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Universal asset sales may bypass rivals

By Andrew Edgecliffe-Johnson in New York



Don't stop the music: EMI could sell Chrysalis UK, the label to which Robbie Williams is signed

Sony Music and Warner Music risk being shut out of the bidding for assets that Universal Music plans to sacrifice to get its £1.2bn bid for EMI past regulators, as it seeks to sell to independent labels rather than its closest competitors.

Universal was still trying over the weekend to agree a package of concessions with the European Commission, which wants to circulate

the proposals this week.

The delay has raised expectations that Universal will have to sell labels with revenues of more than the €250m in annual sales it first offered.

Sony Music, the world's second-largest recorded music group by revenues, had been seen as a likely bidder for classical music labels. Warner Music, the Access Industries-owned number three, has courted EMI for 12 years.

But several industry members and advisers now expect Universal to bypass Sony and Warner. Instead, independent labels, music publishers, private equity groups and wealthy individuals are examining the assets, they said.

Sir Richard Branson said last week he would support a bid by Patrick Zelnik, founder of Naïve Records, to buy back Virgin Records and seek synergies with other parts of Virgin Group, which includes radio and cable television businesses.

Universal has told Impala, an indie label lobby group, it could sell brands including Chrysalis UK, Mute, Virgin Classics, Jazzland and Sanctuary. It may have to offer other labels and risk losing more prominent artists.

The deal has been opposed by trade bodies including Impala and Merlin, and by Beggars Group, Europe's largest indie label.

Some independent label executives told the Financial Times they wanted to buy assets but were unsure how to fund such deals.

“They’re saying their preference is to sell to the independent community,” said Kenny Gates of PIAS, the independent distributor and owner of the Play It Again Sam label. “The funds are the problem for the independent community.”

Daniel Miller, who sold his Mute label to EMI, said he wanted to buy it back, but “it depends how much they want. I can only hope I can do it”.

“We’d sure as hell like to try” to buy some of the labels Universal is offering, said Laurence Bell of Domino Records.

“I think it’s important for the health of the new music sector that these catalogues do end up being bought by independent firms rather than being swallowed up by big companies.”

One industry adviser said he had received calls from five parties interested in financing offers, while another said BMG Music Publishing could bid for some assets.

BMG, a joint venture between Bertelsmann of Germany and KKR, the private equity group, has interests in recorded music masters and has pursued a wider “rights management” strategy than most publishers.

Buying one or more labels “could be an unusual opportunity to figure out what to do with all those masters”, one industry adviser commented.

Industry members said Universal must balance any desire to avoid strengthening close rivals with its responsibility to extract the highest price for [Vivendi](#), its parent company.

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