

BE CREATIVE - CALL THE BANK!

CULTURAL AND CREATIVE SECTORS GUARANTEE FACILITY
Brussels, 22 March 2019



To find out more information
visit our website:
www.eif.org



How to become a
successful creative and
get financed!

WELCOME!

9:30 - 10:00

Introduction - The CCS Guarantee Facility



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visit our website:
www.eif.org



CHIARA Amadori, *EIF*



PASCAL Martino, *Deloitte*

Agenda of today

Time	Programme
9:30 - 10:00	Introduction - the CCS Guarantee Facility <i>Functioning, aim, prospects and implementation status</i>
10:00 - 10:50	Financing Gaps in CCS <i>Moderated Panel Discussion on financing gaps with CCS entrepreneurs - Q&A</i>
10:50 - 11:40	Financing the CCS <i>Moderated Panel Discussion on the experience of financial institutions when dealing with CCS - Q&A</i>
11:40 - 12:00	Networking break 
12:00 - 12:45	The Capacity Building Activities <i>Tools, key findings, CCS potential and trends - Q&A</i>
12:45 - 13:00	Closing remarks - European Commission

The first financial instrument for CCS

Key facts and figures

Broad coverage of the cultural and creative sectors

Audio-visual (film, television, video games, and multimedia) and radio; Cultural heritage, archives, libraries and museums; Artistic crafts; Design; Festivals, music; Literature (books and press) and publishing; Architecture and Performing arts

- 11 Agreements with national scope
- 1 Multi-country agreement

12 Agreements signed

9 Participating Countries

2 Additional applications



Under implementation since 2.5 Years

+ €70m to be added soon

Capacity Building launched in May 2018

- Delegation Agreement signed on 30 June 2016
- Call for Expression of Interest published on 18 July 2016
- First 2 applications received on 5 August 2016
- EFSI top-up signed on 12 December 2017

- Almost all eligible NACE codes covered to date*
- EUR 110m of financing already guaranteed*

800* CCS ventures supported so far

Almost €1bn Financing to be made available

* As of December 2018

The first financial instrument for CCS

Basic mechanics

Through the risk sharing mechanism, EU helps bridging the financing gap for CCS

1.



**Creative Europe
& #InvestEU**

The European Commission allocates a specific budget to the CCS GF and mandates its management to the EIF

2.



The EIF deploys the allocated budget through financial intermediaries in the form of free-of-charge capped (counter-) guarantees & provides capacity building services to develop the in-house necessary expertise to financing CCS

3.

Financial Intermediaries

Financial Intermediaries are more willing to extend financing to CCS SMEs and are more open to expand their operations in the CCS field

4.

CCS SMEs & Small Public Enterprises

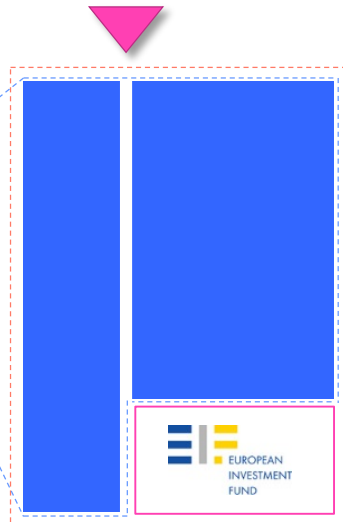
CCS SMEs & Small Public Enterprises are able to bring their creative ideas into life!

The first financial instrument for CCS

How it works

Financial intermediary's portfolio of CCS related transactions to SMEs

(Counter-) Guarantee Rate on a loan-by-loan basis: **usually 70%**



CCS GF's capped (counter-) guarantee proposed features

- Structured in the form of **guarantees** or **counter-guarantees**
- **Free-of-charge (counter-) guarantee**
- (Counter-) Guarantee rate typically set at **max. 70%**
- (Counter-) Guarantee cap rate: **10%, 18% or 25%**
- (Counter-) Guarantee term: **10 years**
- Pari-passu ranking
- **State aid consistent**
- **Free-of-charge customised capacity building services**
- EIB Global Loan could be used to partially fund the portfolio (optional, subject to EIB approval)

The first financial instrument for CCS

Eligible entities and Debt Financing

SMEs* and Small Public Enterprises** that:

- Have a **CCS NACE code (45)**; or
- Intend to develop a **CCS project** with the debt financing; or
- In the **last 24 months** before the transaction approval:
 - Have been **operating in the field of CCS**; or
 - Have **received debt financing for a CCS project** by European or national CCS institution/association; or
 - Have been awarded a **CCS prize**; or
 - Have filed **copyrights, trademarks, distribution rights, etc. in the CCS field**; or
 - Have benefitted of **tax credit/exemption related to development of intellectual property rights** or **CCS activities**

Debt Financing where

- **Max loan amount:**
 - EUR 2m
- **Min Maturity:**
 - 12 months
- **Purpose:**
 - Investment
 - Business Transfer
 - Working Capital
- **Max Collateral Requirements:**
 - Assets used for the business activity
 - Personal guarantee from the owner(s)

* As per the EU definition

** Entities that do not fall under the scope of SME definition exclusively due to detention of shares of the SME by public bodies

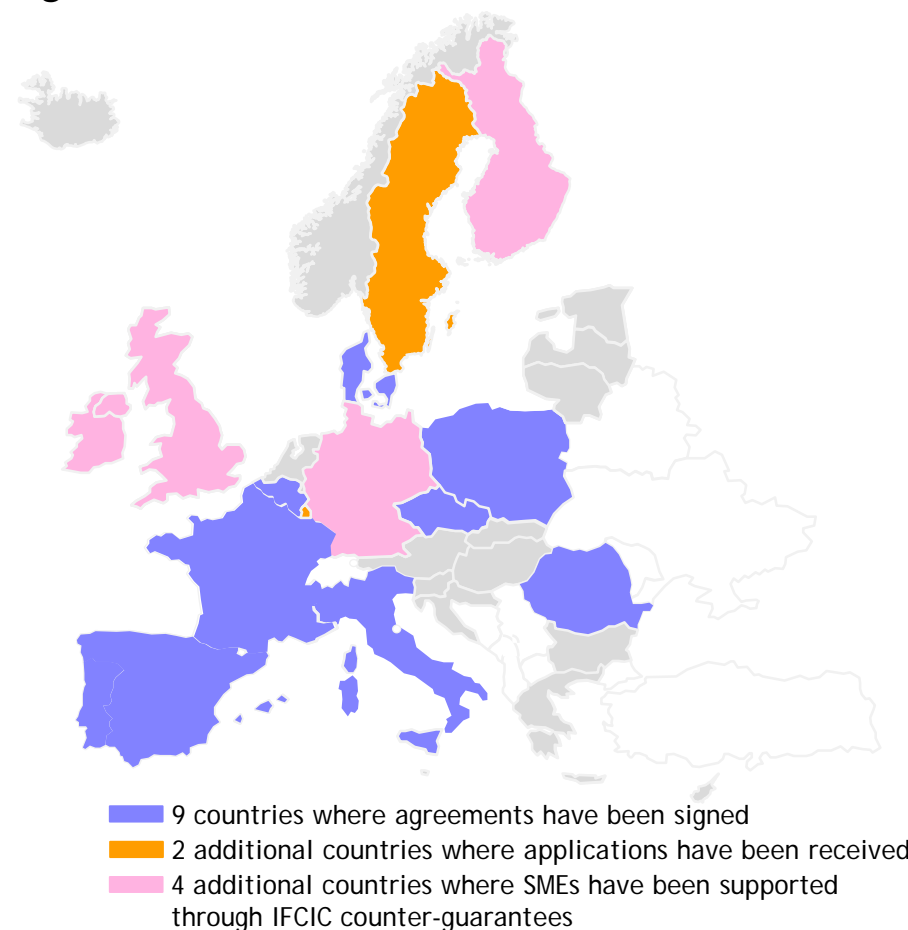
The first financial instrument for CCS

State of play

12 agreements signed with a total expected debt financing of almost EUR 1bn corresponding to an aggregated budget allocation of c. EUR 84m

