



7digital TURNS ADJ. EBITDA POSITIVE & NEW CHAIRMAN APPOINTED

In this newsletter, Interim Results show strong revenue growth and adjusted EBITDA profitability. Plus, read more about new Interim Chairman Mark Foster, new half a million in funding, and UK and US industry figures reveal continued growth in streaming.

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INTERIM RESULTS SET THE TONE FOR A STRONG 2022



Paul Langworthy
CEO

“We continued to win new customers and sign renewals. Some included significant usage terms we expect to drive further increases in revenue.”

It has been a great six months for 7digital. Our interim results to 30 June, published last week, highlighted strong revenue growth and positive adjusted EBITDA. We continued to win new customers and sign renewals. Some included significant usage terms we expect to drive further increases in revenue. A healthy order book meant we entered the second half in a great position, with contracted licensing revenue for FY 2022 currently 43% higher than what was delivered in FY 2021, and are on track to deliver strong revenue growth for 2022.

Also in this newsletter, a profile and forward-looking thoughts from new Interim Chairman Mark Foster, who has been a Non-executive Director of the company since April 2015. Mark has a wealth of music industry experience including key roles for all three major record labels. Previous Chairman Tamir Koch stepped down this month, while remaining a Non-executive Director, to focus on eMusic Blockchain. I want to thank him for all his advice, support, and tremendous contribution to the business' development.

In September, we were pleased to announce new funding via a £500,000 loan from Magic Investments SA, a significant shareholder represented by David Lazarus, a 7digital director. Our thanks to him for his continued trust and support.

In Industry Insight: two separate sets of figures that highlight continued growth in 7digital priority areas. And valued customers Utopia and Barry's feature in this month's Clients in the News.

I look forward to reporting on continued progress in future issues of the newsletter.

FINANCIAL HIGHLIGHTS

TOTAL REVENUE INCREASED
BY 21% TO

£3.9m

H1 2022	£3.9m
H1 2021	£3.3m

LICENSING REVENUE
GROWTH OF 45% TO

£2.5m

H1 2022	£2.5m
H1 2021	£1.7m

GROSS MARGIN IMPROVED
TO

70.2%

H1 2022	70.2%
H1 2021	62.6%

ADJUSTED POSITIVE EBITDA OF

£0.03m

H1 2022	£0.03m
H1 2021	loss of £1.0m

OPERATING LOSS REDUCED TO

£0.2m

H1 2022	£0.2m
H1 2021	£1.9m

OPERATIONAL HIGHLIGHTS

- Secured 5 new licensing customers and 3 contract expansions or extensions, including:

£1 million

a contract with a new pan-Asian consumer services company

€2.2 million

a contract expansion with a B2B music streaming service company

Further progress in social media industry with a new two-year contract with Lomotif, one of the top worldwide social video-sharing apps

Sustained ramp-up in licensing revenue post period

as at 27 September 2022, the total contracted licensing revenue for full year 2022 was

43% greater than that generated in 2021

MEET THE CHAIRMAN



Mark Foster

Interim Chairman

Having been on the Board at 7digital for over seven years now, I am delighted to be stepping up again as Interim Chair, particularly at this moment, when the business has reported demonstratively encouraging results for the first half of 2022.

Through hard work, creativity and dedication, the 7digital team has brought the company forward again in 2022. During the first six months, we signed five new licensing customers, secured three key contract extensions or expansions, exhibited strong revenue growth and achieved positive adjusted EBITDA.

Today's 7digital is a company building new and sustainable momentum and consolidating its position as the global leader in B2B music solutions.

As the music industry continues to grow and evolve to satisfy fast-moving consumer demand through fitness, social media and other distribution platforms, 7digital will be there to facilitate and support our B2B clients in all aspects of music-as-a-service. Along with all my colleagues on the Board, I congratulate Paul and the team on the positive results this year so far and look forward to the next phase of 7digital's growth.

Background on Mark Foster

Mark has been a Non-executive Director of 7digital since April 2015. He has spent much of his career in the music industry, in a succession of marketing and international roles for all three major labels, including time in Paris as Marketing Director for Warner Music France. Returning to London as Vice President of European Marketing, Mark oversaw pan-regional marketing strategy before founding Warner Music International's New Media Division. After leaving Warner, he

launched and ran Deezer in the UK and Ireland, then was appointed CEO for Arts Alliance, a leading global player in Event Cinema. Since 2015, he has developed a portfolio of Non-executive Director and chair roles for a range of businesses, including highly respected entertainment analysts MIDiA Research, and has led the digital transformation strategy for Moat Homes, a major Housing Association. In addition, he acts as advisor and brand ambassador for a number of start-ups and scale-ups in the digital entertainment and creative industries.

BARRY'S INTRODUCES NEW TWIST ON HIIT SERVICE



7digital fitness client [Barry's](#), the original high intensity interval (HIIT) workout, is changing gear and expanding its reach with a lower-impact indoor cycling workout option called Barry's Ride.

The 50-minute classes are an innovation on its famous HIIT service that combines treadmill with weight training. Barry's Ride swaps the original treadmill section for a bike workout, a lower impact choice for customers that also brings Barry's into closer competition with Peloton and other fitness concepts – with the aim of expanding the company's reach.

