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NIELSEN MUSIC U.S. REPORT

September, 2016

THE STATE OF THE MUSIC CONSUMER IN 2016

NIELSEN MUSIC 360
U.S. 2016 EDITION

SEPTEMBER 2016

AN UNCOMMON SENSE
OF THE | MUSIC | CONSUMER™

NIELSEN MUSIC 360: U.S. STUDY 2016

- The Nielsen Music 360: US Study is a comprehensive, in-depth study of consumer interaction with music in the United States. This is our fifth annual survey.

- Data for this study was collected July 14th to August 5th, 2016 among 3,554 consumers ages 13+ and the data was weighted to the U.S. census population based on age, race, education and household size.

A FEW KEY TAKEAWAYS

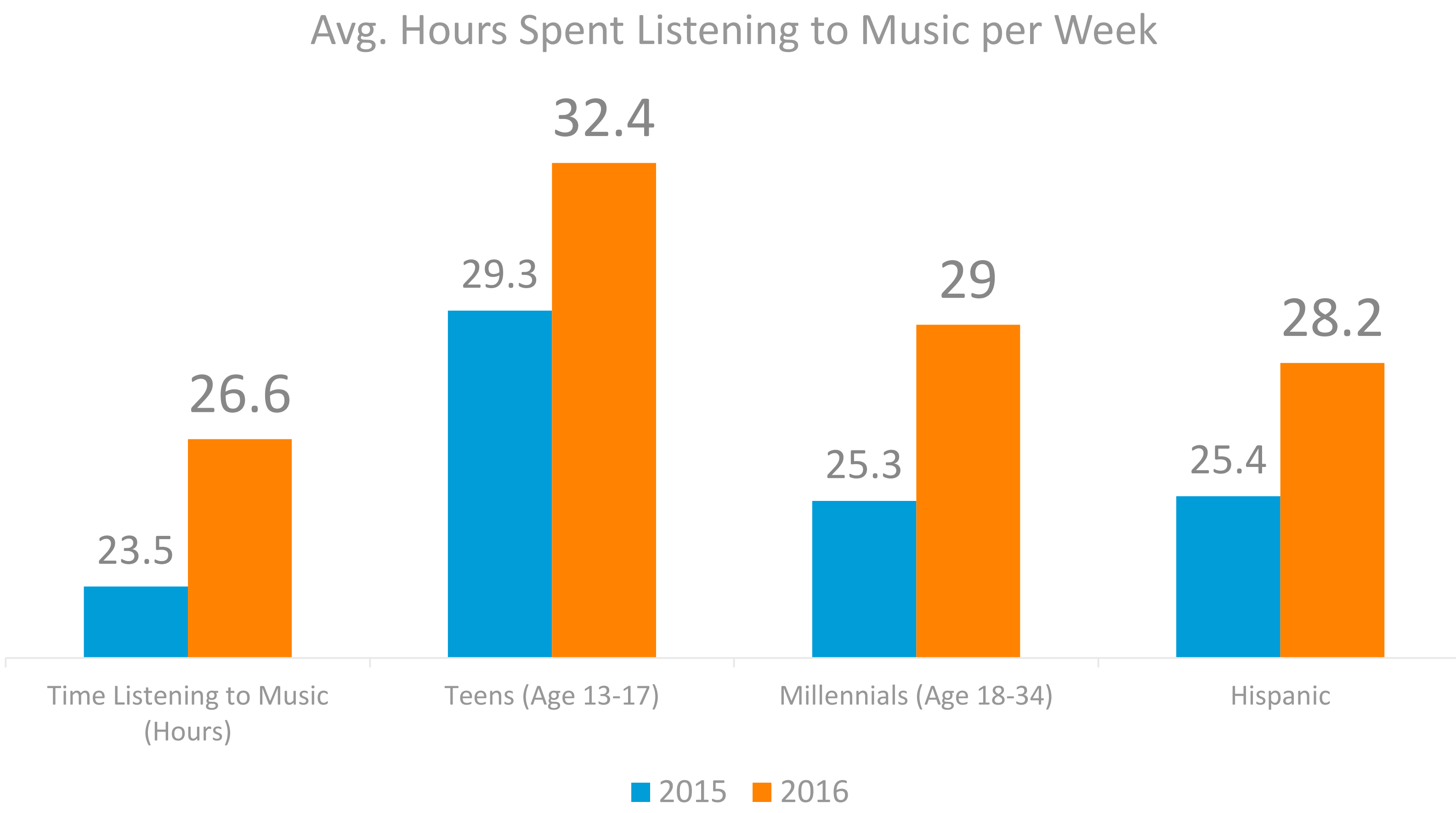
Music Listening & Spend: Music listening is more popular than it ever has been, and the listening audience's willingness to spend is encouraging. In fact, music listeners are spending slightly more on music related purchases in 2016 than they were in 2015.

The way in which listeners consume is continuing to evolve; listeners are spending a greater share of their time streaming than they were even a year ago. We are also seeing an increase in experiential spending on things like Live Entertainment.

Music Streaming: When music listeners think of streaming, Pandora and YouTube are the first services that come to mind. However, premium offerings from Spotify, Amazon Prime Music, and Apple Music are increasing in the usage and awareness and are likely to continue growing as music fans recognize the value and become more engaged with unlimited on-demand streaming services.

TIME SPENT LISTENING TO MUSIC CONTINUES TO INCREASE

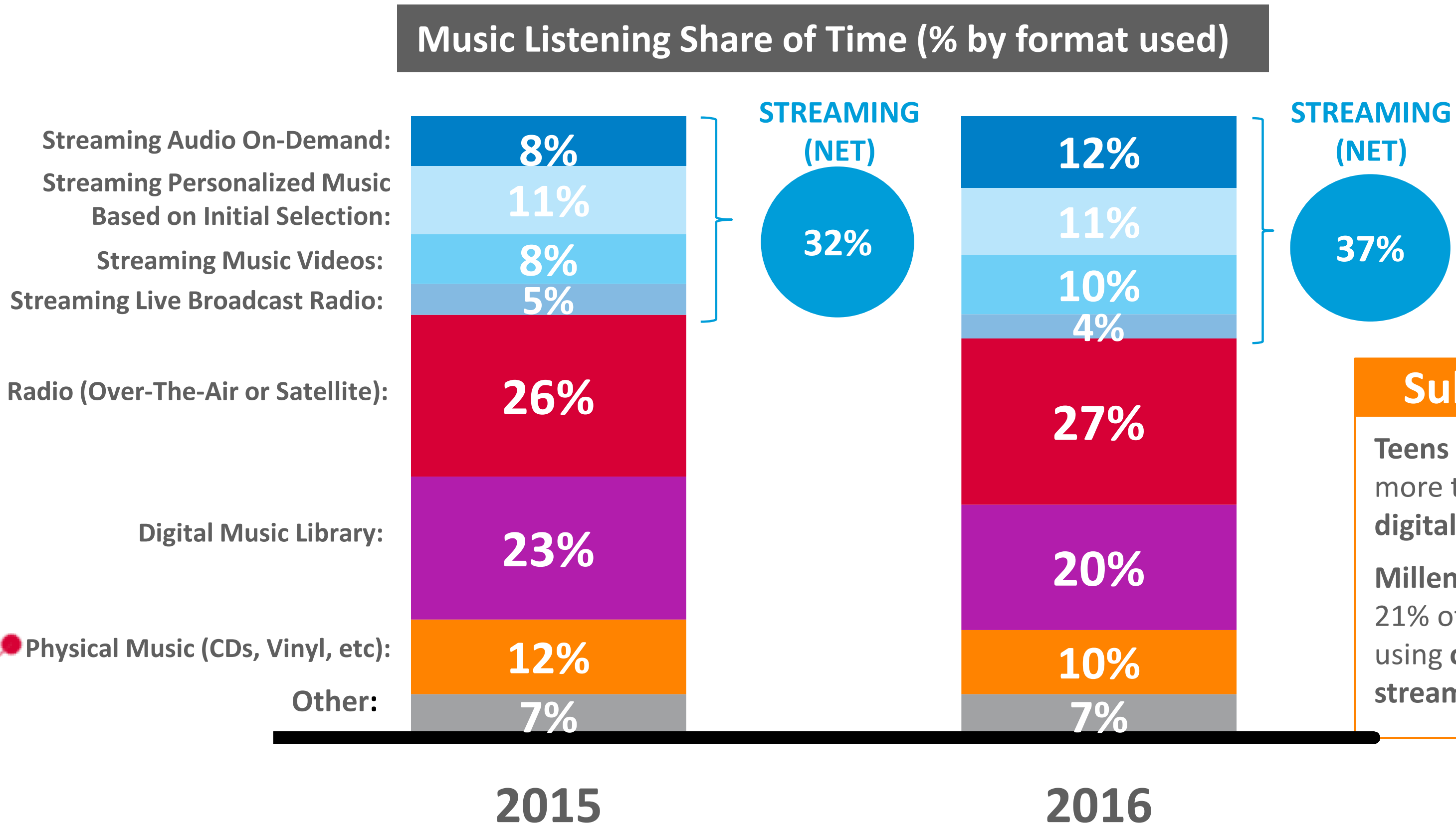
- Self-reported weekly time spent listening to music has increased to 26.6 hours in 2016, up from 23.5 in 2015.



Nielsen Music 360: US
Q42_2. Total Time with Music - Typical Week
Base: Total (2575), Teens (348), Millennials (1091), Hispanic (772)

ON-DEMAND AUDIO & MUSIC VIDEOS DRIVE UP TOTAL STREAMING TIME

- Americans are spending more music time online (37% vs. 32% in 2015), with time spent using on-demand audio services driving this change (12% vs. 8%).
- Less time is spent listening to physical and digital music collections. Radio time has stayed consistent.



Subgroup Notes

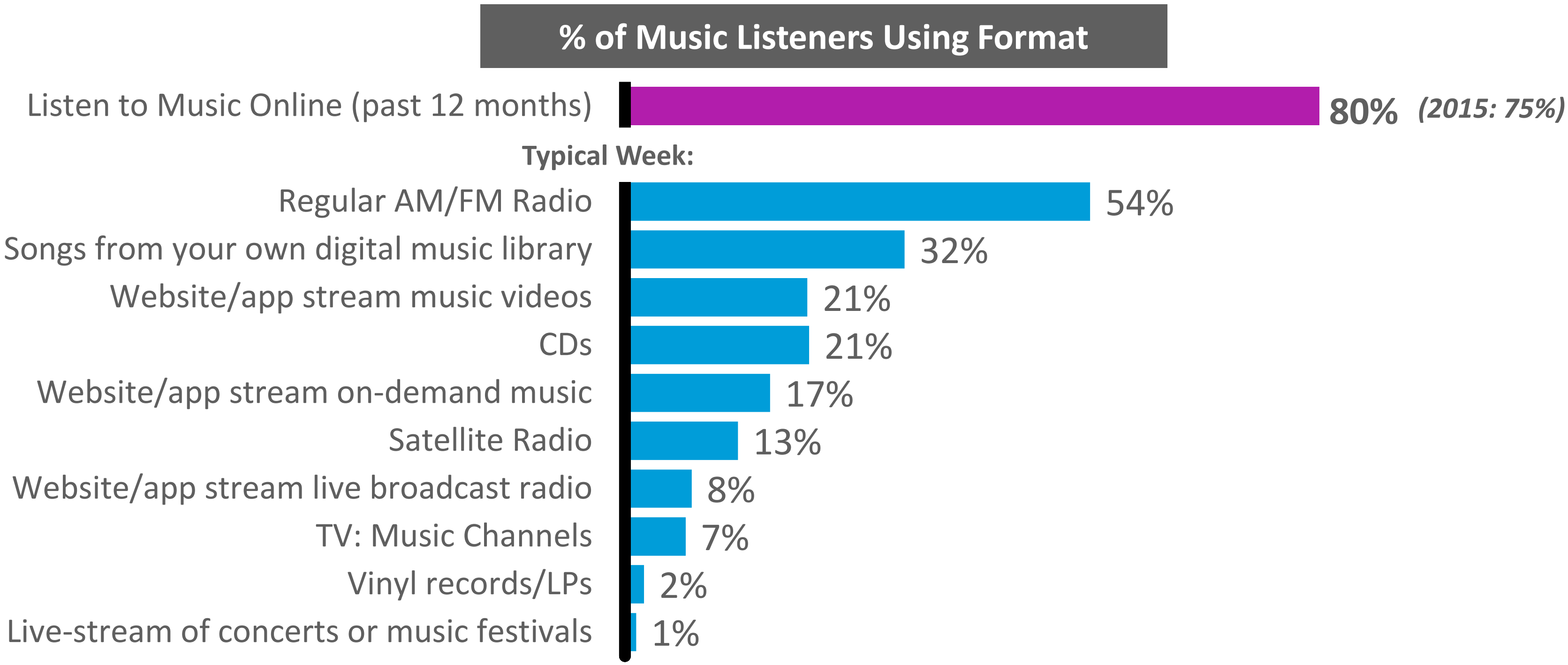
Teens spend proportionally more time listening to their **digital music library** (24%)

Millennials spend approx. 21% of their music time using **on-demand audio streaming services**

Nielsen M360 2016
CMPA/B. What percentage of this [primary/background music listening] time is spent on each of the following?
Base: Music Listeners (2221)

DESPITE HIGH PENETRATION, STREAMING CONTINUES TO GROW IN USAGE

- 80% of Music Listeners used an online music service within last 12 months (vs. 75% in 2015).
- Radio is the most popular format in a typical week with regular terrestrial radio leading the way.



