAV increase 9.9% to \$1.8491**
 - Equivalent to 154.76p at last night's exchange rate
- **Total Operative \$ NAV return for the year 14.2%**
- **Gross revenue increased 24.7%**
- **5.25p per share dividend fully covered from leveraged free cash flow**
- **Strong recovery in pro forma revenues during second half of 2021**
- **EBITDA increased by 21.8% to \$129.9 million**

REVENUE RECOVERY DRIVEN BY STRONG STREAMING GROWTH

Net Asset Value



	2021-22	2020-21	Change %
Operative NAV	\$2,240m	\$1,807m	24.0
Operative NAV per share	\$1.8491	\$1.6829	9.9
GBP Operative NAV per share	140.79p*	122.50p	14.9

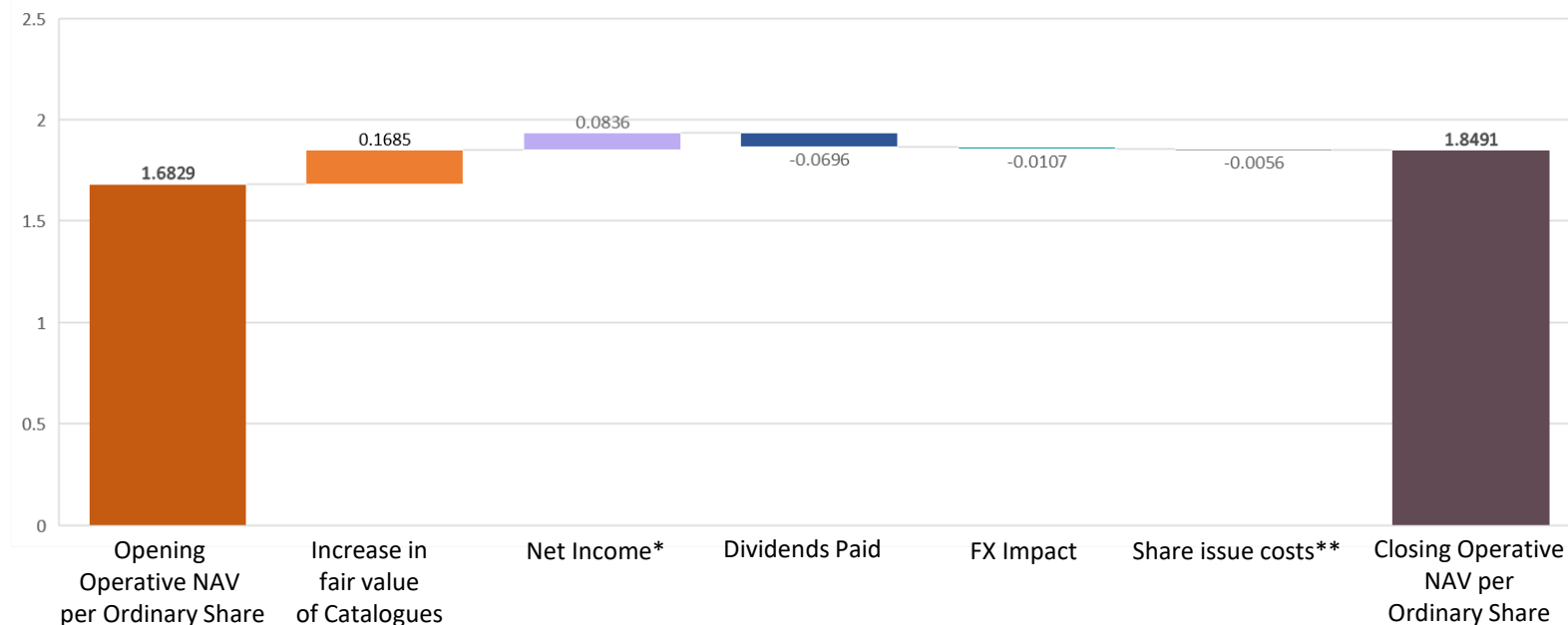
* based on GBP:USD of 1.1948 as at 13th July 2022, Operative NAV per share is 154.76p

