# BE CREATIVE – CALL THE BANK!

**CULTURAL AND CREATIVE SECTORS GUARANTEE FACILITY**
**Brussels, 22 March 2019**

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# How to become a successful creative and get financed!

# WELCOME!

**9:30 - 10:00**
**Introduction – The CCS Guarantee Facility**

To find out more information 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<br>*Functioning, aim, prospects and implementation status* |
| 10:00 – 10:50 | Financing Gaps in CCS<br>*Moderated Panel Discussion on financing gaps with CCS entrepreneurs – Q&A* |
| 10:50 – 11:40 | Financing the CCS<br>*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<br>*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*

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***

**€181m EU Contribution**

**€121m from the Creative Europe Programme**
**&**
**€60m from the European Fund for Strategic Investments**

***Managed by the European Investment Fund***

**+ €70m to be added soon**

**Under implementation since 2.5 Years**

- 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**

**Capacity Building launched in May 2018**

**12 Agreements signed**

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

**9 Participating Countries**

**2 Additional applications**

* 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!**

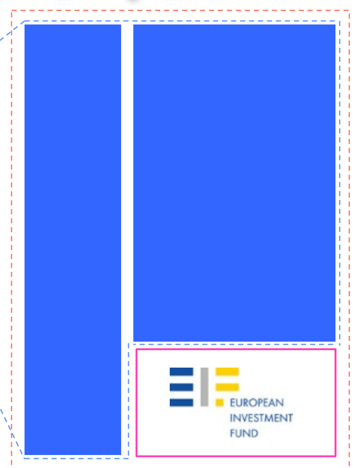
# The first financial instrument for CCS

*How it works*

## Financial intermediary's portfolio of CCS related transactions to SMEs

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

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




(Counter-) Guarantee Cap Rate: **25%,18%** or **10%** based on EIF's professional judgement)

## 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

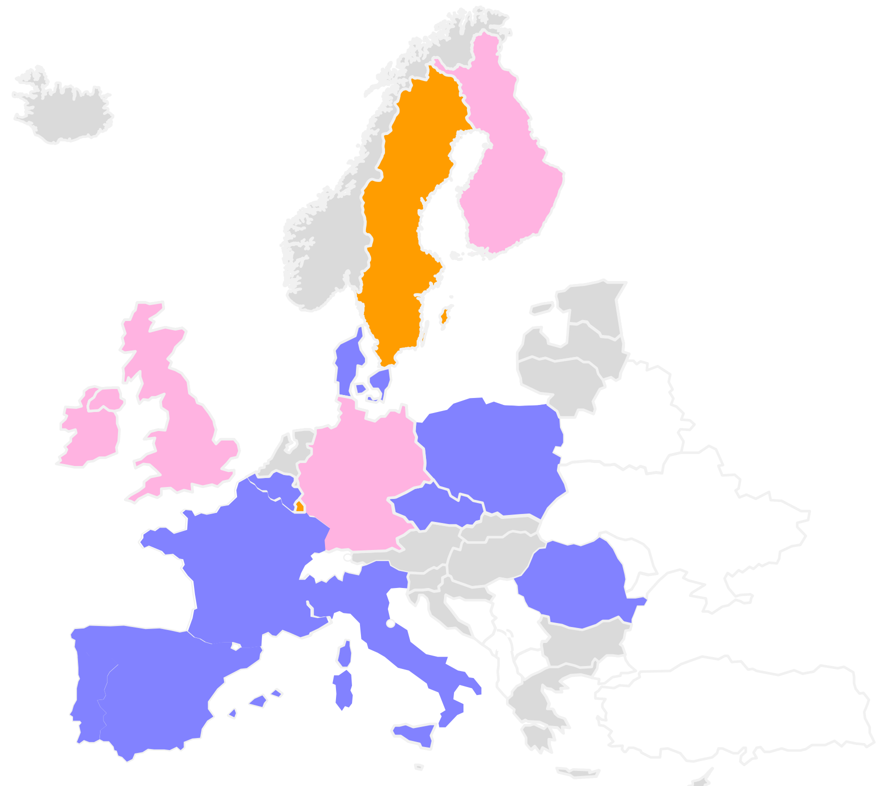
# The first financial instrument for CCS

## *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. | Komercni Banka | 19/12/2017 |
| | Italy | CDP | 28/03/2018 |
| | Poland | BGK | 01/01/2019 |
| | Denmark | Vaekstfonden | 01/11/2018 |
| | Portugal | CGD | 15/11/2018 |



9 countries where agreements have been signed
2 additional countries where applications have been received
4 additional countries where SMEs have been supported through IFCIC counter-guarantees

# 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 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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www.eif.org

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**

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# THE CAPACITY BUILDING ACTIVITIES