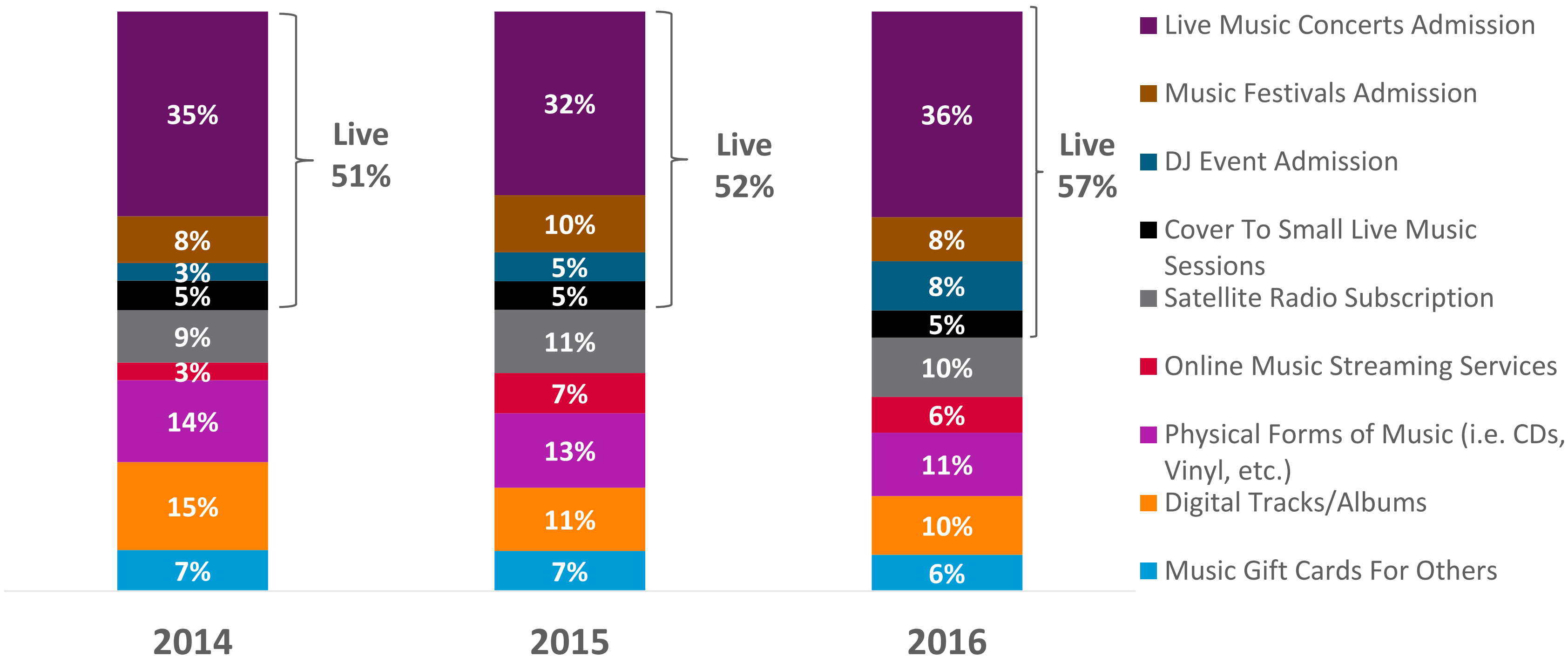
Nielsen M360 2016
Q68 / Q69. In the past 12 months, which of the following did you use to listen to music? / In a typical week, which of the following do you use to listen to music?
Q79a. Music Service Usage – Past 12 Months
Base: Music Listeners (2221)

Music Online: Used a website or app in the **past year** to stream music via on-demand services, online music videos, or personalized/online radio

LIVE MUSIC EVENTS CONTINUE GAINING SHARE OF MUSIC SPEND

- Over half of live share gains driven by DJ events as physical music purchases share declines.

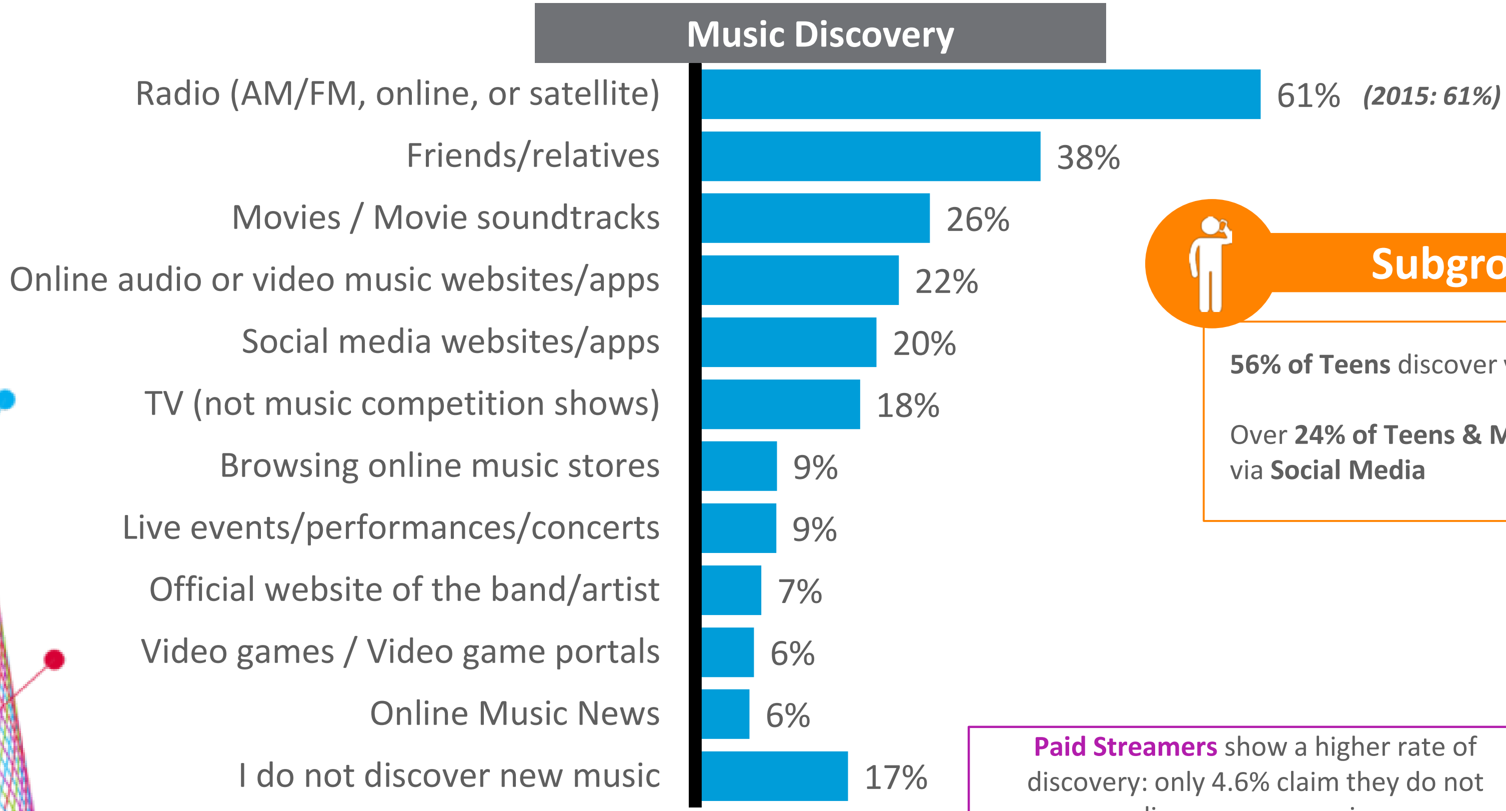
Music Annual Spend (Share of Wallet)



Nielsen M360 2016
Q20. Thinking about the past 12 months, about how much money did you spend on the following entertainment activities?
Base: Total: 2016 (2575), 2015 (3305), 2014 (2581)

RADIO CONTINUES TO BE TOP METHOD OF MUSIC DISCOVERY

- Teens are unique, discovering music through their friends and relatives more than radio.
- Paid streamers far more likely to discover new music



Subgroup Note

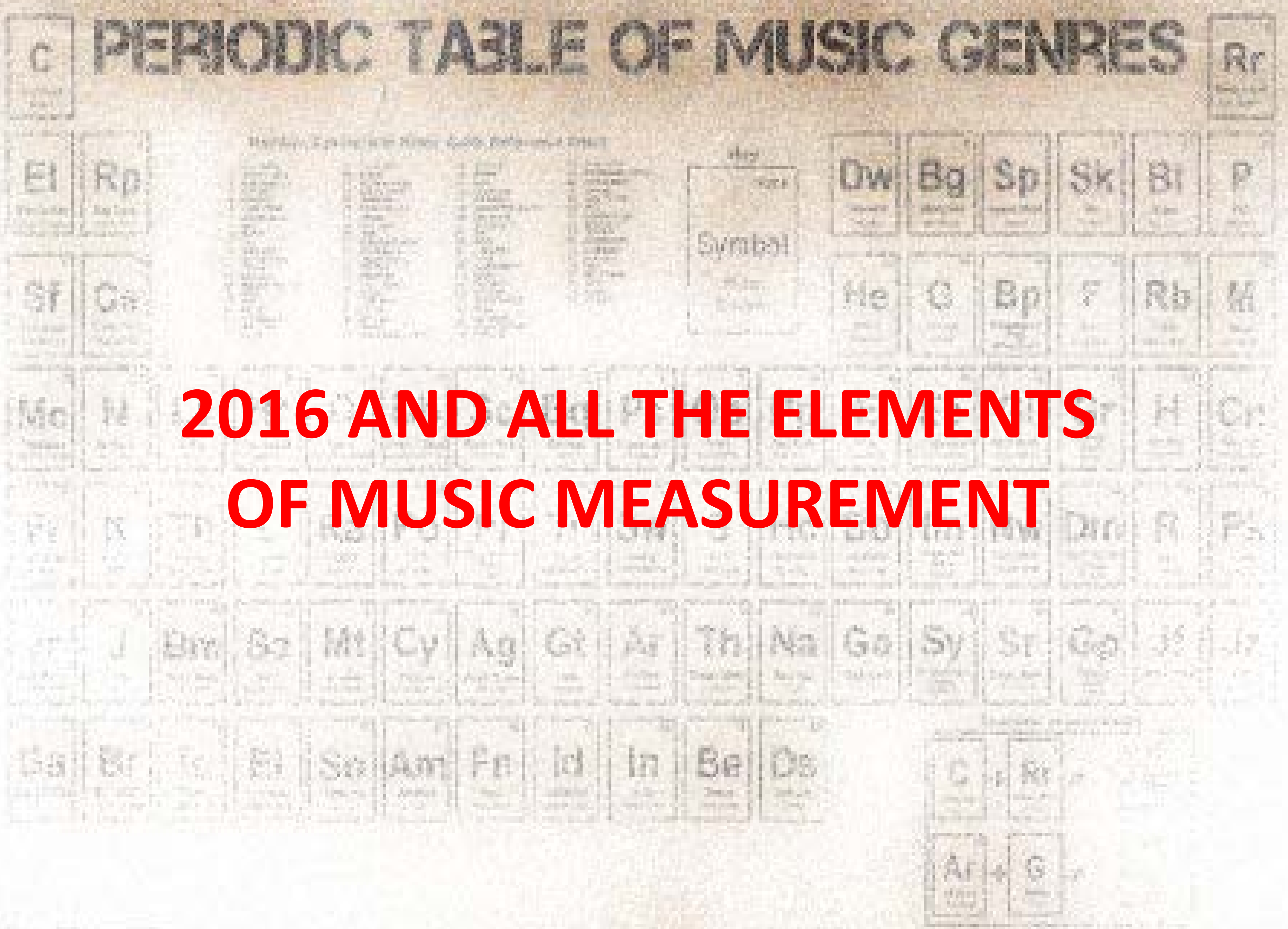
56% of Teens discover via **friends/relatives**

Over **24% of Teens & Millennials** discover via **Social Media**

Paid Streamers show a higher rate of discovery: only 4.6% claim they do not discover new music.

Nielsen M360 2016
Q117. Which of the following are ways you discover new music?
Base: Total Respondents (2575)

THE STATE OF MUSIC CONSUMPTION IN 2016



2016 AND ALL THE ELEMENTS OF MUSIC MEASUREMENT

FIRST, LET'S LOOK AT ALBUM SALES

OVERALL ALBUM SALES DOWN 14.6% VS 2015

YTD SALES THROUGH 38 WEEKS WITH % CHANGE VS. SAME PERIOD 2015

Total Album Sales	140.4M (-14.6%)
Physical Albums	79.5M (-10.5%)
Digital Albums	60.9M (-19.5%)

PHYSICAL ALBUM SNAPSHOT: CDs CONTINUE TO DECLINE, BUT VINYL REMAINS STRONG

YTD SALES THROUGH 38 WEEKS WITH % CHANGE VS. SAME PERIOD 2015

- Vinyl now comprises 11% of all physical album purchases, up from 9% at this point in 2015.

Physical Albums	79.5M (-10.5%)
CD	70.4M (-12.8%)
Vinyl LPs	8.8M (+13.1%)

INDEPENDENT RECORD STORES AND NON-TRADITIONAL RETAILERS CONTINUE TO OUTPERFORM OTHER PHYSICAL OUTLETS

YTD SALES THROUGH 38 WEEKS WITH % CHANGE VS. SAME PERIOD 2015

Physical Albums	79.5M (-10.5%)
CHAIN RETAILERS	16.7M (-11.8%)
MASS MERCHANT	24.8M (-23.0%)
INDEPENDENT RETAIL	11.7M (-5.1%)
NON-TRADITIONAL*	26.3M (+3.7%)

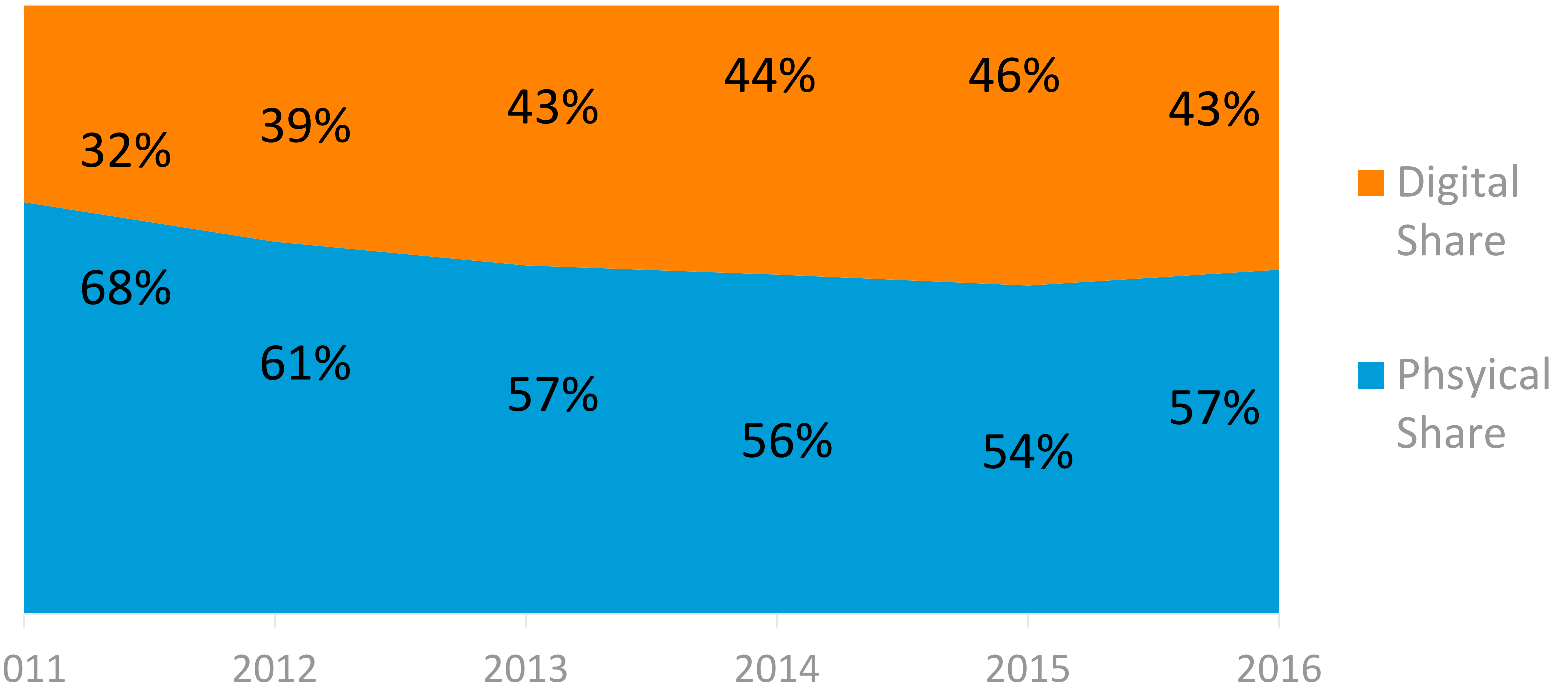
* Non-Traditional includes Internet, D2C and non-traditional retail outlets

