



EPF (Report)

BELIEVE: AN ECONOMIC REPORT

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1. Introduction

Believe is a Paris-headquartered digital distribution company, artist and label services operation, and the owner of in-house record labels (Music Business Worldwide, 2021). Its primary focus is the use of data-driven solutions based on in-house technology to maximise artist revenue. It was co-founded in 2005 by Arnaud Chiaramonti, Nicolas Lacias, and current CEO Denis Ladegaillerie with “a vision to help artists build and grow their careers through music technology and services” (Believe, 2021a).

Between 2005-2012 the focus was primarily on developing its in-house technology further, expanding across Europe, launching Backstage (an interface for artists and labels to manage catalogues), and creating a video department for artists (Believe, 2021a). From 2015, the focus shifted to M&A, Label & Artist Solutions (hereby L&AS), and the establishment of Believe Sync. Now, with 850,000 artists and 1,270 employees in more than 50 countries, Believe have firmly established themselves as the world’s leading independent music company (BFM Business, 2021; Believe, 2021b).



Figure 1: Believe in Figures (Believe Investor, 2021)

Ladegaillerie discussed how, in the past decade, the advent of streaming has made Believe “ideally positioned ... with a unique model to provide solutions best adapted to meet the evolving needs of each independent artist and label, at all levels of development” (Paine, 2021a). Believe has multiple tiers to its business, depending on the requirements of the artists and labels it serves.

This report intends to focus on the services provided by Believe with an economic and financial lens. Firstly, it will analyse the microeconomic considerations of the business, discussing its services, recent M&As, major competitors, and its 2021 IPO. Then, it will discuss the impact of political, economic, and socio-cultural macroeconomic factors on the business. From there, it will go more in depth into the finances behind everything discussed in the report to better understand the financial health of the business, before determining whether Believe should employ lean business methods into its approach.

Believe Direct Limited (UK) is 100% owned by Believe International (Luxembourg), which is 100% owned by Believe SA (France); the public company and HQ of the Believe group. Also listed under the UK Companies House is GS Believe LLP, in partnership with Good Soldier Records. Discussions and findings in this report will be in relation to Believe SA.

2. Microeconomic Considerations

This section of the report will look more closely at Believe's microeconomic environment, analysing its services and customer base, M&A and partnerships, major competitors, and its recent IPO. The financial aspect of this will be discussed in section 4 of this report.

2.1. Services and Customer Base

Before navigating the microeconomic landscape, it is important to first understand the customer base and services provided by Believe. Due to the wide range of areas that Believe works in, this section will primarily focus on the services and customer base relating to the L&AS and distribution side of the business. Believe Sync operates differently, as do the range of individual record labels that it works alongside, that are suitable for further analysis within extended reports on these aspects of the business.

Believe provides long list of bespoke artist services to best fit the artist's needs, including physical and digital distribution, trade marketing, video, sync, financial solutions, neighbouring rights, and international campaigns (Believe 2021b). Artists have two main options: full-service distribution with Believe, or DIY distribution through TuneCore (acquired in 2015). This operation is split into two segments- 'Premium Solutions' and 'Automated Solutions'. Premium Solutions includes the divisions of the company that offer premium distribution and services to artists and labels, encompassing labels owned/co-owned by Believe and its own L&AS (Ingham, 2021a). Its Automated Solutions are represented by the TuneCore platform, creating a DIY service with advanced technology to assist the artist with the process. There has been an exponential rise over the past decade in DIY services, reacting to a larger force within music industry of artists breaking away from restrictive contracts. This approach has maximised label and artists satisfaction and minimised cost by tailoring its services, strictly to what is best suited, to create a bespoke and personalised experience.

Recently, these solution services have crossed over with the 'signed by' programme with TuneCore, whereby artists who release their music through TuneCore and are "identified as rising stars" become eligible to be signed by Believe (i.e., to access the Premium Solutions

service) (Believe, 2021b). This program has resulted in over 340 artists and labels moving from TuneCore up to Believe (Believe, 2021b).

2.2. M&A

Believe has engaged in 18 acquisitions in the past six years (Ladegaillerie, 2021). In August 2016, Believe acquired French label group Naïve for circa €11 million (Ingham, 2016). Believe, then, in October 2018, acquired a majority stake in Nuclear Blast, a rock and metal label in Germany (Ingham, 2018). Ladegaillerie discussed the success of Nuclear Blast recently, as it has moved from “a 70% physical business two years ago, [and] is now a 60% digital business” (2021). Other notable acquisitions have included French indie label Tôt ou Tard and Germany’s independent distributor powerhouse Groove Attack in 2018, as well as a 25% stake in French indie label Play Two (Malt, 2021).

