

## General Text Amendment

Correction to the announcement made at 07:00 (RNS No 3677F): Adjusted solely for the Shot Tower Valuation, the Pro-Forma Operative NAV per share presented in Sterling would be 92.08 pence per Ordinary Share. All other details remain unchanged. The corrected announcement is set out below.

LEI: 213800XJIPNDVKXMOC11

4 March 2024

### Hipgnosis Songs Fund Limited ("Hipgnosis" or the "Company")

#### Update on Due Diligence, Valuation and Net Asset Value

The newly constituted Board of Hipgnosis Songs Fund (the "Board") provides the following update on the preliminary valuation report prepared by Shot Tower Capital, part of the due diligence work being undertaken as part of the Strategic Review (the "Strategic Review").

In the interim results for the six months ended 30 September 2023, the Board stated that there were multiple data points and transactions within the market which were at material discounts to the implied Fair Value of the Company's assets at that time. The Board therefore sought advice on this matter from Hipgnosis Song Management Limited (the "**Investment Adviser**"), which is majority owned by funds managed and/or advised by Blackstone. The Investment Adviser at first declined to give an opinion but, after repeated requests from the Board, eventually provided an opinion which was heavily caveated. As a result, the Board recommended that investors use the Fair Value and the Operative NAV with a higher degree of caution and less certainty than might otherwise be attached to it as an accurate reflection of the fair value of the Company's assets.

The Board appointed Shot Tower Capital, LLC ("**Shot Tower**") as lead adviser to provide an independent valuation of the Company's assets.

Shot Tower has performed a detailed review of the Company's portfolio, conducting the valuation on a bottom-up basis, analysing the royalty statement data of each of the Company's catalogues. The new valuation range is based on a variety of factors and assumptions including whether a subject catalogue was comprised of:

- copyright interests (control) or passive royalty income streams;
- publishing, writer's share, master, artist's share, producer or neighbouring rights royalties;
- stable royalty income streams based on vintage;
- rights benefiting from administration rights or copyrights returning to the Company in future years;
- well known works performed by top artists in their respective genres.

Shot Tower applied specific valuation assumptions based on the above criteria for each catalogue with the weighted average for the entire catalogue, reflecting a mid-point discount rate of 9.63%. Of particular note is the proportion of cash net revenue generated from passive rights where the Company does not control administration, distribution or licensing of a song. Approximately 65% of royalties are currently generated from passive publishing, performance and recorded music income

streams with this figure expected to decrease to between 40% and 45% over time as additional control rights return to the Company upon the expiration of pre-acquisition publishing agreements.

Shot Tower has now provided the Board with the preliminary valuation report as at 1 March 2024, which estimates the fair market value of the Company's Portfolio at between \$1.80 billion and \$2.06 billion and \$1.74 billion and \$2.00 billion after deducting contingent catalogue bonuses of \$59.9 million (the "**Shot Tower Valuation**").

The Shot Tower Valuation compares to Fair Value as at 30 September 2023 of \$2.62 billion, and \$2.55 billion after deducting the catalogue bonus provision of \$68.1 million.

Furthermore, Shot Tower have informed the Board that the Company's cash net revenue after reduction for third party royalties and administration expenses was \$121.7 million for the 12-month royalty statement period ended 30 June 2023, which is consistent with the \$119.4 million cash net revenue figure for the 12-month period ended 30 September 2023, derived by BDO as part of its quality of earnings analysis.

The Shot Tower Valuation midpoint of \$1.93 billion therefore reflects a multiple of 15.9x net royalty income prior to deducting contingent catalogue bonuses and a reduction in valuation of 26.3% to the valuation as at 30 September 2023.

Adjusted solely for the Shot Tower Valuation, the Company's Operative NAV would be approximately \$1.17 per Ordinary Share (the "**Pro-Forma Operative NAV per share**") as compared to the last reported Operative NAV of \$1.7392 per Ordinary Share as at 30 September 2023. Based on the Dollar to Sterling exchange rate of 1.266 on 1 March 2024, being the last business day prior to the publication of this announcement, the Pro-Forma Operative NAV per share presented in Sterling would be 92.08 pence per Ordinary Share.

The Pro-Forma Operative NAV per share does not include an estimate of any potential corporation tax charges (or equivalent in the US) that would be incurred by the Company if it were to dispose of all of its Catalogues at the Shot Tower Valuation.

Due to the decrease in Operative NAV, the Board considers it appropriate to reduce gearing and therefore intends to use the Company's free cashflow to pay down debt and, therefore, does not intend to recommence paying dividends for the foreseeable future.

Shot Tower has told the Board that it expects to present its final due diligence findings to the Board by Monday, 25<sup>th</sup> March 2024. The Board expects to be able to provide a further update on the complete findings of Shot Tower's due diligence by Friday, 29<sup>th</sup> March 2024.

**Robert Naylor, Chairman of Hipgnosis Songs Fund, said:**

"The newly constituted Board is making good progress with the due diligence work that will underpin its strategic review. We are disclosing the valuation at this time given its material difference to valuations previously disclosed. The Board will provide further detail on this when the due diligence is complete. The Board remains focused on identifying all options to deliver shareholder value."

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*This announcement contains inside information for the purposes of the UK Market Abuse Regulation.*