DIGITAL ALBUM SALES DECLINING AND SHARE OF TOTAL ALBUMS DECREASING

YTD SALES THROUGH 38 WEEKS WITH % CHANGE VS. SAME PERIOD 2015

Digital Albums **60.9M (-19.5%)**

Physical & Digital Share of Albums through 38 weeks

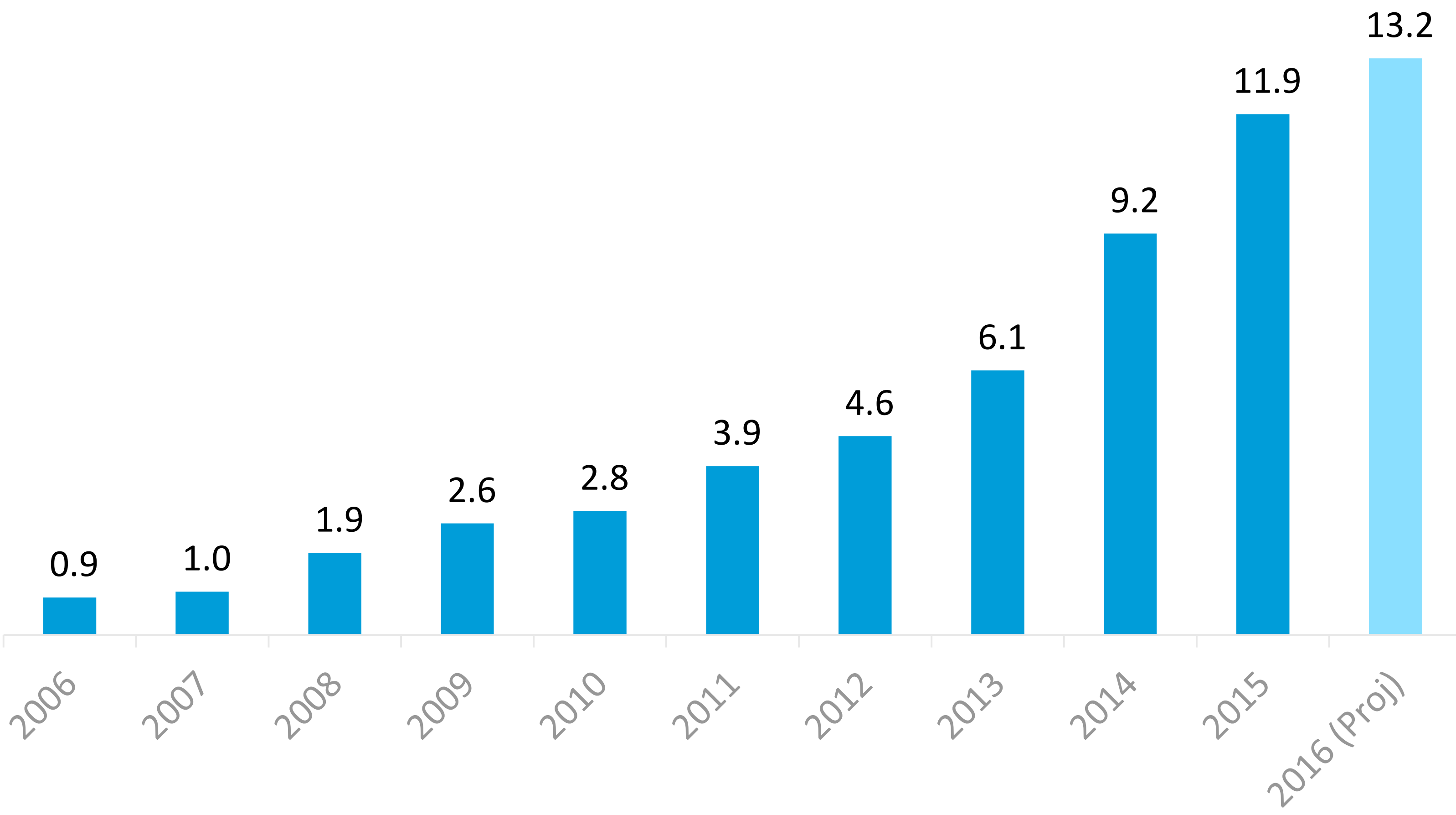


VINYL LPS – THE DETAIL BEHIND THE SUCCESS STORY

VINYL'S RESURGENCE HAS BEEN ASTONISHING

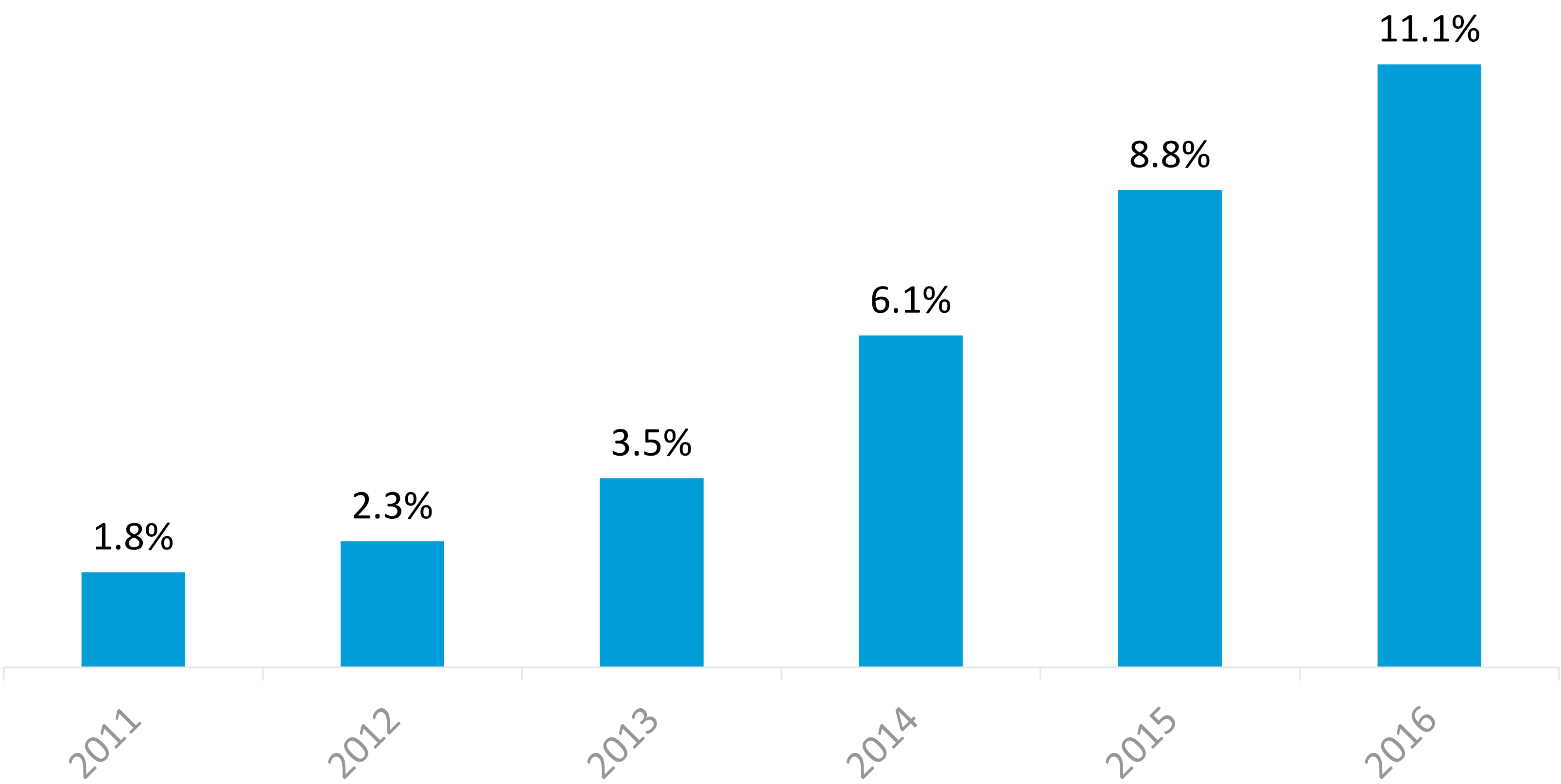
10 STRAIGHT YEARS OF GROWTH AND COUNTING

VINYL LP SALES BY FULL YEAR IN MILLIONS



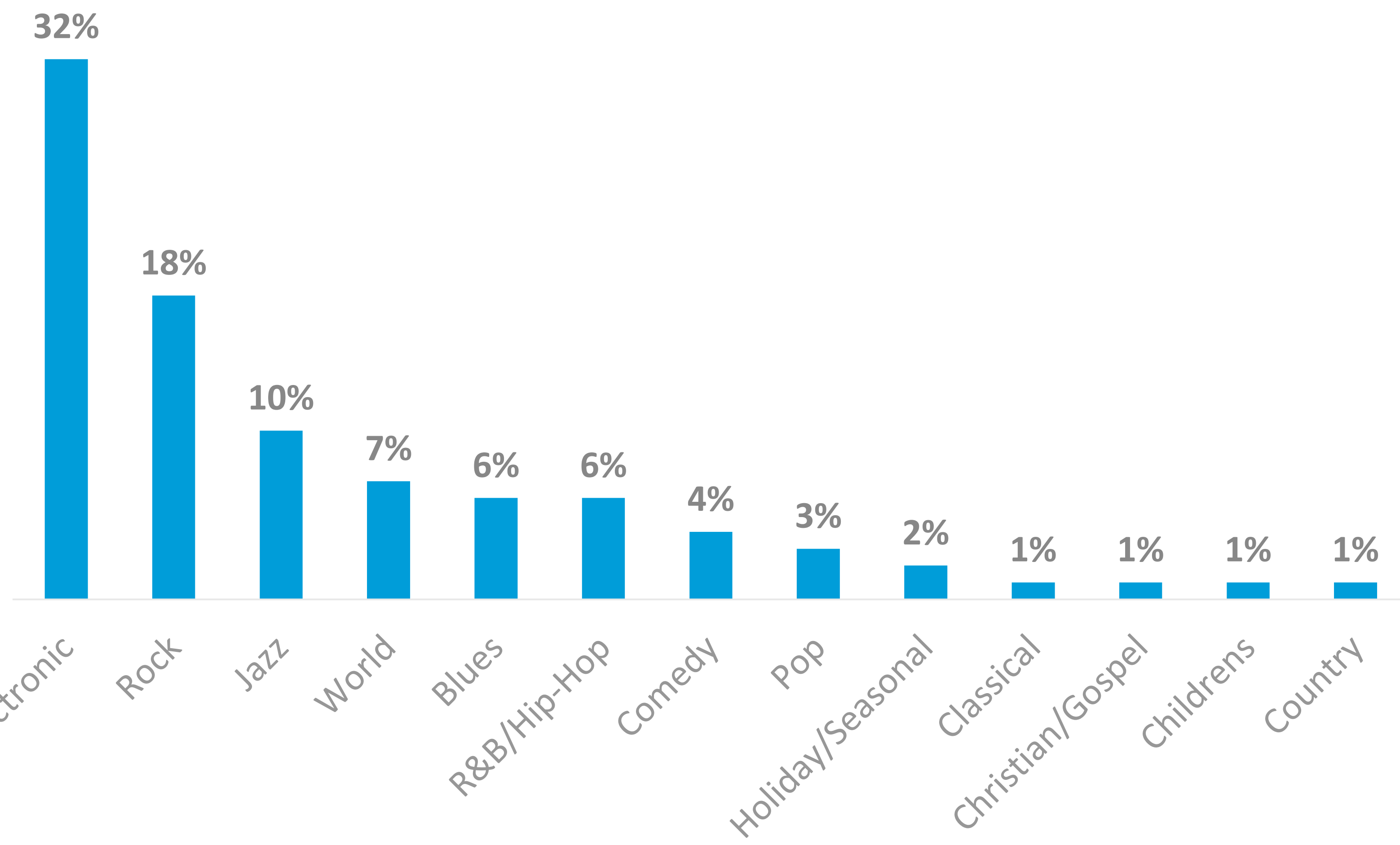
VINYL'S SHARE OF PHYSICAL HAS GROWN RAPIDLY

