

# Russian-born billionaire buys Warner Music

May 6 2011, by Veronique Dupont

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Russian-American billionaire Len Blavatnik's Access Industries won a bidding war on Friday for Warner Music Group, buying the storied music company for \$3.3 billion in an all-cash transaction.

The sale of Warner Music, whose artists range from current stars such as Eric Clapton and Kid Rock to legends such as Frank Sinatra and Ray Charles, comes at a challenging time for the music industry with digital piracy rampant and CD sales slumping.

It also comes amid reports that EMI Group, a Warner Music rival which is owned by Citigroup, is on the block.

Warner Music is being sold by chief executive Edgar Bronfman Jr. and the private-equity firms, Thomas H. Lee Partners and Bain Capital Partners, who bought the company from Time Warner in 2004 for \$2.6 billion. Together they hold approximately 56 percent of Warner Music's outstanding shares.

Access said the acquisition includes all of Warner Music's record labels, which include Asylum, Atlantic, Elektra and Warner Bros., and the prized Warner/Chappell music-publishing division.

The purchase price of \$8.25 per share is a 34.4 percent premium over Warner Music's average share price over the previous six months.

As part of the agreement, Access, whose diverse holdings include natural resources and chemicals, media and telecommunications and real estate,

will assume \$1.9 billion of Warner Music's debt.

"We are delighted that Access will be the new steward of this outstanding business," said Bronfman, who will stay on as chief executive.

"They are supportive of the company's vision, growth strategy and artists, while bringing a fresh entrepreneurial perspective and expertise in technology and media," he said.

Blavatnik, Access's chairman and founder, served on Warner Music's board of directors between March 2004 and January 2008 and already owns two percent of the company.

He described Warner Music on Friday as a "great company with a strong heritage and home to many exceptional artists.

"I look forward to working closely with the many talented people within the company," the Russian-born industrialist said.

Jorg Mohaupt, Access's head of media, acknowledged the challenges faced by the music industry as it seeks to adapt to the digital age.

"The music industry is at an inflection point where digital adoption is rapidly gaining momentum," Mohaupt said. "Warner Music, as one of the most progressive forces in the music business, is well positioned to capture this opportunity for music creation and distribution."

The transaction has been approved by Warner Music's board of directors but will have to receive the green light from shareholders.

The deal is expected to close in the third quarter of the year, when Warner Music will become a privately held company.

Jon Ogg, an analyst with 247WallSt.com, said the sale of Warner Music marks "the end of the public pure-play music studios, which have been under attack from independent labels started by musicians and under fire from the Internet."

Besides Clapton, Kid Rock, Sinatra and Ray Charles, Warner's catalog also includes such artists as the Bee Gees, The Doors, Youssou N'Dour, REM, the Red Hot Chili Peppers, Green Day, Metallica, Genesis, Led Zeppelin, Seal, The White Stripes, Fleetwood Mac and Neil Young.

Warner Music shares gained 3.54 percent to close at \$8.18 on Wall Street.

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