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You belong with me: Lyric Capital attracts chart toppers

Lyric Capital's holdings include hits recorded by a wide range of artists, including Taylor Swift, Whitney Houston, Madonna, Jay-Z, Eminem, The Who, Elvis Presley and Frank Sinatra.

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Investing in music royalties and copyrights has become a popular trend in private equity over the past few years. A key reason for the sector's appeal is its recession-resistant ability to provide stable cashflow amid a market downturn.

For Lyric Capital co-founders Jon Singer and Ross Cameron, that was the case when the two former music executives and investors formed the New York buyout shop in 2019. However, unlike some of its flashier rivals, Lyric likes to keep things close to the vest and under the radar. And, judging by its recent dealmaking activities, that reticence doesn't seem to be changing anytime soon.

"One thing to keep in mind is an artist/songwriter is selling their life's work which is not only a business decision but an emotional one," said Cameron, when discussing his firm's policy of discretion. "We are very mindful of that, and many deals are kept private out of respect for the seller, and therefore we are not able discuss or announce many of our transactions."

Impressive catalog

Even without the periodic veil of secrecy, Lyric's stellar track record can't help but inspire awe. Through its publishing arm Spirit Music Group, Lyric has amassed an impressive catalog of over 100,000 owned and managed copyrights and master recordings. Among its holdings are hits recorded by iconic artists such as Elvis Presley, Frank Sinatra, The Who, Madonna, Taylor Swift, Whitney Houston, Jay-Z and Eminem.

Currently, Lyric has "north of \$1 billion" in assets under management, according to Cameron.

In late February, the private equity firm emerged from its shell to announce the closing of its second music royalty fund on about \$800 million. The fundraising came four years after Lyric wrapped up its inaugural royalty fund at \$350 million. For Fund II, Lyric expanded its limited partners base to include "several large" pension funds and wealth managers.

Lyric Capital Royalty Fund II is already being actively deployed. Its first deal was the 2022 acquisition of most of popular country singer Jason Aldean's recorded music catalog, encompassing nine albums and twenty-four number one songs.

Cameron said he and Singer use data and analytics to identify attractive assets that will yield generous returns. In addition to the Aldean acquisition, that would also include Lyric's 2021 buyout of a masters,

publishing and video portfolio built by an unidentified but “renowned singer, songwriter and producer” for \$130 million.

“With both deals, we had the opportunity to partner with legendary singer/songwriters,” said Cameron. “Both catalogs checked a lot of boxes for us: stable/growing cashflows from mature songs; and consumption from key markets that we believe are well positioned in terms of future relevance in the overall economy and should drive growth in consumption for these assets over the next decade.”

It’s no surprise Lyric’s remarkable repertoire has become catnip for illustrious investors. In 2021, Northleaf Capital Partners and Caisse de dépôt et placement du Québec teamed up to provide \$500 million to Lyric. As PE Hub reported at the time, the transaction would see “Northleaf hold an interest in certain music royalty catalogs managed by Lyric and support Lyric’s continued growth.”

When asked to comment further on this deal, Cameron said Lyric “couldn’t be happier with the way the partnership is developing.”

Avid investors

Prior to launching Lyric, Singer and Cameron had been avid investors in this space for several years. It was their success that empowered the pair to conceive of Lyric.

“At the end of the day, we realized that we had built up a unique sourcing strategy and investment team that could provide like-minded capital with a very interesting return proposition,” Cameron explained. “We were confident, due to the fragmented ownership of music assets, that we would be able to execute on a roll-up strategy and acquire a great portfolio of copyrights. The logical next step for us was to create a market-leading firm to capitalize on the opportunity.”

Another reason for Singer and Cameron’s success is their shrewdness. They like to pursue deals that are not being heavily shopped. This helps them avoid auctions and bidding wars. It’s a clever strategy in sharp contrast to some of Lyric’s peers, which Cameron said are unsophisticated and end up overpricing assets.

“There are important growth and decay risks with every asset that really determine the value of these catalogs,” he added. “Some new [firms and investors] tend to miss some of these crucial risks and in our view, expose themselves to potential downside that can be avoided or structured around if properly identified.”

Asked if there are any deals in the offing that Lyric can share, Cameron remained characteristically tight-lipped, although he does drop a few morsels to whet the public appetite of curiosity.

“We’re working on closing multiple transactions which range from \$10 million to \$250 million,” he revealed. “Hopefully we’ll be coming to you with some exciting news in the coming months and look forward to speaking about the transactions that we can discuss, once they are closed.”

PE Hub will be listening.