Ladegaillerie has discussed why Believe is not putting efforts into the US market, as he explains in an interview: “there are faster growing markets than the US, that are going to be larger than the US in the future, that are less expensive to invest in at this point in time.” (2021). They are instead turning their attention to the Asian market, as evident in their most recent acquisitions. The company started investing in the region in 2013 and is now present as a leading player in 14 territories (Believe Investors, 2021a): “the continent of about 4.56 billion individuals will become the largest recording music market globally by the end of this decade” (Smith, 2021). As part of this ongoing expansion, Believe ended 2021 with full acquisition of Indian record label Think Music and a 15% stake of Philippines stronghold VMAG (Cooke 2021a; Smith 2021).

Most notably, in April 2015, Believe announced that it had fully acquired DIY distribution platform TuneCore (Cooke, 2015). TuneCore plays an essential role in the solutions services provided by Believe for emerging labels and artists. Ladegaillerie described it as a “distressed asset” at the time of purchase, with “limited cash on the balance sheet” (2021). Believe continues to invest heavily in it, despite it being only a very small fraction of Believe’s consolidated revenues. It acts as an investment that pays off down the line, streamlining labels and artists into Believe through the ‘signed by’ program and still bringing in a large fraction of revenue of digital music sales.

As for the future of M&A at Believe, Ladegaillerie mentioned in an interview in 2020 that he has his eye on Beggars and XL, and Dominois in the UK: “I’m not sure that (either company) is looking for partners yet, but they are conversations we’d love to have.” In a separate interview, he explains that the M&A targets as a business in 2021 is to prioritise traditional labels looking at becoming more digital, or digital-savvy new labels who understand the minutiae of the ever-evolving social network and streaming sites (Ladegaillerie, 2021). In some territories, Believe is looking at smaller distributors as well as small tech businesses with the aim of fully integrating them into Believe’s teams (Ladegaillerie, 2021).

2.3. Major competitors

Merlin

Merlin is a global digital rights music licensing partner for independent record labels, distributors, and music rights holders, representing tens of thousands of labels and hundreds of thousands of artists (Merlin, 2021a). Like Believe, they pride themselves on a ‘people-first’ approach- focusing on empowering independence by being music-focused and member-led. This approach has enabled membership to grow to represent 15% of the global market share (Merlin, 2021a).

Believe’s views on Merlin as a competitor have been made clear over the years, with Ladegaillerie reportedly having such discussions with CEO Jeremy Sirota- that Merlin is now outdated and has extended its normal lifetime (Ladegaillerie, 2020). Ladegaillerie outlined that, while he respects the important role that Merlin once played, it is now weakening the distribution eco-system as labels should also be going through a distributor (2020). He goes on to explain why Believe opted to stay outside Merlin and negotiate with digital services directly:

As a distributor, the value we bring to our clients, whether artists or labels, is providing them access to the platforms at the best terms and conditions we can obtain. It's not just about making the content available, but also ensuring that we maximise promotional opportunities and financial reward... Us having control of [direct] deals creates a big benefit to our partners... Long-term, deal-making must be reunited with distribution (Ladegaillerie, 2020).

The key reason that Believe appears to be unthreatened by Merlin, is that it goes beyond exclusively working in music licensing by providing artist services and distribution: “If you’re just negotiating (like Merlin) and you aren’t also the distributor actually providing the content, it’s very difficult for you to achieve the same results” (Ladegaillerie, 2020). Believe have seen such success, it appears, for their multi-dimensional approach to L&AS.

This is not to say that Merlin is not still retaining a strong position in the music licensing sphere, recently appointing Sirota as CEO, and striking strategic partnerships (Merlin, 2021b). However, it appears that in nearly every aspect, Believe have overtaken Merlin as the first stop for independent artists and labels, being able to provide the same service as Merlin with additional perks and services.

AWAL

AWAL, founded by Denzyl Fiegelson, is an artist services and music distribution company recently acquired by Sony Music Entertainment from Kobalt, handling the distribution of its music, music promotion and marketing and sync licensing. At the time of writing, a Phase Two investigation is underway of this acquisition by the Competition and Markets Authority over concerns of loss of potential competition in digital music distribution in the UK, with evidence showing that AWAL could have acted as a competitor to Sony in future (CMA, 2021).

Anti-competitive practices are under ever increasing scrutiny in western countries. There is consensus that competition in the marketplace creates more innovation, fairer prices, and avoids the emergence of monopolies. Believe, and previously AWAL, act as one of the few suppliers outside of the majors that have “succeeded in gaining a meaningful foothold in the market” (CMA, 2021). Colin Raftery, Senior Director at the CMA, said: “The music industry forms an important part of the UK’s flourishing entertainment sector, and it’s essential that distributors continue to compete to find new and creative ways of working with artists” (Stassen, 2021b). Overall, AWAL is left in a highly precarious position, with the investigation still underway and the looming chance of Sony Music having to dispose of AWAL.