YTD VINYL LP SHARE OF TOTAL PHYSICAL ALBUM SALES THROUGH 38 WEEKS



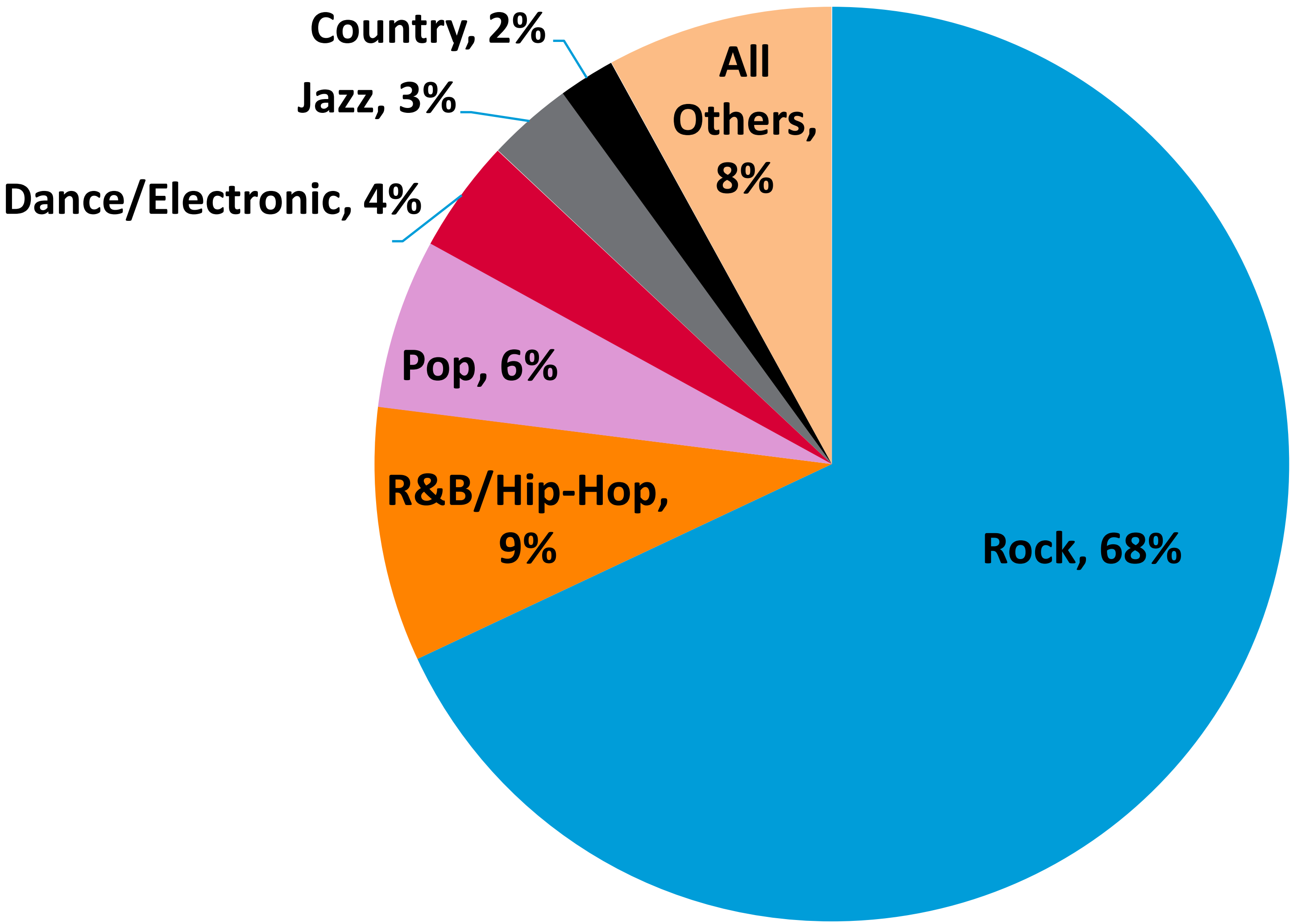
32% OF PHYSICAL EDM SALES AND 18% OF PHYSICAL ROCK SALES ARE VINYL. BUT VINYL ISN'T FOR EVERYONE.

SHARE OF PHYSICAL SALES THAT ARE VINYL LPS BY GENRE



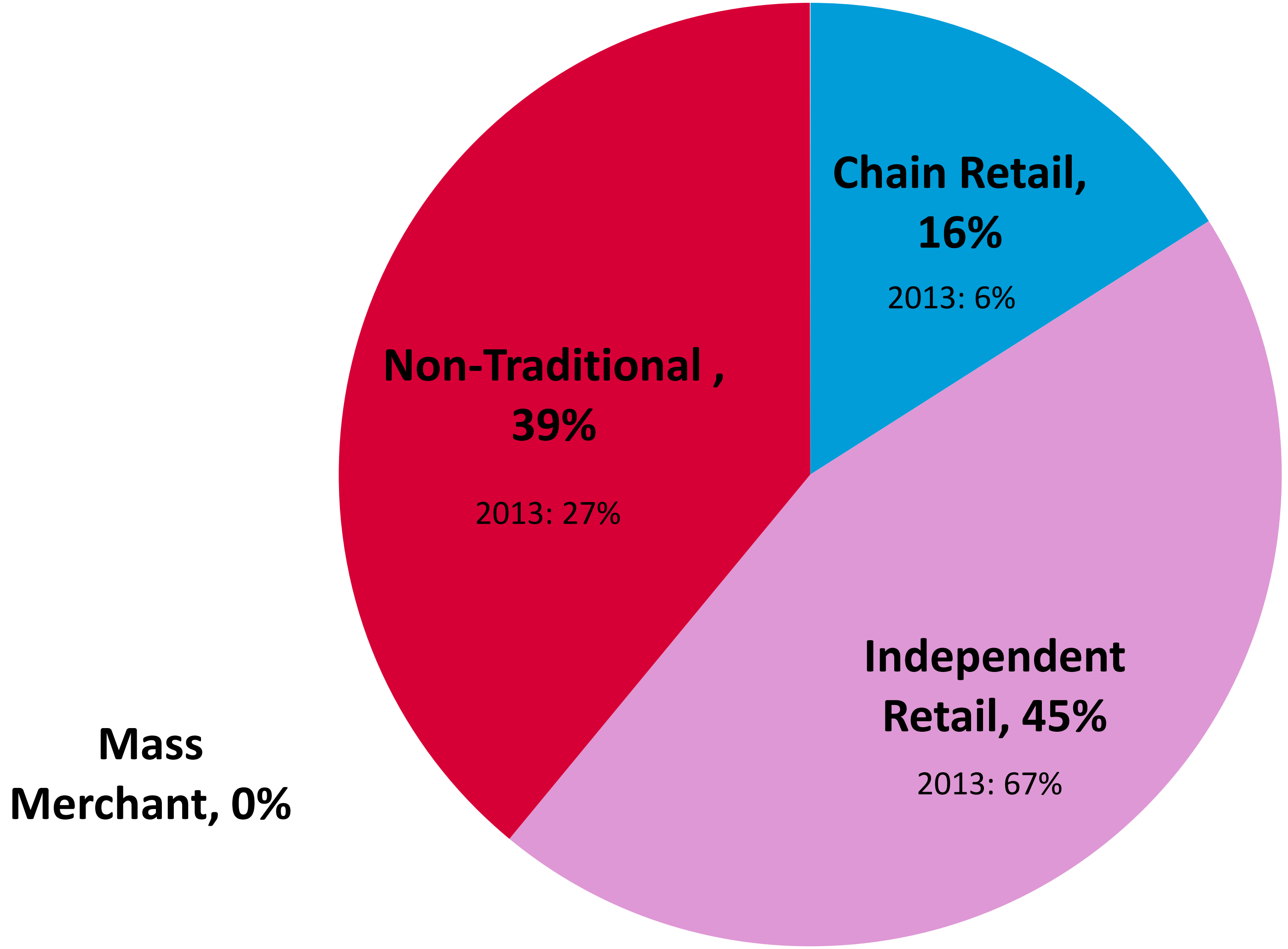
VINYL SALES ARE CONCENTRATED IN A SMALL GROUP OF GENRES

SHARE OF VINYL LP SALES BY GENRE

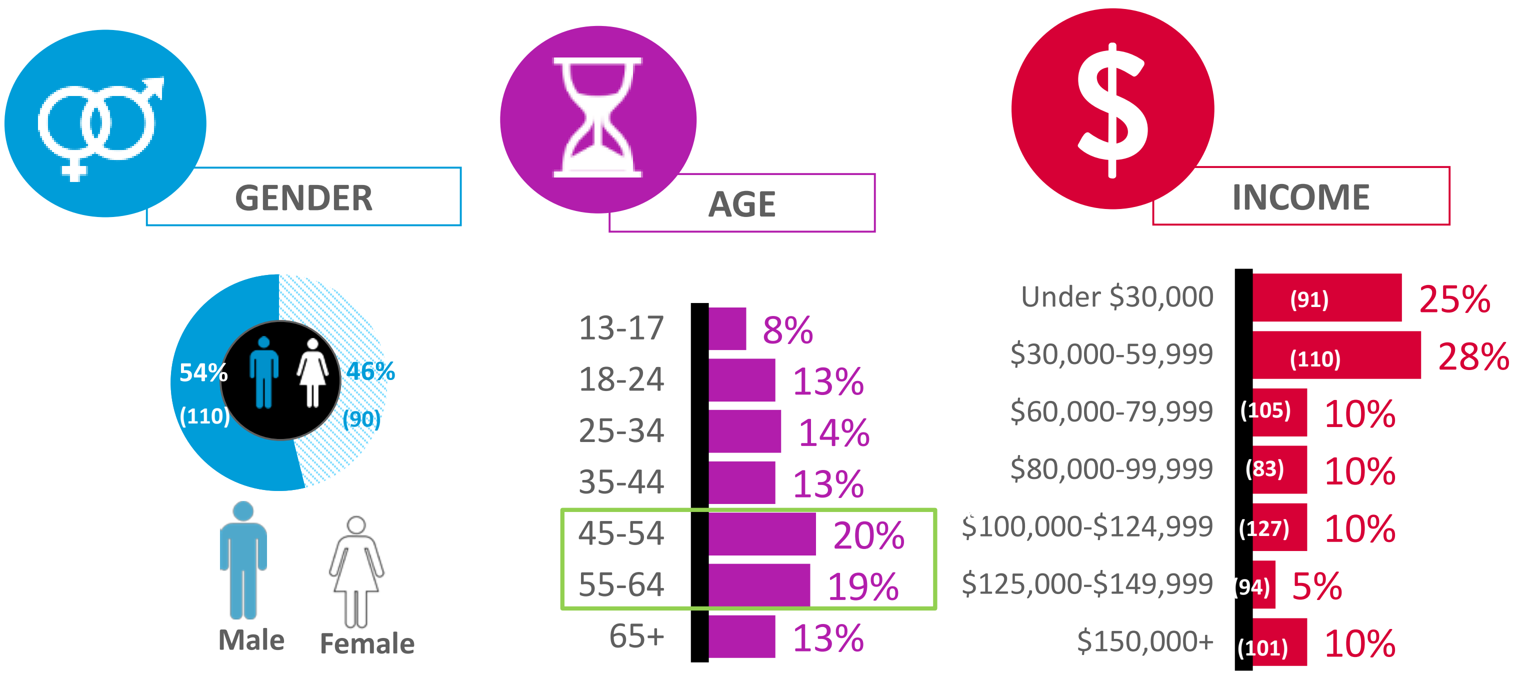


BUT VINYL CONTINUES TO BE DRIVEN BY INDEPENDENT RETAIL

SHARE OF VINYL LP SALES BY STORE STRATA



VINYL CONSUMERS TEND TO BE SLIGHTLY MORE MALE, OLDER AND MORE AFFLUENT



Nielsen Music 360 US
Q7. Gender / Q13. Ethnicity / Q5. Age / Q152. Household Income
Base: Vinyl Listeners or Buyers (219), Indexed to General Population (2575)

NOTE: Survey allows respondents to select multiple ethnicities

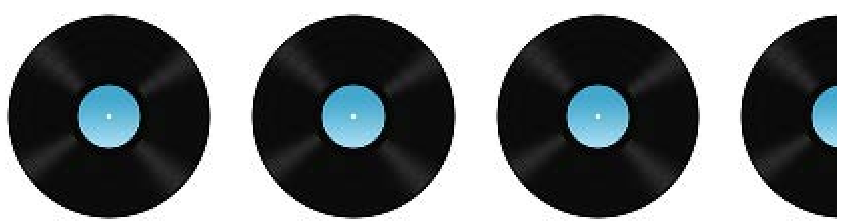
VINYL CONSUMERS FAR OUTSPEND THE AVERAGE AMERICAN

14,000,000+

of General Population engaged with music listening via Vinyl Records/LPs

8,600,000+

of General Population purchased Vinyl Records in the past 12 months



Vinyl Buyers/Listeners spend over 3.4x as much on music than the average American

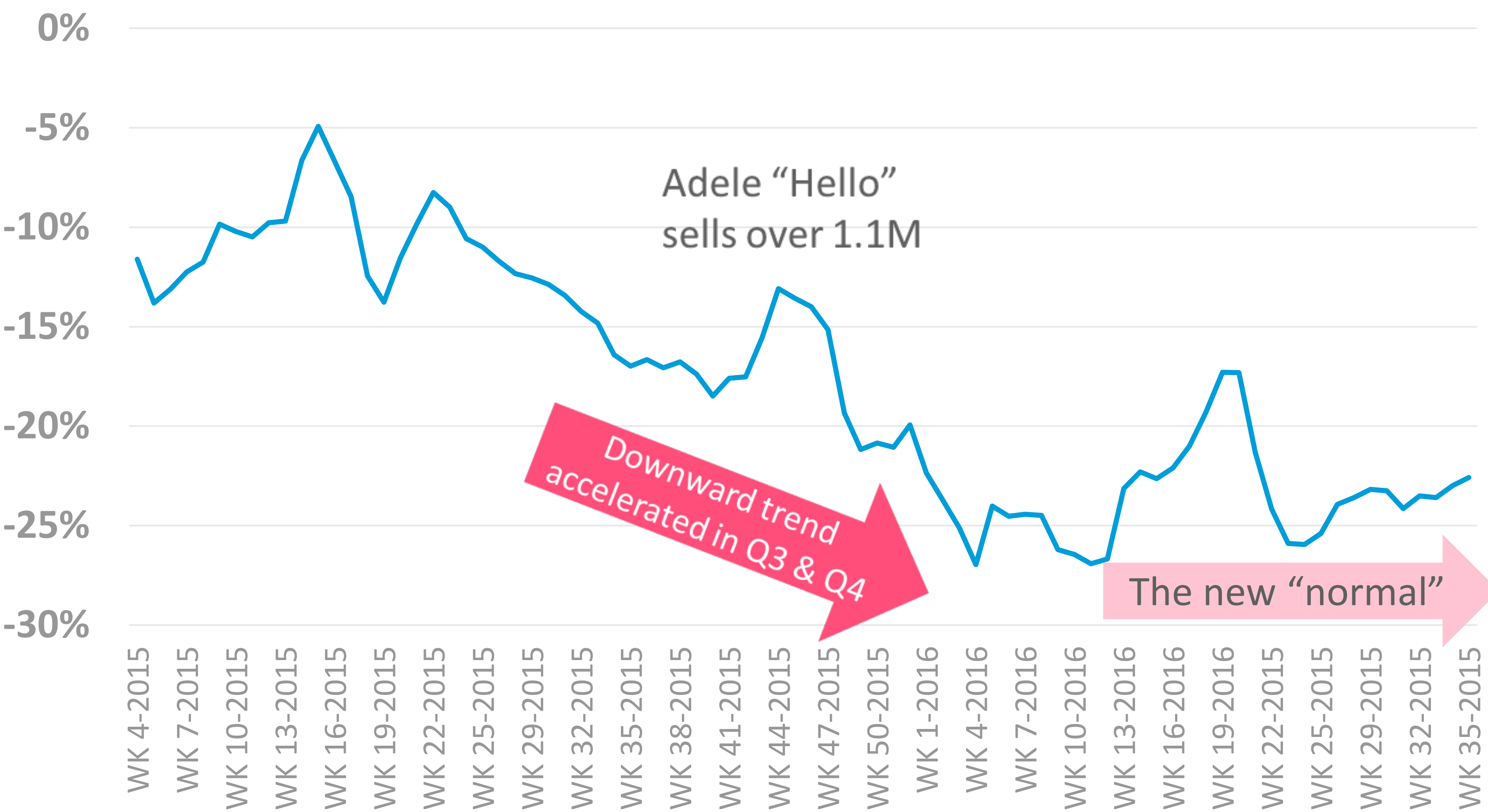
Nielsen Music 360 US
Q40. What percentage of this time is spent on each of the following?
Listening/Buying figures extrapolated from M360, US Census.
Base: Music Listeners – Primary Activity (1318), Vinyl Listeners or Buyers (159)