Agreements signed:

Country	Intermediary	Start of Availability Period
 Spain	CERSA	01/01/2017
 Romania	Libra Internet Bank	01/03/2017
 France	Bpifrance	01/05/2017
 France	IFCIC (2 agreements)	25/07/2017
 Belgium	PMV	19/12/2017
 Belgium	Start SA	19/12/2017
 Czech Rep.	Komerčni Banka	19/12/2017
 Italy	CDP	28/03/2018
 Poland	BGK	01/01/2019
 Denmark	Vækstfonden	01/11/2018
 Portugal	CGD	15/11/2018



The “EIF Faces” in the room today



CHIARA
Amadori

☎ +352 2485 81629
✉ c.amadori@eif.org



LAOURA
Ntziourou

☎ +352 2485 81839
✉ l.ntziourou@eif.org



DAVID
González Martín

☎ +352 2485 81434
✉ d.gonzalezmartin@eif.org



GUNNAR
Mai

☎ +352 2485 81358
✉ g.mai@eif.org

The Capacity Building activities

Meet the Consortium



Pascal Martino

Partner
Banking Leader
Deloitte Digital Leader
pamartino@deloitte.lu
+352 45145 2119



Andreas Steinbach

Manager
EU & PS Policy
asteinbach@deloitte.lu
+352 45145 3482



Arthur Le Gall

Director
KEA European Affairs
alegall@keanet.eu



Carlo Duprel

Director
EU & PS Policy Leader
cduprel@deloitte.lu
+352 45145 3001



Philippe Kern

Founder & Managing
Director
KEA European Affairs
pkern@keanet.eu
+32 2 289 26 07

The Capacity Building activities

Tailored to the needs & experience of each FI

- The **Consortium** providing Capacity Building services under the CCS GF is composed of:
 - **Deloitte** a professional services organization with dedicated teams with Financial Services expertise based in all 28 EU Member States and in candidate countries
 - **KEA European Affairs** an international policy design research center specialised in culture and creative industry economics since 1999
 - **Experts** in specific CC sub-sectors who are selected based on each FI's specific need in terms of Capacity Building

- As FI's have different degrees of maturity regarding their experience and commercial involvement with the CCS, the proposed Capacity Building service is built on **two pillars**:
 1. A **modular approach** that assists us in identifying each FI's CCS maturity and needs in terms of Capacity Building
 2. A **flexible approach** that ensures that your Capacity Building action plan responds to your specific needs

- *The Consortium collaborates closely with EIF to ensure that the Capacity Building services provided support the objectives of the CCS GF*

FINANCING GAPS IN CCS

10:00 - 10:50

Panel Discussion and Q&A



To find out more information
visit our website:
www.eif.org



PHILIPPE Kern, *KEA*

Archikubik

Meet the Sector



Franky Devos

General
Coordinator,
Vooruit, Ghent



Laurent Jacobs

Group Finance Director,
[PIAS]



Edouard Meier

Director, Creatis
Benelux



Mélanie Querriaux

Business Affairs Manager,
Editions Dupuis, Webtoon

FINANCING THE CCS

10:50 - 11:40
Panel Discussion and Q&A



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visit our website:
www.eif.org



CARLO Duprel, *Deloitte*

Meet three Financial Institutions actively supporting the Sector



Virginie Civrais

General Manager
St'Art



Lola Merveille

Head of EU Public
Affairs Office,
Bpifrance



Marie Delbeke

Senior Investment
Manager, PMV

LET'S HAVE A COFFEE

11:40 - 12:00
Networking break



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THE CAPACITY BUILDING ACTIVITIES

12:00 - 12:45

CB Tools, key findings, CCS potential and trends - Q&A



To find out more information
visit our website:
www.eif.org



ANDREAS Steinbach, *Deloitte*



ARTHUR Le Gall, *KEA*

The Capacity Building activities

Tailored to the needs & experience of each FI

Motivation behind Capacity Building:

- While the risk-sharing mechanism of the CCS GF incentivizes Financial Intermediaries (FIs) to extend loans to CCS companies, FIs require further support.
- A main reason for this is FIs' limited experience of engaging with CCS companies and understanding of the underlying business models.

To overcome this, Capacity Building will help you...

- ...Understand the business models and specificities of operators of the CCS,
- ...Market financial products to the CCS market and build a prospecting strategy,
- ...Assess the credit risk associated with SMEs in the CCS within the specific context of CCS value chains and B2B relationships,
- ...Broaden your financing activities to new sub-sectors within the CCS.

Within the context of the CCS Guarantee Facility, Capacity Building is optional, free of charge, can be delivered on-site or virtually and will be tailor made to your specific needs.

The Capacity Building activities

Two phases approach to match your specific needs

Phase 1: Design of CB Action Plan

- **Collect all relevant information** from EIF and FI
- **Identify local expert** on financing in CCS
- **Present CP Building approach** to FI
- **Select pre-defined modules** and adapt if necessary
- **Define additional modules** upon request of FI

Phase 2: Delivery of CB Action Plan

- **Market study** of local CCS sub-sector
- **1-2 day workshops** at FI premises:
 - Training modules executed as agreed upon
 - Delivery of standard documents
- **Monitoring and support** of FI activities
- **Assessment of CB impact**
- **Workshop** at FI premises
- **Satisfaction survey and final report**

The Capacity Building activities

Standard framework but customised action plan

	Module 1: Understanding CCS market & opportunities	Module 2: Adaption of marketing to CCS	Module 3: Risk assessment aspects	Module 4: On-the-job support
Objective	Explain the CCS market and key stakeholders	Prepare a marketing strategy to CCS	Provide guidance on assessment of specific CCS risks	Provide support to FIs when engaging with CCS entrepreneurs
Activities	<ul style="list-style-type: none"> Prepare local CCS market study Provide face-to-face and digital learning 	<ul style="list-style-type: none"> Prepare marketing strategy Provide face-to-face and digital learning 	<ul style="list-style-type: none"> Prepare risk assessment report Provide face-to-face learning and digital learning 	<ul style="list-style-type: none"> Provide on-the-job support to FI: <ul style="list-style-type: none"> Hotline Weekly calls Etc.
Output	<ul style="list-style-type: none"> Local CCS market study Workshop/e-learning 	<ul style="list-style-type: none"> CCS marketing strategy Workshop/e-learning 	<ul style="list-style-type: none"> Risk assessment report Workshop/e-learning 	<ul style="list-style-type: none"> Access to on-the-job support when engaging with CCS entrepreneurs

