WAVEX Technologies Inc. | http://wavex.xyz | info@wavex.xyz
11 Broadway, suite 833, New York, NY 10004

A MUSIC INDUSTRY ANALYSIS

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Music Industry Overview

In autumn 2019, a sweeping study of the modern music business, *20:20: Where is the Money in Today's Music World?* was published, detailing all the positive signals of a music boom in formation. Given the doom and gloom, most were still feeling after 20 years of decline, it was a jarringly optimistic prediction that not everyone was able to believe. But over the subsequent months, as the new decade rolled in and official figures for 2019 were made public, the picture was getting noticeably brighter.

The embattled recordings industry was recovering at an average rate of 8%, its fifth consecutive year of growth. Admittedly, business was still below the high point of the CD boom in 1999, but revenues were back to 2004 levels of around $20 billion annually. Not bad at all, in fact very good and getting better. **Galloping out in front, the American market was growing at 13% and generating $11 billion annually. Also, thriving was music publishing, worth $11.7 billion globally, almost double the $6.5 billion it was earning in 2013.** As for the gravity-defying concert industry, it seemed like there was no end in sight. Ticket sales grossed $22 billion in 2019, an all-time high, and were projected to keep growing to $38 billion in 2030.

In all directions, everything was widening, stabilizing, regulating, harmonizing. **With the proliferation of smartphones and streaming services, copyright was taking root in Asia, Latin America, and Africa – vast new markets where bootlegging used to be the norm, a development that intends to take full advantage of.**

Following two decades of pain and upheaval, the new technology was starting to work for copyright.

According to Goldman Sachs, the music industry is heading into a boom.

As catastrophic as Covid has been for gigs and festivals, growth is still happening unabated in the area that remains the most vital driver of system health and economic outlook: the recordings industry.

2020 was another bumper year for streaming platforms, and as a result, a surprisingly okay year for labels, given the extreme conditions they've had to operate in. **In September 2020, an incredible 400 million people were paid up to a subscription for streaming music. That's almost 100 million more than in 2019. Estimates put today's music streaming market at over $20 billion. Add physical formats, licensing, publishing, merchandising, and other spin-offs and the original prognosis is holding: We're still heading into a boom.** Even with Covid, the creative pumps of an ever-growing music ecosystem are pounding strong. If anything, lockdown is strengthening demand.

Something in the marketplace is stirring and it's stirring big. In May 2020, Goldman Sachs upgraded by 25% their previous projections of an imminent music boom. They now believe that the three core sectors (live, recordings, and publishing) will double in size to $131 billion by

2030 - a level of economic activity equal to the GDPs of fast-developing countries like Morocco or Kuwait.

The upward trends are irreversible. The year even ended with the UK parliament conducting inquiries into the inner workings of the digital music economy. **Public anger in North America/UK at tech greed is organizing, and it's now only a matter of time before the same scrutiny is widened to collection societies and publishers, increasing the value of songwriters' copyright assets.**

As of 2022, the likes of Spotify and Apple Music will have to pay 40% more to songwriters through a new American collection society, similar to IMRO or PRS. It's better than nothing, but to catch YouTube, the music industry's eyes have turned to the European Commission, already breathing down Google's neck for tax evasion and other abusive practices.

Fierce royalty battles will characterize the 2020s.

INDUSTRY ANALYSTS EXPECT SUCH PUBLIC SCRUTINY WILL FORCE "BIG TECH" TO PAY OUT HIGHER FEES TO COPYRIGHTS HOLDERS (Currently, Youtube only pays 7% of its revenue to rights-holders). This development will further increase the revenues, and thus the value, of hit song copyrights across the board, highly beneficial to the 'copyright-as-a-commodity' business model.

America now has an incredible 72 million people paying monthly subscriptions for music, a massive market that's more than tripled in 5 years and is already generating $10 billion annually. Because this audience is so young, it's no surprise that Millennial pop is dominating. Take two ends of Atlantic's catalog: On Spotify, Led Zeppelin's most popular songs have been played in the hundreds of millions, whereas Ed Sheeran's have been played in the billions. For every person who plays 'Stairway to Heaven', five play 'Shape of You'.

If you look at Universal's profits {UMG generated $7 billion in 2019}, they're just phenomenal. And as streaming keeps growing, the profits are getting crazier," said Denis Desmond, now a partner in concert promotion giant Live Nation.

The Major Record Labels

Major record label	Year founded	Headquarters	Divisions	US/CA market share (2019)
Universal Music Group	September 1934; 87 years ago	2220 Colorado Avenue, Santa Monica, California, United States	List of Universal Music Group labels	54.5%
Sony Music	1929; 92 years ago	New York City, New York, United States	List of Sony Music labels	23.4%
Warner Music Group(Nasdaq: WMG)	1958; 63 years ago	New York City, New York, United States	Atlantic Records Group Alternative Distribution Alliance Elektra Records Rhino Entertainment Warner Records Warner Chappell Music	12.1%

Source: Wikipedia

Universal Music Group (UMG)

Revenue for the first six months of the year rose 17.3 percent, compared with the same period of 2020, for the home of Taylor Swift and Lady Gaga to reach 3.83 billion euros ($4.52 billion) when using constant currency exchange rates and assuming the same asset portfolio for both periods.

