Twitter Thread by Tar ■

Tar ■
@itsTarH

Open Question to fellow investors tracking Music Industry.

A business like Universal which controls more than 1/3rd of all published music globally is selling for less than 6x FY20 Sales.

Why are Indian businesses like Saregama / Tips selling for 11x, 20x their sales?

If I include all of the revenue generated by entire firm, its selling for ~4.5x FY20 Sales

Full Year 2020 Results - March 3, 2021

UNIVERSAL MUSIC GROUP

Key Figures

in euro millions	2019	2020	Δ organic (%)*
Revenues	**7,159**	**7,432**	**+4.7%**
Recorded music	5,634	5,967	+6.7%
Streaming and subscriptions	*3,325*	*3,833*	*+16.2%*
Other digital sales (mainly downloads)	*428*	*413*	*-3.6%*
Physical sales	*1,011*	*945*	*-6.0%*
License and Other	*870*	*776*	*-9.9%*
Music Publishing	1,052	1,186	+14.4%
Merchandising & Other	489	292	-39.6%
Intercompany Elimination	(16)	(13)	
EBITDA	**1,267**	**1,487**	**+19.0%**
EBITDA margin	*17.7%*	*20.0%*	
EBITA	**1,124**	**1,329**	**+20.1%**
EBITA margin	*15.7%*	*17.9%*	
CFFO	**704**	**50**	
of which net content spent** and catalog acquisitions	(465)	(1,517)	
capex	(73)	(65)	

* *FY2020 revenues include the receipt of digital royalty claims previously disclosed in H1 2020. Restated for these OTI, UMG's Revenues and EBITA organic growth would amount to +3.5% and +17%, respectively*

** *Advances to artists net of recoupment*

vivendi

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Universal Listing Market Cap ~ 40 Billion USD
FY 20 Revenues ~ 8.87 B USD or 7.4B EUR

Catalogue of Music includes every international artist you can possibly name

Either Universal is grossly undervalued or Saregama/Tips are grossly overvalued.

https://t.co/aHzWSYtcUt

> Homework for all the interested participants here:
>
> Q1.Why 20% and not 50%+ Margins for UMG
>
> Q2. Differences in dynamics between Western&Indian cos?
>
> Q3. Trends in West vs Trends in India in the industry.
>
> Research and find the answers. My job is done \U0001f601\U0001f64f
>
> — Intrinsic Compounding (@soicfinance) June 27, 2021

https://t.co/v0EMoCuYKX

> If you see the ebitda of universal music its low 20% compared to our saregama 30% or tips 50%. So when you compare earnings saregama is 40x and tips is 30x and universal music is 30x. Also these type of companies are less(low or no capex with excellent and growinh cashflows)
>
> — Srikanth V (@mynameisnani75) June 27, 2021

https://t.co/wjqKL5M2f3

> The rights are different here in India.
>
> Indian labels own both publishing and master rights unlike the global peers.
>
> Hence the 80% EBITDA Margins vs 20% EBITDA Margins for UMG.
>
> Comparing them isn't useful IMO but should be only referred to study the Industry structure.
>
> — Saket Reddy (@saketreddy) June 27, 2021

https://t.co/RWB0nGH1xN

> 1. You own both the recording and publishing rights in India
> 2. Streaming business in India is 85% of the industry compared to 52% globally
> 3. You should look at FY21 number for Tips as that is pure-play music streaming

4. Headroom in India builds optional value for paid converts https://t.co/mOBj83uZgH

— Saket Mehrotra \U0001f60e\u2615\U0001f4b0 (@mehrotra_saket) June 27, 2021

https://t.co/wWJ2QlofiH

All throughout the world, largecaps sell at lower valuations than smallcaps. Larger room for growth. + India growth narrative. + More rights with labels in India. + The whole bollywood industry means that imo moat is wider in india for indian labels than at global stage for umg

— Sahil Sharma (@sahil_vi) June 27, 2021

https://t.co/LiZaPqzv6H

I think valuations based on sales is suitable only when the current profitability does not reflect the true profitability of the business. In the end valuations are based on profits
UMG and Tips have very different margins and thus comparison based on sales is not a great way 1/2

— Ankush Agrawal (@Ankush__Agrawal) June 28, 2021

https://t.co/UuWHbJf8hB

Why do you think Bill Ackman is pouring in 28000 crore in Universal? He clearly believes that even at 25x EV/EBITDA, it is CHEAP.

Universal has 20% ebitda margin. Tips has 60% net profit margin :) :) pic.twitter.com/6y8mEoLAU6

— Neil Bahal (@NeilBahal) June 27, 2021