The Capacity Building activities

FIs are making use of all offered services

	Module 1: Understanding CCS market & opportunities	Module 2: Adaption of marketing to CCS	Module 3: Risk assessment aspects	Module 4: On-the-job support
Completed	<ul style="list-style-type: none"> 1 CCS market study at EU level 2 CCS workshops in 2 countries 	<ul style="list-style-type: none"> 1 E-learning to train sales staff Support in rollout of CCS marketing campaign 	<ul style="list-style-type: none"> 1 CCS loan risk assessment guide 2 CCS workshops in 2 countries 	<ul style="list-style-type: none"> Analysis of CCS needs in terms of financial products offered for 1 FI
Ongoing/planned	<ul style="list-style-type: none"> 4 CCS workshops planned including the provision of a local market study 	<ul style="list-style-type: none"> 1 Vademecum for CCS entrepreneurs 2 E-learning to train sales staff Organisation of a networking event for 1 FI 	<ul style="list-style-type: none"> 4 CCS workshops planned covering the CCS loan risk assessment process 	<ul style="list-style-type: none"> Support in the identification of CCS investors (VC, FO, BA) for 2 FIs Analysis of cash flow sources (public vs. self-generated sources) Other on-the-job support

The Capacity Building activities

Three recurring misconceptions about CCS

1.

“The CCS is a negligible sector that does not compare to other sectors”

2.

“Survival rates of CCS companies are lower than those of other sectors”

3.

“The evaluation of CCS companies is too complex and time consuming”

1

The CCS is a negligible sector that does not compare to other sectors

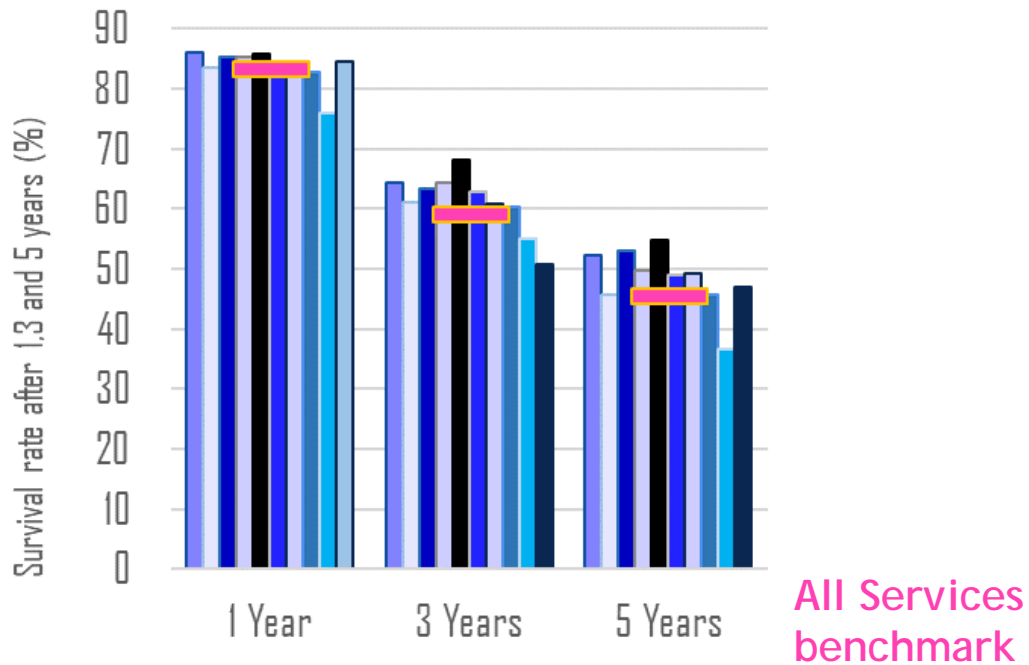
<i>Criteria</i>	<i>ICT</i>	<i>Accommodation and food services</i>	<i>CCS</i>
Percentage of EU GDP (2015)	4% ⁽²⁰¹⁵⁾	4% ⁽²⁰¹⁵⁾	4.2% ⁽²⁰¹⁴⁾
Value added*	EUR 570 billion ⁽²⁰¹⁵⁾	EUR 252.9 billion ⁽²⁰¹⁵⁾	EUR 290 billion ⁽²⁰¹⁶⁾
Employment	6.3 million ⁽²⁰¹⁵⁾	11.1 million ⁽²⁰¹⁵⁾	6.7 million ⁽²⁰¹⁶⁾
Number of companies	1.1 million ⁽²⁰¹⁵⁾	1.9 million ⁽²⁰¹⁵⁾	2.45 million ⁽²⁰¹⁶⁾
Average company size (Employment /Number of companies)	5.73 employees per company ⁽²⁰¹⁵⁾	5.84 employees per company ⁽²⁰¹⁵⁾	2.7 employees per company ⁽²⁰¹⁶⁾

**Please note that the figure shown for Value Added is a conservative estimate based on Eurostat data. There are estimates that evaluate it to be significantly higher i.e. on par with ICT.*

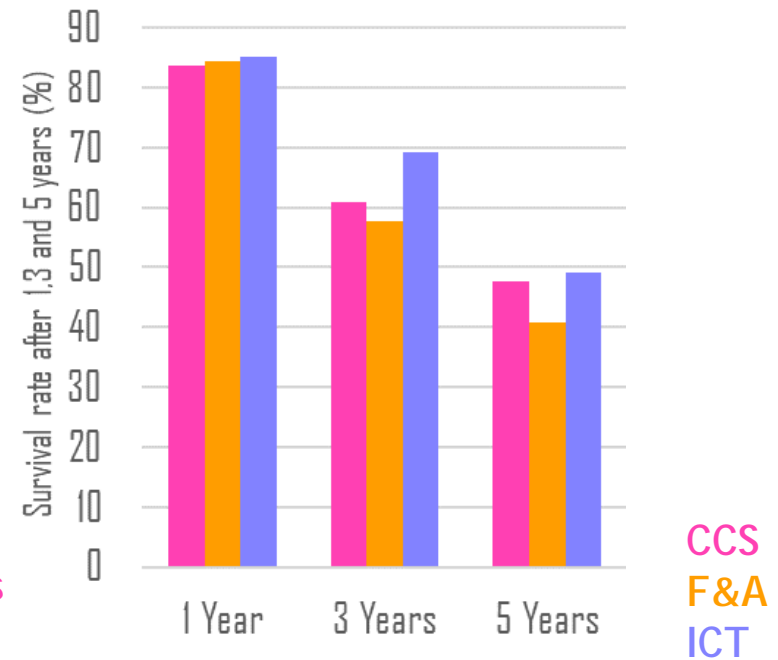
2

Survival rates of CCS companies are lower than those of other sectors

Survival rates of CCS companies after 1, 3 and 5 years match those of a benchmark of all services enterprises