Its earnings before interest, taxes, and amortization (EBITA) jumped 38 percent to 753 million euros ($889 million), exceeding analysts' expectations.

Recorded music revenues at UMG, led by CEO Lucian Grainge, grew by 20 percent as subscription and streaming revenue gained 24.7 percent and physical sales rebounded 40.1 percent.

Music publishing revenue climbed 3.9 percent, “driven by increased subscription and streaming revenues,” said Vivendi, which is led by CEO Arnaud de Puyfontaine.

Currently, UMG is planning for an IPO on the New York Stock Exchange.

Sony Music

Sony Music posted a strong second quarter for 2021 as its profits leaped from JPY35.6 billion ($325 million) to JPY55.4 billion ($506 million) on revenues that increased from JPY177 billion to JPY 255 billion ($2.32 billion).

Revenues for recorded music were up 52% to $992 million, publishing rose 49% to $428 million and visual media was up 15% to $483 million, using the calculation employed by Music Business Worldwide.

Streaming was up 56% and physical sales were up 61% — a boost also reported by Warner Music earlier this week, again due to the near-shutdown of the music retail industry during the second quarter last year.

Breaking down the numbers, Sony Music Publishing generated $430.4 million, up 48.9% over the same period in 2020, which saw $289 million. Streaming accounted for $215.6 million. Operating income was up 94% to $503 million.

Source: https://variety.com/2021/music/news/sony-music-earnings-streaming-1235034308/

Warner Music Group (WMG)

WMG saw $1.34 billion in revenue for its fiscal third quarter ended June 30, the company announced on Tuesday, with a 32.7% year-over-year revenue boost and a 33% jump in streaming.

The company saw a 33.8% growth in recorded-music revenues over the same, pandemic-struck quarter last year, up to $1.15 billion from $861 million. Digital led the charge, up 28.9% to $928 million. And vinyl and other physical product sales were up to such a degree — 155%! — that it cut into digital’s percentage of recorded-music venues. Physical soared from $51 million in 2020 — again, hampered by the pandemic — to $130 million.

In the first six months of 2021, 19.2 million vinyl albums were sold, according to MRC Data, up 108% from 2020 — although that number is skewed due to the pandemic. Still, in 2020, vinyl trumped the annual revenue of CDs in the U.S. for the first time in 34 years, according to the Recording Industry Association of America.

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Source: https://variety.com/2021/music/news/warner-music-earnings-vinyl-streaming-1235033495/

Independent Rights-holders

From Rolling Stone Magazine in March 2020:

Merchant bank Raine Group estimates a 32% increase in the profits of indie artists, thanks to DIY uploads and rapid global growth

Raine Group is a U.S.-based merchant bank that offers acquisitive guidance to companies in the music business, as well as investing in assets itself. Over the past 18 months, Raine has completed more than $600 million in music-related transactions — following its own $75 million investment in SoundCloud (2017), as well as its funding of Stockholm-born distribution- and label-services company Amuse. More recently, Raine has advised the selling side on some major music-biz deals, including Downtown's $200 million-plus buyout of CD Baby (and its parent AVL) in 2019, plus the sale of Amsterdam-based FUGA, also to Downtown, in January — a deal worth north of $40 million. Thanks to its relationship with these and other companies in the space, Raine has a unique perspective on the world of independent artists.

Raine's "The Independent Artist Sector" paper estimates that independent artists generated $1.61 billion from recorded music in 2019 … and that, in 2020, this figure will climb 32 percent, to more than $2.1 billion.

This definition covers two areas: (DIY/self-releasing acts uploading their tunes to Spotify, YouTube, etc., via services like TuneCore, Ditto, Amuse, and CD Baby; and "Mid-Tail Artist Services" acts, who ink "label services" deals with companies such as AWAL, Empire, and Believe. This latter group of firms acts like record labels, spending agreed budgets to accelerate performers' careers, but crucially, also allow artists to maintain ownership of their copyrights. (Raine's estimates don't include indie artists signed to the three major record companies' flagship label services divisions — Caroline at Universal, the Orchard at Sony, and ADA at Warner.)

According to Raine's estimates, DIY artists, via distributors, generated $960 million last year, a number that it predicts will jump by 27 percent, to $1.22 billion in 2020. Artists signed to mid-tail services deals, meanwhile, were worth $584 million last year, says Raine. It believes this figure will jump 43 percent, to $833 million in 2020.