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

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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** | ▪ Prepare local CCS market study<br>▪ Provide face-to-face and digital learning | ▪ Prepare marketing strategy<br>▪ Provide face-to-face and digital learning | ▪ Prepare risk assessment report<br>▪ Provide face-to-face learning and digital learning | ▪ Provide on-the-job support to FI:<br>▪ Hotline<br>▪ Weekly calls<br>▪ Etc. |
| **Output** | ▪ Local CCS market study<br>▪ Workshop/e-learning | ▪ CCS marketing strategy<br>▪ Workshop/e-learning | ▪ Risk assessment report<br>▪ Workshop/e-learning | ▪ 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** | ▪ 1 CCS market study at EU level<br>▪ 2 CCS workshops in 2 countries | ▪ 1 E-learning to train sales staff<br>▪ Support in rollout of CCS marketing campaign | ▪ 1 CCS loan risk assessment guide<br>▪ 2 CCS workshops in 2 countries | ▪ Analysis of CCS needs in terms of financial products offered for 1 FI |
| **Ongoing/planned** | ▪ 4 CCS workshops planned including the provision of a local market study | ▪ 1 Vademecum for CCS entrepreneurs<br>▪ 2 E-learnings to train sales staff<br>▪ Organisation of a networking event for 1 FI | ▪ 4 CCS workshops planned covering the CCS loan risk assessment process | ▪ Support in the identification of CCS investors (VC, FO, BA) for 2 FIs<br>▪ Analysis of cash flow sources (public vs. self-generated sources)<br>▪ 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

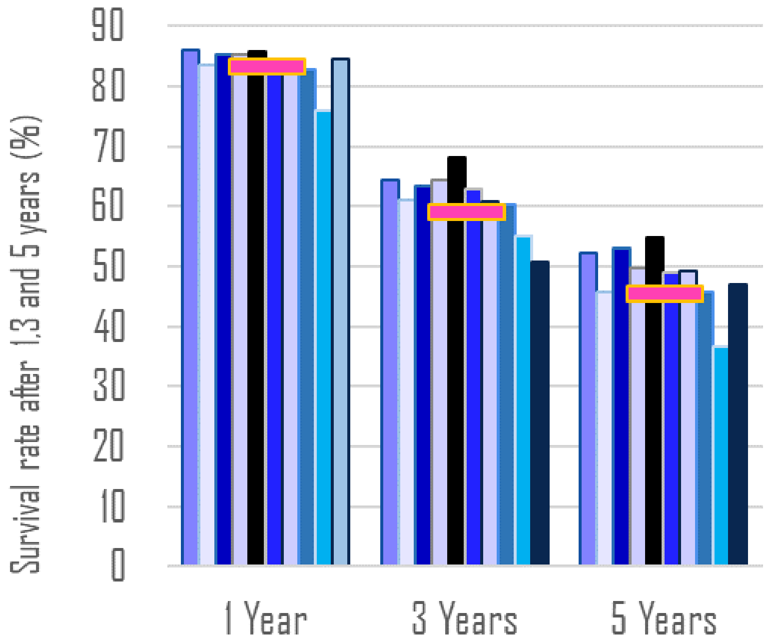
| *Criteria* | *ICT* | *Accommodation and food services* | *CCS* |
| --- | --- | --- | --- |
| **Percentage of EU GDP (2015)** | 4% (2015) | 4% (2015) | 4.2% (2014) |
| **Value added*** | EUR 570 billion (2015) | EUR 252.9 billion (2015) | EUR 290 billion (2016) |
| **Employment** | 6.3 million (2015) | 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

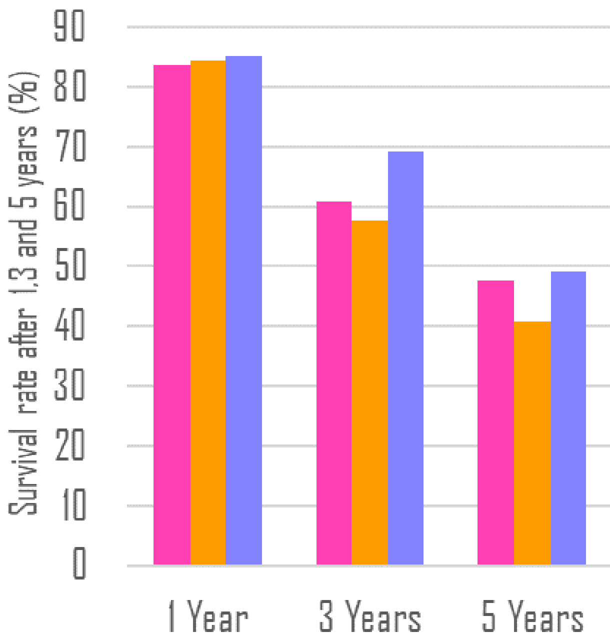
# Survival rates of CCS companies are lower than those of other sectors

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




**All Services benchmark**

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




**CCS**
**F&A**
**ICT**

# 3 The evaluation of CCS companies is too complex and time consuming

| | | | |
|---|---|---|---|
| **Approach** | Top down and macro-economic | Bottom up & micro-economic | Mixed approach specific to sub-sector |
| **Phase** | 1. Origination | 2. Underwriting | 3. Closing and monitoring |
| **Key steps** | 1.1 CCS sector awareness | 2.1 CCS SME risk | Signing & Closing* |
| | 1.2 CCS Industry risk | 2.2 Owner's track record | 3.1 Monitoring |
| | 1.3 CCS strategy & prospecting | 2.3 Risk mitigation | 3.2 Distressed situations management |
| | 1.4 Partnering & support schemes | Structuring* | |