Pre-Sony acquisition, AWAL’s financial standing was strong with a gross profit of 13.7% in 2020, and further strengthened with a \$150m investment from Kobalt (Homewood, 2021; AWAL Recordings Ltd., 2020). In April 2019, Kobalt’s financial results highlighted 50%

growth for AWAL year-on-year, but some in the industry questioned the sustainability of the model with concerns over a lack of profitability (Homewood, 2021). Despite the claims from the CMA, Ingham questions whether AWAL were financially stable: “if AWAL was materially contributing to Kobalt’s annual losses, despite the profitability of its publishing division... it becomes much harder to argue that AWAL had a bright future ahead of it before Sony Music snapped it up this spring” (2021e; AWAL Recording Ltd. 2020).

AWAL runs on a ‘free to join’ platform with artists accepted on a submission basis. It operates a tier-based system designed to build long-term music careers, with different deals at different stages, much like Believe (AWAL, 2021). It operates under a commission-based model, making money based on the commission of artist sales, providing a vote of confidence in artists that they accept onto the platform. With this submission obstacle to overcome, AWAL runs the risk of limiting those accepted only to musicians considered commercially viable. This can result in missed opportunities.

AWAL mostly acts as a competitor to Believe’s TuneCore branch, though they technically act as a competitor in the A&R and Synch sectors also. TuneCore’s upfront fees can act as a deterrence for artists, which could potentially result in artists trying AWAL first. AWAL boast that, with a “selective, curated roster, [it is] able to give artists a higher quality of service that goes far beyond just distribution” (2018). However, due to the submission-based nature of AWAL, it could be argued that many artists with a small repertoire or who don’t fit the brief that AWAL are looking for, may, if they have the funds, be better off opting for TuneCore.

Both distributors boast a fantastic reputation, though, it is yet to be seen what effect the Sony acquisition and investigation will have. The exclusive nature of AWAL’s roster has its pros and cons but does provide enough pros to make it appealing and viable as a model. Ultimately, Believe are in a stronger position as a thriving independent business in comparison to AWAL’s precarious position between Kobalt and Sony. However, it is important that Believe keeps a close eye on the developments of this investigation. AWAL, down the line, could act as significant competition to Believe, especially if backed by the funding and resources of a major like Sony.

2.4. IPO

In June 2021, Believe floated 14.35% of its equity on the Paris stock exchange (Euronext) at a \$2 billion valuation, raising €300 million in the process (Stassen, 2021a). Here, the report will discuss the reasoning behind the IPO and the strengthening of Believe's position as a result, with a more in-depth analysis of the financial element employed in section 4.

Ladegaillerie explained in an interview that, due to Believe's success to date, it was preferable to take the opportunity of an IPO as opposed to taking on private investment or selling some equity to a major music company to preserve its independence (Ladegaillerie, 2021). Part of the reason that Believe's IPO bid was successful comes from its success within the growing global independent sector working with independent artists (Ingham, 2021d). Believe made the following statement regarding the IPO:

The Group's strategy is to build the leading global artist digital development platform, by continuing to invest to broaden its global footprint, pursue its disciplined external growth strategy and enhance and expand existing capabilities through investments in its technological platform (Believe Investors, 2021c).

We are already beginning to see the effects of this, with the significant increase in acquisitions in the latter half of 2021, as well as continued development and improvement behind the scenes of their L&AS. Another reason that Believe's IPO bid is strengthened is by the growth of the global paid music streaming market, as seen in the IFPI 2021 report. Goldman Sachs echoes this, now forecasting that the industry will be worth over \$50 billion a year by 2030 (Ingham, 2021d). These two pivotal factors have positioned companies like Believe favourably for investment, as seen with the IPO, demonstrating that the music market is stronger than ever.

3. Macroeconomic Considerations

This section of the report will focus on political, economic, and socio-cultural factors in its evaluation of the macroeconomic climate, touching on how Believe responds to this. This analysis can help to spot business opportunities, flag threats and failures, understand key changes, and develop an objective view of a business environment. Future reports should consider taking this further by employing the full PESTLE analysis (political, economic, socio-cultural, legal, environmental).

3.1. Political factors

As Believe operates globally, it is important that it pays close attention to changing political climates across the world.

Brexit continues to require persistent monitoring due to changes in travel, import/export tax, and trading regulations for UK companies. Emerging impacts of Brexit on the music industry include the air of uncertainty created, most notably regarding restrictions on touring, potential issues with royalty collection, physical distribution, and possibly attracting international artists to perform in the UK with newfound visa barriers.

