

Citrin Cooperman Advisors LLC

50 Rockefeller Plaza
New York, NY 10020
T 212.697.1000 F 212.697.1004
citrincooperman.com

**VALUATION OF
THE TWENTY-NINE CATALOGUES IN HIPGNOSIS SONGS FUND LIMITED
AS OF 3/31/2023**



The Massarsky Group at
Citrin Cooperman Advisors LLC

50 Rockefeller Plaza
New York, NY 10020
T 212.697.1000 F 212.697.1004
citrincooperman.com

28 September, 2023

The Directors
Hipgnosis Songs Fund Limited
PO Box 286
2nd Floor
Trafalgar Court, Les Banques
St. Peter Port
Guernsey GY1 4LY

Re: Valuation of Twenty-Nine Catalogues of Hipgnosis Songs Fund Limited

Dear Directors:

The Board of Directors of Hipgnosis Songs Fund Limited (the “Fund”) has engaged Citrin Cooperman Advisors LLC¹ on a semiannual basis to conduct independent valuation services related to the Fund, which includes 29 of its catalogues (the “29 Catalogues”). Pursuant to your request, we have prepared a summary report opining as to the fair market value of the 29 Catalogues as of 31/03/2023 (the “Valuation Date”).

This Valuation Report is provided solely to the Fund for its corporate planning purposes and for inclusion (in whole and/or as summarised by the Fund) within any shareholder circular to be published by the Fund in connection with the proposed sale of the 29 Catalogues to a related party of the Fund (the “Sale”) (a “Circular”) and for no other purpose. This Valuation Report must not, without our prior written consent, be used for any other purpose, and, notwithstanding any such consent, must not be relied upon by any third party in any circumstances whatsoever. Accordingly, we assume no responsibility in respect of this Valuation Report to any third party including, without limitation, any actual or potential purchaser of the 29 Catalogues, or person investing in or seeking to acquire control of the Fund, or to any person connected to or acting in concert with any such person. To the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person for any loss suffered as a result of reliance on, or otherwise arising out of or in connection with, this Valuation Report (whether in contract, tort, by statute or otherwise) or any consent given by us pursuant to Listing Rule 13.6.1R(9), or any update or confirmation of either that we may issue.

Save for in any Circular and any announcement relating such to Circular published by the Fund, the Fund will not refer to us or this Valuation Report in any public document or communication (in any form whatsoever) without our prior written consent. The Fund and its advisers will be solely responsible for any such public document or communication, and we do not and will not accept responsibility for or authorise the contents of, and shall not be represented as having accepted responsibility for or having authorised the contents of, all or any part of any such document or communication for any purpose.

In providing this Valuation Report we are not making any recommendation to any person regarding the proposed Sale or any other investment decision or expressing an opinion on the fairness of the terms of the proposed Sale or the terms of any arrangement involving the Fund’s assets. The overall assessment of the terms of the proposed Sale and the decision on whether to proceed with the proposed Sale must be made by the Fund and any investor in the light of their own commercial assessments.

We confirm that we do not consider that any conflict of interest arises for us in preparing this Valuation Report and that the valuation set out in this report has been conducted by valuers who are independent of the Fund.

Based upon the information and financial data provided and representations received, in our opinion the fair market value of the 29 Catalogues as at 31 March 2023 is \$533,519,873.

¹ “Citrin Cooperman” is the brand under which Citrin Cooperman & Company, LLP, a licensed independent CPA firm, and Citrin Cooperman Advisors LLC serve clients’ business needs. The two firms operate as separate legal entities in an alternative practice structure. Citrin Cooperman is an independent member of Moore North America, which is itself a regional member of Moore Global Network Limited (MGNL).

The conclusions and opinions expressed in this letter and the accompanying report are contingent upon the qualifying factors set forth in the *Assumptions and Limiting Conditions* attached to this report.

Respectfully submitted,



Barry Massarsky, Partner
Co-Leader, Music Economics
and Valuation Services Practice



Nari Matsuura, Partner
Co-Leader, Music Economics
and Valuation Services Practice

I. INTRODUCTION

Purpose

Citrin Cooperman Advisors LLC was retained to render an independent opinion as to the fair market value of the 29 Catalogues. We understand this opinion is being prepared for the Fund's corporate planning purposes and for inclusion (in whole and/or as summarised by the Fund) within any Circular, to enable the Fund to comply with Listing Rule 13.6.1R(4) and for no other purpose.