OPERATIVE NAV BOOSTED BY STRONG STREAMING GROWTH

Net Asset Value Bridge



Operative NAV Bridge (\$)
from 1 April 2021 to 31 March 2022

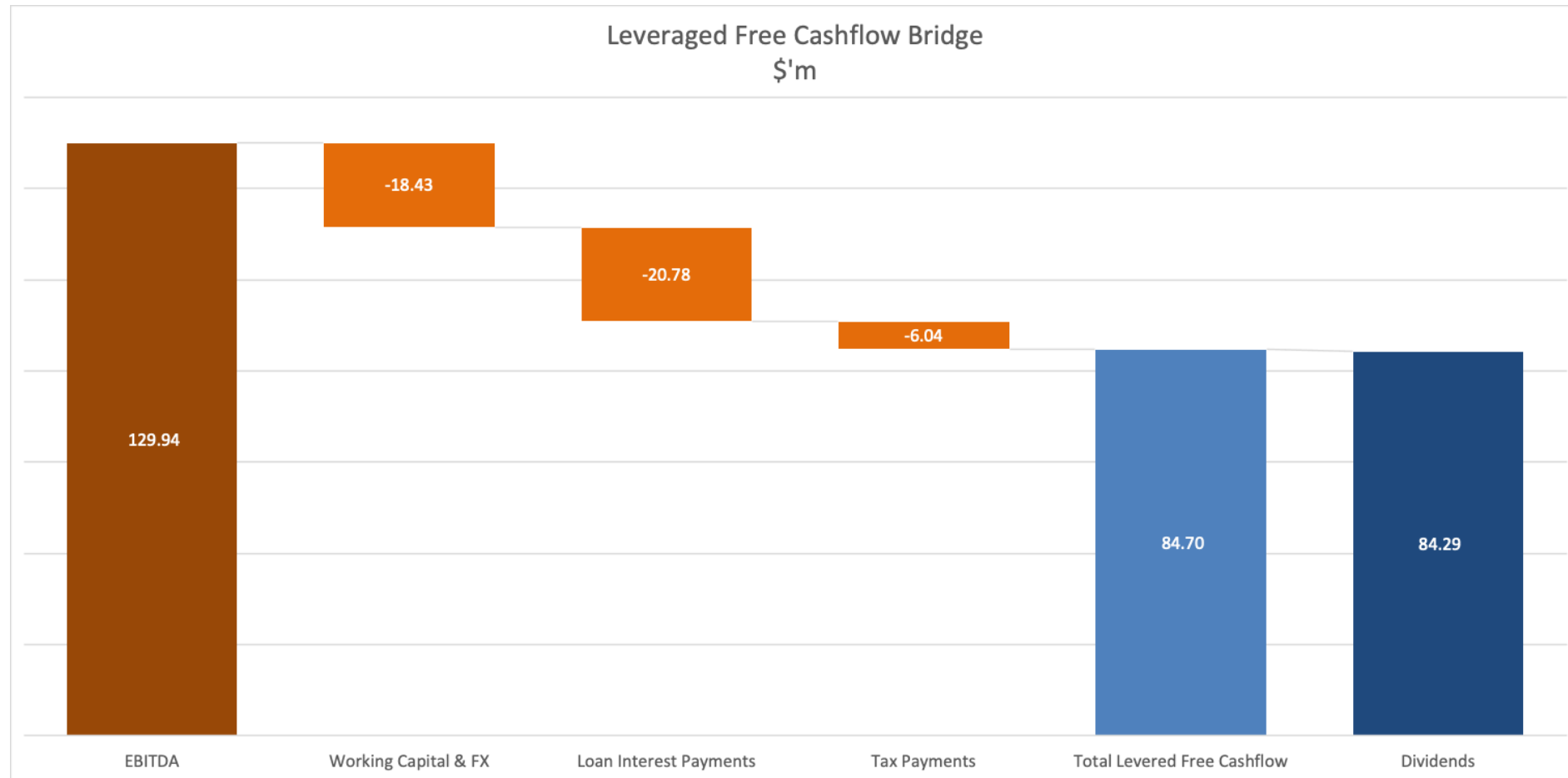


* Net income reflects net revenue less operating expenses (excluding foreign exchange loss and amortisation of catalogues) less tax expense.

** Share issue costs reflect the costs of share issuances during the period, which were fully borne out of the gross proceeds of the respective issue and were fully recouped through the issue price premium to the latest published Operative NAV per Ordinary Share at that time.