DIGITAL TRACKS

DIGITAL TRACKS – THE FORMAT SHOWING THE SHARPEST DECLINES

WEEKLY % CHANGE VS. SAME WEEK 2015

Digital Tracks **522,245,000 (-24.9%)**



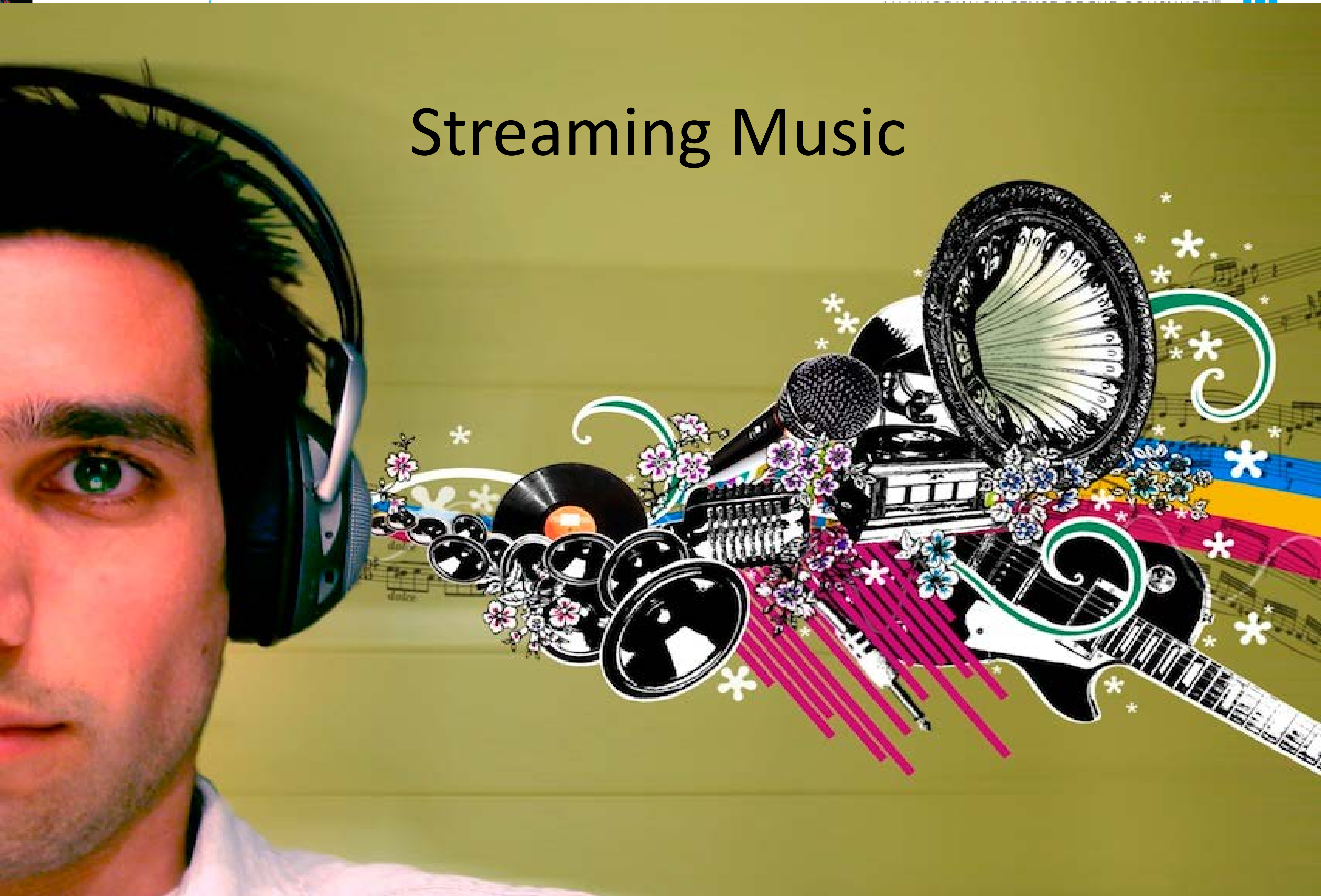
Digital Track – Highlights (???) of the year so far

- In 2016, so far there have been 25 songs that have sold over 1M units and just 3 of those over 2M. For the same period in 2015, there were 39 over 1M and 12 over 2M (3 over 3M and 1 over 5M).

- The best selling song in 2016 is Flo Rida "My House" with 2.1M sales. This would have only been good for the #12 spot at this point last year, which was led by Bruno Mars/Uptown Funk! with 5.3M sales.

- The top 200 songs are down 31% vs. the same period last year.

BUT EVERY CLOUD HAS A SILVER LINING

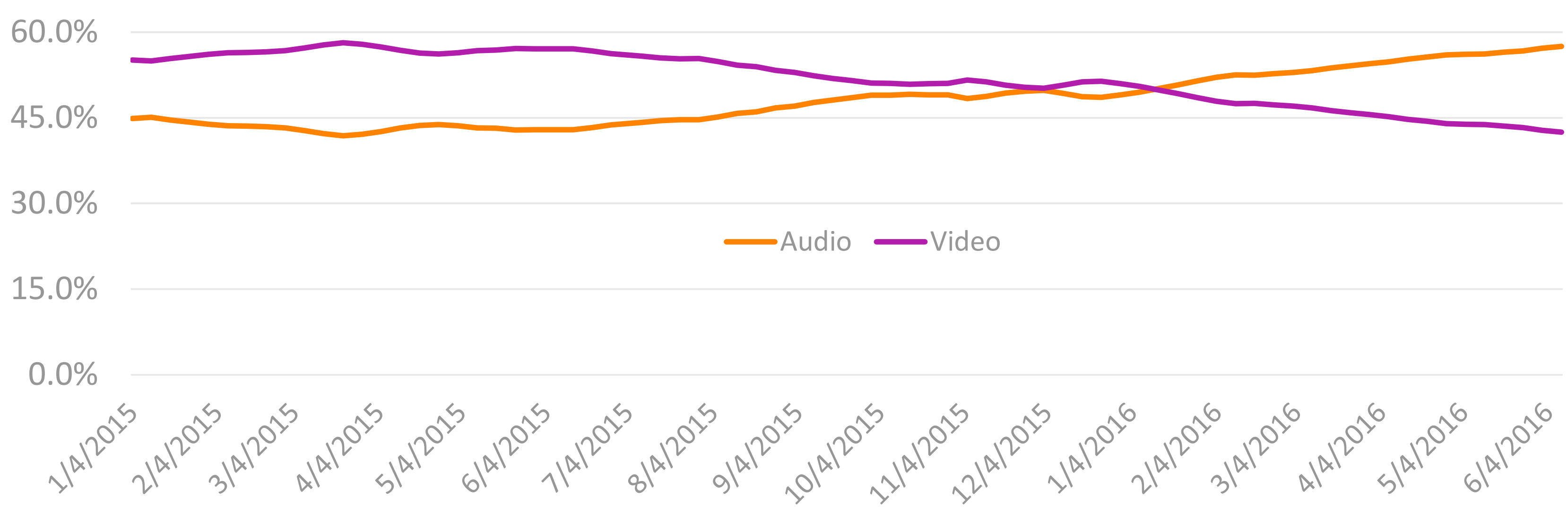

Streaming Music

AUDIO STREAMING HAS SURPASSED VIDEO AND CONTINUES TO SHOW GROWTH

2016 STREAMING VOLUME VS SAME PERIOD 2015 THROUGH 38 WEEKS AND SHARE OF TOTAL STREAMS BY WEEK

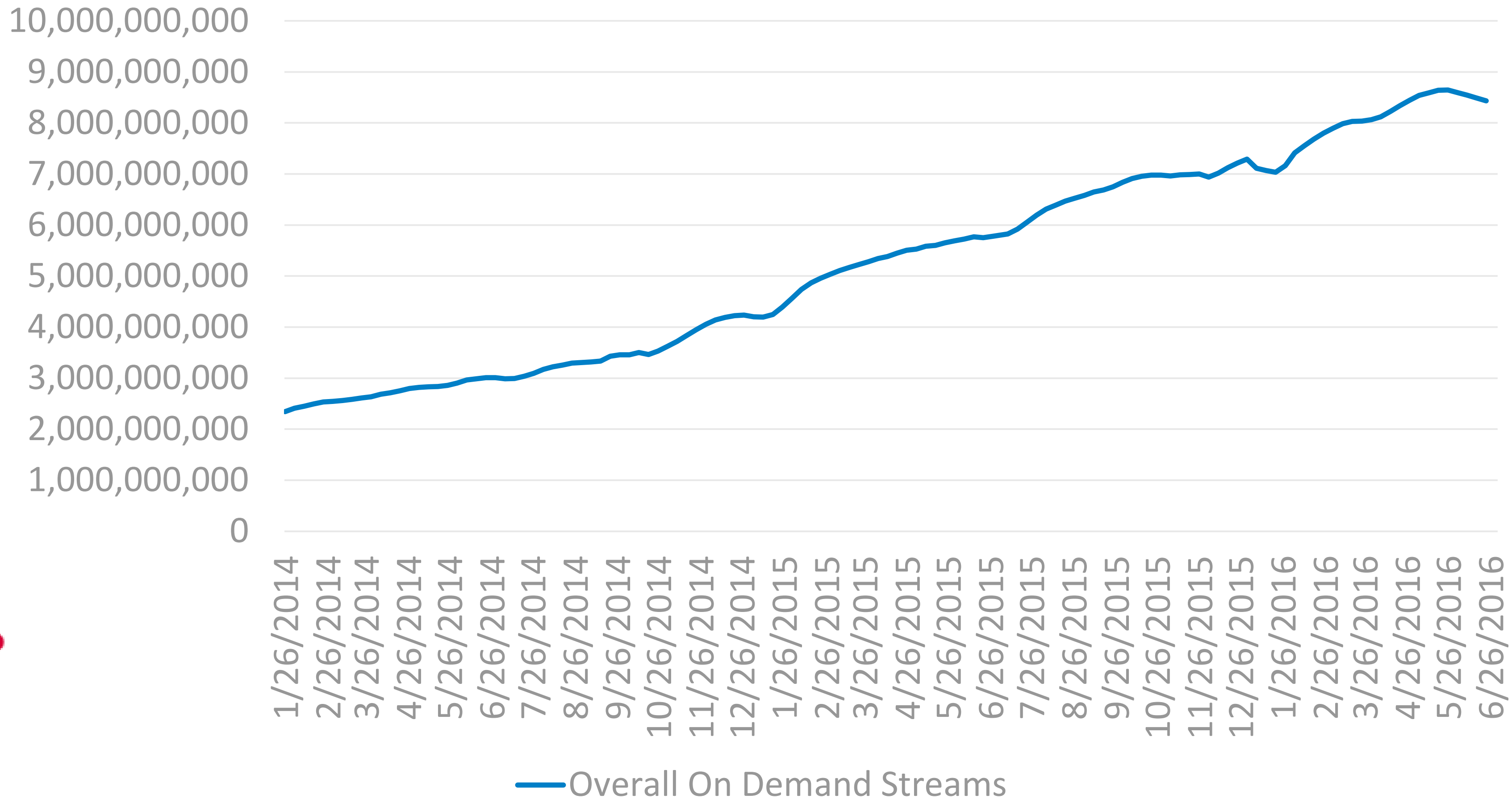
On-Demand Streaming	306.5 Billion (+44.4%)
Audio	174.8 Billion +85% YOY / 57% of total volume
Video	122.2 Billion +12% YOY / 43% of total volume