"It's a gateway experience for us and expands our total addressable market," said Barry's CEO Joey Gonzalez ([Quartz.com](#)).

Barry's Ride is also for potential clients who may find Barry's original workout too intimidating. The

new service put paid to a misconception a member had to be fit before using Barry's, said Gonzalez.

Barry's has 85 studios across 14 countries and over 30 cities worldwide. A 7digital client since July 2021, the company uses 7digital's instructor playlisting tool in the US and Canada to access a fully cleared catalogue of licensed music to power Barry's X, its digital on-demand fitness classes. It also leverages 7digital's built-in integration with MRI for publisher clearances, providing an automated, efficient, end-to-end rights management solution.

The indoor cycling concept launched in Chelsea, New York, with the potential to scale to Barry's other studios.

UTOPIA AIMS TO RAISE €300 MILLION IN SERIES C ROUND

Fintech company and newly-announced 7digital client Utopia Music AG, which builds technology and data accounting to improve the way the music industry pays royalties, is aiming to raise €300m in a series C round that could take its value to €2.5bn, according to the music media.

In July, 7digital signed a long-term contract with Utopia, marking the growing demand for music data and intelligence services.

“Industry sources suggest that Utopia is aiming to build such a comprehensive music data-ingesting machine that PROs and major music companies will have no choice but to adopt/license the platform for their own data processing in the future,” reports [Music Business Worldwide](#). “Such an outcome...could potentially see Utopia receive a small payment from near-enough every music transaction globally.”



UK AND US REPORTS UNDERSCORE THE POWER OF MODERN MUSIC TRENDS

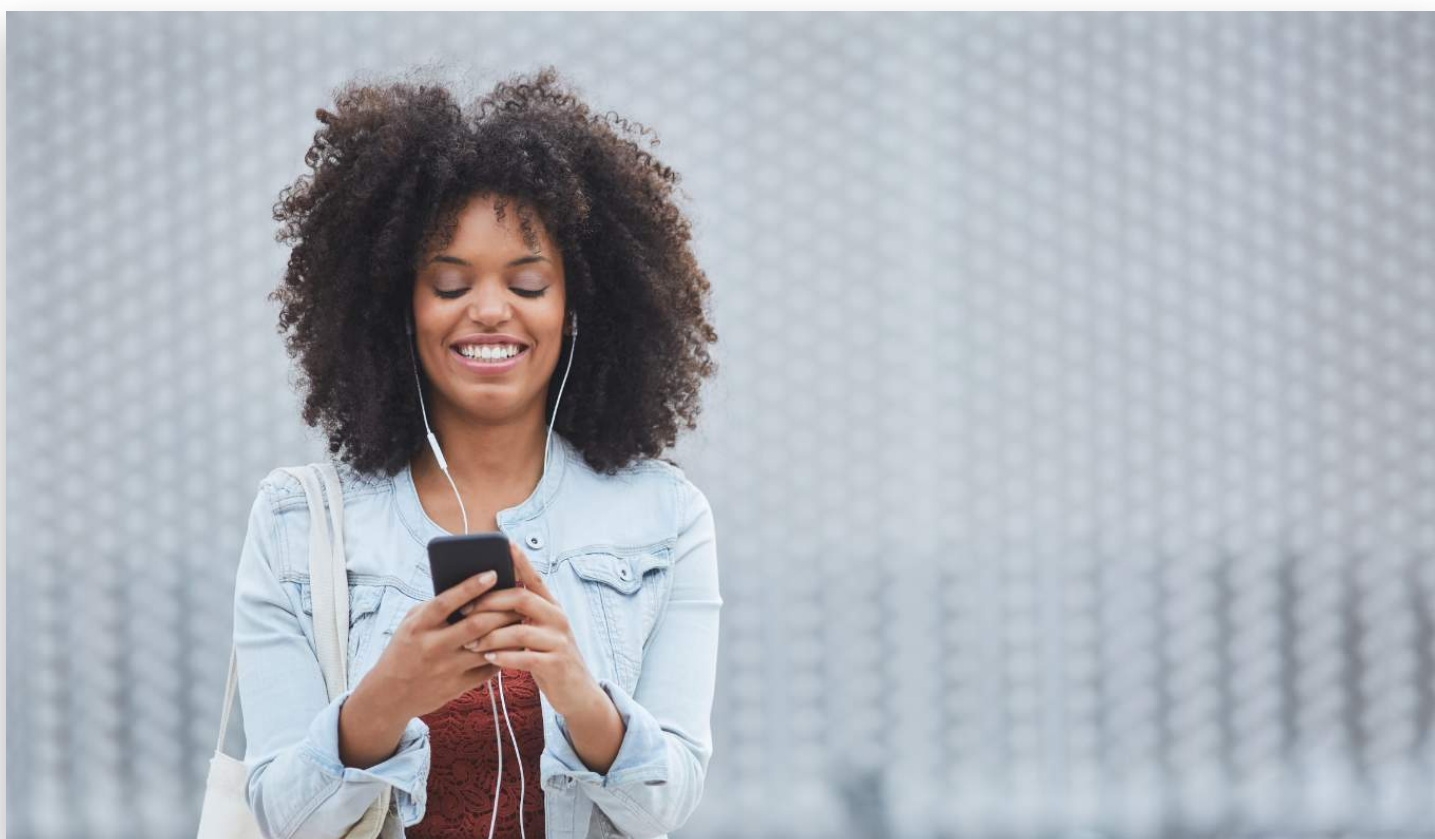
Music streaming and short video continue to rise in popularity especially among the young, an Ofcom report revealed in August.

