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From: David Stern
Sent: Mon 3/15/2010 12:40:32 PM
Subject: EMI

US private equity firm KKR is preparing to launch a break-up bid with Warner Music for Terra Firma's EMI, according to the Sunday Times.

If Terra Firma cannot convince investors to drum up another £120m (€132m), Citigroup, which put up more than £2.5bn (€2.7bn) for EMI's buy-out in 2007, will take over the music group.

KKR is said to be looking to acquire EMI's music publishing arm, which owns the rights to famous songs such as Over The Rainbow, and already has a music publishing joint venture with Bertelsmann.

Warner has coveted EMI's recorded music division and previously been blocked from tying up with the company by competition authorities, the report said.

EMI Music Publishing is valued at £1.2bn (€1.3bn), while the recorded music business is harder to value as its future is in question, with big acts like the Rolling Stones and Radiohead having already jumped ship.

A bid is unlikely to be made until EMI has resolved its issues with Citigroup, which it must pay £120m to settle a covenant breach.

Terra Firma, EMI's private equity owner, has also sued Citi for allegedly misleading it over the sale of the music group.

EMI's woes don't end there, as chief executive Elio Leoni-Sceti is stepping down from his position at the end of the month. The record label last week lost a court case with Pink Floyd over the sale of their music as individual song downloads.

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