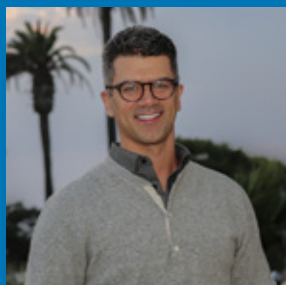




# MUSIC INDUSTRY FUNDING SURGED IN 2023 – BUT WHY ALL THE OPTIMISM?

As major industries like retail and manufacturing battled 2023 economic headwinds, music enjoyed a surge in funding. Despite the beginnings of a potentially serious correction in music IP valuations, music industry funding in 2023 added up to more than twice the amount poured into music in 2022. It's raining investments and funding for all things music — whether it's music AI, live show ticketing platforms, catalog financing, or creator collaboration tools. But what's really driving the gains, and how long will this party last?



## ABOUT PAUL RESNIKOFF

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Paul Resnikoff is the founder and publisher of Digital Music News, the music industry's premier music industry trade publication. Resnikoff's focus and expertise spans streaming platforms, artist royalties, format disruption, physical assets and the vinyl resurgence, copyright battles, startup struggles, and music financing/M&A.

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# FAST-TRACKED: OVER \$10 BILLION FOR MUSIC-RELATED TECH

As the economy challenges some of the world's largest industries — retail, manufacturing, tourism, real estate, to name a few — one would think music resides in a different dimension. Despite challenges on the music IP side and a dramatically different interest rate environment, there's no shortage of consumer demand for music – or investor generosity for music tech.

In 2023, music tech startups and companies collectively fattened their coffers with almost \$10 billion in funding, according to tracking compiled by Digital Music News. Compared to 2022's \$4.8+ billion in overall funding, 2023's \$10 billion proves that venture capitalist firms and investors are strongly optimistic about future growth in music and its tech.

But why did music attract over twice the amount of funding this year compared to 2022?

Arguably, the music industry is still in a post-pandemic recovery, and appears driven to rapidly surpass its pre-pandemic revenue. In the same vein, an abundance of venture capital funds and investors eager to put their resources into advancing music, royalty payout processing, live music, and creator and collaboration tools have made it abundantly clear they see potential for incredible profitability in the industry.

But a major portion of the whopping 2023 numbers are credited to artificial intelligence platforms. These companies, attracting the attention of tech heavyweights like Google, Amazon, and Microsoft, boast an expansive

focus on various industries, with a portion allotted to audio and music generation, lyric writing, voice cloning, and more. AI-focused giants are the companies gaining the biggest bucks — despite the controversies and issues plaguing their journey.

So who — or what — was the biggest winner in 2023? As generative artificial intelligence platforms climb a ladder riddled with copyright infringement litigation and training data transparency issues, investor capital continues to pour into AI's war chests.

One shining example is Anthropic, which took 40% of 2023's entire funding total. With technology giants Google and Amazon eager to commit their ample resources to beat Microsoft-backed rival OpenAI, Anthropic took home \$4 billion out of 2023's \$10 billion that went into music.

In February 2023, Google announced an investment of **\$300 million** into AI startup Anthropic, followed by a Spark Capital-led **\$450 million** Series C round in May. Then came September's funding of **\$1.25 billion** from Amazon, and October's ginormous **\$2 billion** further investment from Google.

If — to achieve some semblance of a rational analysis of music investments and comparison — we exclude outlier Anthropic from the data pool, there was still \$6+ billion on the table for music companies in 2023.

## TABLE #1

**Total funding by year** (not including undisclosed financials of successful funding rounds)

2023	2022	2021	2020
\$9,913,417,830	\$4,889,466,000	\$3,898,189,025	\$562,965,000

# 2023 STARTUPS: THE MOST SUCCESSFUL FUNDING ROUNDS

Series rounds function in their own risk-ridden ecosystem, driven by projected revenue and relative potential market size. For investors, high risk is the nectar that pulls them into the field, beckoning with the promise of outsized rewards. For that reason, earlier rounds specifically attract the most risk-ready investors. At the other end of the table, music platforms and tech companies arrive fully equipped with analysts and consultants to pitch their leadership's potential and relative market size.