The post-Brexit EU/UK trade deal failed to include an EU-wide provision for touring without a visa between UK and Europe, meaning that British artists now face different rules in each EU member state (Cooke, 2021b). However, the full extent of this is yet to be known, with the UK government sharing its efforts to “tackle the post-Brexit bureaucracy British artists face when they start touring Europe again once COVID restrictions start to lift” (DCMS, 2021). The update outlined that “nineteen member states have confirmed UK musicians and performers do not need visas or work permits for short-term tours” (DCMS, 2021). Visa-free access has been announced for British musicians looking to tour in Norway, Iceland, and Liechtenstein, which is a hopeful indication that, if this has been possible for these EEA members, it will be possible for EU member states too (Malt, 2021). Spain has been the most recent state to announce that artists and crew touring in the country will no longer need any visas (Cooke, 2021c).

David Martin from the Featured Artists Coalition and the #LetTheMusicMove campaign has called for the government to publish full details outlining the exact requirements for touring

performers and crew on a country-by-country basis (Cooke, 2021b). The Musicians Union have also provided resources and advice for artists and music professionals to help them to navigate Brexit. Figure 2 below shows an interactive flowchart for musicians travelling to the EU (Musicians Union, 2021). It is recommended that companies like Believe play close attention to the ever-changing guidance to ensure that they can provide best service to their clients.

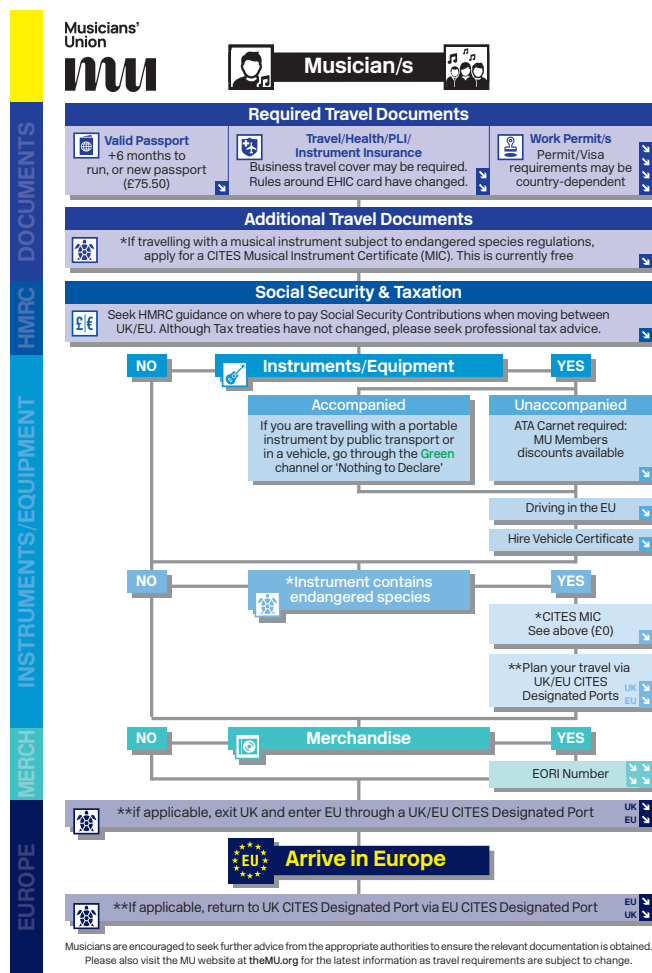


Figure 2: interactive flow chart outlining guidance for EU travel post-Brexit.

Brexit is also having an impact on physical distribution, most notably with complications in vinyl sales. Helen Doyle (2021), Senior Business Affairs Lawyer at Believe UK, stated that there is currently a 9-month lead time for vinyl orders. The 'vinyl revival' of the past few years appears to be under threat, with vinyl pressing plants struggling to meet demand. This is due to a combination of a global PVC shortage, Covid-19 social distancing guidelines, a small number of active factories, and Brexit complications (Forde, 2021). Further, if a label is VAT-registered in the UK but pressing in Germany and using distributors in France, there is a VAT charge that previously did not exist (Forde, 2021).

Beyond Brexit, on June 5th, 2021, the G7 agreed to back an international agreement on global tax reform for large international companies to start paying their fair share. To tackle the downfalls of the global digital economy, the reforms will have multinationals paying a global minimum rate of tax of at least 15% in each country that they operate (HM Treasury, 2021). This may apply to Believe and other large companies in the music industry, and is likely to be enforced in 2023. This is also likely to impact businesses decisions on global hiring and investing with the income inclusion rule increasing the tax costs of cross-border investment.

3.2. Economic factors

As a global enterprise, Believe needs to consider the economic stability of different markets, particularly seeing as countries across the world are handling post-pandemic recovery differently.

