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FINANCIAL POST

Is Apple about to make Jimmy Iovine a billionaire?



ROBERT LAFRANCO AND PETER NEWCOMB, BLOOMBERG NEWS | May 12, 2014 3:58 PM ET
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Music producer and co-owner of Beats Electronics LLC, Jimmy Iovine, stands to gain approximately \$800-million in net personal wealth should Apple choose to purchase the electronics accessories company. Noah Berger/Bloomberg News

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Dr. Dre not far behind

Jimmy Iovine, the veteran music industry producer and executive, will become a billionaire if Apple Inc. completes a deal to buy Beats Electronics LLC for \$3.2 billion.

The Interscope Geffen A&M Records chairman formed Beats, a luxury headphone maker and music-streaming service, in 2006 with hip-hop artist Dr. Dre, whose real name is Andre Young. The two built the company into one of the electronics industry's leading high-end makers of music accessories.

“He’s an incredibly talented guy,” billionaire David Geffen said in a phone interview from his New York apartment. “He did a brilliant job merchandising Beats and is probably the first billionaire to come out of hip-hop.”

Iovine, 61, owns 25 percent of the Santa Monica, California-based business, while Young holds 20 percent, according to data compiled by Bloomberg. The stakes were confirmed by a person familiar with the company’s ownership and financial performance who asked not to be identified because the details are private.

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Proceeds from the deal, in addition to millions of dollars collected over more than five decades producing artists such as U2 and Fleetwood Mac, and from his ownership of Interscope Records, will give Iovine a net worth of more than \$1 billion, according to the Bloomberg Billionaires Index.

Susie Arons, a spokeswoman for Iovine at New York-based Rubenstein Communications Inc., said the music mogul declined to comment on his net worth.

Bolstering Apple

The Beats purchase, which would be the largest-ever acquisition by Apple, could bolster the iPhone-maker’s online music capabilities by giving it ownership of the Beats Music service that started earlier this year. For \$10 a month, subscribers get unlimited access to all of the songs in the service’s catalog through a smartphone, tablet or Web browser.

Iovine will collect \$800 million once the transaction is completed. The capital gain will probably be taxed at 33 percent, in accordance with a blended federal and state tax rate provided by Irvine, California-based accountancy firm [Haskell & White](#).

Young will collect \$640 million. A video posted to YouTube the day news of Apple’s interest surfaced, showed Young alluding to the deal, saying “the first billionaire in hip-hop, right here.”

According to a report today on the website of Rolling Stone magazine, a judge dismissed a lawsuit brought by Young that sought \$3.05 million in unpaid royalties from his former label, Death Row Records.

Outside Investors

Based on analysis of his proceeds from the transaction, taxes and past earnings from recording and producing, Young probably has a net worth of more than \$600 million, according to the Bloomberg index. Arons, who also handles publicity for Young, said the rap star declined to comment.

The company's shareholders also include Paris-based Vivendi SA, which owns Interscope Geffen A&M and took a 14 percent stake after Beats was founded, according to a person familiar with the transaction who asked not to be identified because the information is private. Access Industries Holdings Inc., controlled by billionaire Len Blavatnik, led a group that invested \$60 million in the Beats streaming service in 2013.

Private equity firm Carlyle Group LP bought a minority stake in the company in 2013 after HTC Corp. sold back the 51 percent it had acquired for about \$300 million.

U2, Springsteen

"Dre's and my mission for Beats was to introduce premium audio to a generation that had never experienced the emotion of music as intended by the artists because of substandard ear buds and PCs," Iovine is quoted as saying on website for Beats Music LLC, the company's streaming service.

Iovine is a music industry veteran who has engineering and producer credits on numerous multiplatinum albums, including Bruce Springsteen's "Born to Run," U2's "Rattle and Hum," and Tom Petty and the Heartbreakers' "Damn The Torpedoes." He co-founded Interscope Records in 1990 with his former partner Ted Field, and released music from U2, Nine Inch Nails, The Black Eyed Peas, Eminem and 50 Cent.

His fortune outside of Beats includes compensation, royalties earned as a record producer and proceeds from the sale of his ownership in Interscope. The net worth calculation subtracts payment for a divorce settlement based on about half his fortune at the time of the separation in 2009.