- **9.5% uplift in FV as determined by Portfolio Independent Valuer**
- **Streaming growth in excess of Valuer's expectations increased baseline earnings in DCF models**
- **Increase in expected revenues from alternative platforms**
- **Dividends paid fully covered by LFCF**
- **Discount rate maintained at 8.5%**

Leveraged Free Cash Flow Bridge



Dividends



	2021-22	2020-21	Change %
Total dividend per share	5.25p	5.125p	2.4
Total NAV return since inception	59.1%	40.66%	n/a
12-month Total NAV Return	14.19%	11.44%	24.0

- **Continue to target total of 5.25p**
- **Dividend payment dates adjusted to better aligned with revenue receipts**
- **Interim quarterly dividends paid end-October, January, April and July each year, with the dividends declared in prior month**

DIVIDEND FULLY COVERED BY LEVERAGED FREE CASH FLOW

Revenue



	2021-22 \$'m	2020-21 \$'m	Change %
Gross Revenue	200.4	160.7	24.7
Net Revenue	168.3	138.8	21.7

- **Increase primarily due to ownership of 8 additional catalogues**
- **Accruals process brought into line with major listed music companies, resulting \$36.0 million of additional accrual**
- **Reduction in Right To Income (RTI) to \$17.97 million (31 March 2021: \$66.6 million).**

Pro forma annual revenue



	12 months to Jun 20 (\$'m)	12 months to Dec 20 (\$'m)	12 months to Jun 21 (\$'m)	12 months to Dec 21 (\$'m)
PFAR for Catalogues owned as at 31 March 2022	131.68	121.26	115.91	114.86
<10 years	65.84	57.14	50.99	49.32
>10 years	65.84	64.12	64.92	65.54

- **< 10 years catalogues reaching the end of the decay profile ahead of expectation**
- **> 10 years catalogues remained stable as Streaming offset Performance Income decline during COVID-19**

2021 PFAR split by half year



	Six months to Jun 21 - \$'m	Six months to Dec 21 - \$'m	Change %
Mechanical Income	2.55	2.31	(9.4)
Performance Income	12.16	13.24	8.9
Digital Downloads Income	1.83	1.68	(8.0)
Streaming Income	21.92	26.18	19.4
Synchronisation Income	7.41	7.93	7.0
Producer Royalties	3.76	3.92	4.2
Masters Income	3.75	4.04	7.6
Other Income	0.91	1.27	38.6
	54.29	60.57	11.6

6 months to December 2021 shows strong growth

Usage Accrual



- **Brings Hipgnosis into line with other major publishers**
- **\$36.0m additional estimate accrual for current year, compared to prior year**
- **Previously revenue recognised at the point earnings were paid to and processed by Collection Societies, Publishers and Administrators**
- **Revenue accrual estimates now reflect revenue at point at which usage by the end customer is expected to occur**
- **This change in estimate affects timing of the recognition of certain revenues**
- **The like-for-like increase in the revenue accrual between this year and the prior year is not expected to occur in future periods**

Earnings per Share



	2021-22	2020-21	Change
EPS (¢)	-1.65	4.72	n/a
Adjusted* EPS (¢)	9.09	12.41	-26.75%

* adjusted for Amortisation and Non-Finance Charges

REDUCTION IN EPS DRIVEN BY FALL OFF IN RIGHT TO INCOME

Leverage



	2021-22	2020-21	Change %
Loan interest (\$'m)	20.4	7.3	179.5
Gross debt at 31 March (\$'m)	600.0	577.3	3.9
Net debt at 31 March (\$'m)	569.9	464.7	22.6
Debt as percentage of Operative NAV	25.4	25.7	(1.2)
Leveraged free cash flow (\$'m)	84.7	82.1	3.2

- **Interest costs driven by increase in Gross debt as Company grew since 2020**
- **Review of Company's debt structure underway**



Appendix

Accruals and Receivables



- Gross accrued Income and Receivables at 31 March 2022 were \$111.9m

	Receivable (\$m)
Royalty statements received March 2022 expected payment Q1 2022	7.2
Calendar Q1 2022 earnings with statements expected Q3 & Q4 2022	32.9
Calendar Q4 2021 earnings which are not reported to Company until Q2 2022	9.7
Time lagged international reporting on PRO earnings	7.3
HSG accrued PRO lag	6.8
HSG contractual royalties due to writers	(5.6)
Calendar Q2 & Q3 2021 earnings for catalogues where royalties are in process of being redirected	12.0
Usage accrual	36.0