Overall (inclusive of a further $75 million from the production/sync indie-artist space), Raine believes that the money generated by this spectrum of independent artists will reach $2.12 billion in 2020. That cash haul, suggests Raine, will mean that indie artists are worth somewhere between nine and 10 percent of the entire global recorded-music market. To put that into context: Warner Music Group, the third-biggest major recorded-music company in the world last year, turned more than $2.22 billion from streaming in calendar 2019, and $3.88 billion from all activities (including merch and ticket sales), according to MBW calculations. Raine's market-share estimate looks in line with other forecasts: An update to Goldman Sachs' influential "Music in the Air" report in 2018 predicted that the global recorded-music industry would turn more than $22 billion annually in 2020.

This is just the beginning of a rapid market-share gain by non-label-affiliated artists. Indeed, Raine predicts indie artists will see their cumulative revenues grow faster than any other sector of the record industry in the years ahead.

The Raine paper explains: "Going forward, the independent-artist sector is projected by Raine to grow at a premium to the broader recorded music industry in line with historical trends (approximately ~4x). Our view is that this growth projection is conservative, given the massive growth potential in the sector and anticipated expansion into developing markets (e.g., China, India)." Davis points out that, should the overall recorded-music industry grow at a 10 percent year-over-year rate in the years ahead, and the independent-artist sector keeps growing at 30 percent-plus, these non-label acts would claim 25 percent of the total global industry revenues by 2026.

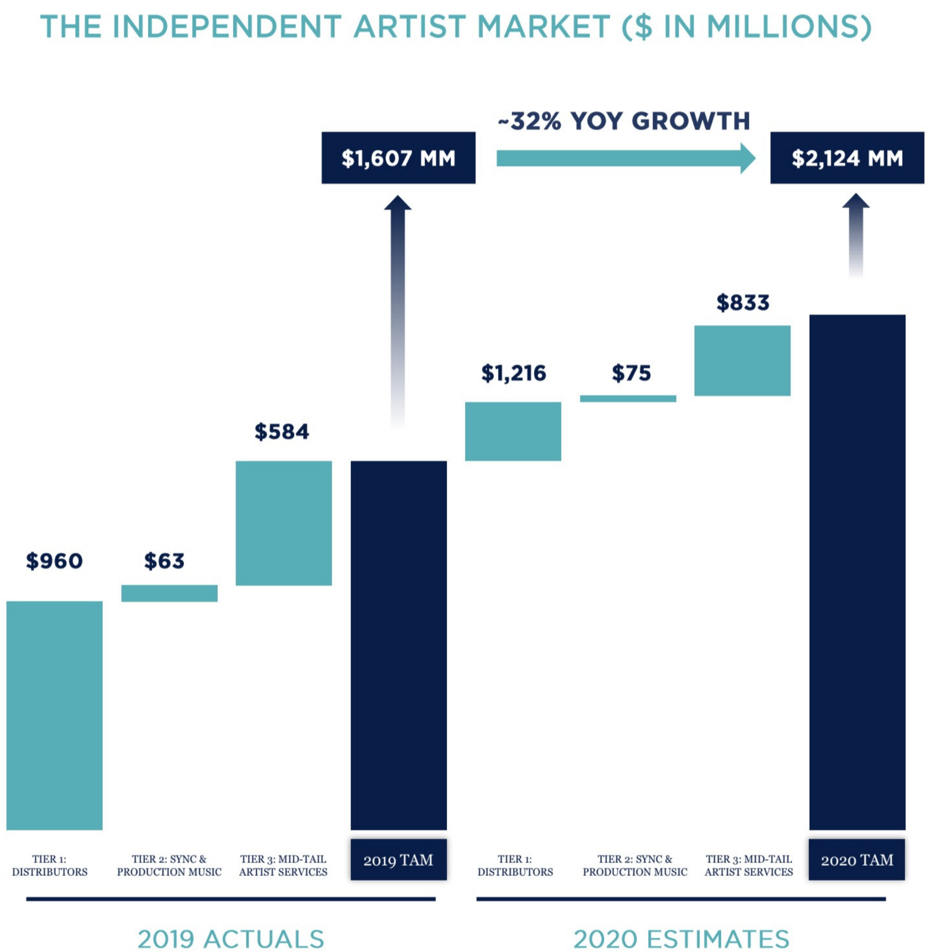
Adds Davis: "The independent-artist sector did not exist a few years ago, so the rate of growth is strong because the base it is working from is small and is ever-growing. Most of this growth will come from three factors: more and more artists creating, uploading, and streaming their music; the rapid growth in international markets where both distribution and services are maturing; and more success stories (i.e., hits) for independent artists in the sector."

"With innovative tools that are leveling the playing field, significant investment in fast-growing emerging markets like India, Latin America, and Africa, along with a strong sentiment by artists and their advisers that an independent career is not only possible but is rather preferable, we expect the growth [of the indie-artist sector] to only accelerate in the years ahead," Justin Kalifowitz, CEO of Downtown Music Holdings, told Rolling Stone in March 2020 (link below).

