

Music streamer Deezer raises 100M euros after abandoned IPO

January 20 2016, by Ryan Nakashima

France-based music streaming service Deezer says it has raised 100 million euros (\$109 million) from its two largest shareholders to fuel its expansion after abandoning plans for an initial public offering of stock last year.

The funds from Access Industries and French telecoms giant Orange will help pay for marketing in key European growth markets, CEO Hans-Holger Albrecht said. Deezer also hopes partnerships with wireless phone carriers in emerging markets and the U.S. help drive its growth.

The investment is a sign of faith in the future of streaming music, which is growing even as CD sales and downloads decline. Access Industries also owns Warner Music Group, which it bought in 2011 for \$3.3 billion. Among Deezer's backers are the three major record labels—Warner, Universal and Sony—which held rights to take a minority stake in the firm, according to IPO documents released last fall.

Deezer said at the time that it had 6.3 million [subscribers](#) as of June, but only 3.8 million were generating revenue, and nearly 800,000 of those hadn't used the service in the past month.

While that's short of the 20 million subscribers of Sweden's Spotify, and the 6.5 million paying subscribers reported by Apple Music, Deezer's customer base still makes it one of the largest subscription music streaming companies in the world.

Albrecht said in an interview that Deezer doesn't want customers who don't benefit from the service while paying for it, saying they are a legacy of a deal that bundled the service for Orange cellphone subscribers. Part of the marketing effort will be to get people to want to pay for Deezer separate from their mobile bill, he said.

While the amount of new capital is less than the 300 million euros the company was targeting in its IPO, Deezer says that hasn't changed its goal to have positive cash flow from month to month by the end of 2018.

"Our markets in Europe—Germany, the U.K. and France—are showing very good growth," Albrecht said. "If you scale up through marketing, you're going to get good traction."

Albrecht said he believes a shake-out among streaming music services will result in four or five big players globally. He said Internet radio giant Pandora Media Inc.'s \$75 million purchase of the technology developed by music streaming service Rdio last year showed "the underlying value in the streaming model." Rdio had few subscribers and its service was shuttered.

The transaction also highlighted the race to get bigger, he said.

"It shows if you're too small, it's tough to survive."

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