Share of total streams by audio and video



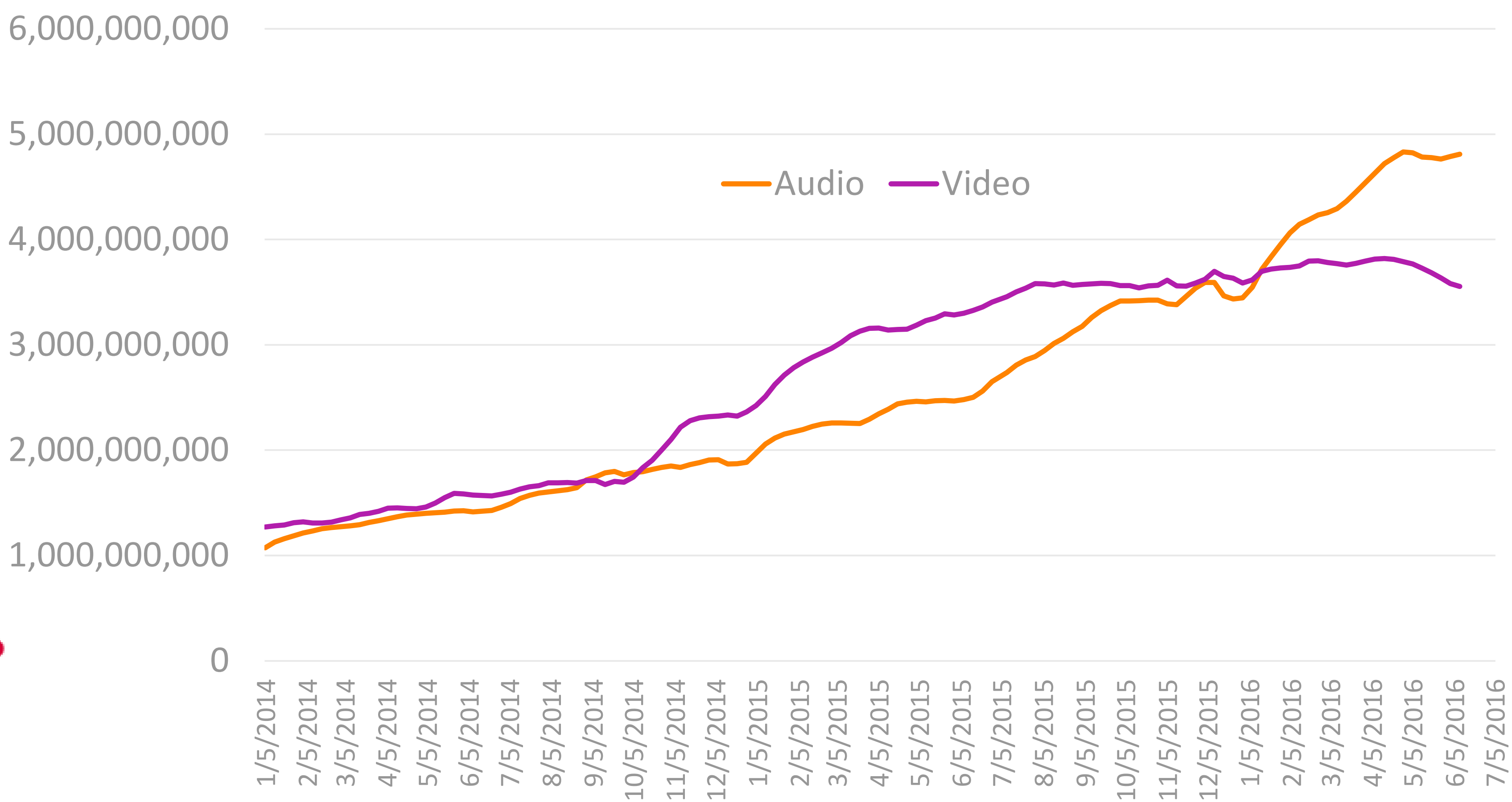
ON-DEMAND WEEKLY STREAMING VOLUME HAS INCREASED BY 260% IN THE PAST THREE YEARS

AVG ON-DEMAND STREAMING VOLUME BY WEEK



BUT THAT GROWTH HAS BEEN ALMOST ENTIRELY AUDIO DRIVEN SINCE MIDYEAR 2015

AVG ON-DEMAND STREAMING VOLUME BY WEEK



DEMOGRAPHIC PROFILE OF THOSE THAT PAY OR THOSE THAT ARE LIKELY TO PAY VERY SIMILAR

- Focus on multicultural and millennial listeners.

Current Paying Streamers

9% of Gen Pop

60% Male
29% **Hispanic** (152)
16% **African American** (123)
26% **Ages 18-24** (193)
27% **Ages 25-34** (153)

45% more likely to listen to **Hip-Hop**
31% more likely to listen to **R&B**

Likely Paying Streamers (Next 6 Months)

7% of Gen Pop

52% Male
10% **Asian** (188)
35% **Hispanic** (183)
17% **African American** (130)
16% **Ages 13-17** (200)

43% more likely to listen to **Hip-Hop**
41% more likely to listen to **Rap**

Streaming Uninterested

24% of Gen Pop

51% Male
6% **Asian** (110)
14% **African American** (105)
17% **Ages 18-24** (129)

Similar genre listening preferences as the average Music Listener

Nielsen M360 2016
Q7. Gender / Q13. Ethnicity / Q5. Age / Q152. Household Income . Typical Week Service Listeners Indexed to Music Listeners.
Base: Pandora (Typical Week) (500), Spotify (Typical Week) (315), Amazon Prime Music (Typical Week) (232), Apple Music (Typical Week) (86), Google Play Music (Typical Week) (94)

STREAMERS WANT AN EXPERIENCE TO FIT THEIR DISPOSITION

- Mood based options are these consumers' primary priority when it comes to desired playlist features.

What's Important to Streamers

55%
Playlists made to suit a certain **mood**

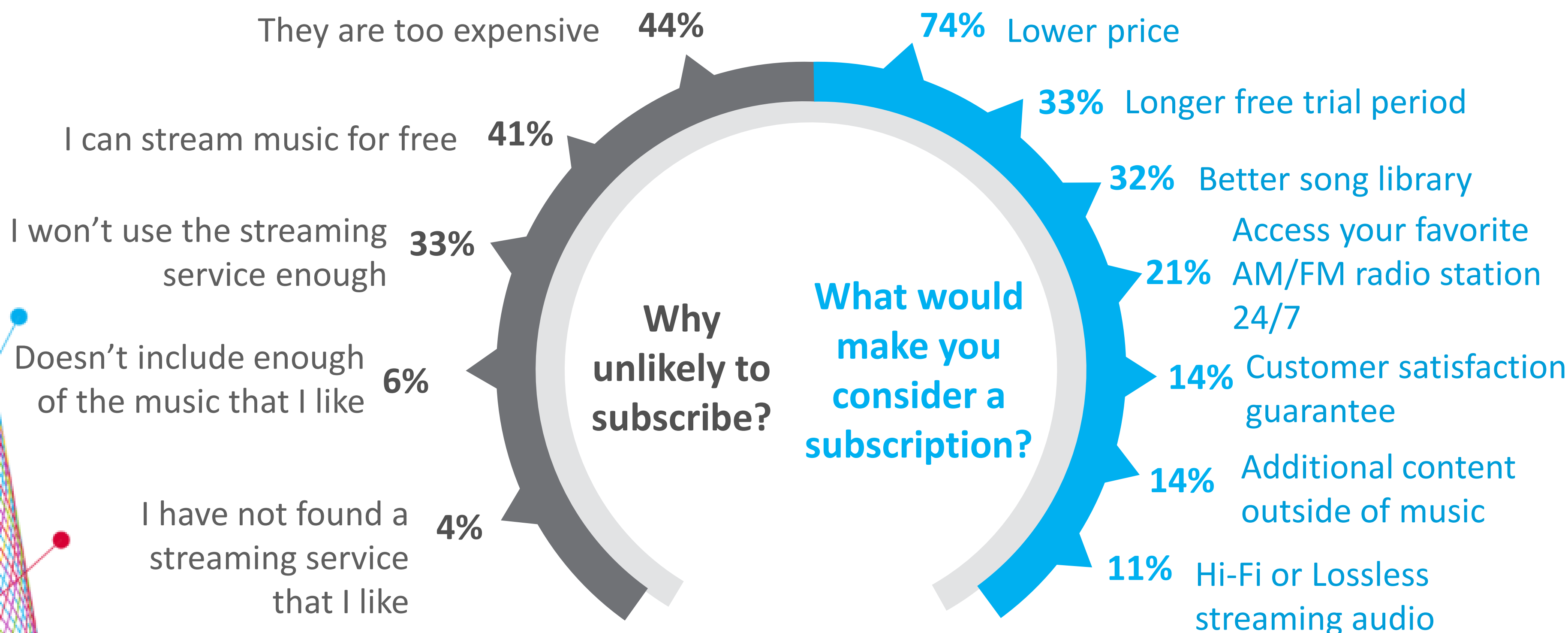
44%
Ability to **curate my own** playlists and **share** them **with friends**

43%
Playlists based upon **popularity** (e.g. Top Songs)

31%
Playlists curated by **artists** and **influencers**

Nielsen M360 2016
Q80. How important are each of the following features to you, when choosing a music streaming service to use? - Summary Of Top Two Box
Base: Music Streamer (1821)

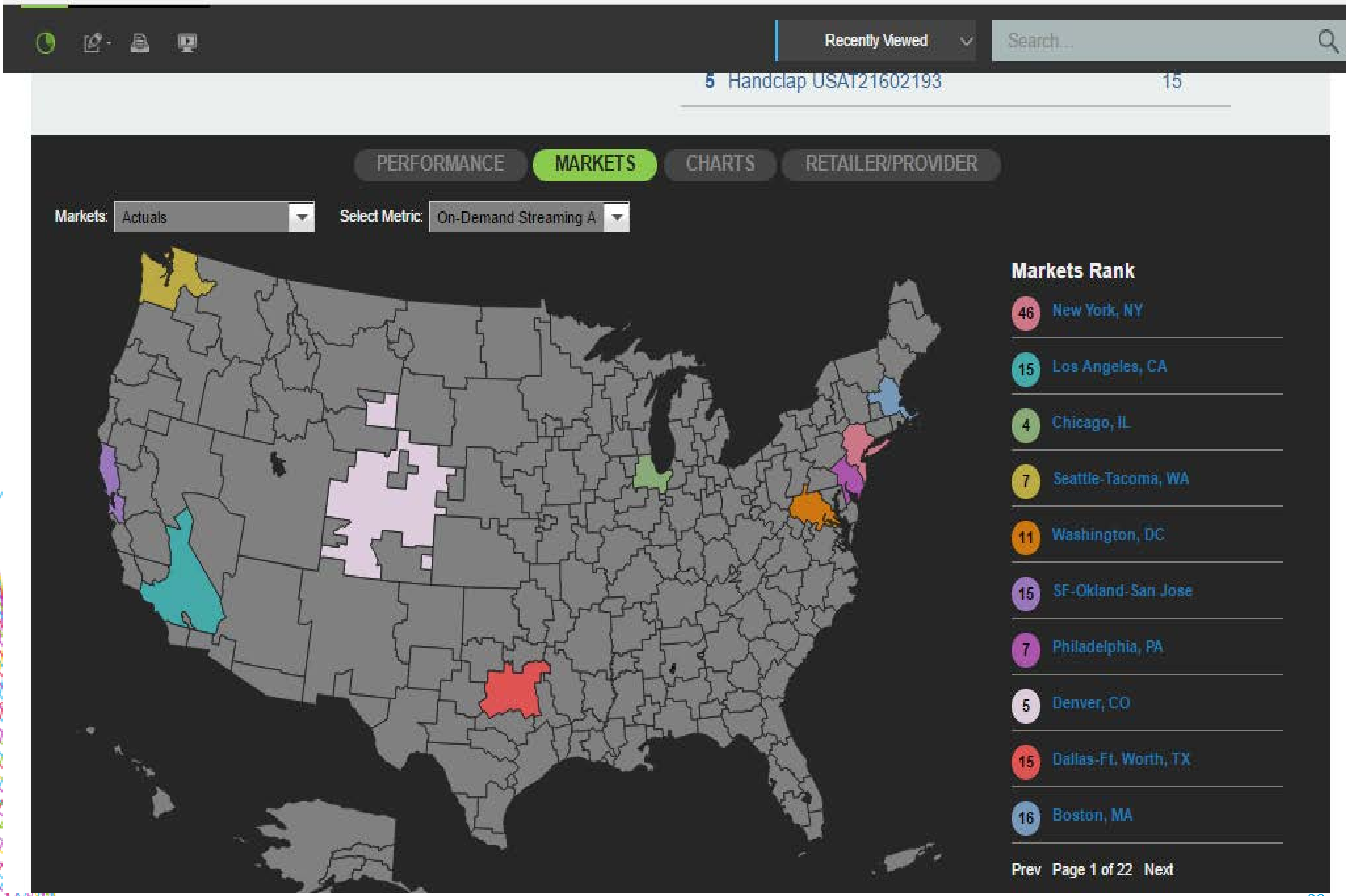
COST AND FREE ALTERNATIVES STILL LARGEST BARRIERS TO SUBSCRIBING



Nielsen M360 2016
Q58. Which of the following reasons, if any, explain why you are not likely to subscribe to a music streaming service?
Q59. Which of the following features, if any, would cause you to consider paying for a subscription-based music streaming service in the future?
Base: Bot 3 Unlikely to Subscribe to a Streaming Service in the Next 6 Months (1772). Bot 3 Unlikely to Subscribe to a Streaming Service in the Next 6 Months – Those never willing to pay excluded (631)

CHANGING THE WAY THAT STREAMING IS MEASURED BY MARKET

STREAMING ACTIVITY FOR 210 MARKETS NOW AVAILABLE IN MUSIC CONNECT



INCLUDING TOP CHARTS FOR STREAMING AND SONG CONSUMPTION BY MARKET

USIC CONNECT

Recently Viewed | Search...