Raine Group's White Paper:

https://www.musicbusinessworldwide.com/files/2020/03/The-Independent-Artist-2020.03.14-vEXTERNAL.pdf

Source: https://www.rollingstone.com/pro/features/raine-group-independent-artists-2-billion-in-2020-967138/



Streaming

For today's newfound sense of synergy, profitability, and sustainability, we must thank subscription streaming platforms like Spotify, Apple Music, Amazon Music, Tencent, Pandora, and Deezer. A whopping 255 million people are now paying for some kind of subscription-based streaming music. Way out in front, Spotify has 108 million premium subscribers and another 120 million people using the system every month in some ad-funded form.

The demographic breakdown of today's streaming community is particularly encouraging. Spotify, once thought to be too European for America, is now reaching almost half of America's 16–24-year-olds, proving that for the smartphone generation, irrespective of country or parental culture, a $10 monthly subscription is becoming *normal* on a global scale. Legitimate streaming services are even taking off in developing markets where bootlegging was the norm. South Korea, Brazil, Mexico, and India are among today's musical El Dorados where major record companies, seeing 15–20% growth, are investing in local A&R teams and copyright lobbyists. All this bodes well for both copyright and diversity. As the globally implanted majors are already observing, the more streaming is adopted on all continents, the greater the demand for local repertoire. Not only that, but regions of the world are also already listening to one another directly, as illustrated by the current success of Korean pop across East Asia or the popularity of Latino electro in Arabic-speaking North Africa.

Top 10 International Music Markets

Note: The information presented here is only accounting for revenue generated from the recorded music industry, and does not include sectors such as music publishing, live music, etc.

10. China	**$29.2 million**
9. Brazil	**$ 9.58 million**
8. Australia	**$41.2 million**
7. Canada	**$43.7 million**
6. South Korea	**$49.44 million**
5. France	**$92.5 million**
4. UK	**$1.31 billion**
3. Germany	**$1.32 billion**
2. Japan	**$2.7 billion**
1. Americas	**$5.9 billion**

Music Publishing Industry

Sound recording copyrights

Take, for example, 'performing rights', the fees that nightclubs, bars, restaurants, hotels, and other commercial spaces must pay collection societies such as (in Europe) MRO, PRS, or SACEM or (in America) ASCAP, BMI, SESAC, etc. Or the millions also paid by internet radios like Pandora and Sirius XM. From numerous different sources, this largely ignored revenue stream has bulged into a $2.7 billion river. That's some piggy bank. **And it's just for the sound recording copyrights because billions more are also being paid for composer/author copyrights.**

The bottom line is this: Copyright has been saved, after 20 years of turmoil caused by the introduction of disruptive technologies, beginning with Napster in 1999. **The single most decisive battle of the last twenty years – safeguarding the principle of intellectual property – was fought and won by the very record and publishing companies now reaping the rewards of recovery. Music is regaining value. Revenue streams are rising**. What we're seeing in slow and painful formation is an ecosystem reaching a critical point of life-sustaining synergy. There's plenty still to revolutionize. But incontestably, musicians, writers, and independents now have a brighter future to fight for.

Industry Statistics

The National Music Publisher's Association reported a 9.6% increase in member revenue in 2020, to $4.076 billion, up from $3.72 billion in 2019.

President and CEO David Israelite used the milestone to highlight the resiliency of the music business even during the COVID-19 pandemic.

"That speaks to the strength of not only the diversification of our income streams but also because of how songs perform even in a bad economy."

However, as **Billboard notes**, the overall growth rate slowed compared to 2019 over 2018, when total revenue increased 12.7%.

Publishing revenues are generated by various types of royalties, including sales/streaming (mechanical), radio and webcasting (public performance), and TV/Film licensing (Sync). Each was affected differently by the pandemic.

The biggest impact was on public performance royalties, which were affected by shutdowns of restaurants, bars, and most live music venues. While overall public performance royalties increased 7.92% to $2.1 billion, from $1.945 billion in 2019, that's down from the 8.1% growth the prior year.

Meanwhile, Sync grew 13% to $954 million, which is less than the 22.7% growth from the year prior and at least partially a result of stalled TV/Film and other big-budget projects. But Mechanical, which is primarily gained from streaming music, grew a whopping 19.5% to $823.5 million, notable above the 17.6% growth in 2019.