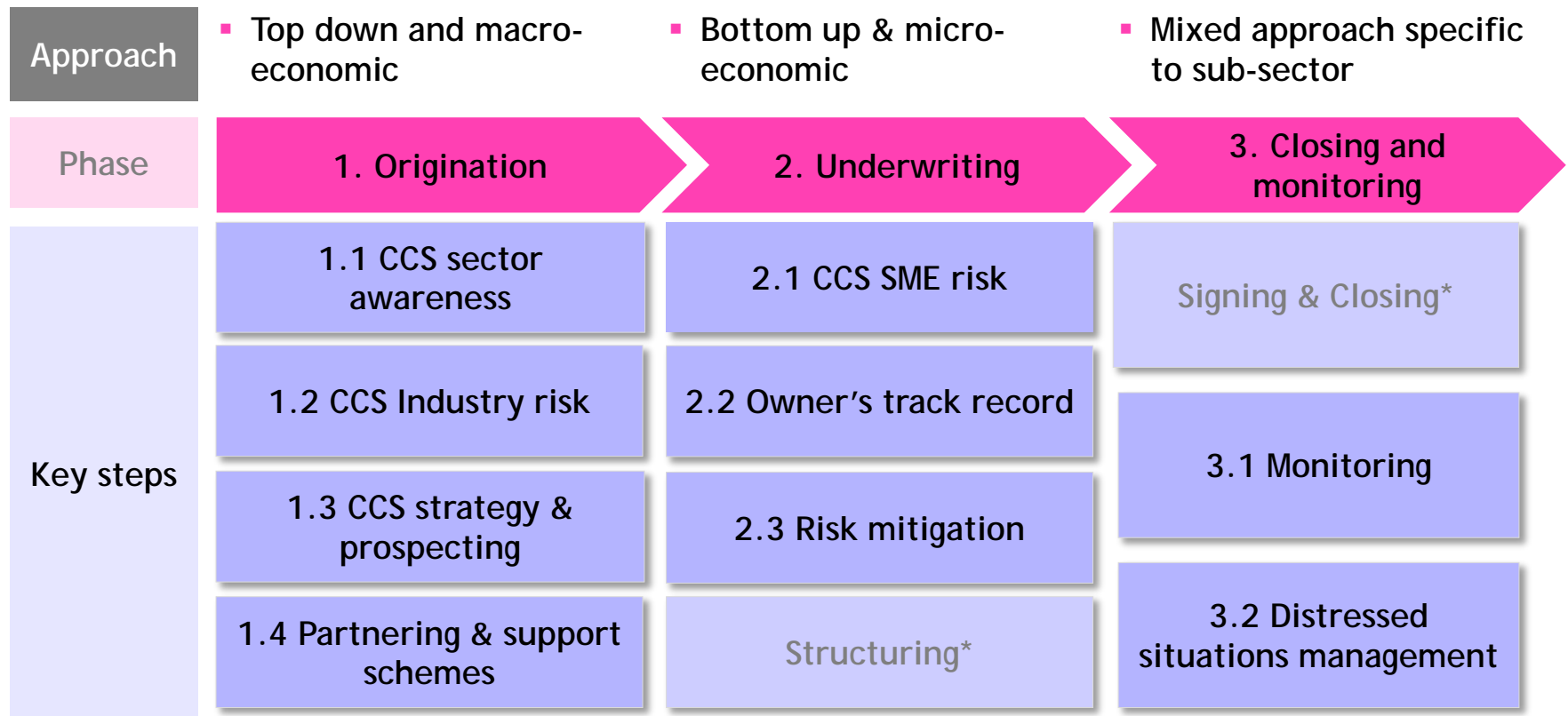


Survival rates of CCS companies after 1, 3 and 5 years are similar to those in the ICT and Accommodation and food sectors



3

The evaluation of CCS companies is too complex and time consuming



The Capacity Building activities

Four Key Lessons Learnt

1.

FIs' level of maturity, in terms of experience with the CCS, varies greatly

- Some FIs have sub-sector specializations while others are not as advanced
- The sectorial focus of FIs varies greatly especially among countries

2.

Support from local CCS expertise is very valuable

- Local CCS expertise centres such as Creative Europe Desks, trade associations etc. have very valuable insights and long-term knowledge of the various industries
- This should go hand in hand with Capacity Building

3.

Risk assessment of CCS loan applications remains a key hurdle but is feasible if FIs understand

- The value chains of CC sub-sectors and related business models
- The revenues generated and funding needs along the value chain
- B2B relationships and the role of IP

4.

There is potential to improve the quality and quantity of CCS loan applications

- Collaboration between FIs and CCS entrepreneurs to help improve the quality of loan applications and thus access to finance
- Raising awareness about potential & specificities of CCS among FIs (particularly commercial staff and members of the credit department) will support sourcing of loan applications and the marketing of financial products towards the CCS

LOOKING AHEAD

*The CCS market in the EU and
future trends*

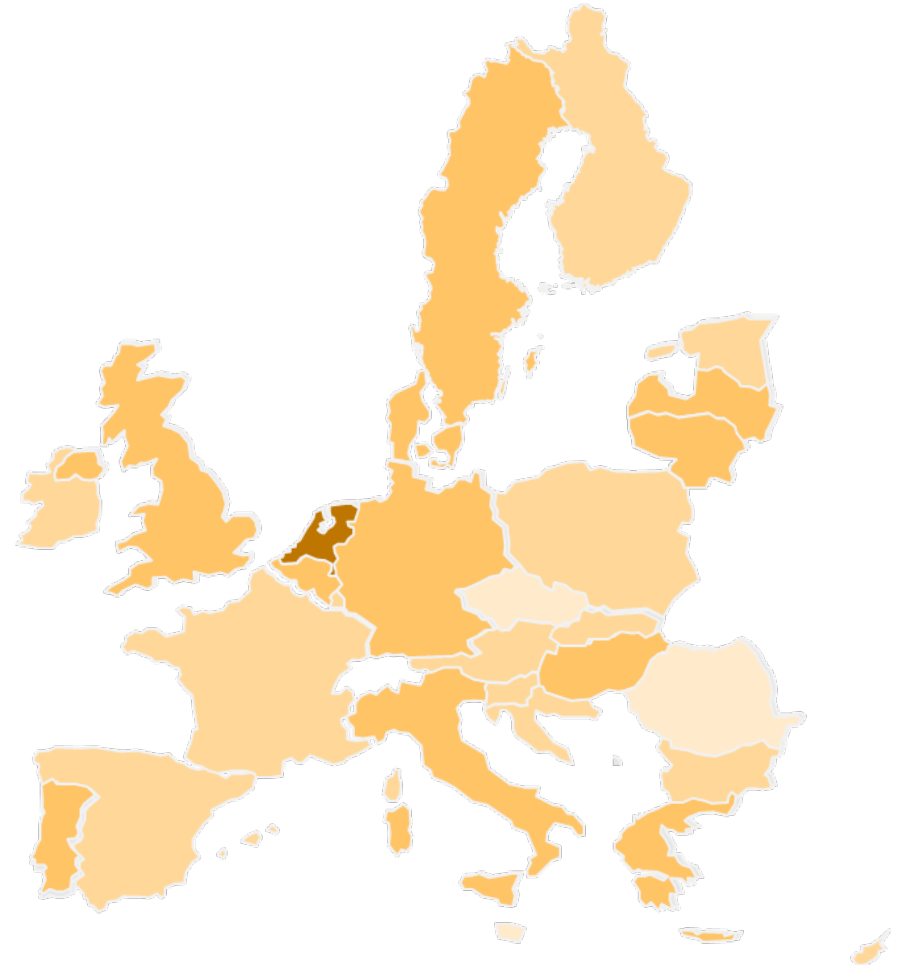
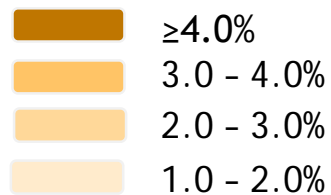
The CCS market in the EU