Hot on the heels of this evidence of streaming's longevity and profitability, US record labels body RIAA published its mid-year figures in September, which showed paid subscription streaming services reached a record high and grew 9.4% to \$4.51bn in H1 2022.

Both sets of findings are significant for 7digital as they reflect ongoing trends in many of the company's strategic priority areas.

According to media watchdog Ofcom's annual [Media Nations 2022](#) report, music subscriptions now make up the vast majority of total consumer music spend and provide an increasingly important revenue source. Overall consumer expenditure grew significantly in 2021 on both recorded music and music streaming services in the UK.

In the US, according to RIAA's latest figures, total retail value of recorded music grew to \$7.69bn, with subscription streaming accounting for 58.6% of the total. The growth in other services such as limited tier subscriptions meant streaming now makes up 84.2% of the overall US market.

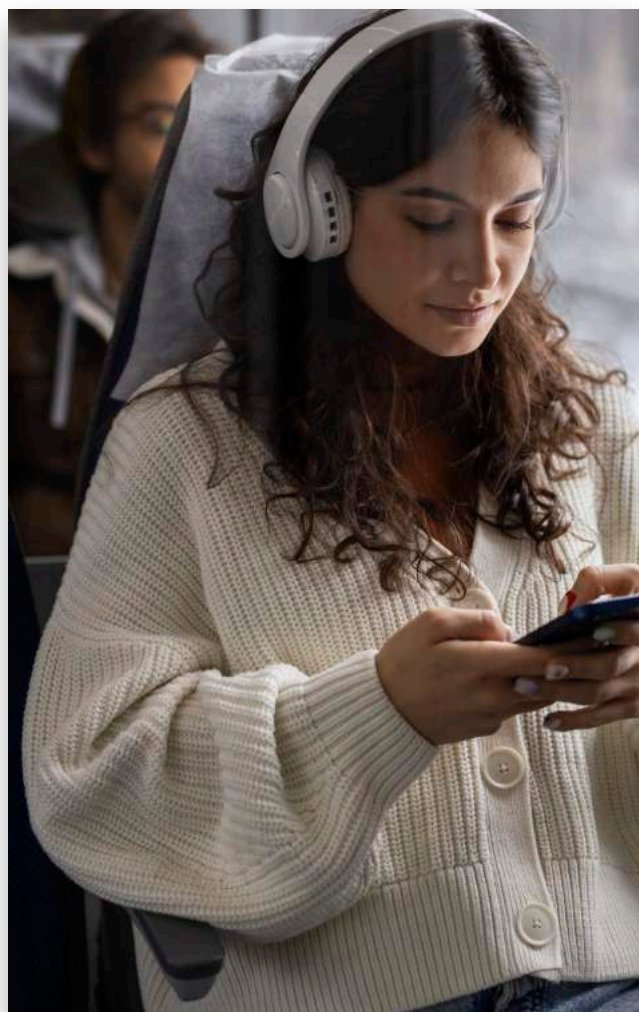


OFCOM MEDIA NATIONS 2022

Ofcom's fifth annual Media Nations, a deep dive into key trends and how well-served UK audiences are, is aimed at industry, policymakers, academics and consumers.

Highlights included:

- ▶ **Consumer spending** on recorded music in the UK grew by 10% in 2021 to **£1.7bn** and on **music subscription services** by 13% to reach almost **£1.4bn**
- ▶ Subscription streaming accounted for 58% of total recorded industry revenues and 88% of overall streaming revenues
- ▶ Ways people listened to music continuing to evolve:
 - ▶ Live radio's proportion of audio listening time fell in 2022, while streaming services' share such as Spotify more than doubled
 - ▶ Short-form video continued to grow, particularly among the young. Overall, 32% of adults watched short-form videos, and 69% of 15- to 17-year-olds and 65% of the 18 to 24 group watched daily



RIAA MID-YEAR FIGURES 2022

RIAA is the Recording Industry Association of America which advocates for recorded music creators and companies in the US. Its [mid-year figures for 2022](#) found:

- ▶ US recorded music revenues in H1 2022 rose 9% to \$7.7bn at estimated retail value, building on strong growth in previous year
- ▶ Streaming now represents 84.2% of overall market
- ▶ 9.4% growth in paid **subscriptions to streaming services** to **\$4.51bn** H1 2022 – 58.6% of total
- ▶ The number of paid subscriptions grew to record high of 90 million in US with revenues up 10% to \$5bn
- ▶ Limited tier subscriptions rose 16.6% to \$525m and ad-supported on-demand streaming rose 16.4% to \$871.5m