Here's how each contributed to the overall $4 billion pie:

- Performance 51.5%

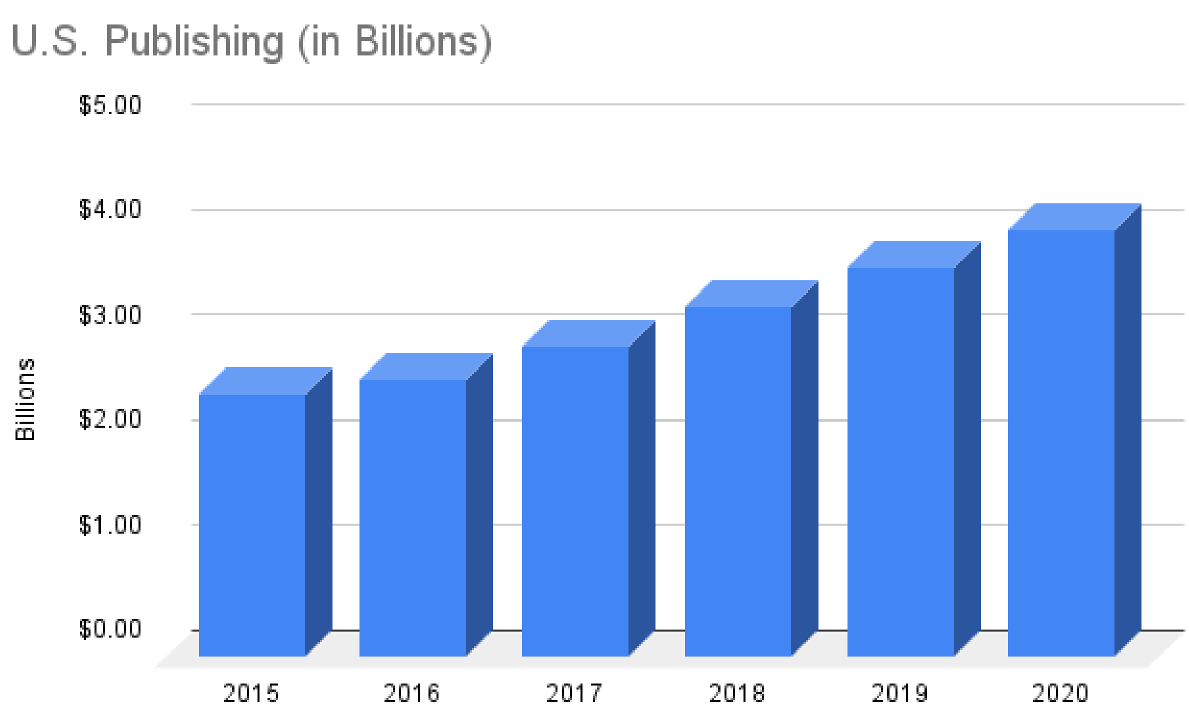
- Sync 23.4%

- Mechanical 20.2%

- Other 4.9%

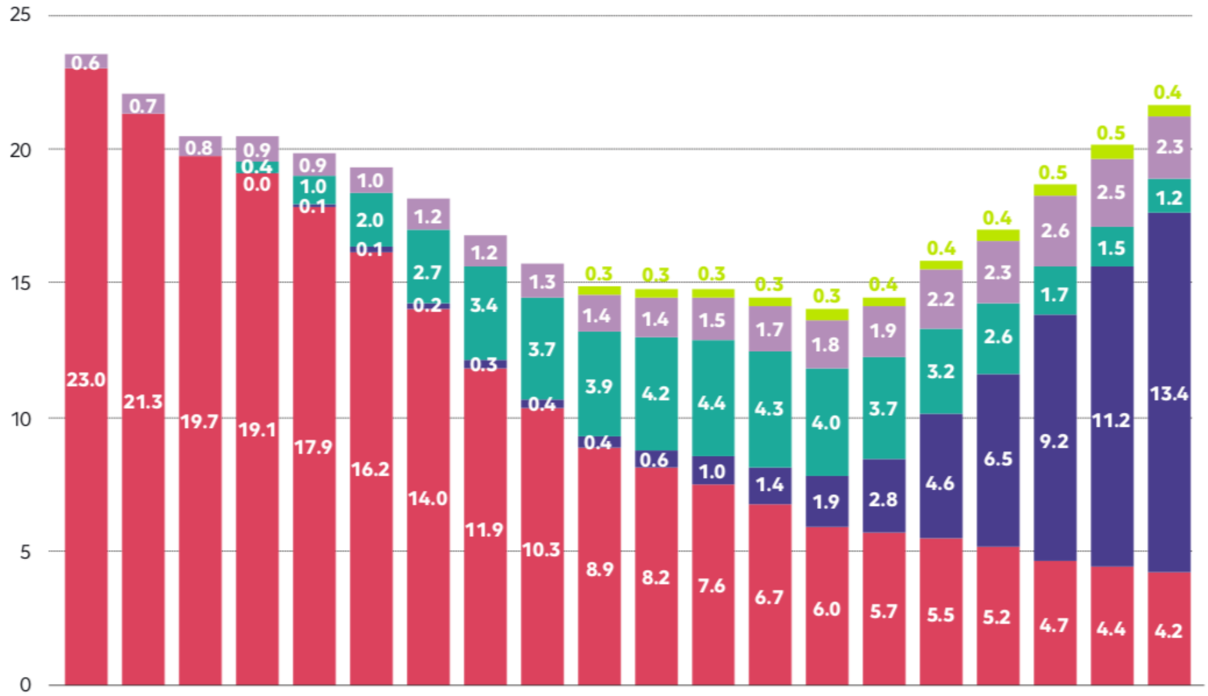
Source: royaltyexchange.com

The last six years of U.S. music publishing revenues as reported by the NMPA.



