THE RISE AND RISE OF MUSIC IN SOCIAL MEDIA

In this month’s investor newsletter, we look at the ever-increasing significance of the social media market and the importance of music in the content we engage with and share around the world. We explore the growth of short-form video platforms and turn the spotlight on Kuaishou - our latest client in this segment.

“Social media, not streaming, is the music industry’s future”
- Rolling Stone, December 2020
A whopping nine out of 10 social media users now follow, post or share music on a regular basis, more than those who engage through subscription streaming services, according to a MusicWatch report.

User-generated content (UGC) social media platforms are changing the pattern of how fans discover, share and create music. Short-form video apps like Triller and TikTok have the power to make a song go viral – and to discover new artists before they go mainstream.

This month we were thrilled to welcome Kuaishou, one of the world’s fastest growing social media apps with hundreds of millions of users, to our growing roster of social media clients. You can read more about them in Spotlight on page 3.

7digital is one of the few companies with the technology and scale to support the world’s most popular social apps. We power the music experiences to engage global audiences and report consumption back to the licensed labels, allowing the industry to continue to grow and thrive. Collectively, across all of 7digital’s contracts in this space, we enable 1 billion average monthly active users to access one of the largest music catalogues in the world powered by us.

We look forward to delivering substantial revenue growth in the social media sector in 2021.

Paul Langworthy, CEO
A long-term contract signed this month with social media giant Kuaishou expands 7digital's footprint in this high-growth sector.

A leading social video platform headquartered in China, our new client’s avowed mission is to be ‘the most customer-obsessed company in the world’. We are eager to help them achieve their aim by providing the tools and platform with which they can create engaging user experiences using licensed music. The contract, expected to run for two years, makes 7digital one of the largest providers of licensed music to big global social media and tech-driven consumer brands.

THE COMPANY

Kuaishou Technology is a leading content community and social platform with an average of over 760 million monthly active users in China (nine months to 30 September 2020). Its customers use music in a variety of services via its global platform. With a market cap of around $163bn, Kuaishou is one of the biggest companies in recent memory to strike music licensing deals, as reported by Music Ally.
OUR ROLE

7digital will provide Kuaishou’s mobile apps with licensed music. In deploying our music platform, the company will benefit from our market-leading technology and scale. Its users will have easy access to rights-cleared music across the platform, including music clips for video uploads and embedding music to existing user-generated content (UGC). We will also assist in reporting music consumption on the platform to Kuaishou’s licensed labels. The contract, which includes a set-up fee, monthly recurring access fee and usage fee, will strengthen 7digital’s revenue visibility.

7digital CEO Paul Langworthy said, ‘This long-term contract expands 7digital’s footprint in this high-growth sector making us one of the largest providers of licensed music to global social media giants and tech-driven consumer brands... This latest partnership exemplifies the breadth and depth of our capabilities and is expected to be a significant contributor to our revenue growth in this market segment.’

“The announcement follows the Chinese company’s recent IPO in Hong Kong, which raised $5.32bn. Kuaishou currently has a market cap of HK$1.26 trillion (around $162.3bn), making it one of the biggest companies in recent memory to strike music licensing deals.”

- MUSIC ALLY

Read more here
In a world of busy lives, a plethora of choice and short attention spans – about eight seconds for Generation Z-ers and 12 for Millennials according to the Internet Advertising Board (IAB) - how do you get anyone’s attention? Enter the short form video, an increasing go-to especially for younger users. Typically lasting a few seconds to a few minutes, it provides a snappy way to engage audiences and an appealing creative resource for individual users.

Social media platform use has grown immensely in recent times. TikTok now boasts a billion monthly active users compared with 680 million in November 2018. A ‘fast and impressive surge’ for Triller saw its active monthly users hit 50 million in July – with 300 million users in total. Full year results reported by Kuaishou this month showed revenues grew by more than 50% in 2020, with substantial increases in user base and user engagement.

During the pandemic, Chinese social app use rose 58%. And more and more of this traffic is coming from social video platforms. Here, music plays a vital role in generating appeal, especially for younger users.

‘TikTok has shown that a younger generation actively wants to use music to express themselves and take part in the making of hit songs and artists,’ wrote Kristin Westcott Grant in Forbes magazine.

Video continues to evolve on social media platforms and by 2022 online videos are expected to account for more than 82% of all consumer internet traffic, fifteen times higher than in 2017.

With more leisure time for people, better internet connections and increased home working, short-form video apps like Triller and Kuaishou will continue to grow in size and scope.

**INDUSTRY NEWS & INSIGHTS**

**The next wave of growth for the music industry will be social**

Social video platforms and the music that goes with them are becoming an increasingly significant part of huge growth in key markets for social media platforms around the globe.

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**IN NUMBERS: SOCIAL VIDEO PLATFORMS**

- **50m** Monthly active users on Triller. Source: Triller July 2020
- **+50%** Growth of monthly active users on Kuaishou. Source: Kuaishou FY Results 2020
- **+58%** Usage of Social Apps in China since pandemic. Source: Tech Crunch 2020
Social video and music have a symbiotic relationship. Expanding music libraries have become magnets for platform users. Short-form video apps such as Triller and Kuaishou allow users, many of them young, to make their own content with music, often creating and even reinventing viral hits.

In Rolling Stone magazine Danny Gillick, TikTok’s senior manager of music content and label partnerships, described the music catalogue as his ‘bread and butter’.

He said, “there’s a whole treasure chest of these earworms that I grew up with that you can see now are having a second life.”

Social media is already a meaningful nine-figure revenue stream for Warner Music Group, according to its CEO, and growing at a faster rate than subscription streaming. Amid a rapidly changing future, the short-form video looks set to go on increasing in popularity, with users demanding compliant, comprehensive catalogues of songs to engage with and share.

Social media is set to drive growth in the music industry for years to come – and 7digital is helping to make it possible.