The CCS represents a key market for the EU in terms of size, employment and value added

In 2016:

- The CCS represents more than 6.7 million employees in the EU
- The CCS accounts for 2.45 million companies
- Total value added amounts to EUR 290 billion

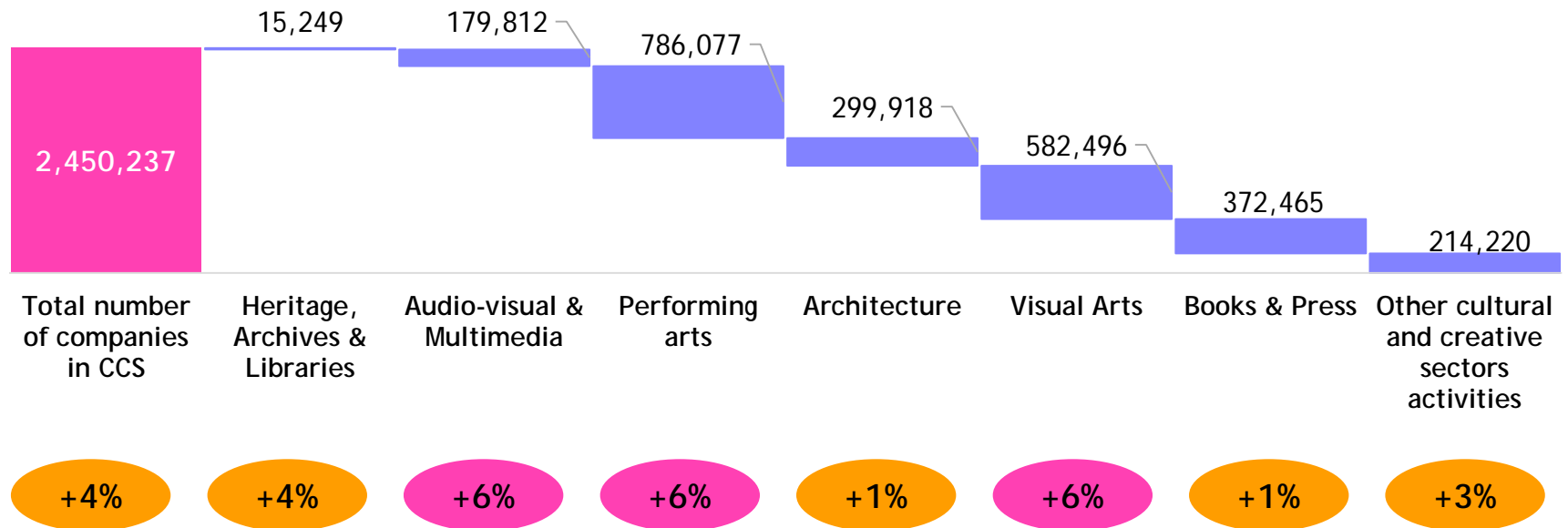
CCS Share of employment out of total employment



The CCS market in the EU

All CCS sub-sectors have seen an increase in the number of companies in past years

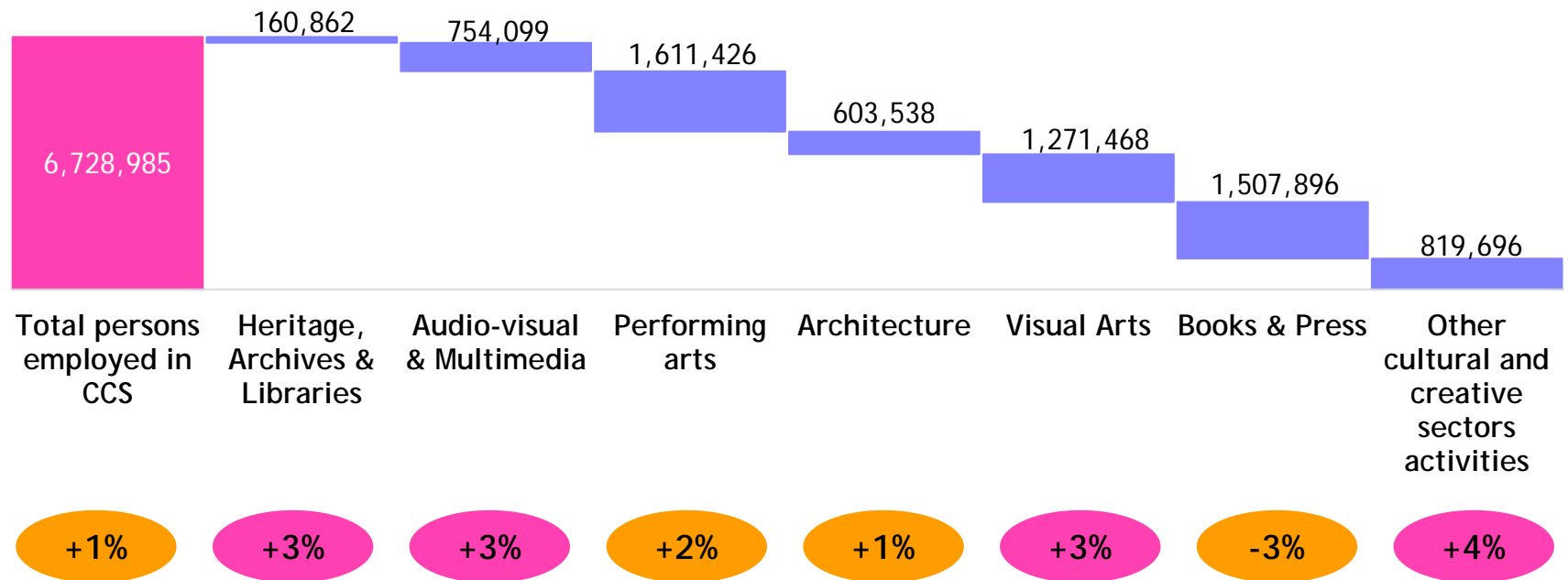
Distribution of companies by CCS sub-sector in 2016



The CCS market in the EU

Overall, employment in CCS has grown since 2008 with some sub-sectors seeing significant growth rates

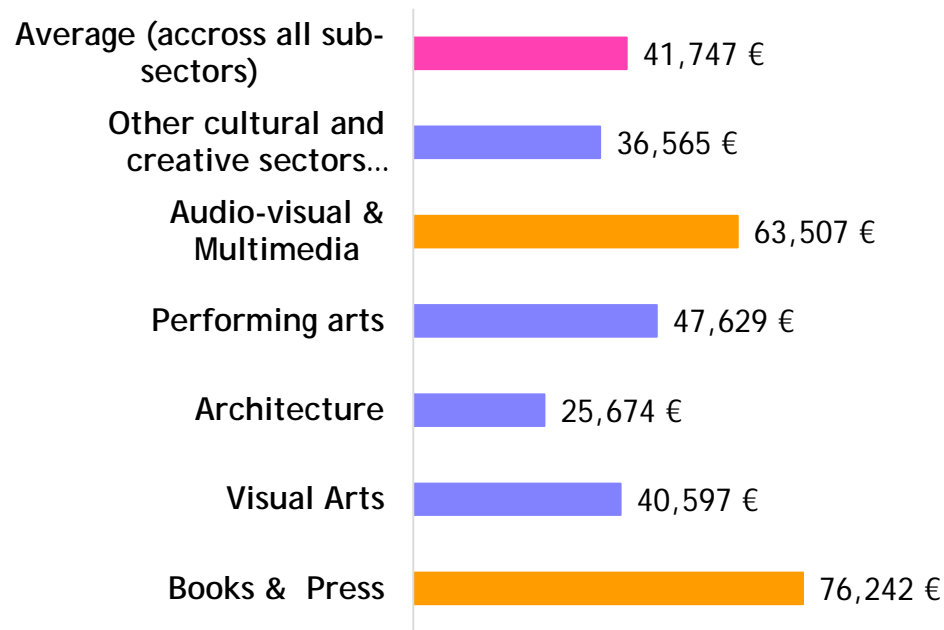
Distribution of persons employed by CCS sub-sector in 2016