The Creative Industries Federation projected that creative industry GVA would have reached £122bn by the end of 2020 in a no-Covid scenario (2020). The hit to the live music sector is anticipated to take at least 3-4 years to recover to 2019 levels (Creative Industries Federation, 2020). However, despite this, there have been many positive statistics regarding the overall growth of the music industry. This is only likely to grow more with the re-emergence of live music and once agreements are formalised regarding Brexit. Global recorded music revenues grew 7.4% in 2020 totalling \$21.6bn, marking the sixth consecutive year of increasing revenues (IFPI, 2021). There has been an understandable decline in physical revenue by 4.7% and performance rights revenue by 10.1%, but a growth of 18.5% in paid streaming revenues has more than made up for this lost (IFPI, 2021). With France, Germany, and the UK in the top five music markets for 2020, as well as Asia being one of the fastest growing regions (IFPI, 2021), Believe's recent and projected plans for M&As are evidently moving in the right direction.

The emergence of the new Omicron variant of Covid-19 has elevated uncertainty around economic recovery in the UK, with further restrictions being put in place to combat it resulting in a possible unemployment peak at 5-5.7% in 2022 (Selfin, Tatarkov and Stelmach, 2021). Severe staff shortages are being seen, partially due to EU nationals who left the UK because of COVID-19 and their now potential difficulty in returning due to Brexit. We can see in Figure

3 below that the overall outlook is highly dependent on the alternative Omicron scenarios, with the live industry sector having the potential to take another significant hit in the middle and downside scenarios outlined (Selfin, Tatarkov and Stelmach, 2021).

Table 2: Alternative Omicron scenarios

	Upside False alarm A combination of an accelerated booster programme, increased access to effective treatments and a milder form of illness which does not cause a large rise in hospitalisations.	Middle Successful shield New strain causes a severe form of illness in parts of the population but current vaccines are effective in moderating some of the symptoms.	Downside Pandemic setback New strain causes a severe form of illness and current vaccines prove ineffective. A new booster is developed within three months and rolled out by end of June 2022.
Lockdowns	No lockdown	No lockdown	Lockdown during January and February 2022
Schools	Open throughout	Open throughout	Open throughout
High street retail	No restrictions but reduced footfall in December 2021 due to cautious consumers	Social distancing restrictions reintroduced from January until end of March 2022	Non-essential retail closed in January 2022, social distancing restrictions until end of March 2022
Dine-in restaurants	No restrictions but reduced footfall in December 2021 due to cautious consumers	Social distancing restrictions reintroduced from January until end of March 2022	Closed January and February 2022, followed by social distancing restrictions until end of April 2022
Travel restrictions	International travel restrictions lifted in January 2022	People encouraged to work from home if they can in January and February 2022, international travel restrictions until end of April 2022	People encouraged to work from home if they can in January and February 2022, international travel restrictions until end of June 2022

Figure 3: alternative Omicron scenarios

Regarding the global economy, projections re inflation, unemployment, and other factors can have drastic effects on day-to-day business operations and finances. The global economy is projected to grow 5.9 percent in 2021 and 4.9 percent in 2022 (IMF, 2021). Supply is posing a unique challenge, with pandemic outbreaks and weather disruptions resulting in shortages and dragging manufacturing activity lower in several countries. Yet, the shortages and pent-up demand have caused consumer price inflation to increase rapidly (IMF, 2021). Ultimately, “if Covid-19 were to have a prolonged impact into the medium term, it could reduce global GDP by a cumulative \$5.3 trillion over the next five years,” which can potentially be prevented by ensuring equitable vaccine access for every country and tackling vaccine hesitancy (IMF, 2021).

3.3. Socio-Cultural

Social justice and mental health issues have become some of the forefront concerns for modern-day culture and businesses. 2020 saw the rise of the Black Lives Matter movement, and a

drastic shift in people's tolerance for sexism, sexual harassment, racism, and anti-LGBTQ+ views. Further, there is a generational shift in attitudes towards wellbeing and a healthy work/life balance, leaving behind the standard working week and overworking.

Nowadays, companies need to be transparent and vocal, for both ethical and financial reasons. Staying up to date on best practice in HR and EDI (equity, diversity, and inclusion) fields looks favourable to investors, with Believe including a statement of support for diversity and accessibility on their investor website (Believe Investors, 2021e). There is also widespread evidence to show that companies that successfully employ EDI initiatives in their organisation are more successful and profitable. For example, The Boston Consulting Group surveyed more than 1,700 companies and found that companies with above-average total diversity had, on average, 19% higher innovation revenues and 9% higher EBIT margins across the world (see Figure 4) (Lorenzo and Reeves, 2018).

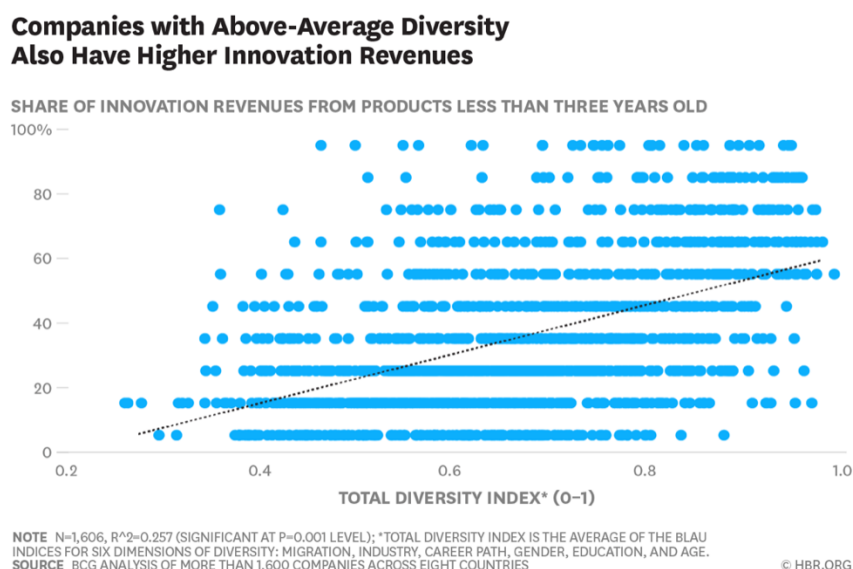


Figure 4: share of innovation revenues against the total diversity index

Believe is evidently aware of this cultural shift. It has partnerships with Keychange, 50inTech (fighting for gender equality in the music industry), and with Power Up- an organisation that elevates Black music creators and industry professionals (Paine, 2021b). Leith Morgan, Global Director of Editorial & Marketing, made the following statement: “We have made a vow to put conscious efforts in to bettering Believe UK on our path to becoming not only an actively anti-racist business but also as an actively anti-racist employer” (Paine, 2021b). Believe have been working with The Diversity Partnership for compulsory EDI training for all employees, and employees have access to Believe Insider and Believe Tomorrow, which contain extensive

resources and essential requirements for employees to engage in best EDI practice (Doyle, 2021).

In developed countries, remote working, now widespread because of the pandemic, is showing boosts in productivity and reduction in burnout and stress related illnesses by up to 43% (Van Bommel, 2021). However, varying cultural approaches and responses to Covid-19 can cause controversy, with A&R departments mentioning struggles with artist relations due to mask-wearing and social distancing (Smith, 2021), and varying responses to vaccination requirements resulting in workplace disputes. Such difficulties should be closely monitored by organisations in all fields to ensure positive workplace relations.

4. Financial Overview

Believe is a tax-resident of France. For this reason, and since it has only been publicly listed since June 2021 (not a full year at time of writing), there have been limitations on the financial statements accessible for this report. However, Believe has generally been transparent throughout the IPO listing. This report will thus analyse the information available at the time of writing.

4.1. 2021 Finances

Believe, since its IPO, has a public and thorough site for investors, with frequent financial PR's, trading updates, and quarterly reports. In November, it published its revenue for the third quarter of 2021. The strong revenue growth, seen in Figure 5 below, reflects significant market share gains driven by the revenue ramp-up of the multitude of investments made over the past two years (Believe Investors, 2021b). Believe further benefitted from the positive structural market trends “combining acceleration of paid streaming penetration and diversifying monetization sources for music” (Believe Investors, 2021b). Q3 2021 revenues grew by +27.1% to reach €144 million, compared to €113 million in Q3 2020, with strong organic growth of +26.8%.

<i>in € million</i>	Q3 2020	Q3 2021	<i>Change YoY</i>	<i>Organic change¹</i>
Group Revenues	113	144	+27.1%	+26.8%
<i>Premium Solutions</i>	105	135	+29.0%	+28.8%
<i>Automated Solutions</i>	8	9	+2.6%	+2.1%
<i>in € million</i>	9M 2020	9M 2021	<i>Change YoY</i>	<i>Organic change</i>
Group Revenues	309	404	+30.7%	+28.9%
<i>Premium Solutions</i>	286	378	+32.2%	+29.8%
<i>Automated Solutions</i>	23	26	+11.8%	+17.4%

Figure 5: Believe revenue growth 2020-2021

We see the direct success of its Premium Solutions for 2021, with global revenues totalling €378m (Believe Investors, 2021b). Ingham notes that TuneCore generates hundreds of millions of dollars each year in collections but pays 100% of royalty money to its artists, meaning that the net revenues seen here, under Automated Solutions, only represent the subscription money that users pay Believe to upload music and use its services (2021a).

We also see further assurance in Q3 2021 for Believe's expansion to Asia (see Figure 6 below), with Asia Pacific and Africa seeing a growth of 58% compared to Q3 2020.

<i>in € million</i>	Q3 2020	Q3 2021	<i>Change YoY</i>
APAC / Africa	21	32	+58.0%
Americas	16	21	+35.5%
Europe (excl. France & Germany)	32	41	+30.0%
France	21	24	+15.4%
Germany	25	25	+2.2%
Total	113	144	+27.1%

Figure 6: global growth figures

Throughout the pandemic in 2020, Believe saw a dip on the 66% YoY growth that it posted in 2019 and an annual operating loss in 2020 of €21.7 million following two years of profit (Ingham, 2021b). However, it's forecasted growth is going to plan, as seen in the Q3 2021 filings. This was apparent early on, launching its IPO on the back of a prolific Q1 2021. Believe now anticipates an annual organic growth of at least +27% by the end of 2021% (Believe Investors, 2021b). Ingham points out a note of caution- that Believe's slightly hampered performance last year because of the pandemic should serve as a reminder that scaling a distribution and services-based business on a revenue-share model can cause profit fragility if annual topline revenues do not grow quickly (2021b). Ingham further believes that one key company cost that Believe investors may be paying close attention to is its "Central Platform" (2021b). This is the technology underpinning its solutions services, of which Believe says it will continue to invest in to allow each region to work off a shared global platform (Believe Investors, 2021b).

Believe continues to benefit from robust music industry growth, particularly regarding streaming. Representing more than 100 billion total streams and 375 billion video views in 2020, Believe is aptly placed in a digital market with a 37% compound annual growth rate, and expected to achieve an estimated market size of \$18.8 billion by 2023 (Believe Investors, 2021c). Revenue breakdown of digital and physical sales in Believe have remained largely

unchanged since 2020, remaining between 90-92% digital and 8-10% physical, with digital sales seeing a growth of +30.4% for Q3 2021 (Believe Investors, 2021b).

4.2. IPO

In June 2021 the company floated 14.35% of its equity via its IPO, raising €300 million in the process (Ingham, 2021c). Pre-IPO, Believe was owned 49.64% by TCV, 20.34% by Ventech funds, and 15.04% by Denis Ladegaillerie (Ingham, 2021b). We can see Believe's shareholding structure now that the IPO had been completed in Figure 7 below (Believe Investors, 2021d). As with many other private companies, an IPO was used to gain funds for operation and expansion as an alternative to borrowing money and increasing debt. Having now raised the expected €300m, Believe should expect net proceeds of €280 million, with €90 million being used to pay off the company's existing credit agreement (Believe Investors, 2021d)

Shareholders	After the Offering and without exercise of over-allotment option		After the Offering and including full exercise of the over-allotment option	
	Number of shares ⁽¹⁾	% of capital and voting rights	Number of shares ⁽¹⁾	% of capital and voting rights
TCV	39,942,982	41.67%	39,942,982	41.01%
Ventech	16,367,944	17.08%	16,367,944	16.81%
XAnge	6,489,068	6.77%	6,489,068	6.66%
GP BullHound	2,068,636	2.16%	2,068,636	2.12%
Denis Ladegaillerie	12,101,320	12.62%	12,101,320	12.43%
Fonds Stratégique de Participations (FSP)	3,076,923	3.21%	3,076,923	3.16%
Sycomore	2,051,282	2.14%	2,051,282	2.11%
Public Float	13,755,303	14.35%	15,293,764	15.70%
Total	95,853,458	100%	97,391,919	100%

⁽¹⁾ Number of shares in the Company's share capital after taking into account the share capital reorganization and new shares issued as part of the Offering

⁽²⁾ Number of shares in the Company's share capital after taking into account the share capital reorganization and new shares and Additional new shares issued as part of the Offering

Figure 7: Breakdown of shares at Believe

As we can see in Figure 8 below, the share price is stable and not a great deal higher than what it was at the beginning (Believe Investors, 2021e). It is common for the share price to be high in the beginning, dropping in July as expected after the initial burst, and now picking up gradually over time. This is preferable, as erratic, volatile changes in share price present risk for investors. Though it has only been listed since June 2021, it is so far remaining stable and

in a preferable region for Believe. As of December 8, 2021, the share price stands at €17.94 as seen in Figure 9 below (Believe Investors, 2021e).