Standard of Value

The standard of value is fair market value. Fair market value is defined as:

“the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms' length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.”²

The valuation will be consistent with fair market guidelines. IFRS 13 defines “fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).”

² Statement on Standards for Valuation Services No. 1, American Institute of Certified Public Accountants, June 2007.

II. ABOUT THE FUND

Hipgnosis Songs Fund Limited

Hipgnosis Songs Fund Limited is a fund exclusively dedicated to investments in revenue generating music copyright assets. The Fund contains the copyrights to proven hit songs from some of the world's most prominent songwriters and artists.

III. HISTORICAL EARNINGS PERFORMANCE

Historical earnings performance provided by management has been reviewed in conjunction with our analysis.

IV. DETERMINATION OF FAIR MARKET VALUE

There are three common approaches applied in determining fair market value, each of which is described below.

- **Asset Approach** – this approach is based on the value of the subject's assets net of liabilities and should be considered in the valuation of an investment holding company, real estate holding company, or a business appraised on a basis other than as a going concern. This approach is not relevant for the current matter.
- **Market Approach** – this approach determines the value of an asset through the comparison of the subject to similar businesses that have been sold. This approach is not relevant for the current matter.
- **Income Approach** – this approach determines the value of an asset by converting anticipated economic benefits into a present single amount using procedures that consider the expected growth and timing of the benefits, the risk profile of the benefits stream and the time value of money. The two common methods used under the income approach are the capitalization of benefits method and the discounted cash flow method. In the capitalization of benefits method, a representative benefit level is divided or multiplied by an appropriate capitalization factor to convert the benefit to value. In the discounted cash flow method, benefits are estimated for each of several future periods, and are converted to value by applying an appropriate discount rate and using present value procedures.

We relied on the income approach, and specifically applied the discounted cash flow ("DCF") method to estimate the fair market value of the 29 Catalogues.

Discounted Cash Flow Method

The DCF method is based on the economic principle of expectation. That is, the value of an asset to a hypothetical buyer or a hypothetical seller is estimated by projecting the future economic benefits or cash flows that a buyer can reasonably expect to receive from the asset. The future benefit streams are then discounted back to the valuation date, at a rate reflecting the risk associated with generating those benefits, to establish a value of the asset.

1. Steady State Catalogues

Steady state refers to catalogues whose earnings have reached steady state; that is, their earnings are no longer on a lifecycle curve following release. These catalogues have been included in our analysis.

2. Baseline Value

The baseline refers to the earnings value against which the 2024e growth rate was applied.

3. Adjustments

Earnings adjustments were made for a number of catalogue specific reasons.

4. Streaming Mechanical Uplift

On July 1, 2022, the CRB made its final decision to increase streaming mechanical royalty rates under Phonorecords III which covered the period 2018 – 2022. As part of the Phonorecords III decision, the streaming services and Mechanical Licensing Collective (MLC) will be making retroactive payments for the

period under the Phonorecord III ruling. This decision was followed on August 31, 2022, by the settlement of the rate increases for Phonorecords IV which covers the period 2023 – 2027. We considered the streaming mechanical uplift and the Phonorecords III back-pay in our analysis.

5. Alternative Platform Licensing³

Earnings collected from Alternative Platform Licenses were included in our analysis.

6. Administration Rate Uplifts

Specific catalogues in the Fund will have future earnings impacted by more favorable administration rate terms, which were considered in our analysis.

7. Taxes

Taxes are customarily not included in the valuation of music assets, since the funds acquiring these assets are typically situated in favorable tax havens.

8. Discount Rate

A discount rate was used to calculate the Net Present Value (NPV) of projected earnings of the Fund's assets, which represents the value of the portfolio.

9. Terminal Value

Terminal growth rates were applied after the discrete projection period.

V. CONCLUSION

It is our opinion that the fair market value, based on all of the factors described in this report, of \$533,519,873 for the 29 Catalogues is appropriately applied.

³ Includes earnings from licenses with Facebook and TikTok.