The CCS market in the EU

Value added in the CCS has seen constant growth in past years reaching EUR 290 billion in 2016

Value added at factor cost



- For the period 2008-2016 value added has consistently grown
- All sub-sectors except one have seen growth in value added
- Audio-visual & Multimedia as well as Books & Press yield the highest value added

Trends in CCS

Within the context of the financial crisis & globalisation the digital shift opens ways for new funding streams

General Trends

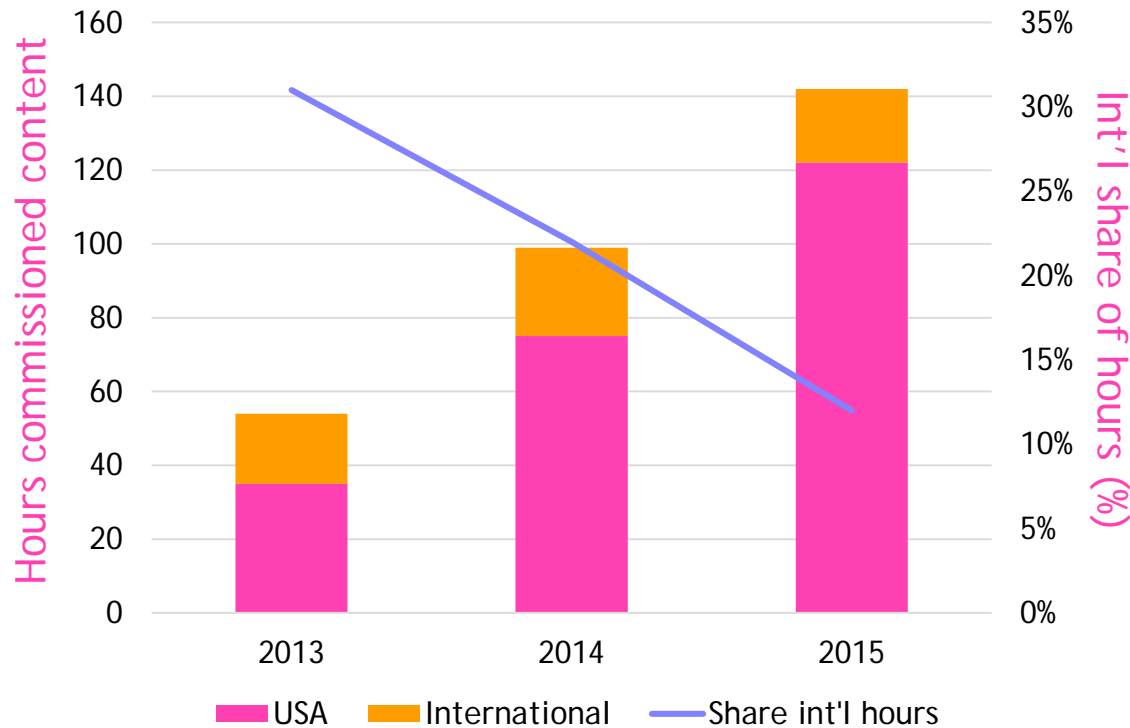
- Increase in crowdfunding: There have been 75,000 campaigns in CCS since 2013
- Importance of multinationals in films, music, games and fashion to fund indie brands and talent
- Increase in public funding in relation to urban regeneration (real estate), creative spill overs, innovation, regional, social and education policies
- Overall public funding is a risk mitigating factor

Specific trends in the Audio-visual sector (Cinema, animation, video games)

- Decrease in advertising income in Television
- Less public funding but more tax incentives:
 - France, UK, Ireland, Belgium, Lithuania, Hungary, Italy
 - in Europe EUR 3 billion total public support per year with EUR 1 billion through tax incentives (2013)
- New business models (Netflix) - buy-out outside versioning cycles
- Increase in international co-productions in films (to leverage public support)

Trends in CCS

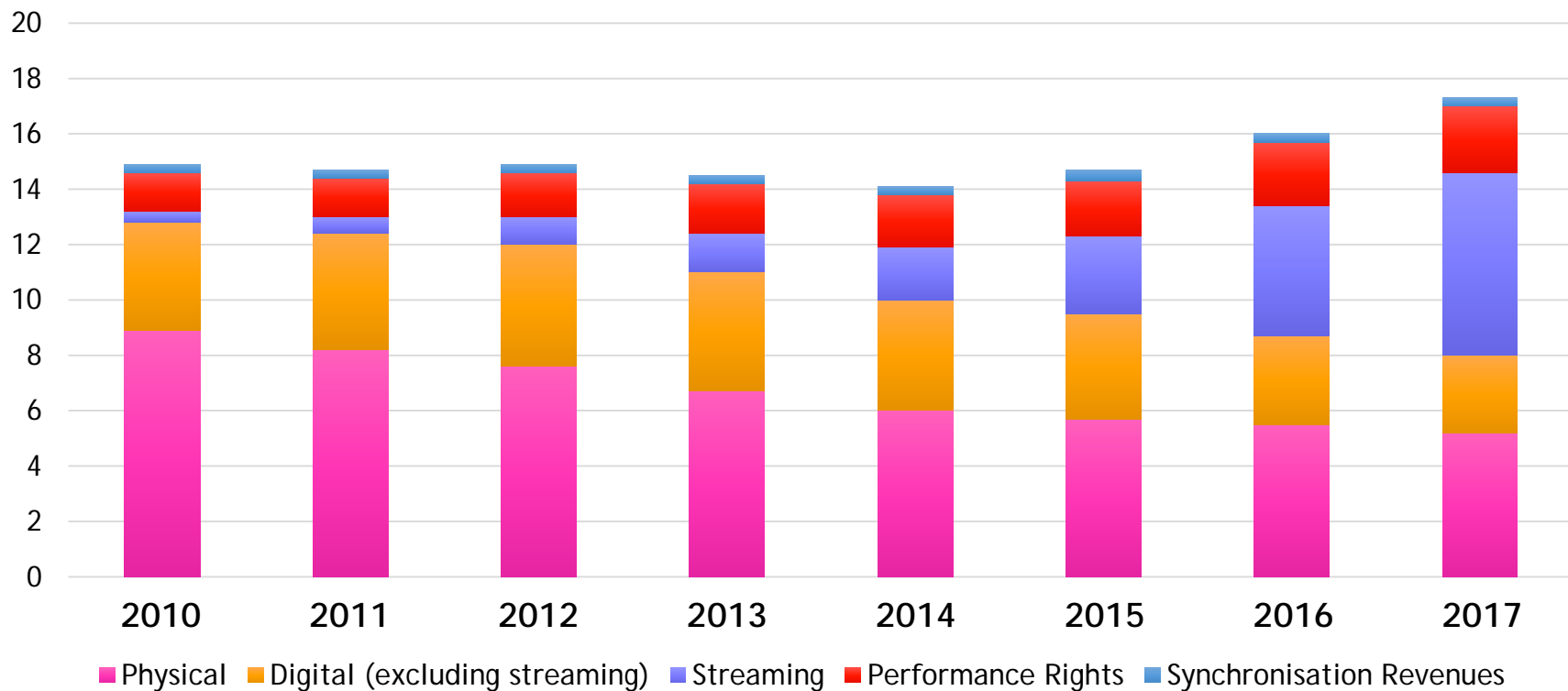
Increased demand for content from global media/tech platforms