ta available through September 22, 2016

harts | Songs by Market & Metric | Advanced Filters

Week Ending: 09/22/2016

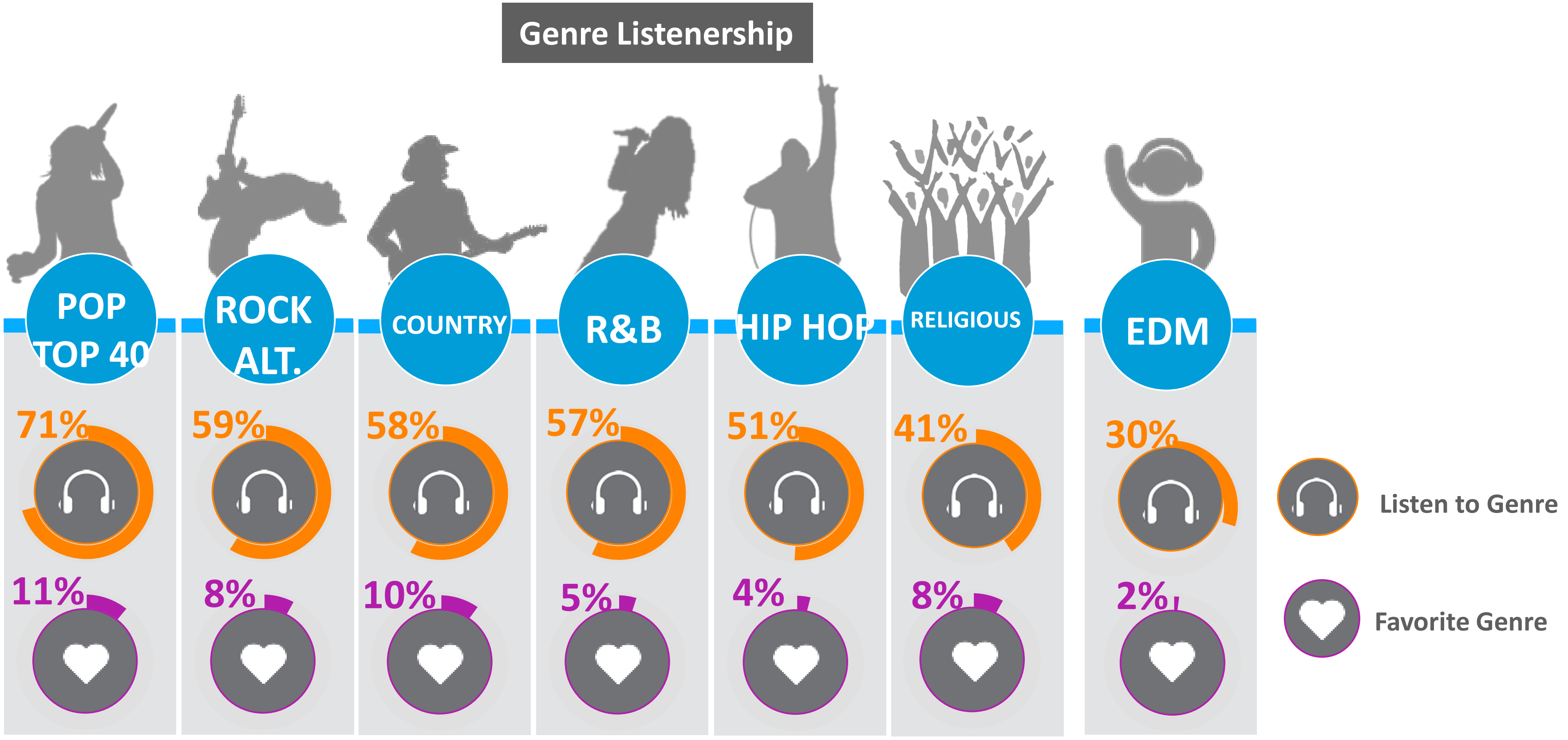
arket: Minneapolis-St. Paul, MN | Metric: Songs w/SES On-Demand Au

Filter By:

	TP	% CHG	TP Market Rank	LP	LP Market Rank	YTD
Cold Water Major Lazer Feat. Justin Bieber & M0	2,975	-0.7%	1	2,996	1	19,734
My Way Calvin Harris	1,519	-4.9%	2	1,597	2	15,762
Sit Still, Look Pretty Daya	1,479	+999.0%	3	0	-	1,479
Can'T Stop The Feeling! Justin Timberlake	1,015	+28.6%	4	789	7	12,363
Gold Kiiara	819	+3.1%	5	794	6	7,963
Blue Ain'T Your Color	767	+10.2%	6	696	11	15,435

HOW ARE FANS CONSUMING DIFFERENT GENRES OF MUSIC IN 2016

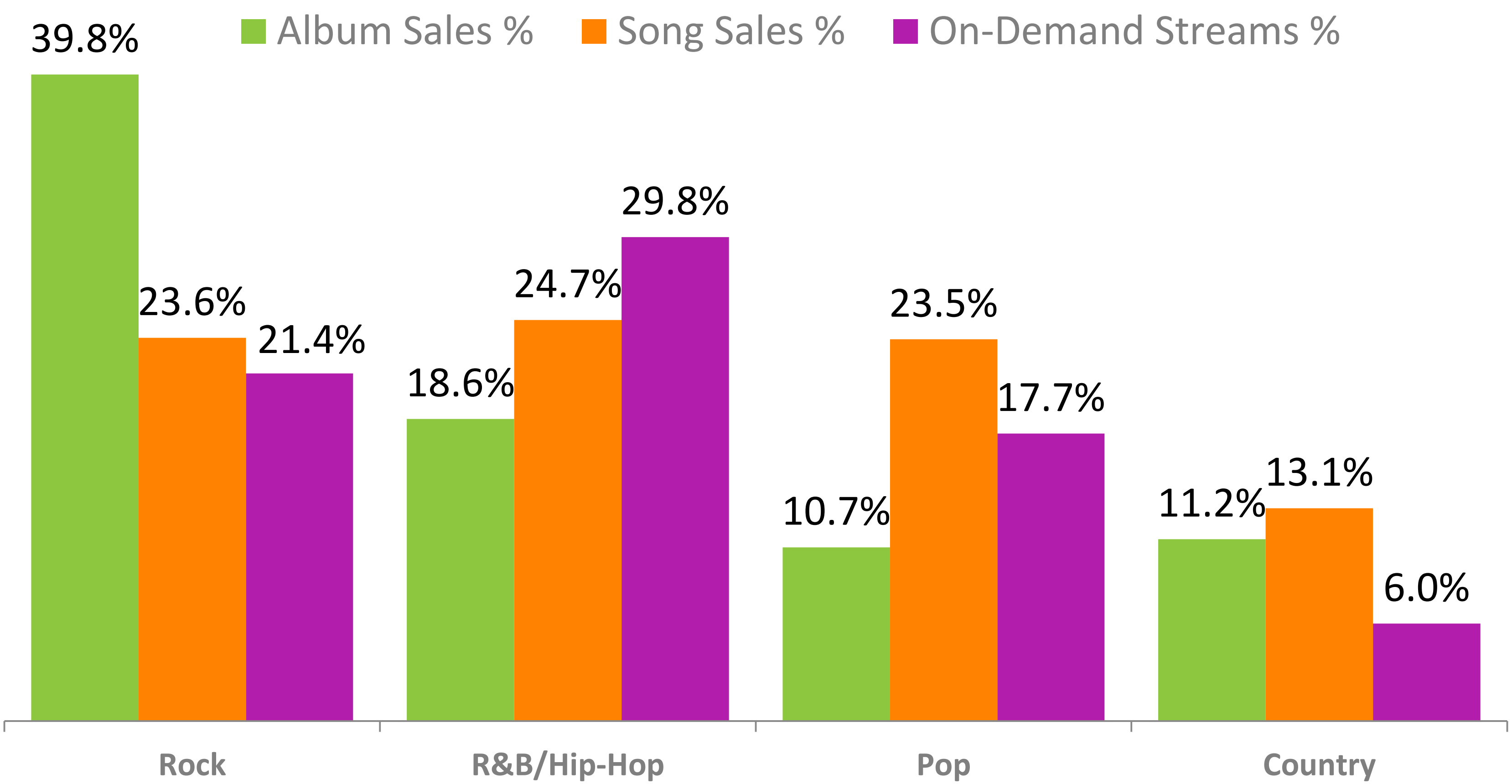
POP/TOP 40 GARNERS LARGEST OVERALL LISTENER REACH



Nielsen M360 2016
Q105s_4. How often, if ever, do you listen to the following genres of music? - Summary of Listen to Genre
Q109. And which of the following genres of music is your favorite?
Base: Music Listener (2221), Genre Listener (2216)

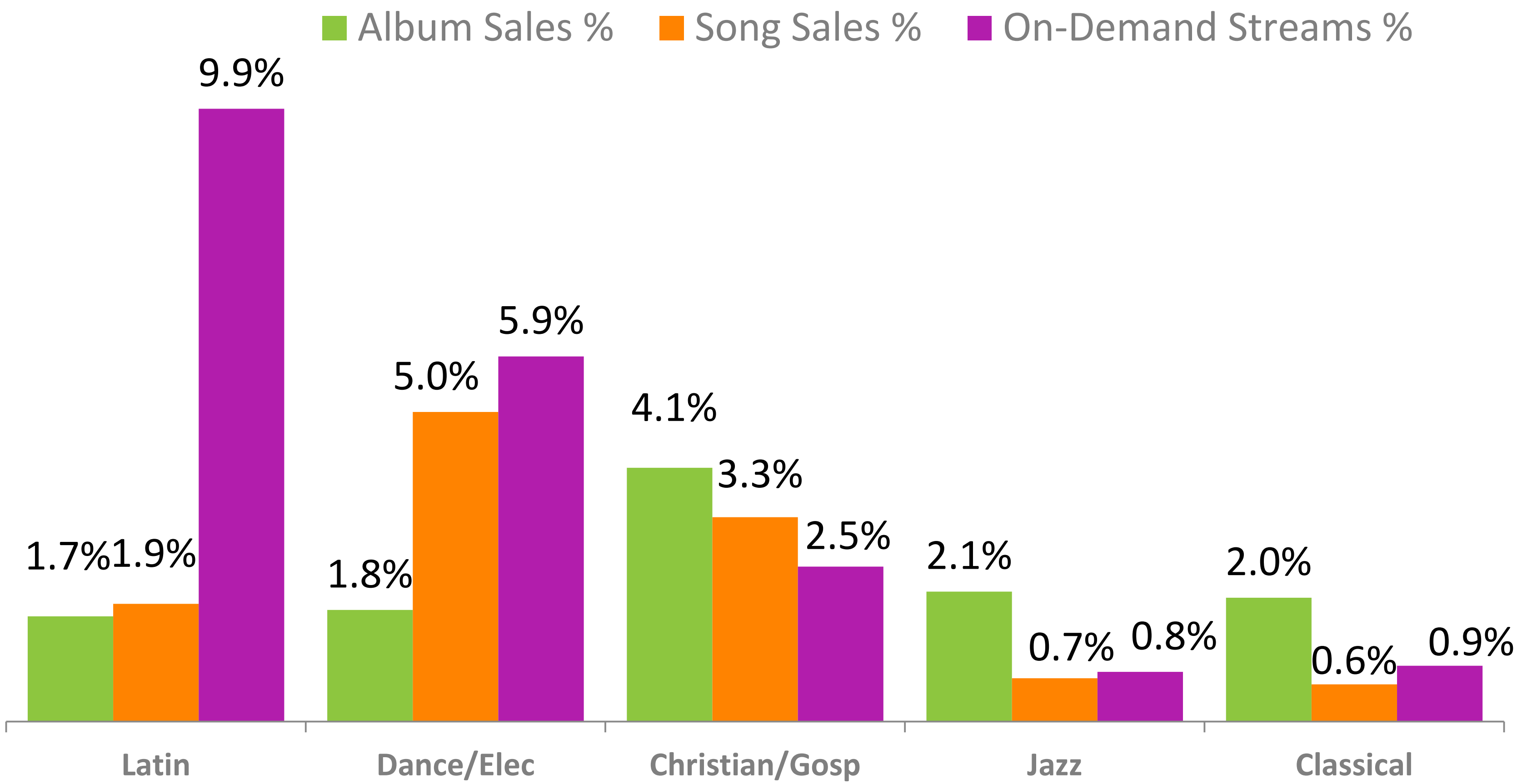
ROCK DOMINATES ALBUM SALES, POP IS DRIVEN BY SONG SALES AND HIP-HOP LEADS STREAMING

GENRE SHARE OF TOTAL ACTIVITY BY FORMAT – DATA THROUGH 2016 H1



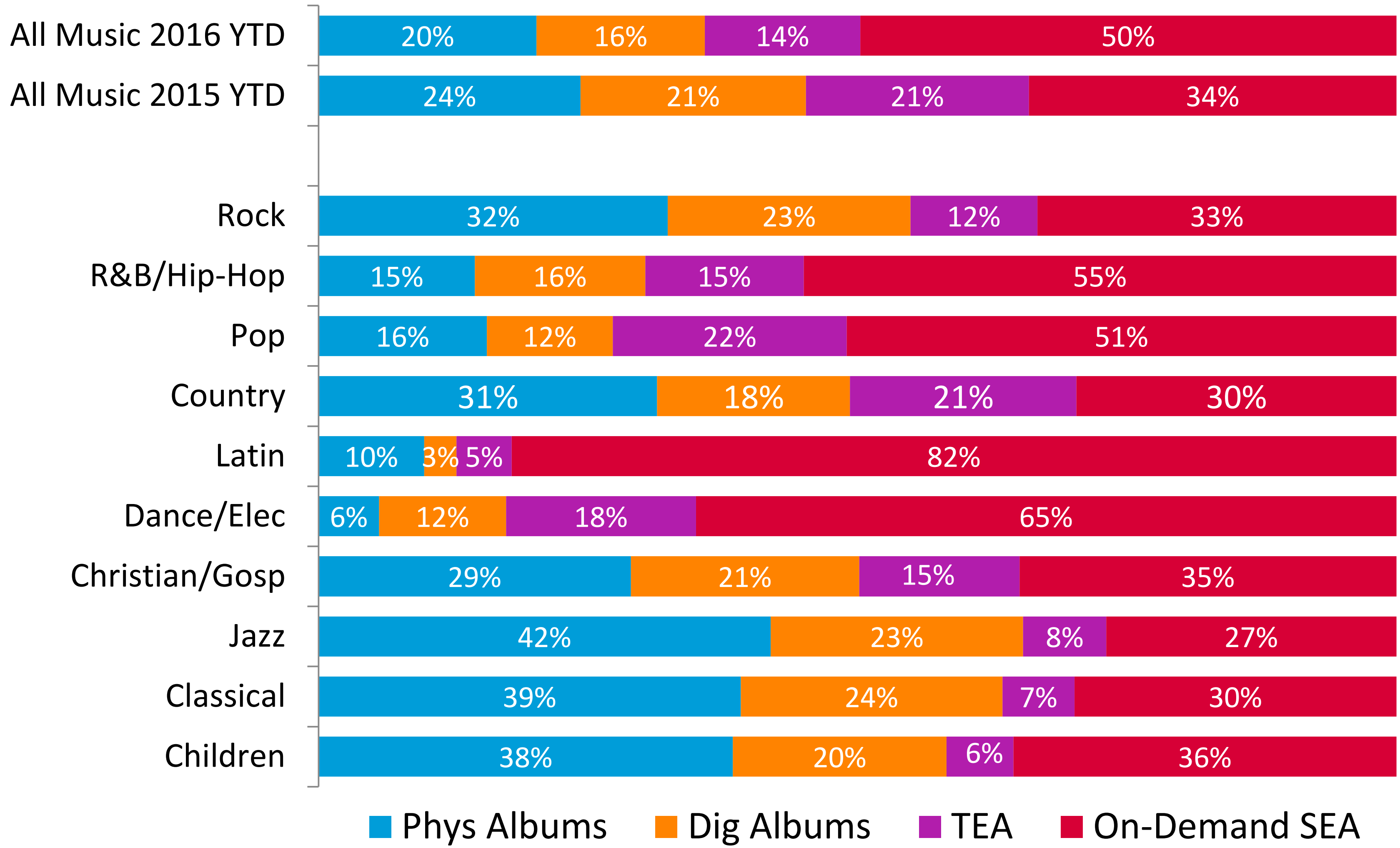
LATIN AND EDM STREAMING OUTPACES SALES, WHILE SMALLER GENRES ARE STILL ALBUM DRIVEN

