

# Sony Places Big Bet on a Fallen 'King'

## Music Company Signs \$250 Million Album Deal With Jackson Estate

By [ETHAN SMITH](#)

Months after his death, Michael Jackson set a music-industry record, thanks to a deal between his estate and Sony Corp. valued at as much as \$250 million, according to people familiar with the terms.

The deal—touted by both Sony and Mr. Jackson's estate as the most lucrative recording contract ever—guarantees the estate at least \$200 million. With 10 albums over seven years, the deal will involve a mix of previously unreleased songs and new packages of familiar ones.

The dollar amount is especially striking against the backdrop of the music industry as a whole, in which U.S. album sales have plunged 52% in a decade. Superstar deals worth tens of millions of dollars per album were rare even at the peak of the CD-sales boom in the late 1990s. Yet it also underscores that the biggest acts are becoming even more essential to record labels, as individual fans purchase fewer albums each year.

Since Mr. Jackson's death on June 25, Sony has sold an estimated 31 million of his albums globally. By the first anniversary of his death, his estate expects to have earned \$250 million from sales of music, merchandise and tickets to the posthumous concert film "This Is It."

The advances being paid by Sony are to be offset by sales of albums as well as revenue generated by licensing Mr. Jackson's music for uses like videogames, movies and theatrical performances. But unlike the megadeals struck in recent years by concert promoter [Live Nation Entertainment](#) Inc. with pop stars Jay-Z and Madonna, the Jackson deal doesn't give Sony income from other parts of the late singer's business, such as merchandise sales or fees for licensing his name and likeness.

Sony has sold an estimated 31 million Jackson albums since his death.

In an interview, Rob Stringer, chairman of Sony Music Entertainment's Columbia/Epic Label Group, said that his company was confident it would more than recoup its hefty investment, which he characterized as more than just a record deal.

"We see it as a partnership," Mr. Stringer said.

The deal should give Mr. Jackson's heirs plenty of breathing room with respect to the crushing debt load he had built up in his final years. With his album sales dwindling and concert touring ground to a halt, Mr. Jackson borrowed heavily to finance his lavish lifestyle.

The estate is likely to pay off about \$125 million in debt by the end of this year, including \$35 million owed to AEG Live, the promoter that was to stage a series of concerts by Mr.

Jackson in London. The estate is likely to refinance another \$325 million backed by Mr. Jackson's two biggest assets: Sony/ATV Music Publishing, his venture with Sony that owns copyrights to 251 Beatles songs; and his 2,600-acre Neverland Valley Ranch outside Santa Barbara, Calif.

A \$300 million loan backed by Sony/ATV and held by Barclays PLC matures at the end of the year, and before Mr. Jackson's death it loomed as a major financial challenge.

## Head-Spinning Recording Deals

1996: R.E.M. signs \$80 million, five-album deal with Warner Music.

2001: EMI inks \$100 million, five-album deal with Mariah Carey. In 2002 EMI paid her \$28 million to get out of the contract, after just one album.

2002: EMI reaches pact with British pop singer Robbie Williams, said to be valued at as much as \$100 million, to get a cut of touring, publishing and merchandising revenue.

2005: Sony Music strikes deal with Bruce Springsteen worth at least \$100 million. The costly move contributes to the ouster of then-CEO Andrew Lack.

2007: Live Nation strikes 10-year, \$120 million deal to represent Madonna in nearly every aspect of her professional life, including sale of recorded music and licensing of her image.

2008: Live Nation signs \$150 million, 10-year deal with Jay-Z. Similar to the contract with Madonna, it gave the company a percentage of future revenue from across his business.

2010: Sony and Michael Jackson's estate agree to a \$250 million deal for 10 albums over seven years.

*Source: WSJ reporting*

In striking the deal, Sony is betting that the appetite for Mr. Jackson's music will prove more than just a spike generated by his unexpected death and the ensuing round-the-clock coverage. A record contract struck in the early 1980s gave Mr. Jackson ownership of his recordings. Sony had the right to distribute those recordings through 2015. The new deal extends that right until at least 2017, and adds the rights to material recorded since then.

The new deal, like the one from the 1980s, was negotiated by John Branca, Mr. Jackson's long-time lawyer and now an administrator of the estate.

The deal retroactively covers the soundtrack album to "This Is It," plus a range of other releases, some of which have been mapped out, with others to be determined later. An album of previously unreleased songs is likely to hit stores before the end of this year, and another collection is due out later. The deal is also likely to cover expanded reissues of Mr. Jackson's albums "Off the Wall" and "Bad," as well as collections of remixes. A DVD of all of Mr. Jackson's music videos is likely to be created at some point.

Speculation has circulated that Cirque du Soleil would create a Las Vegas show based on Mr. Jackson's music, as it already has done with Beatles' music. If it does, a soundtrack album of some kind would likely be part of the deal.

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The estate could probably wipe out the debts entirely by selling its half of Sony/ATV, although such a drastic step is viewed as unlikely now that Mr. Jackson's posthumous business is generating so much cash.

Mr. Jackson acquired ATV for \$47.5 million in 1985. Sony in 1995 paid \$150 million to become a 50% partner in the venture. Mr. Jackson's half is now valued at at least \$1 billion.

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