Figure 8: Believe share price over time- year to date (Dec 7, 2021)

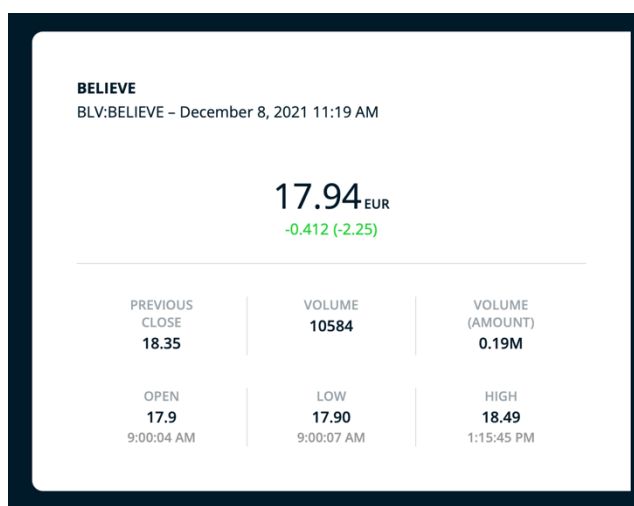


Figure 9: Believe share price as of December 8 2021.

In conclusion, this report recommends that Believe maintains its stable position on Euronext Paris by avoiding any grandiose changes or overly heavy investment in its Central Solutions in the coming year. It should continue its current financial transparency for the public and investors alike. Further down the line, with Believe in a stable, positive position financially, it should consider looking into investment in the Latin American and African market, with the growth figures in the IFPI report showing rapid growth in these areas (2021).

5. Lean Business Method

The lean start-up methodology and lean business methods found their beginnings in the manufacturing industry with Toyota, outlined in the book *The Machine that Changed the World* (Womack, Jones and Roos, 1990). It became popularised in the start-up world with Steve Blank and Eric Ries with his book *The Lean Startup* (2011). Ries saw “similarities between this emerging set of start-up disciplines and the Toyota Production System, which had become known as ‘lean manufacturing.’ Eric dubbed the combination of customer development and agile practices the ‘lean start-up’” (Blank, 2015). To ensure growth, larger corporations need to keep inventing new business models, and can adopt lean business methods to “deal with the forces of continual disruption” in the 21st century (Blank, 2015).

At its core, a lean business aims to maximise value, minimise waste, and focus on continuous feedback and testing- “failing fast and continually learning”- to minimise risk and retain agility (Ries, 2011; Blank, 2015). This is done through a build-measure-learn framework, which favours experimentation, customer feedback, and iterative design, avoiding largescale up-front design (Ries, 2011). This is often best achieved through a minimum viable product (MVP). Throughout this trial-and-error process, a ‘pivot or persevere’ approach is adopted, whereby the company must decide when to change direction and when to continue onwards.

This report has shown support for Believe’s venture into the Asian market and recommends future ventures into Latin America and Africa. In combining a lean business approach, and taking micro and macroeconomic considerations into account, Believe would have increased chances of success in these ventures and mitigate risks easily. Instead of using time, finances, and resources to create an intricate business plan, Believe’s founders could summarise their hypotheses in a business model canvas, using local artists and labels to test hypotheses and continuously build on this (Ries, 2011; Blank, 2015). For example, if Believe wanted to determine whether its services would be suitable in Brazil, it should reach out to local prospects, learn more about the services required and already established patterns, demonstrate an MVP of its services, and determine the suitability of the approach for this market. It can then make the decision to pivot or persevere depending on the issues presented. Taking macroeconomic considerations into account, thoroughly understanding the political, economic, and socio-cultural climate, will assist in this process.

6. Conclusion

This report has found that Believe is a fast-growing business that is financially stable at the time of writing. It has successfully carried out extensive M&As, as well as a highly successful IPO launch. Believe is providing a unique, tailored, and valuable service to artists and labels around the world, allowing them to retain their independence with access to a global network and established services tailored to their needs.

The positive trajectory for the music industry and re-emergence of existing aspects of the industry as we enter a post-pandemic era make for a mostly positive macroeconomic environment for Believe. Further, it is on the right trajectory advocating for impressive EDI initiatives and navigating varying socio-cultural issues. This report recommends that Believe publicise its advances in this area more.

Believe, operating primarily in a digital environment, has averted many of the potentially devastating impacts inflicted upon other businesses working in the music sector. Nonetheless, Believe and the wider music industry must pay attention to potential challenges such as the Covid-19 Omicron variant, ongoing issues with Brexit, and global economic projections. Employing the advice and guidance issued by the UK government and other official bodies should reduce the risk of negative impacts on Believe.

By closely monitoring the ever-changing nature of the Covid-19 pandemic, Brexit regulations, and socio-cultural climates globally, as well as considering employing lean business methods in its approach to M&A, Believe should be on a great track to soon becoming a contender against the current music industry majors.

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