GENRE SHARE OF TOTAL ACTIVITY BY FORMAT – DATA THROUGH 2016 H1



HOW GENRES ARE CONSUMED BY FORMAT

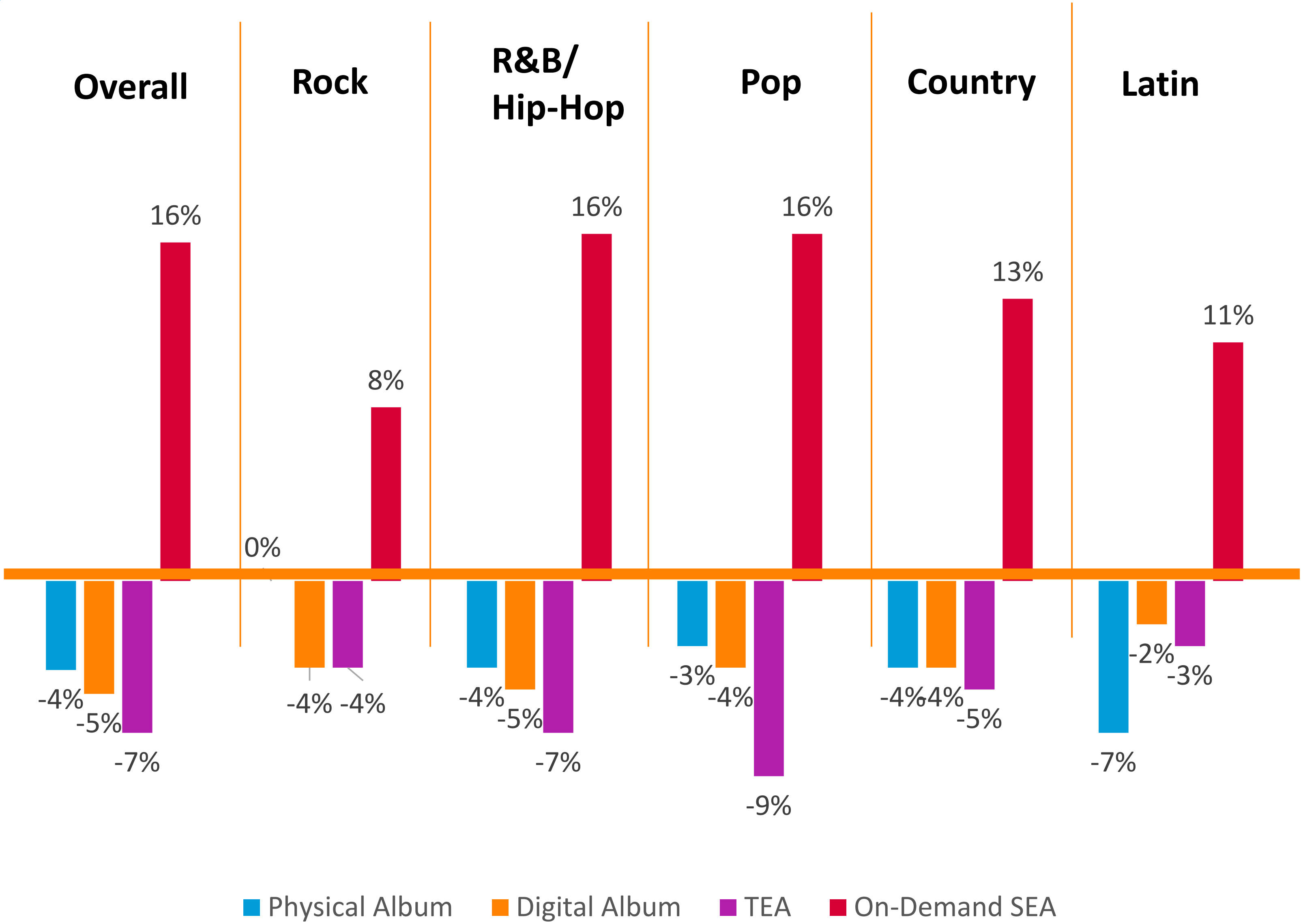
SHARE OF TOTAL VOLUME BY GENRE – DATA THROUGH 1H 2016



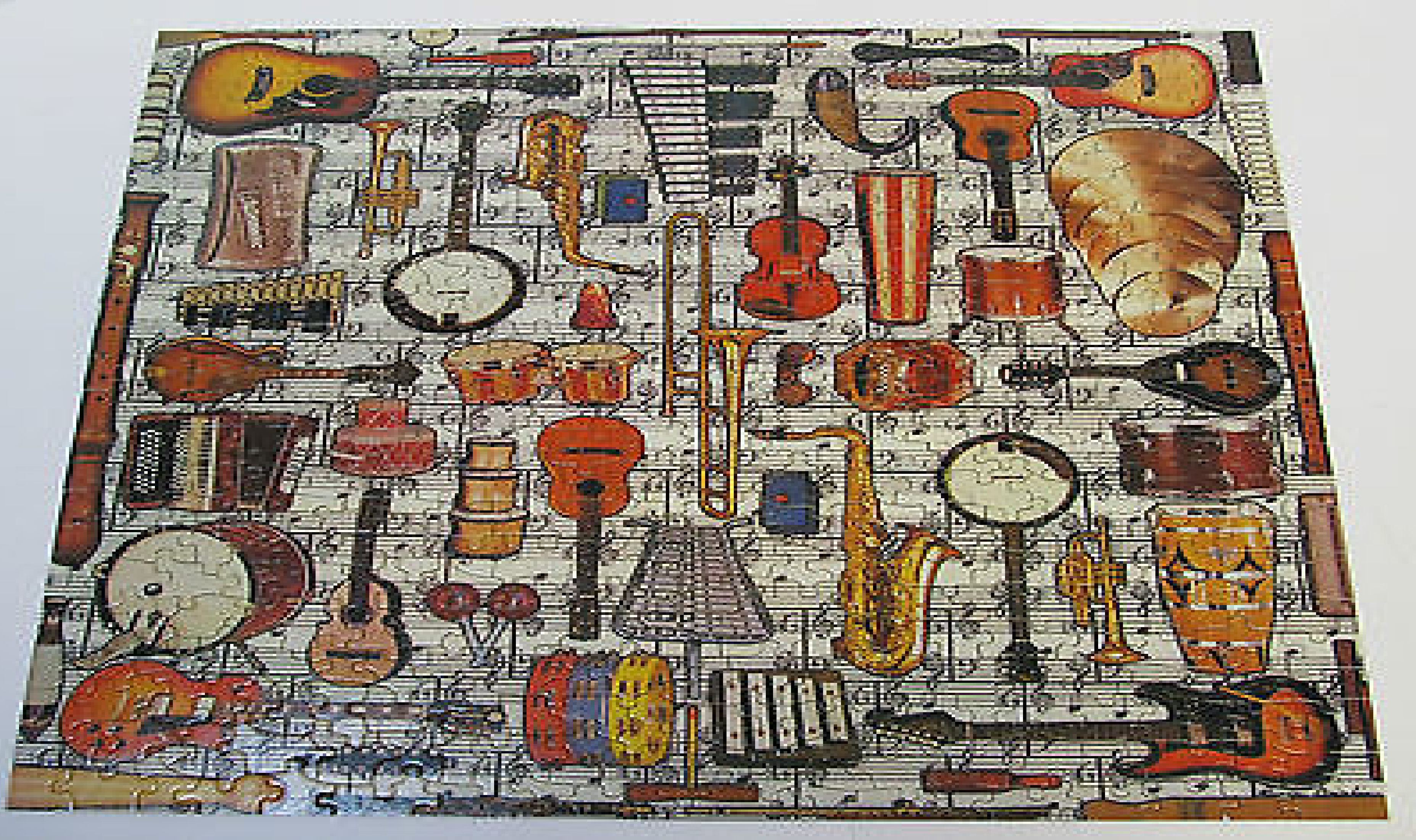
Digital Tracks TEA is weighted 10 track sales per one album. Streaming SEA is weighted 1500 plays per one album. Streaming plays includes only those providers that report on-demand activity data to Nielsen.

YEAR-OVER-YEAR CHANGES IN SHARE BY FORMAT

YOY CHANGE IN SHARE OF TOTAL EQUIVALENTS BY GENRE- DATA THROUGH 2016 H1 VS 2015 H1



PUTTING IT ALL TOGETHER, WE SEE AN INDUSTRY IN TRANSITION, BUT STILL HEALTHY



OVERALL MUSIC VOLUME IS UP 5.4% AS STREAMING GROWTH OFFSETS SALES DECLINES

% change vs. same period 2015 – Data through 38 Weeks

Track Equivalent Album Ratio 10:1 and Streaming Equivalent Album Ratio 1500:1

	2016 YTD	2015 YTD	% Var.
Physical Albums	79.5M	88.9M	-10.5%
Digital Albums	60.9M	75.6M	-19.5%
Total Albums	**140.4M**	**164.5M**	**-14.6%**
Digital Tracks	**558.0M**	**741.4M**	**-24.7%**
Audio On-Demand Streams	174.8B	94.5B	+85.0%
Video On-Demand Streams	131.8B	117.8B	+11.9%
Total On-Demand Streams	**306.5B**	**212.2B**	**+44.4%**
Overall Volume	**400.6M**	**380.1M**	**+5.4%**

OVERALL MUSIC VOLUME IS UP 3.4% FOR AUDIO ONLY

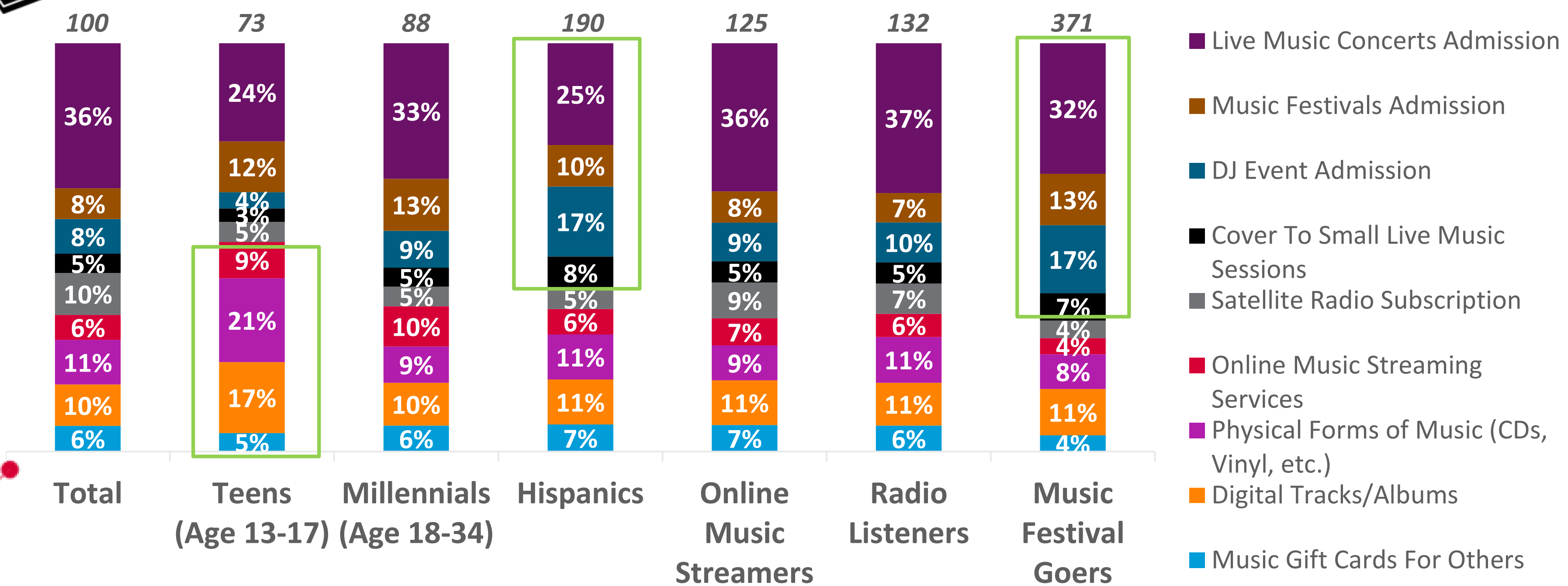
% change vs. same period 2015 through Week 38
Track Equivalent Album Ratio 10:1 and Audio Streaming Equivalent Album Ratio 1500:1

	2016 YTD	2015 YTD	% Var.
Overall Volume – Audio Only	**312.7B**	**301.6B**	**+3.7%**

THE AVERAGE PERSON SPENDS $153 PER YEAR ON MUSIC PRODUCTS AND ACTIVITIES

- Music spend up slightly from 2015
- Hispanics over-index on total spend and use a considerable proportion of their Entertainment dollars on music (16% Hispanics vs 6% for Gen Pop).

2016 Music Annual Spend (Share of Wallet) and *Index to Average Spend*



Nielsen M360 2016

Q20. Thinking about the past 12 months, about how much money did you spend on the following entertainment activities?

Base: Total (2575), Teens (348), Millennials (1091), Hispanics (772), Online Music Streamers (1756), Radio Listeners (Typical Week) (1387), Past Year Music Festival Attendees (277)

KEY TAKE-AWAYS

THE MOST IMPORTANT TRENDS IN 2016 YTD

- Music Fans are spending **more time than ever with music**, as technology and access are coming together to give consumers greater engagement with music than ever before.
- **Audio streaming** has continued to grow at a steady pace and has overtaken video streaming to become the dominant streaming format
- The increasing prevalence of premium audio streaming has a **positive effect on the revenue** derived from streaming and is more than offsetting the declines in ownership
- Digital track sales continue to show accelerated declines as **consumers, particularly digital consumers, are moving away from buying and into streaming.**
- **Vinyl continues to be a growth format** in 2016 and has become a significant part of total physical revenue.
- **Our metrics, analytics and tools will continue to evolve** as our consumer continues to broaden their music listening options.

CONGRATULATIONS ON THE SUCCESS SO FAR IN 2016!

THANK YOU AND PLEASE FEEL FREE TO CONTACT US WITH ANY QUESTIONS

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