# 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

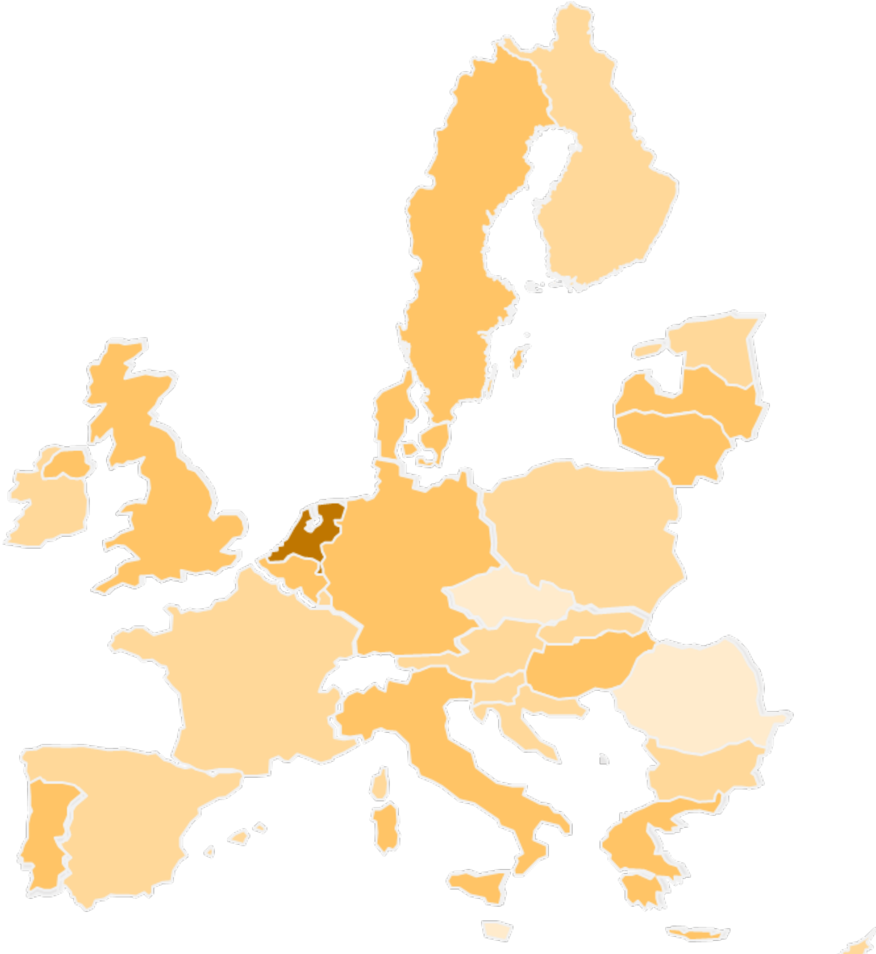
*The CCS market in the EU and future trends*

# 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**



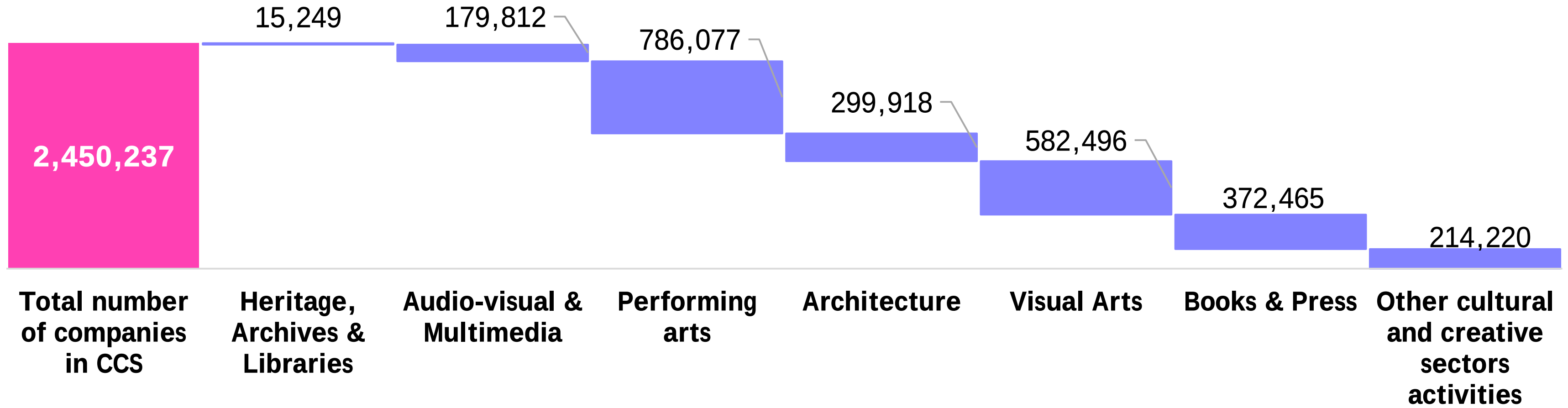
CCS Share of employment out of total employment

- ≥4.0%
- 3.0 – 4.0%
- 2.0 – 3.0%
- 1.0 – 2.0%

# 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*

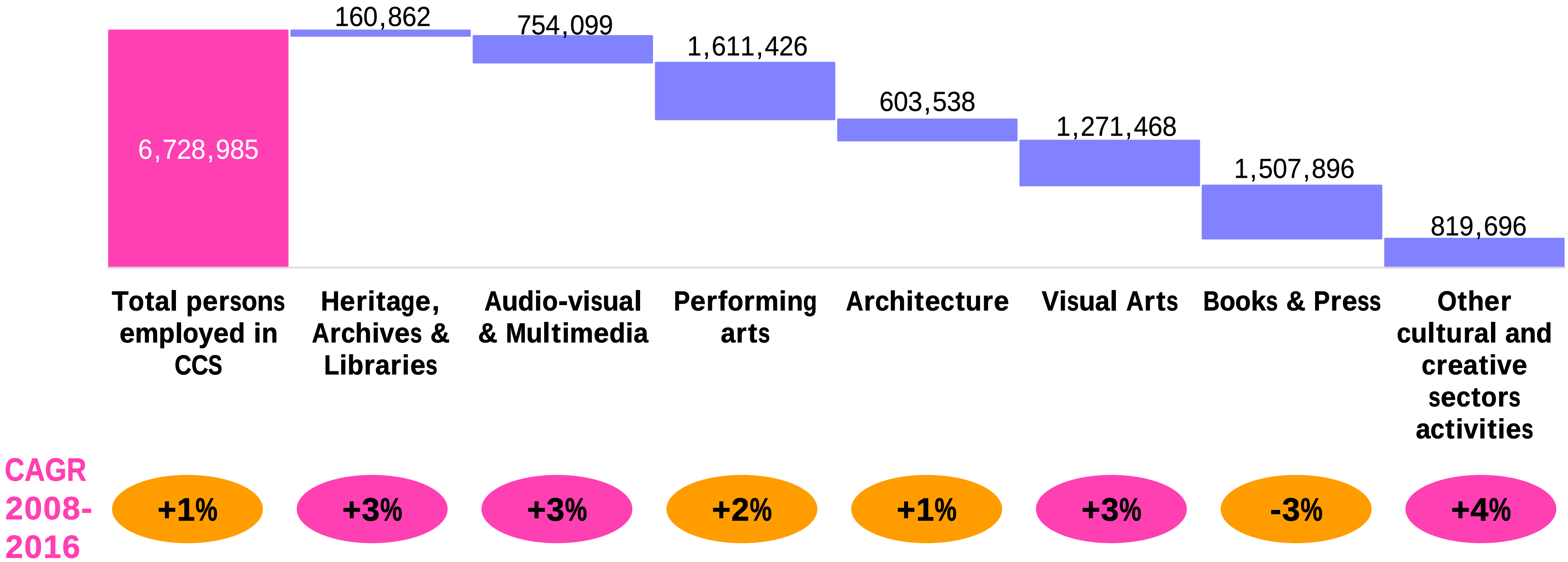



| CAGR 2008-2016 | Total number of companies in CCS | Heritage, Archives & Libraries | Audio-visual & Multimedia | Performing arts | Architecture | Visual Arts | Books & Press | Other cultural and creative sectors activities |
|---|---|---|---|---|---|---|---|---|
| | +4% | +4% | +6% | +6% | +1% | +6% | +1% | +3% |

# The CCS market in the EU

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

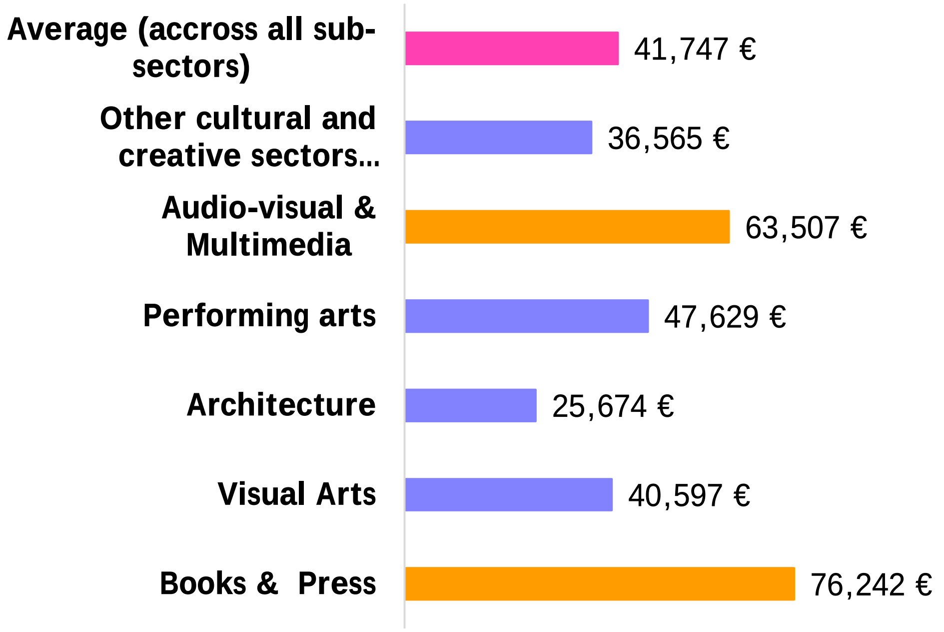
*Distribution of persons employed by CCS sub-sector in 2016*



# 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

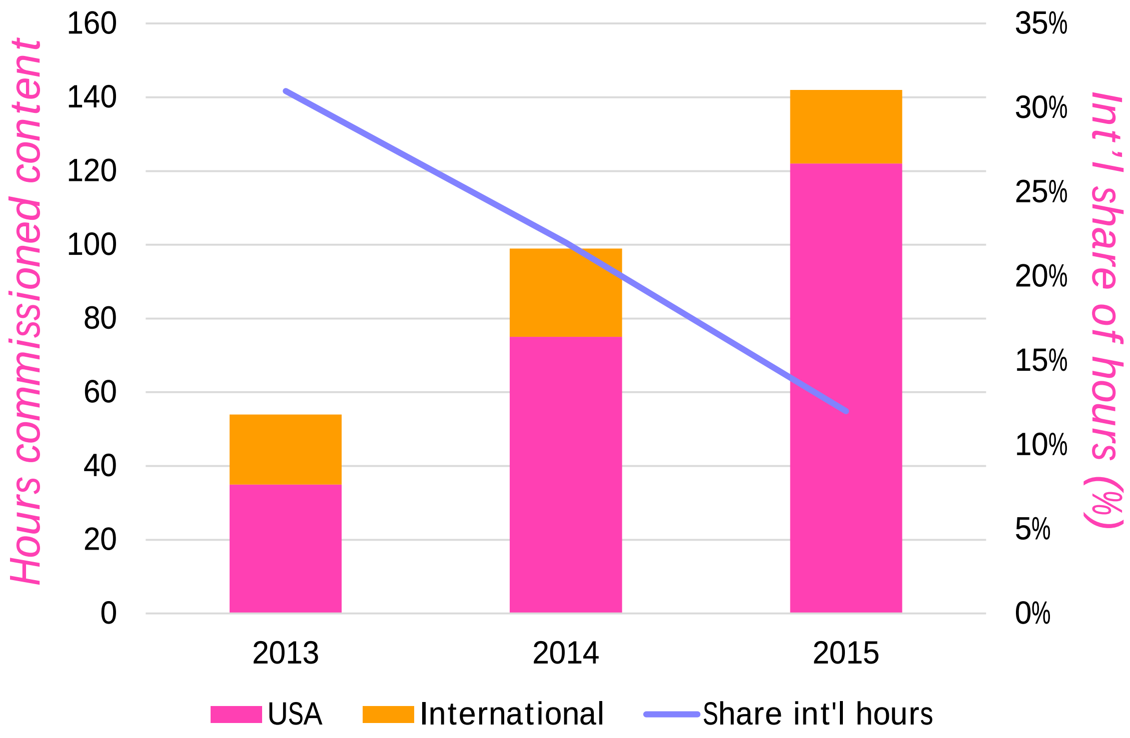
**Specific trends in the Audio-visual sector**

(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)

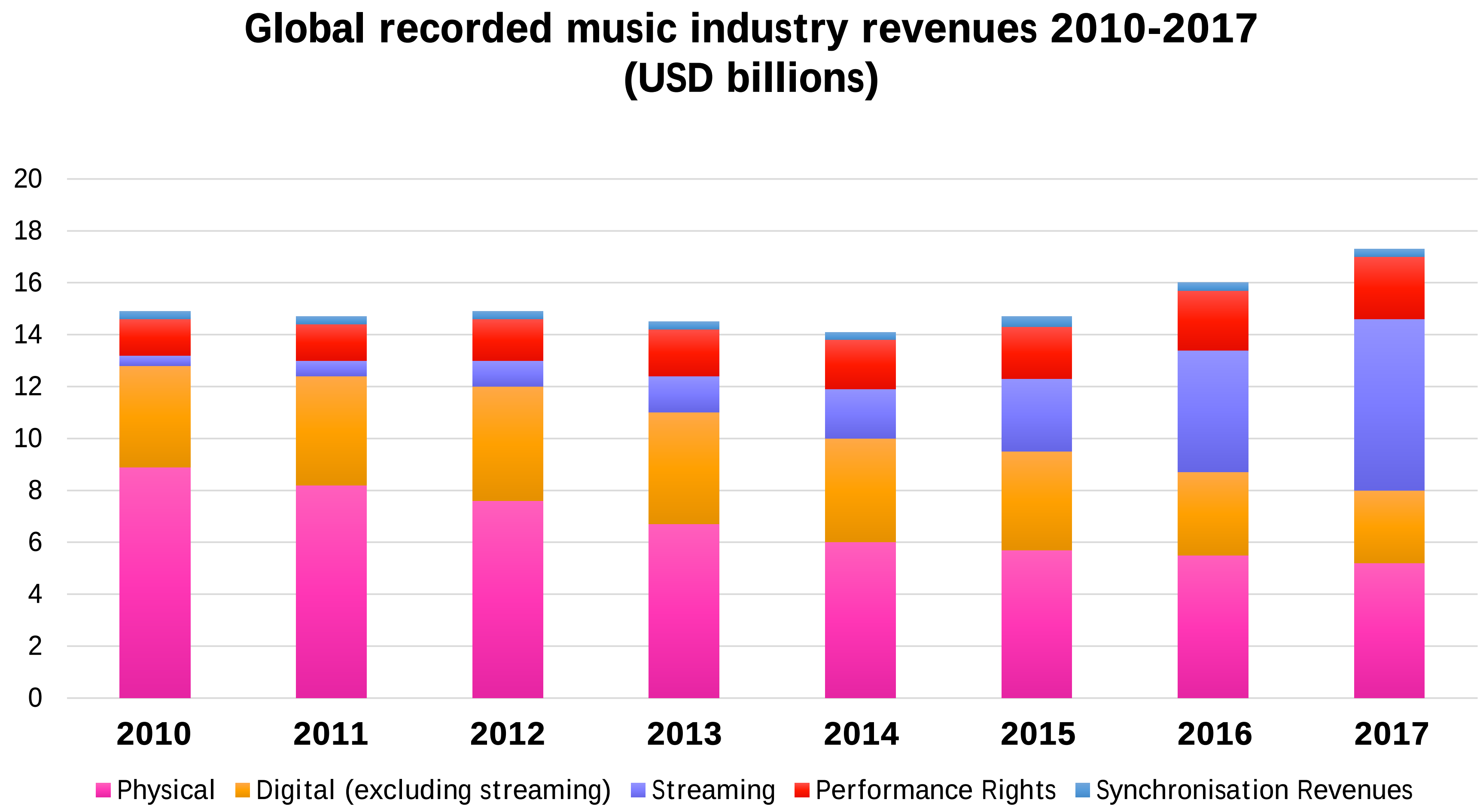
# Trends in CCS

## 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

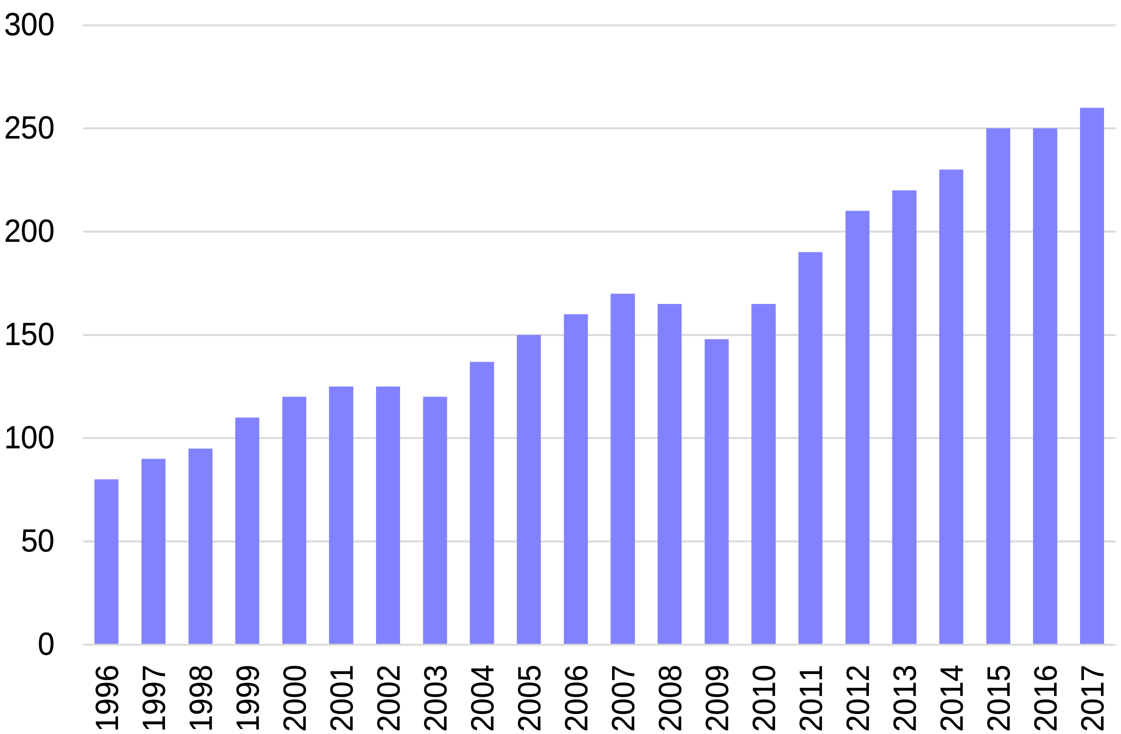



Source: IFPI Global Report 2018

# Trends in CCS

## European leadership in fashion - Market leaders pulling smaller actors

Global sales (EUR bn)



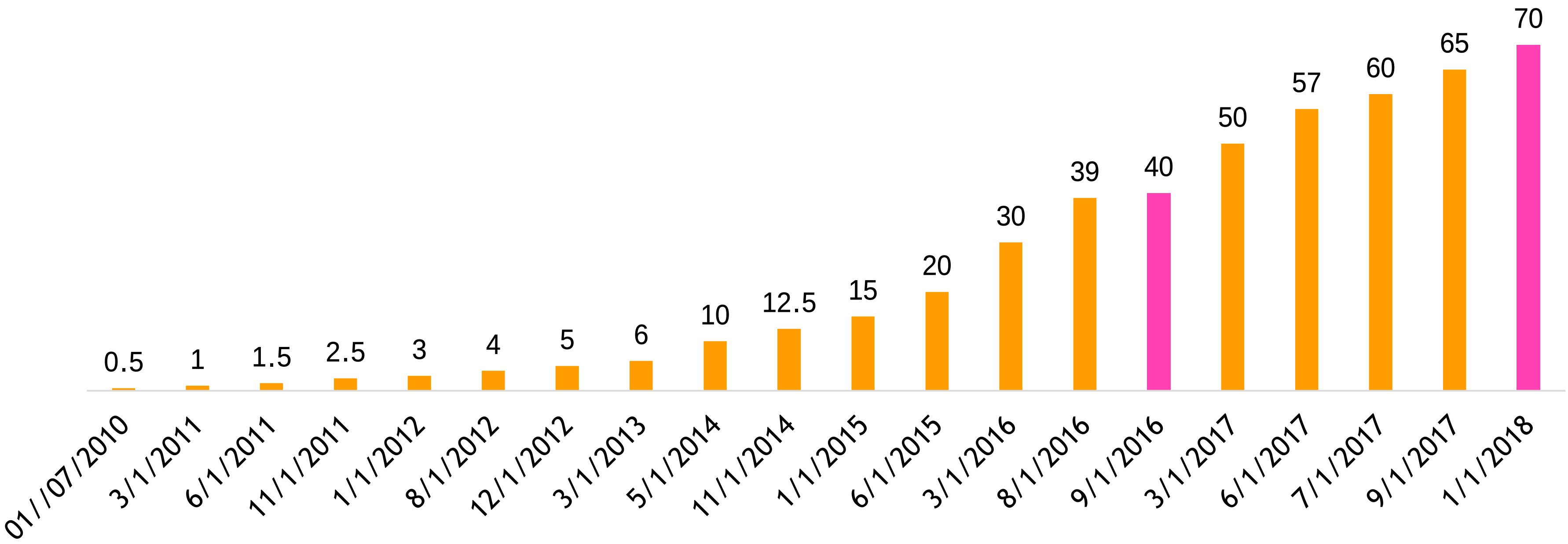

- Europe is  leading in fashion, with several multinational firms such as LVMH, Gucci, Hermes, Burberry or Richemont
- Global sales of luxury goods were almost multiplied by three in the last twenty years
- Important investment in craftsmanship (France, Italy) to keep up with demand on quality products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

Source: FT, “How Europe has become a powerhouse in luxury”

# Trends in CCS

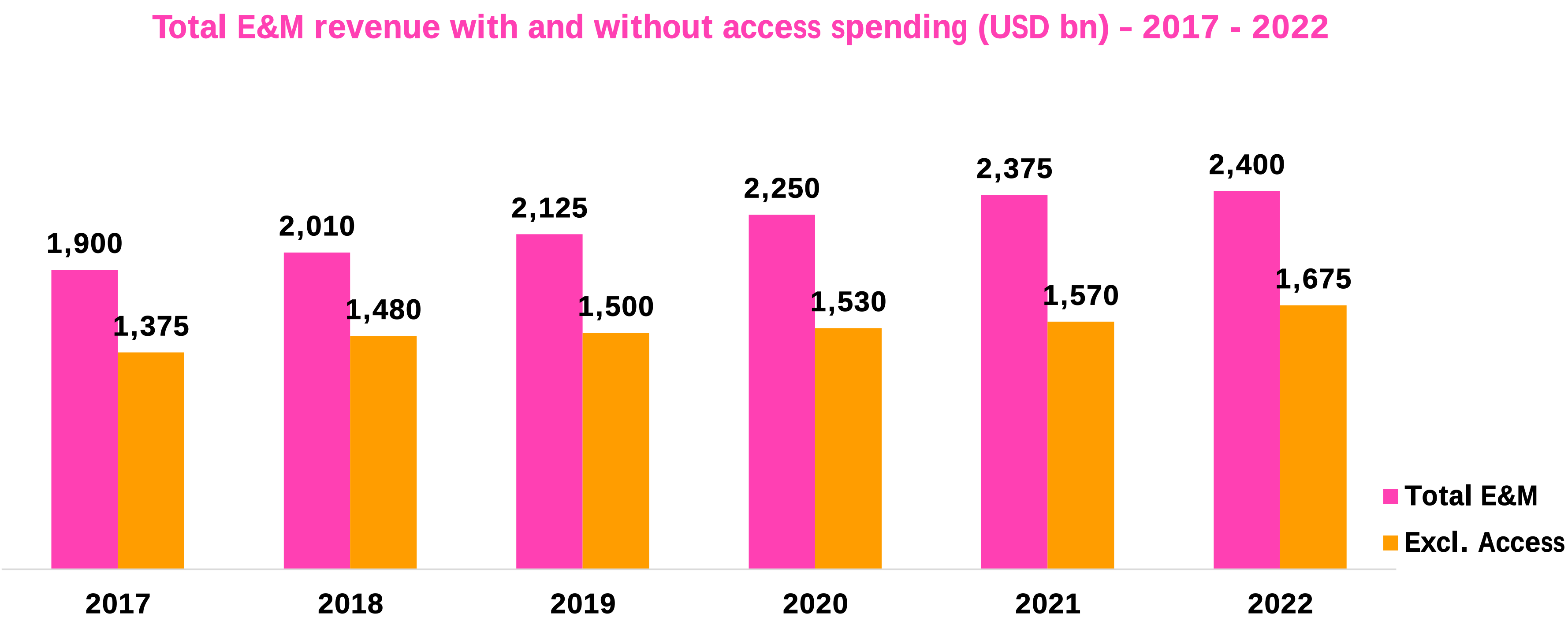
**The subscription model is replacing the traditional ownership model, giving CCS new growth opportunities**