In 2023, Series A investors gambled hundreds of millions on music AI and tech. In March, **Character AI** closed a **\$150 million** Series A round, bringing its valuation to \$1 billion. Andreessen Horowitz (a16z) led the round, with participation from Nat Friedman, Elad Gil, SV Angel, and A Capital. Founded by former LaMDA developers Noam

Shazeer and Daniel De Freitas, a portion of Character AI's current chatbots can generate images of public figures for conversation. On the music side, Character AI's conversation options currently include Billie Eilish and Twice's **Nayeon**, to name a few.

In July, artificial intelligence and metaverse company **Futureverse** scored **\$54 million** in its Series A round, led by 10T Holdings LLC, with Ripple participating. For background, Auckland-based Futureverse in December 2022 had **merged** 'eight metaverse companies into one collaborative ecosystem,' and its executives promptly released a separate white paper about Futureverse's long-term vision for the overarching operation. Among the eight companies that combined within Futureverse were AI developer Altered State Machine and Web3 payments platform Centrapay.

Then there was **Duetti**, the music financing startup that in May closed a **\$32 million** Series A round led by Viola Ventures, Viola Credit, Roc Nation, Presight Capital, and others. The round was announced four months after Duetti reportedly raised \$7 million in a seed round. Since then, Duetti, which says that its 'innovative model opens new investment opportunities for a previously untapped asset class,' has emerged as 'an essential business tool for over 60 independent artists.'

Not far behind, Web3 AI-powered platform **OP3N** in March announced a **\$28 million** successful Series A round led by Animoca Brands, alongside a multitude of participating investors that include Dragonfly Capital, SuperScript, Creative Artists Agency, New Enterprise Associates' Connect Ventures, Republic Crypto, Avalanche's Blizzard Fund, Galaxy Digital, Warner Music Interactive, GSR Markets, The Sparton Group, BRV Capital Management, and Russell Westbrook.

**UNLIKE A SERIES A, MOST SERIES B ROUNDS ARE MEANT TO FOCUS ON SCALING COMPANIES, WHILE SHIFTING AWAY FROM DEVELOPING THE CORE OFFERING.**

In May, **BandLab** announced an extended Series B1 round, (after its Series B closed in April 2022 at \$65 million), valued at **\$25 million**. The round was led by Cercano Management and Prosus Ventures, and according to execs, the cloud-based music creation and collaboration platform intends to utilize the \$25 million at hand to 'grow its workforce' and 'double down on emerging creator campaigns.'

Soon after, in June, AI-powered creative studio **Captions** closed its Series B round at **\$25 million**, led by Kleiner Perkins — a renowned venture capitalist firm in the tech sector. Other investors included Sequoia Capital, Andreessen Horowitz, and SV Angel.

Others closed rounds far beyond the initial stages. After closing a \$270 million Series F in 2021, global payables automation platform **Tipalti** announced a **\$150 million** growth financing fund in May — bringing its total funding to over \$700 million. According to Tipalti, the raise would allow the California-headquartered fintech to further invest in innovative tools and products and support its customers. The round was led by JPMorgan Chase and Hercules Capital Inc.

# 2023 MUSIC VENTURES: THE EIGHT LARGEST FUNDS COMMITTED TO ARTIST ADVANCES, CATALOGS, AND ENTERTAINMENT

It wasn't just AI and music startups scoring bigger scoops of investors — VCs didn't shy away from committing to and announcing massive chunks of money meant to go toward scaling and expanding everything AI and 'music.' As a result, the industry continued to level up all year.

