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

CHIARA Amadori, EIF
PASCAL Martino, Deloitte
## Agenda of today

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

**Key facts and figures**

- **€181m EU Contribution**
  - €121m from the Creative Europe Programme
  - €60m from the European Fund for Strategic Investments

- Managed by the European Investment Fund

- Under implementation since 2.5 Years

- 800* CCS ventures supported so far

- Capacity Building launched in May 2018

- + €70m to be added soon

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

- 9 Participating Countries

- 2 Additional applications

- Almost €1bn Financing to be made available

- Almost all eligible NACE codes covered to date*

- EUR 110m of financing already guaranteed*

- 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

- 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

- * As of December 2018
The European Commission allocates a specific budget to the CCS GF and mandates its management to the EIF.

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.

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

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

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

Creative Europe & #InvestEU

Basic mechanics
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%

Risk retained by the Financial Intermediary minimum 20% of the original portfolio

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:

<table>
<thead>
<tr>
<th>Country</th>
<th>Intermediary</th>
<th>Start of Availability Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>CERSA</td>
<td>01/01/2017</td>
</tr>
<tr>
<td>Romania</td>
<td>Libra Internet Bank</td>
<td>01/03/2017</td>
</tr>
<tr>
<td>France</td>
<td>Bpifrance</td>
<td>01/05/2017</td>
</tr>
<tr>
<td>France</td>
<td>IFCIC (2 agreements)</td>
<td>25/07/2017</td>
</tr>
<tr>
<td>Belgium</td>
<td>PMV</td>
<td>19/12/2017</td>
</tr>
<tr>
<td>Belgium</td>
<td>Start SA</td>
<td>19/12/2017</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>Komercni Banka</td>
<td>19/12/2017</td>
</tr>
<tr>
<td>Italy</td>
<td>CDP</td>
<td>28/03/2018</td>
</tr>
<tr>
<td>Poland</td>
<td>BGK</td>
<td>01/01/2019</td>
</tr>
<tr>
<td>Denmark</td>
<td>Vaekstfonden</td>
<td>01/11/2018</td>
</tr>
<tr>
<td>Portugal</td>
<td>CGD</td>
<td>15/11/2018</td>
</tr>
</tbody>
</table>

For more details visit EIF’s website!
The “EIF Faces” in the room today

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The Capacity Building activities

Meet the Consortium

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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 ELF 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
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

CARLO Duprel, Deloitte
Meet three Financial Institutions actively supporting the Sector

Virginie Civrais
General Manager
St’Art

Marie Delbeke
Senior Investment Manager, PMV

Lola Merveille
Head of EU Public Affairs Office, Bpifrance
LET'S HAVE A COFFEE

11:40 - 12:00
Networking break
THE CAPACITY BUILDING ACTIVITIES

12:00 - 12:45
CB Tools, key findings, CCS potential and trends - Q&A

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

<table>
<thead>
<tr>
<th>Phase 1: Design of CB Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Collect all relevant information from EIF and FI</td>
</tr>
<tr>
<td>▪ Identify local expert on financing in CCS</td>
</tr>
<tr>
<td>▪ Present CP Building approach to FI</td>
</tr>
<tr>
<td>▪ Select pre-defined modules and adapt if necessary</td>
</tr>
<tr>
<td>▪ Define additional modules upon request of FI</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Phase 2: Delivery of CB Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Market study of local CCS sub-sector</td>
</tr>
<tr>
<td>▪ 1-2 day workshops at FI premises:</td>
</tr>
<tr>
<td>- Training modules executed as agreed upon</td>
</tr>
<tr>
<td>- Delivery of standard documents</td>
</tr>
<tr>
<td>▪ Monitoring and support of FI activities</td>
</tr>
<tr>
<td>▪ Assessment of CB impact</td>
</tr>
<tr>
<td>▪ Workshop at FI premises</td>
</tr>
<tr>
<td>▪ Satisfaction survey and final report</td>
</tr>
</tbody>
</table>
The Capacity Building activities