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



# Trends in CCS

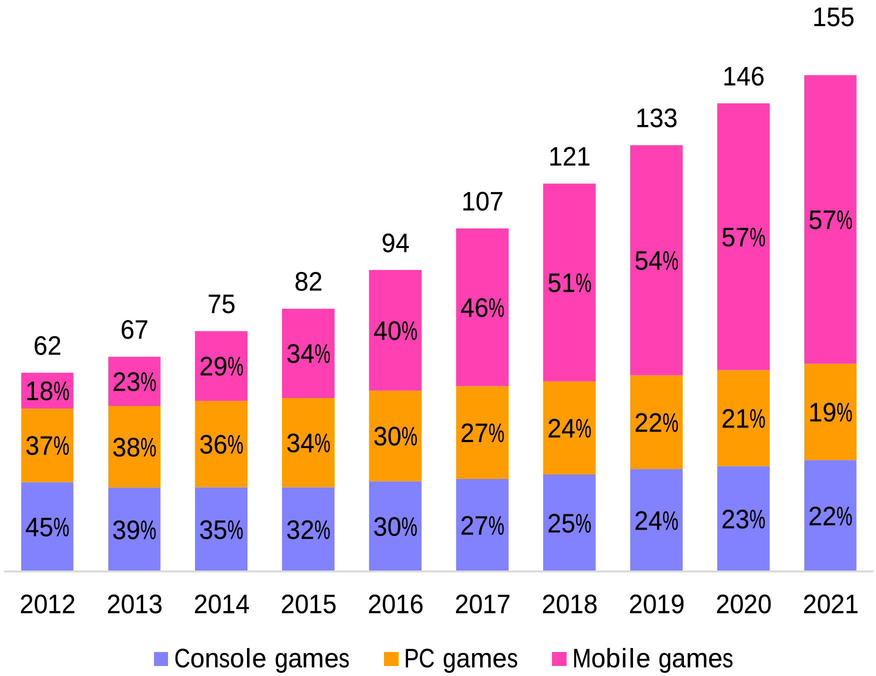
**Growth forecast for entertainment and media predict fast growth for virtual reality and over-the-top videos**



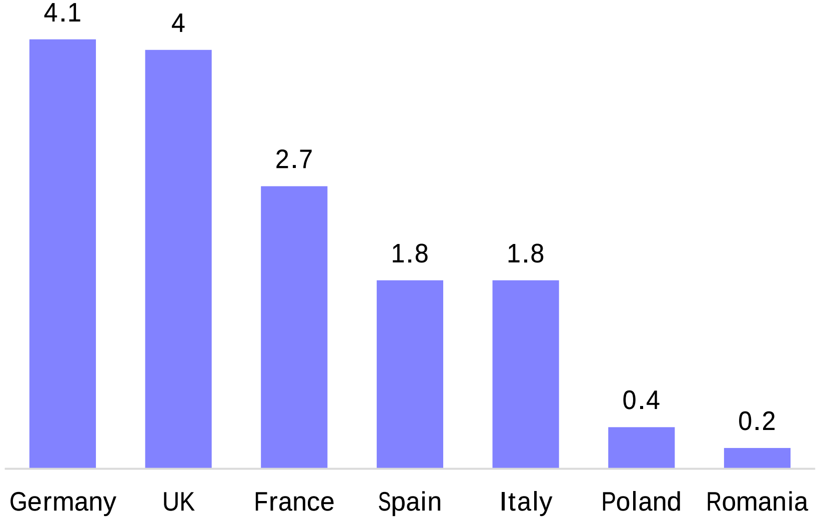
# Trends in CCS

**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

# LET'S WRAP UP

**12:45 - 13:00**
**Closing remarks**

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

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

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