In March, 'artist focused multimedia platform' **Gamma** set sail, backed by a reported **\$1 billion** private equity fund. Founded by former Apple Music exec Larry Jackson (who doubles as CEO) and previous UMG executive Ike Youssef (who's serving as president), Gamma reported that it secured 'financial backing' from UnitedMasters **investor** Apple, Eldridge Industries, and film and television studio A24. Launching with an announcement that it had in December purchased Lydia, Gamma also inked partnership agreements with **Death Row Records owner Snoop Dogg**, Rick Ross, Naomi Campbell, and The Shade Room.


In January, **Kakao Entertainment** also announced a private equity fund worth \$966 million from 'Leading Sovereign Wealth Funds.' Setting its sights on global expansion with GIC, Saudi Arabia's Public Investment Fund led the round.

Spirit Music Group owner **Lyric Capital** also announced the close of an **\$800 million** sophomore fund in February. Over the years, the company has continued to score

massive successful rounds of investments. Back in October 2021, Lyric Capital **unveiled** a \$500 million catalog fund with Northleaf, and Spirit **scooped up** Jason Aldean's music IP in a reported \$100 million deal in February of 2022. The latest investment of \$800 million is reportedly meant to be injected into catalogs.

In July, The Raine Group officially announced an over **\$760 million 'Partners IV'** fund, which the New York City-headquartered firm intends to invest in 'sports, media, entertainment, and gaming' businesses.

During the same month, payments and distribution platform **Stem** announced plans to deploy a **\$250 million** fund for artist advances. The investment emerged as part of a new partnership between Los Angeles-headquartered Stem and Chicago's Victory Park Capital. The sizable tranche will set the stage for 'longer-term strategic and financial planning options,' Stem leadership communicated, referring specifically to advances against future music projects as well as past releases.



**Sound Ventures'** AI fund of **\$240 million** was announced in May, simultaneously revealing that half of the fund was already plugged into OpenAI, Stability AI, and Anthropic — platforms with focus arms in generative music and vocal AI, such as OpenAI's Jukebox and Stability AI's Stable Audio. Beverly Hills-headquartered VC Sound Ventures counts as partners actor Ashton Kutcher, former **iHeartMedia** exec Effie Epstein, and Maverick Management founder Guy Oseary.

Diplo-backed **Torch Capital** in March revealed a **\$200 million** sophomore fund, led by Silas Chou, with James Murdoch, Bob Pittman, Bob Hurst, Brynn Putnam,

Diplo, and Jenny Fless participating. The New York City-headquartered firm intends to put this sophomore fund towards 'investing in the next generation of disruptive tech-enabled brands and platforms.'

In June, **Beyond Music** announced the completion of an approximately \$170 million strategic fundraising round. Since arriving on the scene in 2021, Seoul-headquartered Beyond Music (not to be confused with the **Tina Turner**-founded musician community of the same name) has in total raised about \$400 million. The South Korean company indicated that existing backer Praxis Capital led the round, joined in tandem by several of the largest LPs in Asia.



# 2020-2023: MUSIC'S MONEY OVER THE YEARS

The largest of funds every year between 2020-2023; from music startups' seed financing, pre-Series Venture funds, and the largest Series A,B, and C and later rounds. We follow the industry's money and compare it side-by-side.

## TABLE #2

**Largest funding rounds 2020-2023** (only includes funds with reported financials)

LARGEST REPORTED FUNDING ROUNDS	2023	2022	2021	2020
Seed	Move.ai, \$10 million	Yuga Labs, \$450 million	OneOf, \$63 million	Encore Music Technologies, \$11 million
Pre-series/ Venture Round	Fever, \$110 million	Triller, \$310 million	Snafu Records, \$6 million	Artlist, \$48 million
Series A	Character AI, \$150 million	Fanhouse, \$20 million	SaveLive, \$135 million	Output, \$45 million
Series B	Captions, \$25 million	Symphonic Distribution, \$37 million	Linktree, \$59.3 million	Lyte, \$33 million
Series C	Anthropic, \$450 million	OpenSea, \$300 million	DICE, \$122 million	Songtradr, \$30 million
Other investment rounds	Anthropic, \$2 billion	Epic Games, \$1 billion	Epic Games, \$1 billion	Caffeine, \$113 million

