



THE TIME IS RIPE FOR
MUSIC TECH INVESTORS
DESPITE COVID-19



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Even in a pandemic, the industry's burgeoning startups ecosystem is winning over existing and new music tech investors.

In April this year, the New York Times claimed that the Covid-19 pandemic had sparked ["a great unwinding" for technology startups](#), including layoffs, cost-cutting and hasty business pivots for companies trying to survive the crisis.

The music tech startups world is certainly not immune from these pressures, yet at the same time, 2020 has been an exciting year for the sector, with music tech investment continuing apace from traditional investors and music industry players alike.

The backdrop to this is the continued growth of the recorded music industry, even during Covid-19. Goldman Sachs published a report in May – ['Music in the Air: The Show Must Go On'](#) – that has since been widely shared within music and tech circles.

It predicted an industry-wide drop in revenues of 25% in 2020, but that broke down into a 75% decline for live revenues, 3% growth for recorded music and 3.5% growth for publishing.

"We expect a strong rebound in 2021 and forecast music industry revenue to grow at c.6% CAGR 2019-2030 to reach US\$142 bn by 2030, a near doubling in value," predicted the report. When Goldman Sachs talks – especially with such bullish numbers – investors listen. The industry's streaming-fuelled growth is spurring confidence in music tech investment.

ACCELERATORS AND INCUBATORS

Perhaps the most encouraging recent trend in music tech investment is that the music industry has stepped up its own efforts to nurture talented startups, particularly through accelerators and incubators.

One key example is [Techstars Music](#), part of the wider Techstars network. In four years its startups have collectively [raised more than \\$90m of funding](#) after leaving the program. Its member companies –

who this year include Warner Music, Sony, Concord, Avex, Amazon Music, Entertainment One, Peloton, Bill Silva Entertainment and Royalty Exchange – have accounted for more than \$7m of that follow-on funding.

Another example is [Abbey Road Red](#), run by the famous Abbey Road Studios in London. With the studios' owner being Universal Music, the program gives startups access to the world's largest label group, as well as the storied production and engineering talent within Abbey Road itself.

"We have now incubated 15 companies across all areas of the value chain, who together have raised \$40m and are collectively worth \$200m," Abbey Road head Isabel Garvey [announced at its last demo day event in February](#).

These programs are not just a doorway to the music industry for these startups: they are finishing schools in how to find investors for music, and a signifier of quality for those investors. The 2020 Techstars Music intake included [Strangeloop Studios](#), [Audigo](#), [Entertainment Intelligence](#), [Elastic Audio](#), [Fanaply](#),

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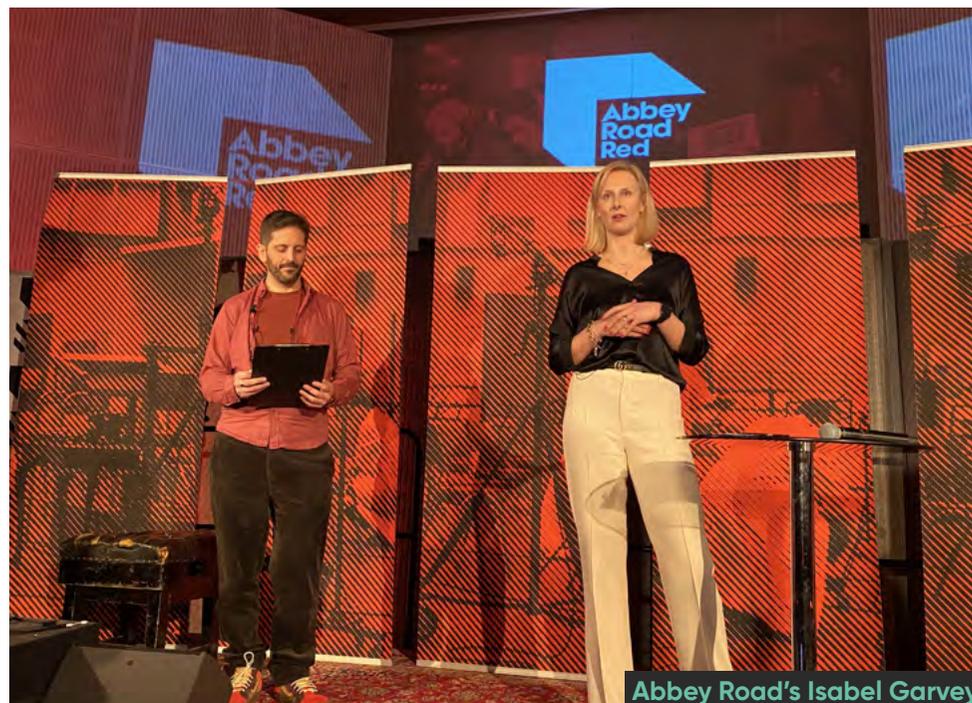
[Ulo](#), [TribeXR](#), [Splashmob](#), [Fansifter](#) and [Delta AI](#), while Abbey Road Red's rolling roster this year has included [LifeScore](#), [MyPart](#) and [Audoo](#).