CURRICULUM VITAE OF BARRY MASSARSKY

PROFESSIONAL EXPERIENCE

- Barry Massarsky is a partner and co-leader of the firm's Music Economics and Valuation Services Practice. He has over 30 years of experience acting as a key advisor in the music industry serving the valuation interests of music publishing and recording label firms. He provides strategic counsel to owners of music copyrights, as well as valuation, litigation economics, and performance income review. Mr. Massarsky is known for his high value relationships with performance rights organizations, music publishers, record companies, music industry trade organizations, and music litigation firms.
- Mr. Massarsky has pioneered the field of music copyright economics serving revenue-related interests within the U.S. music industry, facilitating strategic opportunities for advancing royalty income, and inspiring new license regimes. His experience also extends to the music production library marketplace where he has led many performing rights initiatives on behalf of both its trade organization and individual market leaders. Mr. Massarsky has worked with commercial lenders, private equity, and other financial investors who are acquiring music asset rights.

EDUCATIONAL BACKGROUND AND CREDENTIALS

- Massarsky received a Bachelor of Arts, cum laude, from Boston University, and a Master of Business Administration from Cornell University.
- Previously, Mr. Massarsky was the founder of Massarsky Consulting, a leading copyright economics consultancy, which joined Citrin Cooperman in 2022. Prior to founding Massarsky Consulting, Barry was a Senior Economist at American Society of Composers, Authors and Publishers (ASCAP).

CURRICULUM VITAE OF NARI MATSUURA

PROFESSIONAL EXPERIENCE

- Nari Matsuura is a partner and co-leader of the firm's Music Economics and Valuation Services Practice. She has transformed the custom and practice of music valuation and supports most of the institutional funds transacting in this market. In 2022 alone, she led over 400 music asset valuations valued at over \$9 billion.
- Ms. Matsuura performs full-scale valuations of music publishing and recorded music assets on behalf of buyers, sellers, and lenders. Her valuation clients include major music funds, music publishers, record companies, private equity firms, banks, business managers, estates, as well as the creators themselves.
- Ms. Matsuura has over 20 years of experience as an economist in the music industry, including valuation, litigation economics, process evaluation, performance income forecasting, cost analysis, strategy, evaluating new business opportunities, and developing license models.
- Previously, Nari was a partner at Massarsky Consulting, which joined Citrin Cooperman in 2022. Prior to joining Massarsky in 2001, Nari was a concert pianist and recording artist, widely recognized for her performances in major venues throughout North America and Asia.

EDUCATIONAL BACKGROUND AND CREDENTIALS

- Ms. Matsuura received Bachelor of Music and Master of Music degrees from the Juilliard School, and a Master of Business Administration from Cornell University.

STATEMENT OF CERTIFICATION

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased, professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the asset or property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- Our compensation and our firm's compensation are not contingent on any action or event resulting from the analyses, opinions or conclusions in, or the use of, this report.
- This summary report encompasses all disclosure requirements as required in accordance with the AICPA's Business Valuation Standards known as SSVS 1.
- This summary report has been made only for the purpose stated and shall not be used for any other purpose. Other than as expressly permitted by this report, the report, its conclusions and its contents may not be used, copied or transmitted in any form, in whole or in part, by any party without the prior written permission of Citrin Cooperman Advisors LLC.
- The conclusions as to fair market value contained herein represent the opinion of the undersigned and are not to be construed in any way as a guarantee or warranty, either expressed or implied, that the interest being valued herein will actually sell for the fair market value contained in this opinion.
- Jake DeVries and Sam Lowry provided notable assistance in the research and preparation of the analysis and this report.



Barry Massarsky, Partner
Co-Leader, Music Economics
and Valuation Services Practice



Nari Matsuura, Partner
Co-Leader, Music Economics
and Valuation Services Practice

STATEMENT OF GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This valuation report has been made with the following general assumptions and limiting conditions:

1. No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters, including title or encumbrances. Title to assets is assumed to be good and marketable unless otherwise stated. Assets are further assumed to be free and clear of any or all liens, easements or encumbrances unless otherwise stated.
2. Information furnished by others, upon which all or a portion of this report is based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information. Our work does not constitute an audit, nor have we attempted to confirm the information provided to us for accuracy and completeness, except within the framework of the valuation process; we do not express an opinion or any form of assurance on them. Accordingly, our work was not conducted in accordance with generally accepted auditing standards. In addition, we have not conducted a forensic examination of the books and records of the financial information provided for the Musical Works. Such an examination, if conducted, might lead us to a different opinion of value.
3. Public, industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.
4. No responsibility is taken for changes in market conditions, and no obligation is assumed to revise this summary valuation report to reflect events or conditions which occur subsequent to the date hereof.
5. This report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose.