



NEW DEALS BRING IN £1M IN REVENUE AND NEW FINANCIAL SUPPORT SECURED

In this month's newsletter, our CEO discusses the raft of contracts we have recently won with new and existing customers that represent a total of £1m in revenue and we explore how 7digital's growth markets are fuelling the boom in music consumption.

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Paul Langworthy

CEO

Welcome to the October Investor Newsletter as we close out what has been a busy month for 7digital and have continued to strengthen the fundamentals of our business.

COMPANY UPDATES

We ended the month with the announcement of seven new deals and contract expansions, including within our key markets of music streaming and home fitness. They are worth an aggregate total of £1 million over the term of the contracts, of which over £700k has been secured within the last month and with the majority of the total to be recognised in 2022. As previously stated, multiple new contracts are awaiting signature and it is great to see these start to come through. We are also pleased that we are receiving more-and-more long-term contracts, which enhances our visibility over future revenues.

This month we also secured a £1 million increase to our revolving credit facility with Investec Bank plc, bringing the total to £2 million, which provides low-cost capital that is non-dilutive barring a small number of warrants as part of the arrangement fee.

In another validation of our business, our broker, Arden, reiterated their 'Buy' recommendation and 3p target price in research published following the announcement of our expanded credit facility. This note, and others, can be accessed [here](#) where investors are required to self-certify and register.

“This all points to 7digital delivering a bright future for our valued stakeholders and I remain incredibly confident in the direction of our business.”

INDUSTRY NEWS

In the rest of the newsletter, we explore some of the significant evolutions in our industry, showing how 7digital has been ahead of the curve as our target segments drive a boom in the music market. We also delve into the future of artist services and potential avenues for monetisation, all of which are catered to by 7digital's growing ecosystem.

This all points to 7digital delivering a bright future for our valued stakeholders and I remain incredibly confident in the direction of our business. I would also like to thank Investec as well as our significant shareholders for their continued support and I look forward to providing further updates on our progress.

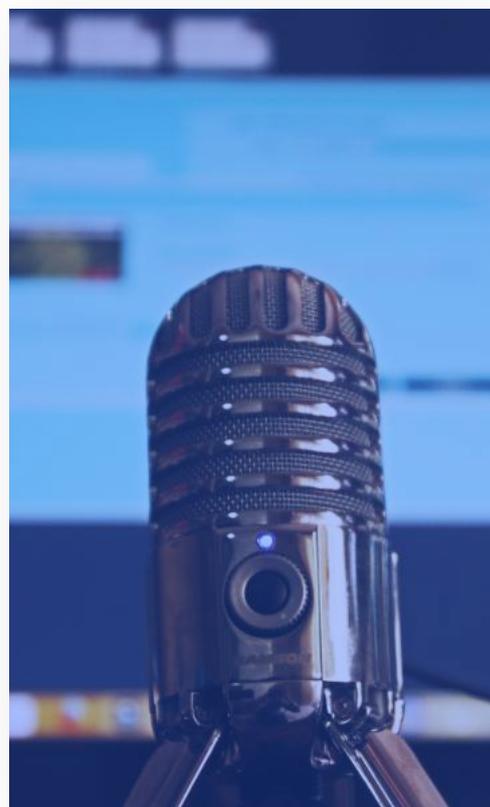
7digital growth markets drive music boom

Music licences for social and online fitness apps helped fuel a surge in growth in the US recorded music market in 2021.

Retail revenues rose **27%** year on year, from **\$5.6 billion** to **\$7.1bn** in the first half of 2021, according to the Recording Industry Association of America (RIAA). Streaming services, including licensing for social media and digital fitness, ad-supported services and paid subscription services, together accounted for **84%** of total revenue.

Of this, paid subscriptions made up two thirds of total and more than three quarters of streaming revenue. This rising trend predates the Covid pandemic in 2020, says RIAA. This year the average number of subscriptions hit a record **82 million**.

Ad-supported, on demand streaming revenues for social media like YouTube and Spotify grew by **54%** to an impressive **\$741 million**.



Mitch Glazier, RIAA's Chairman and CEO, said:

"Emerging platforms like short form video, fitness apps and a host of chat and social apps are also getting licensed and starting to deliver meaningful revenues. Record labels are moving urgently to make sure these growing services pay for the music they depend on – future-proofing artist incomes as technologies shift."

emusic li>e**Alfie Boe****Crowded House****Tina Arena**

The future of music artist services

In an increasingly digitised and connected world, music is becoming ever-more ubiquitous – a development that was heralded by the streaming era and accelerated by the necessity for virtual living as a result of the COVID-19 pandemic. This has shaken up the dynamics and demands of the music industry, opening new audiences and avenues for all kinds of artists around the world. That’s why our eMusic Live platform has been enabling artists, venues and brands to host live concerts while providing a range of commercial and fan engagement tools, offering new ways to monetise performances and engage with global audiences. But it doesn’t stop there - the scale of change in artist services is even more far-reaching.

At 7digital we’re staying ahead of the curve – eMusic Live became the first livestream service to offer artist NFTs (non-fungible tokens) alongside ticketed events running on the platform this year, allowing fans to own authentic digital merchandise while substantially increasing artists’ monetisation ability. Noting the obvious shift in power dynamics that NFTs represent, Oana Ruxandra, Chief Digital Officer for WMG, told Forbes in August: “Any evolution justifies an assessment and evolution of artists’ contracts.” This suggests NFTs could become a key feature of the music industry. We’re very excited about how this market is going to develop.

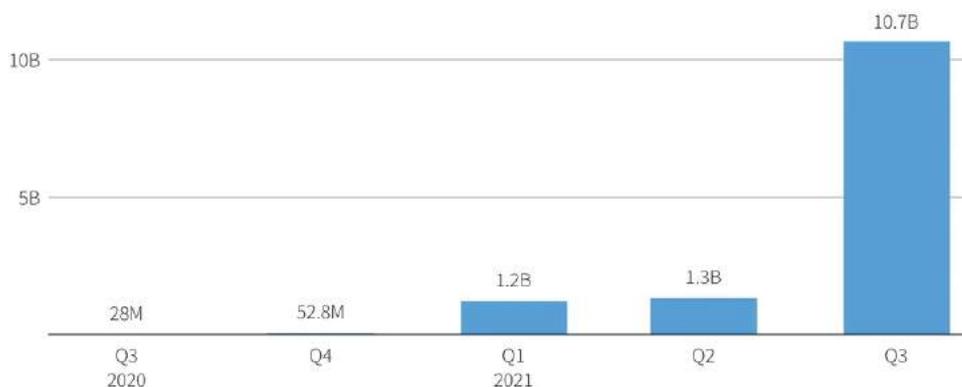
New digital formats and technologies are opening up revenue sources for music that didn’t exist just a few years ago. The music industry today is making

\$2bn a year from social, fitness and gaming royalties, estimates Mark Mulligan, analyst at Midia, and that is only expected to rise. These are verticals in which 7digital is playing a leading role. In September, Lucian Grainge, CEO of Universal Music, told the Financial Times that these are “new areas of monetisation we couldn’t even predict before”. In other words, music that powers classes on an exercise bike, videos on social media or the booming virtual worlds of gaming and augmented reality are changing the game.

Gen Z, in particular, are used to accessing the lives of celebrities and influencers – with direct

NFT sales surge to \$10.7 billion in Q3 - DappRadar

Quarterly non-fungible token sales volumes across multiple blockchains, in U.S. dollars



Note: DappRadar is a company which tracks on-chain NFT sales across multiple blockchains including Ethereum, Flow, Wax, and BSC.
Source: DappRadar

Source: Reuters

interaction via social channels. The emergence of platforms such as Cameo is testament to the liberalisation of celebrity-to-fan access, where the celebrity can choose how and when they ‘meet’ a fan rather than being part of a meet-and-greet pre-organised by management. This is a further example of the ample and expanding monetisation opportunities artists are presented with in today’s world.

To be able to leverage these opportunities, artists need a scalable platform that can bridge the gap between artist and consumer across multiple channels. At 7digital, we have precisely these foundations to be able to grow this music ecosystem and lead the industry in the development of new and exciting artist services.

IN THE NEWS

This month, our CEO spoke to Billboard about music licensing in the fitness space. Read the full article [here](#).

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