Another notable industry-backed accelerator is [gBETA Musictech](#), co-founded by Capitol Music Group and Gener8tor. Its latest crop of startups – [Authmarket](#), [MyPart](#) (again), [Rimark](#), [Sunhouse](#), [The Monster Musician](#) and [Thematic](#) – will be pitching in a demo day this month (November 2020). Meanwhile, independent music company Marathon Music Group has its [Marathon Artists Labs](#) accelerator, which this year included [Musiio](#), [Cyanite](#), [Know What's Loved](#), [MySphera](#) and [Remixology](#).

INDUSTRY MUSIC TECH INVESTORS

Music tech investment is also coming from within the music industry in the form of direct investments: from labels, management companies and even artists.

Warner Music Group's WMG Boost seed-stage investment arm backs early-stage startups with up to



\$1m of funding, and recently led a pre-seed round for [Anything World](#), a truly intriguing startup working on technology enabling people to "create 3D worlds with your voice".

Warner Music Group has its WMG Boost seed-stage investment arm, which makes investments of up to \$1m in early-stage firms: startups looking for funding who are using technologies from AI and block-

chain to virtual reality and gaming. The arm recently led a £500k pre-seed round for [Anything World](#), a startup working on technology to help people build virtual worlds using their voices, while in 2019 it led a \$2m round in [Artiphon](#), a startup creating next-generation musical instruments.

"I'm excited about the power that their technology allows within the

immersive space – it creates exciting new opportunities for our artists to express their creativity and engage with their fans through 3D worlds and objects," said WMG's EVP Business Development and Chief Digital Officer Oana Ruxandra.

Sony has also been a music tech investor, both through Sony Music (which in April [made a strategic investment in artist-tools startup Tully](#)) and through the Sony Innovation Fund at the parent corporation level. That fund recently [invested in sample-clearance startup Tracklib](#), which joined a portfolio also including instrument maker [Roli](#) and indoor drone-show systems startup [Verity](#).

You don't have to be a major label to be investing in music tech startups though. In April 2020, management company ie:music, whose clients include Robbie Williams and Passenger, [launched its ie:ventures investment arm](#). Its portfolio already includes music creation app (and Midemlab 2019 winner) [Endless](#), industry directory [Rostr](#) and social photography firm [So.Co](#).

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“Our core philosophy has always been that the artist and the fan are the two most important parts of the music industry; everybody else and their egos are just the gloop in the middle,” said ie director Stephen O’Reilly. “We want to partner with entrepreneurs and technologies that have a shared vision in that.”

Veteran manager Scooter Braun has long had an eye for startups and investment opportunities. [Raised in Space](#) is the music investment fund he launched with former BMG exec Zach Katz, cryptocurrency firm Ripple and entrepreneur Shara Senderoff.

“Aside from some smart investments from Scooter and other big managers, nobody was taking a detail-orientated approach to investments in music/tech,” Katz [told Music Business Worldwide](#) in January, after making the company’s first five investments.

There is another class of independent music investors: artists! In 2020 alone we have seen Kygo join Braun and other industry investors in a seed funding round for livestreaming startup [Moment House](#); Quincy Jones investing in emotional-AI startup [Musimap](#); Queen drummer Roger Taylor back audio tech firm

[Iris](#); ABBA’s Agnetha Fältskog investing in AI-powered label [Snafu Records](#); Indian star Sukhbir Singh taking a stake in music discovery app [Flutin](#); and [The Chainsmokers launching their own venture capital fund](#) with \$35m to invest in startups of all kind, not just music.

The music industry is keen to reach out to startups in other ways too: for example to educate them about the complexities of the business to smooth their path towards deals and even investments. Midem’s new [Music Tech Startups Thrive Series](#) is one example: an exclusive online series devoted to music startups, with live and archived masterclasses. In the UK, the BPI and Music Ally have their [Music & Tech Springboard Programme](#) with similar aims.

HOT AREAS FOR MUSIC STARTUP INVESTORS

The sources of funds for music tech investment are burgeoning, then, but what are the hot areas securing those dollars? One key sector is any startup creating a

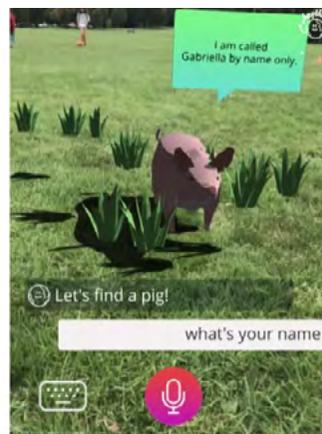
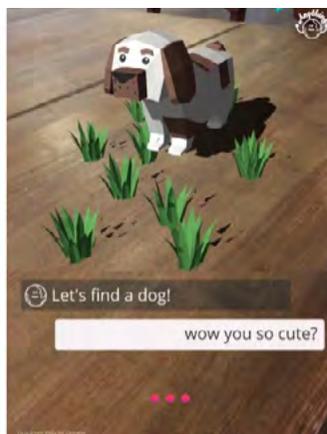
tool or service that can help independent artists.

Once again, the confidence here is backed by bullish predictions from the investment world. [Raine Ventures published a report in March](#) predicting that the ‘independent artists’ sector – those working outside the traditional label system – will be worth \$2.12bn in 2020. “This area we’re talking about is absolutely the fastest growing segment in the entire music industry,” [said partner Fred Davis in his Midem keynote this June](#).

That’s why Raine Ventures has invested in companies serving this sector like Amuse and SoundCloud, while also advising on deals like Downtown Music Publishing’s acquisitions of FUGA and CD Baby’s parent company AVL Digital Group, which are focusing on this space.

Distributor Stem [raised \\$10m in an August funding round](#), while on the smaller level there have been seed and pre-seed rounds for tools like [BandPay](#) (collaborations management), [Byta](#) (pre-release

Anything World



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promotion) and [Corite](#) (fan-funding) in 2020.

The optimism around independent artists - and thus the investor confidence in backing startups

creating tools for them - is driven by streaming. The largest streaming services either belong to large technology companies (Apple Music, Amazon Music, YouTube Music)

or are already public (Spotify), but below this level there are still investments being made.

[Deezer secured a \\$40m investment from Mexican broadcaster TV Azteca](#) in July - a deal valuing the company at €1.3bn - while Indian streaming service [Gaana raised \\$50m of debt funding in September](#), led by Tencent, the Chinese technology giant which has its fingers in a growing number of pies in the western industry.

Also outside the biggest DSPs, [African streaming service Mdundo raised \\$6.4m](#) in a pre-sale for its public listing in Denmark; [hi-res streaming service Qobuz secured a €10m round](#) from its existing investors; and decentralised music service Audius has [raised \\$4.3m across two separate rounds of funding](#) this year.

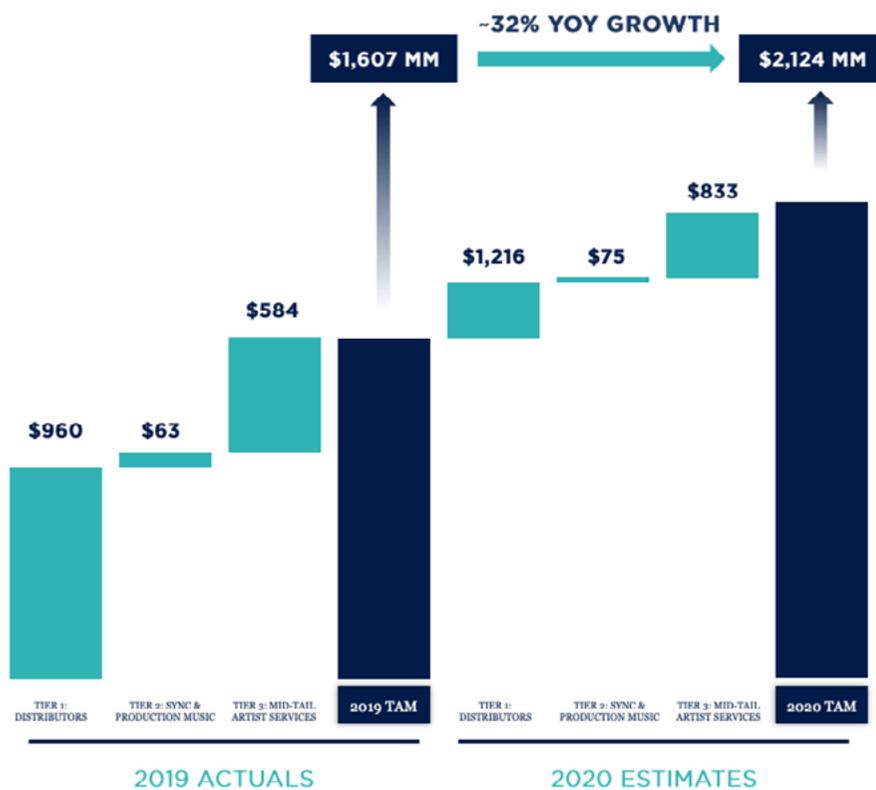
Streaming is a wide category definition now though. Witness the exploding market for mindfulness apps, where companies like Calm and Headspace have become tech 'unicorns' (worth more than \$1bn) thanks to their blend of meditation and mood-soothing music.

Investors have certainly approved: [Headspace raised \\$93m in February](#), while [Calm raised \\$115m over two rounds in 2019](#) and is [reportedly looking for \\$150m more now](#). Another company in the mindfulness field, Meditopia, [raised \\$15m in July](#). These may not be traditional music streaming services: they don't license music from labels for example. But music is a key part of their offering, including [commissioning original music from artists](#). They are part of the music tech ecosystem.

LOOKING FORWARD: MUSIC CREATION, AI, AR AND MORE

Where else are music startup investors putting their money? Music creation is one happy hunting ground. [Output](#), a company that makes 'Software as a Service' (SaaS) tools for musicians raised its first ever funding round in October: [to the tune of \\$45m](#). French startup MWM, whose music apps include Beat Maker Pro, Beatwave 3 and edjing, [raised a €50m round in March](#). These rounds followed [a \\$57.5m funding round for Splice](#),

THE INDEPENDENT ARTIST MARKET (\$ IN MILLIONS)



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another startup in this area, in 2019. Companies creating platforms for production music licensing have also scored highly with investors: [\\$30m for Songtradr](#) and [\\$48m for Artist](#) this year being the key examples. Looking forward, meanwhile, there are stirrings of investment in the artificial intelligence (AI) music sector: [Aiva raised \\$1.5m](#) and [Endel raised \\$5m](#).

Music tech investment is also turning its eyes towards virtual and augmented reality. Live Nation participated in a [\\$12m round for AR social network Octi](#) in January, while K-Pop company YG Entertainment was [part of a \\$2.5m round for VR startup AmazeVR](#) the same month. With the recent WMG Boost investment in Anything World, there's a clear interest from the music industry in helping startups to explore the next waves of AR and VR.

VR music/fitness game [FitXR raised \\$7.5m in July](#), while Wave – whose technology has been used for virtual concerts by The Weeknd, John Legend and Lindsey Stir-



ling – [raised \\$30m in June](#). The ambitions in this group of startups are notable. “We want to get to the point where we can facilitate the democratisation of the creation of content for artists of all levels,” was how Wave CEO Adam Arrigo voiced his goals.

Russian company Sensorium Corporation, which plans to launch a music-focused virtual world called [Sensorium Galaxy](#) in 2021, has [raised more than \\$100m already](#), helping it to sign up big-name artists including David Guetta, Carl Cox and Armin van Buuren.

Finally, one trend very much fuelled by Covid-19 is livestreaming, and with the sense that fans will continue to watch performances online even when physical concerts have returned safely, investors are circling the sector.

Here, too, the biggest platforms are already part of big corporations: Twitch (Amazon), YouTube (Alphabet) and Instagram (Facebook). There are opportunities for startups however: US firms [Mandolin](#) (which [raised \\$5m in October](#)) and [Moment House](#) ([\\$1.5m the same month](#)) are two to watch, but you can expect investment in numer-

ous rivals to follow, especially those who, like Moment House founder Arjun Mehta, want to “help a middle class of artist to emerge”.

Once again: music tech investors are seeing the value in startups providing tools to help musicians of all sizes grow audiences and build careers. This might just be the most positive music tech investment trend of all in 2020: that investors are not just looking for ‘the next Spotify’ in scale, but are also putting their money into practical, grassroots-focused startups that can benefit different levels of the music community.

ABOUT THE AUTHOR

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Midem is the leading international marketplace for the global music community, bringing together more than 5,000 upper-level music professionals, from indie & major labels, publishers to tech pros, brands and artists. Midem is dedicated to helping the music industry and its partners develop business and creativity by bringing together, during 4 days, the key players of the music ecosystem. The event offers the opportunity to expand your reputation and business globally, discover artists and music catalog, get inspired by conferences and source new business models and services.



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