Source: royaltyexchange.com

GLOBAL RECORDED MUSIC INDUSTRY REVENUES 2001-2020 (US$ BILLIONS)



Six Music Industry Stats Everyone Earning Royalties Should Know

The music industry is riding a wave of momentum. These six stats show just how strong that wave is.

Source: royaltyexchange.com

Recent Trends in Music Publishing

In December 2020, Universal Music Publishing (a division of UMG) reportedly paid Bob Dylan between $300 million and $400 million for 600 copyrights that had been recorded more than 6,000 times and prime targets for synchs (synchronization deals).

This deal concerns only the publishing rights for Dylan's existing songs — the music and lyrics for all of the 600 or so songs he has composed since his career began, and the songwriting royalties generated that way. That means that any time "Blowin' in the Wind," "Tangled Up in Blue," or any other Dylan composition gets streamed, sold, played on the radio, or used in a commercial enterprise like a TV advertisement or film spot, the songwriting royalty check that would have gone to Dylan will make its way to UMPG's bank account instead. (The same goes for any other artist's cover of a song written by Dylan — and for the Band's 1968 classic "The Weight," which was written by Robbie Robertson but whose publishing Dylan owned.)

It's important to note that the deal only covers the publishing side of the two-lane road of music rights, not the recorded music side. Recall that Taylor Swift's $300 million catalog acquisition by a private investment group covered recorded rights but not publishing — the opposite of the Dylan sale. The owner of publishing rights typically controls whether or not songs are cleared for inclusion in TV, film, and ads; so, in Swift's case, that's Swift, and in Dylan's case, it's now UMPG. Which means…

Dylan isn't the only one with this idea: In 2020, a flurry of major artists are striking huge deals to sell their catalogs to investors and music companies. Stevie Nicks just did the same, selling 80% of her copyright assets to Primary Wave for $100 million, as have Jack Antonoff, Tom DeLonge, Richie Sambora, Imagine Dragons and dozens of other acts. That's because these back-catalogs, in the evergreen era of streaming, have the potential to fetch their copyright owners a ton of money in the future. So artists and songwriters benefit by getting massive lump-sum payouts right now, in exchange for giving their revenue streams to new owners, and aims to deliver the same solution through the listing of copyright asset offerings to the public, expanding the market beyond the sole reach of private equity funds.

Since investors with deep pockets are still hungry for new deals, the fervor's not dying down anytime soon.

Dylan will certainly not be the last major artist to sell their catalog for a huge sum — and there's still a whole host of classic acts out there who doesn't release music or tour anymore but certainly wouldn't balk at a nine-figure offer for their old rights.

Even amid the pandemic, over the past couple of years, copyrights have skyrocketed in value. While the music industry, and live entertainment, in particular, have been deeply damaged by the lockdown, recorded music and music publishing have proven to be strong assets. The expected tax policies of the incoming Biden administration have heated the market even more: In recent weeks artists ranging from Calvin Harris to the Killers have sold catalog assets to private equity firms, and Hipgnosis Songs has made an aggressive move into the industry, spending more than $1 billion on catalogs since mid-2018, largely by successful, non-superstar songwriters and producers.

Why WAVEX

Music industry demands

Creators / Performers / Record Labels

According to THE VERGE, "Over 200 million tracks have been uploaded to SoundCloud." "… 40,000 music tracks are now being uploaded to the Spotify platform daily. …Independent artists now panicking that they'll never be found on the world's biggest music streaming platform …" - says Spotify founder Daniel Ek

Music Streamers / Distributors

According to QUARTZ, "…music services are afflicted by a data gap. This impacts …how artists who fit into an acceptable genre are compensated versus those who fall through the cracks…" According to IJMIR, "…Music recommender systems (MRSs) have experienced a boom in recent years… …However, such systems are still far from being perfect and frequently produce unsatisfactory recommendations…"

Music Lovers / Investors

According to techcrunch.com, "After 15+ years of being the last industry anyone wanted to invest in, the music industry is coming back, and money is flooding in to buy up the rights to popular songs. The surge in music streaming means a surge in income for those who own the copyrights to songs."

"Music royalties …offering a host of opportunities for not only the traditional investor, but for global audiences and retail investors alike."- sais Marzio Schena, CEO of ANote Music.

The opportunity

Never has the music industry been riper for the commodification of its intellectual property (IP). A current sell-off of high-value music IP assets is underway, as artists affected by the economic shutdown caused by COVID-19 offset their losses by selling off their most prized catalog assets to the highest bidder. This includes owners of royalty-bearing song ("performance") copyrights, and sound recordings ("the masters"). Some of the biggest names in the industry are getting in on the action.