- Netflix announced USD 10 billion investment in content (2018), 1 billion in Europe (Source FT 18/04/2018)
- Alphabet/Google and Apple are announcing huge investment to produce content on dedicated platforms (FT 05/02/2019 & FT 19/03/2019)
- Subscription VOD service revenue in Europe grew by 128% annually between 2011 and 2016 (EAO, 2019)

Trends in CCS

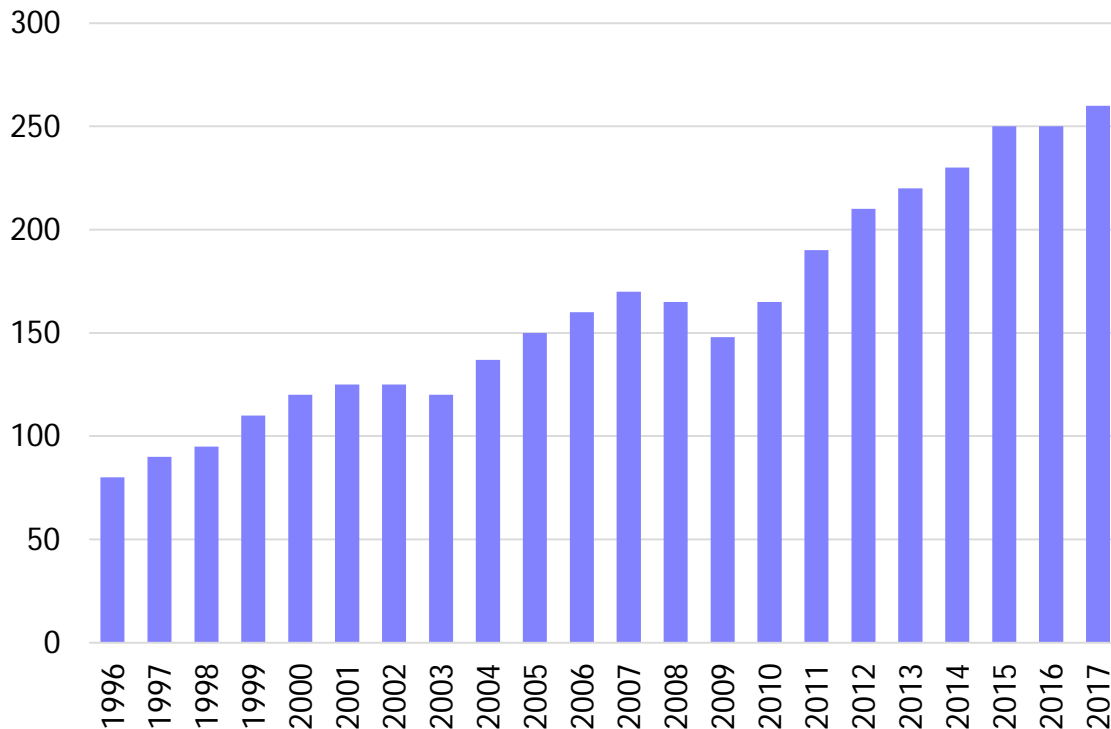
Global recorded music industry revenues 2010-2017
(USD billions)



Trends in CCS

European leadership in fashion - Market leaders pulling smaller actors

Global sales (EUR bn)

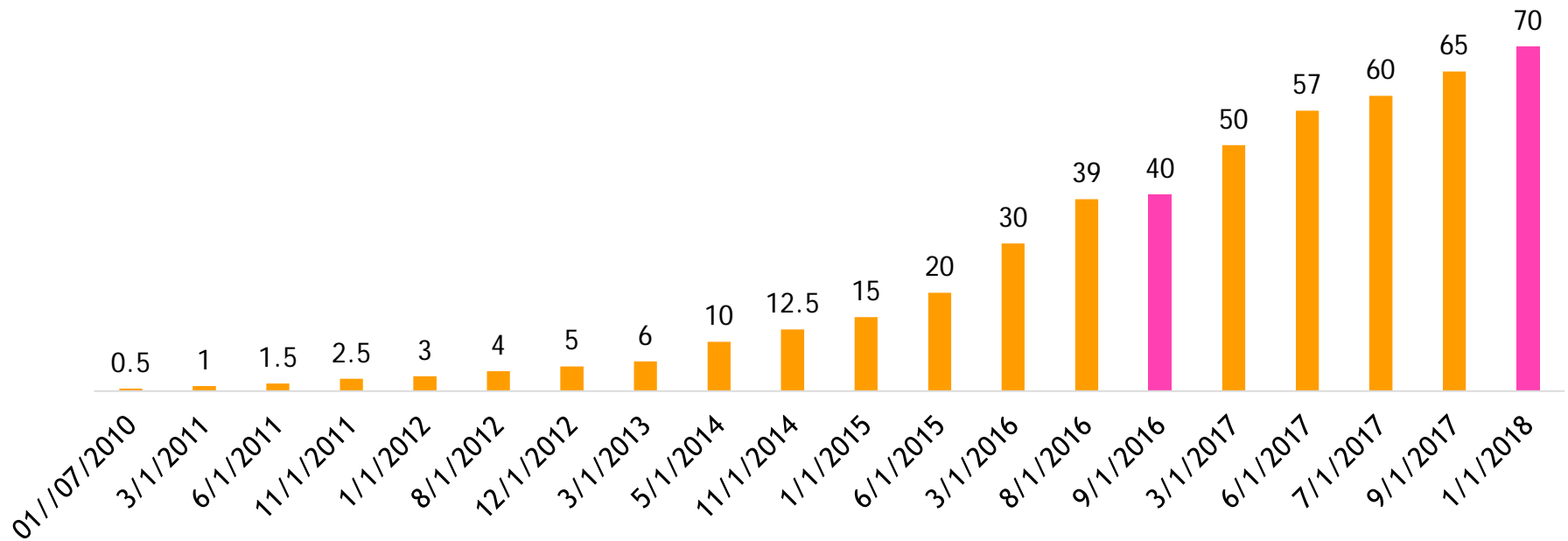


- Europe is leading in fashion, with several multinational firms such as LVMH, Gucci, Hermes, Burberry or Richemont
- Global sales of luxury goods were almost multiplied by three in the last twenty years
- Important investment in craftsmanship (France, Italy) to keep up with demand on quality products (leather, glass, ceramics, embroidery)
- Demand fuelled by consumers in developing economies (China notably)