**Standard framework but customised action plan**

### Module 1: Understanding CCS market & opportunities

**Objective**: Explain the CCS market and key stakeholders

**Activities**
- Prepare local CCS market study
- Provide face-to-face and digital learning

**Output**
- Local CCS market study
- Workshop/e-learning

### Module 2: Adaption of marketing to CCS

**Objective**: Prepare a marketing strategy to CCS

**Activities**
- Prepare marketing strategy
- Provide face-to-face and digital learning

**Output**
- CCS marketing strategy
- Workshop/e-learning

### Module 3: Risk assessment aspects

**Objective**: Provide guidance on assessment of specific CCS risks

**Activities**
- Prepare risk assessment report
- Provide face-to-face learning and digital learning

**Output**
- Risk assessment report
- Workshop/e-learning

### Module 4: On-the-job support

**Objective**: Provide support to FIs when engaging with CCS entrepreneurs

**Activities**
- Provide support to FI:
  - Hotline
  - Weekly calls
  - Etc.

**Output**
- Access to on-the-job support when engaging with CCS entrepreneurs
The Capacity Building activities
*FIs are making use of all offered services*

<table>
<thead>
<tr>
<th>Module 1: Understanding CCS market &amp; opportunities</th>
<th>Module 2: Adaption of marketing to CCS</th>
<th>Module 3: Risk assessment aspects</th>
<th>Module 4: On-the-job support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 1 CCS market study at EU level</td>
<td>- 1 E-learning to train sales staff</td>
<td>- 1 CCS loan risk assessment guide</td>
<td>- Analysis of CCS needs in terms of financial products offered for 1 FI</td>
</tr>
<tr>
<td>- 2 CCS workshops in 2 countries</td>
<td>- Support in rollout of CCS marketing campaign</td>
<td>- 2 CCS workshops in 2 countries</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Ongoing/planned</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>- 4 CCS workshops planned including the provision of a local market study</td>
<td>- 1 Vademecum for CCS entrepreneurs</td>
<td>- 4 CCS workshops planned covering the CCS loan risk assessment process</td>
<td>- Support in the identification of CCS investors (VC, FO, BA) for 2 FIs</td>
</tr>
<tr>
<td></td>
<td>- 2 E-learnings to train sales staff</td>
<td></td>
<td>- Analysis of cash flow sources (public vs. self-generated sources)</td>
</tr>
<tr>
<td></td>
<td>- Organisation of a networking event for 1 FI</td>
<td></td>
<td>- Other on-the-job support</td>
</tr>
</tbody>
</table>
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”
The CCS is a negligible sector that does not compare to other sectors.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>ICT</th>
<th>Accommodation and food services</th>
<th>CCS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of companies</td>
<td>1.1 million (2015)</td>
<td>1.9 million (2015)</td>
<td>2.45 million (2016)</td>
</tr>
<tr>
<td>Average company size</td>
<td>5.73 employees per company (2015)</td>
<td>5.84 employees per company (2015)</td>
<td>2.7 employees per company (2016)</td>
</tr>
</tbody>
</table>

*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.*
Survival rates of CCS companies are lower than those of other sectors.
The evaluation of CCS companies is too complex and time consuming.

<table>
<thead>
<tr>
<th>Approach</th>
<th>Phase</th>
<th>Key steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top down and macro-economic</td>
<td>1. Origination</td>
<td>1.1 CCS sector awareness</td>
</tr>
<tr>
<td>Bottom up &amp; micro-economic</td>
<td>2. Underwriting</td>
<td>1.2 CCS Industry risk</td>
</tr>
<tr>
<td>Mixed approach specific to sub-sector</td>
<td>3. Closing and monitoring</td>
<td>1.3 CCS strategy &amp; prospecting</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.4 Partnering &amp; support schemes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.1 CCS SME risk</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.2 Owner’s track record</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.3 Risk mitigation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Signing &amp; Closing*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.1 Monitoring</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.2 Distressed situations management</td>
</tr>
</tbody>
</table>

- Top down and macro-economic
- Bottom up & micro-economic
- Mixed approach specific to sub-sector
The Capacity Building activities

Four Key Lessons Learnt

<table>
<thead>
<tr>
<th></th>
<th>FIs’ level of maturity, in terms of experience with the CCS, varies greatly</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>- Some FIs have sub-sector specializations while others are not as advanced</td>
</tr>
<tr>
<td></td>
<td>- The sectorial focus of FIs varies greatly especially among countries</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Support from local CCS expertise is very valuable</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>- Local CCS expertise centres such as Creative Europe Desks, trade associations etc. have very valuable insights and long-term knowledge of the various industries</td>
</tr>
<tr>
<td></td>
<td>- This should go hand in hand with Capacity Building</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Risk assessment of CCS loan applications remains a key hurdle but is feasible if FIs understand</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>- The value chains of CC sub-sectors and related business models</td>
</tr>
<tr>
<td></td>
<td>- The revenues generated and funding needs along the value chain</td>
</tr>
<tr>
<td></td>
<td>- B2B relationships and the role of IP</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>There is potential to improve the quality and quantity of CCS loan applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>- Collaboration between FIs and CCS entrepreneurs to help improve the quality of loan applications and thus access to finance</td>
</tr>
<tr>
<td></td>
<td>- Raising awareness about potential &amp; 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</td>
</tr>
</tbody>
</table>
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

- ≥4.0%
- 3.0 - 4.0%
- 2.0 - 3.0%
- 1.0 - 2.0%
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**

- Total number of companies in CCS: 2,450,237
- Heritage, Archives & Libraries: 15,249 (CAGR +4%)
- Audio-visual & Multimedia: 179,812 (CAGR +4%)
- Performing arts: 786,077 (CAGR +6%)
- Architecture: 299,918 (CAGR +1%)
- Visual Arts: 582,496 (CAGR +6%)
- Books & Press: 372,465 (CAGR +1%)
- Other cultural and creative sectors activities: 214,220 (CAGR +3%)
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**

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Persons Employed</th>
<th>CAGR 2008-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heritage, Archives &amp; Libraries</td>
<td>1,611,426</td>
<td>+1%</td>
</tr>
<tr>
<td>Audio-visual &amp; Multimedia</td>
<td>754,099</td>
<td>+3%</td>
</tr>
<tr>
<td>Performing arts</td>
<td>1,507,896</td>
<td>+3%</td>
</tr>
<tr>
<td>Architecture</td>
<td>1,271,468</td>
<td>+2%</td>
</tr>
<tr>
<td>Visual Arts</td>
<td>1,611,426</td>
<td>+1%</td>
</tr>
<tr>
<td>Books &amp; Press</td>
<td>819,696</td>
<td>+3%</td>
</tr>
<tr>
<td>Other cultural and creative sectors activities</td>
<td>6,728,985</td>
<td>+4%</td>
</tr>
<tr>
<td>Total persons employed in CCS</td>
<td>6,728,985</td>
<td></td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Value Added (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average (across all sub-sectors)</td>
<td>41,747</td>
</tr>
<tr>
<td>Other cultural and creative sectors...</td>
<td>36,565</td>
</tr>
<tr>
<td>Audio-visual &amp; Multimedia</td>
<td>63,507</td>
</tr>
<tr>
<td>Performing arts</td>
<td>47,629</td>
</tr>
<tr>
<td>Architecture</td>
<td>25,674</td>
</tr>
<tr>
<td>Visual Arts</td>
<td>40,597</td>
</tr>
<tr>
<td>Books &amp; Press</td>
<td>76,242</td>
</tr>
</tbody>
</table>

- 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
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

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

Source: IFPI Global Report 2018
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).

Source: FT, “How Europe has become a powerhouse in luxury”
The subscription model is replacing the traditional ownership model, giving CCS new growth opportunities.
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
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
LET’S WRAP UP

12:45 - 13:00
Closing remarks

LUCIA Recalde
Head of Unit, DG CONNECT, European Commission

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