According to the MARKER, **"An increasing number of musicians now appear ready to sell. As artists continue to sit on the sidelines – unable to go on tour and perform at live concert venues – many of them are cashing in by selling all or parts of their best catalog to investors in the music business."**

"Music assets are bought and sold all the time, but there's never been a period as active as the past few months."

- say Lucas Shaw and Thomas Seal at Bloomberg Businessweek

"I think that in due course other people will be saying, 'I need to be in songs.'" - says Merck Mercuriadis, founder of Hipgnosis, with market cap soaring above GBP £1 billion for the first time (Sept 2020)

Why dig in music IP

- The extremely high frequency of new songs being released means an over-supply of product, Inadequate music recommendation algorithms only frustrate this process.
- The proven ability of independent (non major label) artists to "crossover" into mainstream consciousness through independent digital promotion & viral marketing campaigns gives millions of aspiring, eager-to-spend musicians with hope of reaching a "tipping point."
- The relatively low cost of producing and distributing music digitally means a low barrier of entry for new content producers means an ever-increasing customer base
- Historical resilience of the music Industry, even in the face of economic downturns
- High adoptability by music consumers of new technologies & innovations in experiential models means consumers & the industry are highly open to discovering new monetizable channels of artist-fan interaction, such as occurs with the commodification of songs.
- Preponderance of "360 deals" between major record labels and artists means labels are increasingly looking for new revenue generators outside of the traditional matrix of downloads/concert tickets/fan-club/branded merchandise sales.

What industry gurus are saying

- "…it could only take one established artist to raise funds through its equity-crowdfunding model to change the game for the entire music industry."
- "…This works for all sizes of artists, from those small [acts] who need money to get started, through to big-time artists who have been on a major label for a while, with millions of social media followers; with just one message on their Instagram channel, they could capture hundreds of thousands of people who might be interested in investing in their next song."
- "If that sounds a little pie in the sky, consider this: The most popular music artist on Instagram today is Ariana Grande, who boasts around **162 million** followers on the service. If she could convince just one percent of these fans to invest **$10** each into her new music, it would net her **$16.2 million** – a figure that blows most major-label advance checks out of the water."

The above is an excerpt from **"Would You Invest Your Own Money Into Your Favorite Artist's Music? Why a fan-fueled "equity crowdfunding" model may be ready to explode"**
The "Rolling Stone Magazine" Aug 19, 2019 by TIM INGHAM

Why consumers will like it

- **Wavexchange** intends to provide professional investors with an effective tool-set for profitably capitalizing on 'smart bets' wagered on the **right music IP**.
- **WAVEX Platform** will be the first IP equity crowdfunding platform with entry-level price programing targeting the average music consumer. Wavexchange will also be the first IP equity exchange with a social component - our users can connect with each other (anonymously, if they wish) in **private chat rooms** or on the **message board**.
- **A suite of investor tools** such as trend forecast reports, a running ticker tape with current song prices, industry digest with Op-Eds from prominent industry players, info-graphs and other metrics for studying a song/recording's commercial performance/future earnings potential will also attract (non-investor) **music industry professionals** and general **music fans** curious to get a "microscopic view" of a particular asset's lifespan & anticipated value (not limited to records listed on our public exchange).

Why the industry will respond

- **WAVEXchange** offers a new, easy-to-use fundraising mechanism for independent and major label music IP rights-holders (record labels, publishers, artists, songwriters, producers)
- **WAVEX Platform** lets music IP rights holders maximize their profits by leaving a limited portion of ownership in their IP rights open to speculative investment, most valuable during "peak buzz" positions.
- By tapping into the speculative power inherent in "buzz," rights-holders to high-mentioned IP assets can potentially earn more money by going public with a portion of their assets and marketing such public offerings than they would have if they had kept their copyrights "privately owned" and unaffected by speculative buzz – monetizable through our "pre-release listings"
- The monetary value (yet un-fully realized) of "buzz" will become clear when IP rights to highly anticipated, unreleased new singles by hot recording artists are listed on the platform prior to their commercial release – along with an exclusive pre-release streaming link to the song, generating high traffic and consumer buzz.
- **WAVEXCOIN** will be the first crypto-currency tied to music IP futures market dynamics across our entire platform, the first "music industry" crypto.

WAVEX Appeal to Rightsholders

It's one of the most important questions a songwriter must ask when reviewing a potential deal – "When will I get paid?"

In some cases, songwriters (who automatically own a piece of whatever copyright they produce), must wait as long as 18 months to get paid.

All of the major publishers (Sony/ATV, Universal, Warner) will pay semi-annually, usually 90 days after the accounting period ends. This means the songwriter is paid twice a year, every 9 months. Those paydays are typically around October 1 and April 1 each year, depending on the company and its specific policies. Other publishers may account 30 or 60 days after the semi-annual period, but 90 days is most common for semi-annual accountings.