Trends in CCS

The subscription model is replacing the traditional ownership model, giving CCS new growth opportunities

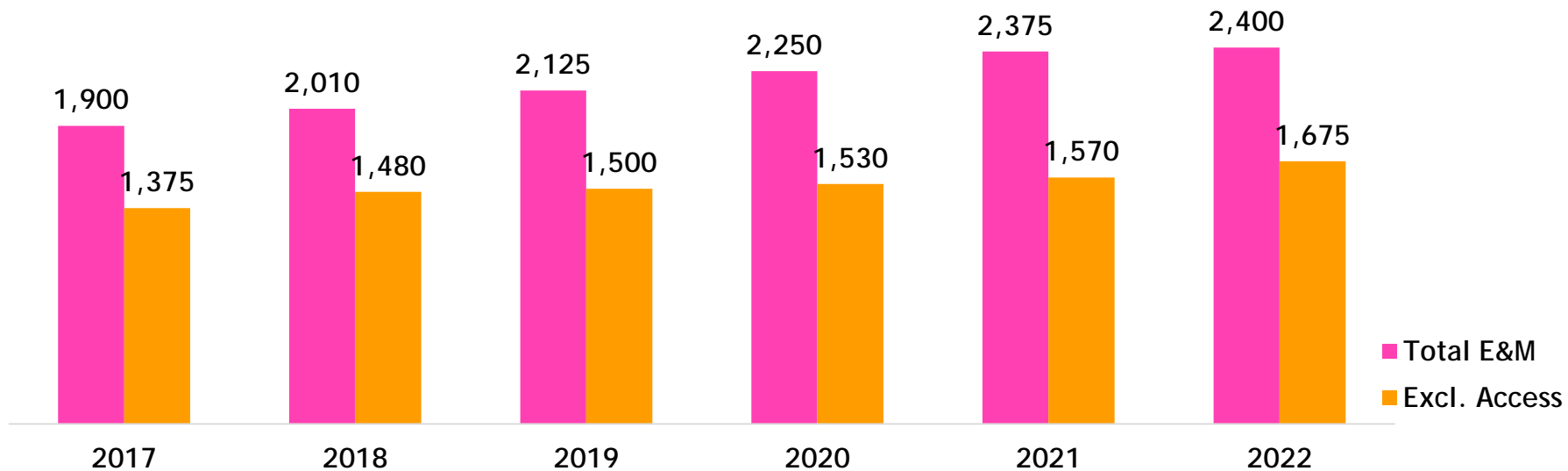
Evolution - Number of Spotify paying subscribers (millions) - July 2010 to Jan 2018



Trends in CCS

Growth forecast for entertainment and media predict fast growth for virtual reality and over-the-top videos

Total E&M revenue with and without access spending (USD bn) - 2017 - 2022

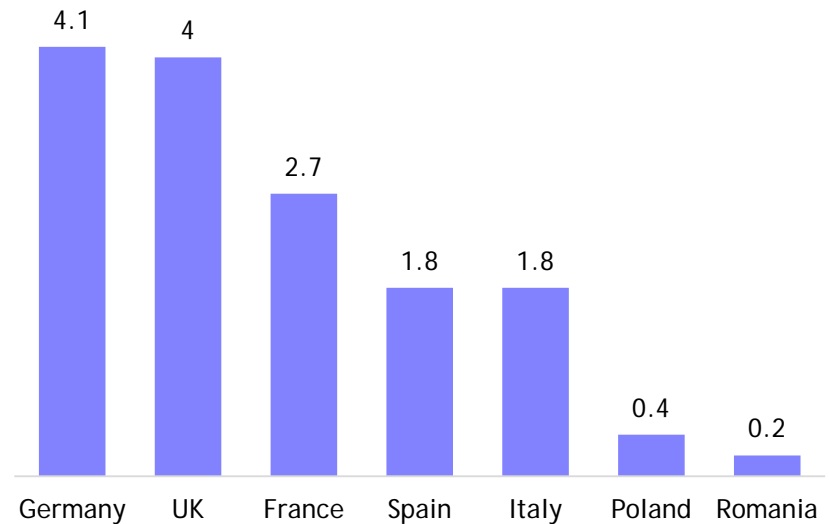
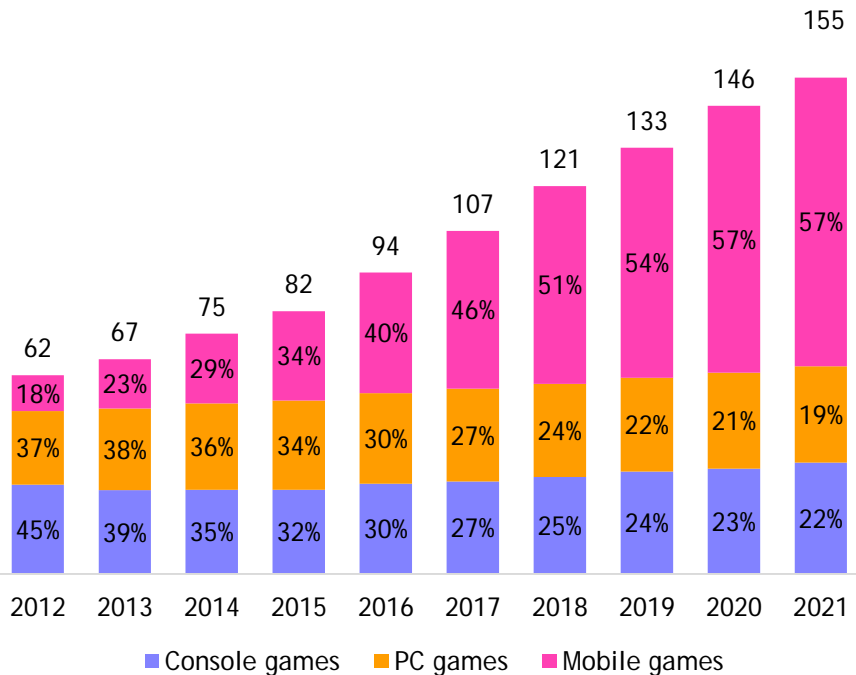


Trends in CCS

The global video games market is growing rapidly due to the expansion of new technologies

There is strong growth in the global video games market with Mobile games taking up the lion share of the market in 2018 (EUR, billion)

The biggest players in the European video games market account for revenues of up to EUR 15 billion (EUR, billion)



The Capacity Building activities

Conclusions

- Capacity building is tailored to FIs needs and level of CCS maturity. Under the CCS GF it is optional and free of charge
- The risk assessment process necessitates an understanding of CCS specificities
- The CCS represent an important contributor to the EU economy and European companies are globally leading in several sub-sectors
- Digitalization and globalization have created new business opportunities
- The majority of CCS sub-sectors have seen growth in terms of the number of companies, employment and value added over the past 10 years

Thanks to the CCS GF, there are significant opportunities in Europe for FIs to improve access to finance to the CCS

Q&A



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visit our website:
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LET'S WRAP UP

12:45 - 13:00
Closing remarks



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LUCIA Recalde
*Head of Unit, DG CONNECT,
European Commission*

 <http://www.eif.org>

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