In some cases, songwriters/rights-holders have to wait as long as 18 months to get paid from royalty collection agencies!

On WAVEX, rights-holders don't have to wait through the tedious process of being paid twice a year, the industry standard. Instead, they can list their assets, in whole or in part, for sale to the public, getting paid almost immediately, instead of having to wait 6 months or more. But this isn't the only benefit to rights-holders listing their copyright assets on WAVEX:

Since we provide a new, monetizable tool for rights holders to increase the "liquidity" of their assets at precisely the most crucial time of a song's life (when it first enters the national charts), just when its marketing push is of utmost importance, rights-holders will be able to use this previously untapped liquidity for marketing and promotion of the song while its value and "buzz" is still on an upward trajectory, typically the initial 6-12 months of its life on the "national market."

For rightsholders, there is a big difference between getting paid for copyright now and in 9-15 months, particularly in today's fast-moving campaign cycles.

There is also a big difference between getting paid for copyright while it's still climbing the charts, spending that money on its marketing and promotion to add fuel to its "market fire" (increasing its potential ROI) - and getting paid for copyright in 9-15 months after its initial market buzz, when a song has already peaked in its commercial performance when the "buzz" has already died out when no marketing push can revive it.

WAVEX Business Model and Market Depth

Market depth: Exchange

Types & classes of music IP listings

A team of independent analysts will evaluate every listing and suggest a “price per share” in the song’s IPO. This is just one of the built-in services we provide to rights-holders who wish to list on the exchange. WAVEX stocks will be classified into three categories:

1. **Blue-chip:** music IP offered from nationally and/or internationally recognized recording artists/songwriters, including those currently in rotation, and hits from legacy artists of previous eras which still generate significant annual revenue
2. **Hot Picks:** music IP offered from artists that are currently experiencing heavy buzz on a regional, domestic, or national level, including independent and newly signed major label artists
3. **Pink Sheets:** music IP offered from independent artists in the beginning stages of their career, with an average of 10,000 followers or less. Their followers, who wish to expand their audience and create buzz, would utilize WAVEXchang as an “equity crowdfunding” platform, targeting Corite’s customer demographic.

   Pink Sheets are subdivided into Class A (average raise of $5,000), Class B (average raise of $1,500), and Class C (average raise of $500) in an approximate ratio of 10% to 30% to 60%, thus, their average raise is about $2,000

Blue-chip/Hot Pick listings

Our goal is to list 200 international songs/recordings under the Hot Pick category in our second year on market, backed by an aggressive marketing campaign. Since these Hot Picks listings are from new, emerging artists with an average of 500,000+ followers on the major social media platforms, we calculate the following yearly revenue from this category of stock:

200 listings (from artists of an average of 500,000+ followers). Each artist will post about the listing on their major social media accounts, for example, a tweet about the listing to their Twitter followers. Assuming their followers will respond to a ‘call for action’ by buying a “share” at an average of $10, that’s an average of $5M raised per listing. 200 listings x $5M = $1B annual raise. If our commission is 15%, that’s **$150 million** annual net from Blue-chip/Hot Picks music IP listings.

Pink Sheet listings

While Blue-chip and Hot Pick listings will serve to create brand recognition and prestige for WAVEXchange, this will cause millions of “wannabes” to turn to WAVEXchange to raise capital for their campaigns. Therefore, we anticipate Pink Sheet listings to comprise most of our music IP-related revenue.

An estimated 22 million songs (the majority from unknown artists or artists with limited fanbases, Pink Sheets) are uploaded annually to Spotify. An average raise of $2K for a Pink Sheet listing provides for about $44B annual raise through the exchange. If taking 15% exchange commission, that’s **$6.6 billion** in a pre-tax annual net.

Market depth: Listing and membership fees

Listing Fee for Performers / Record Labels

WAVEX is going to charge at least a **$100** annual listing fee, which corresponds to a **$2 billion** annual market depth on **20M** existing artists.

Annual Registration Fee for music consumers/investors

According to statista.com, there are over **400M** music streaming subscribers worldwide. WAVEX is planning to charge them as low as a **$10** annual subscription fee, which corresponds to a **$4 billion** annual market depth.

Market depth: B2B services

Music Recommendation Fee for streaming service providers

There are over **400M** music streaming subscribers worldwide. WAVEX is planning to charge as low as **$0.001** per recommendation. On average, the music lover receives about **1,500** music recommendations a year, which corresponds to a **$600 million** annual market depth.

User Engagement Fee for social media/dating apps

Every new user engagement yields additional annual **$80** CPM advertising revenue for social media/dating apps. **400M** socializing music consumers worldwide would allow WAVEX to generate at least **7 billion** new engagements a year charging **$0.10** per new engagement, thus producing **$700 million** annual market depth.