

Financing Strategies

MEDICI
Jean-Baptiste Babin

Vienna - November 8th 2012



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Different forms of funding supports are proposed by public funds

(automatic, selective, grant, equity participation, recoupable loans,
advance on receipts...)

What is at stake behind the notion of those forms of funding?

Different forms of recoupable funding. Why recoup?

What is the current level of recoupment?

How do they collect their share of revenue?

Is a cultural grant old-fashioned?

What does it mean in terms of follow up?

Performance - based Mechanisms

Different funding mechanisms are based on success
(box office, festivals, sales...)

Which indicators are used to define "success" and/or "performance"?

How do producers use this "currency"?

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Impact Investment: the new Sponsorship ?

- Impact Investment in Films 3

1. Quality this is developed: Innovation for destruction, without a commitment to engagement or dialogue.
2. Increase public awareness: Ethical belief/ideals for individual and social change. Let change mean impact.
3. Increased public engagement: Indicators of change in attitudes, beliefs and behaviors and shifts from awareness to individual action.
4. Change social movement: Believe that there is no one individual to influence action and strengthen capacity of diverse organizations to take strategic work.
5. Social justice: Ethical goal.

- necessity to better define what is expected from a film public funding
- better measure what risk assessment and monitoring measures should consequently be implemented
- financiers integrity agreement?
- ability to combine with other financing partners /
Wallimage leveraging Belgian Tax Shelter, new Luxembourg rules opening up to shoots in neighbouring territories, Landes and OFF etc...
- shared approach: some time or at least a melodic one with other co-financiers

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The financial risk mitigators / other funding benefits

[illegible]

Short Presentation of Backup Media Group

Broker / Finance Packager

Core business over the past 10 years

3 departments : coproductions, pre-sales, equity

a client-roaster of 130 production companies



Film Funds

15 Funding companies operating under 4 different schemes

modeling / marketing / fundraising and operating of all funds

Tax enhancement : film specific (sofica) or generic (TEPA, VCT...)

€60m of assets - €15/18m of annual investment capacity

Facts and Figures

15 people

10 years old

average annual dealflow : 800 projects assessed

60 / 70 films financed annually / 425 films since 2005

20 A-list prices

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Scope of the Presentation

- direct funding
- for film
- production

same questions could be relevant to development, and distribution funding, as well as indirect helps (tax incentives...).

Relevance of the scope:

- biggest need in cash support (volume)
- benchmark environment for producers
- cost / advantage ratio favorable to outsource substantial parts of their production pipes
- freedom on the election of the technical, artistic and financial specs of their films.

TRULY COMPETITIVE ENVIRONMENT!

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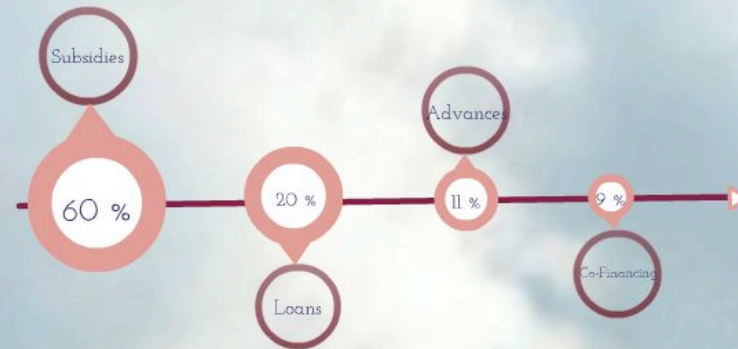
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The financial risk mitigators / other funding benefits

- **procedural knowledge** is the knowledge of how to do something
- **declarative knowledge** is the knowledge of facts and concepts
- **conditional knowledge** is the knowledge of when to use a particular skill or piece of information
- **metacognitive knowledge** is the knowledge of one's own thinking and learning processes
- **metacognitive skills** are the skills used to plan, monitor, and evaluate one's learning

direct help mechanisms : volumes and risk

Typology of the different direct help mechanisms:



source : Le Financement Public du Cinéma dans l'Union Européenne by Olivier Amiel, 2008

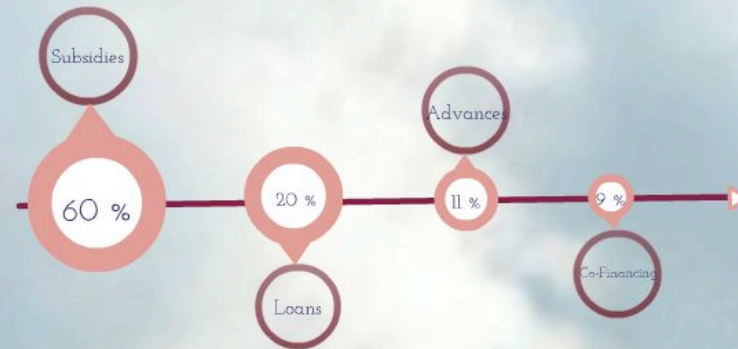
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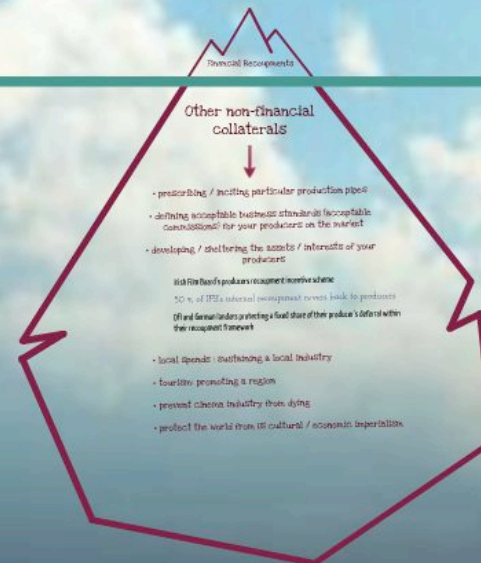
The financial risk mitigators / other funding benefits

Rhône Alpes Cinéma Welcome Page

In defining the tasks of Rhône-Alpes Cinéma, Rhône-Alpes Region desires to :

- promote and renew French and European feature films
- enhance the region as a major movie set, located in the heart of Europe, rich in great locations (natural and man made), with good logistics, accommodation (hotels, restaurants, road, rail and air), and human resources (actors and crew)
- develop the film industry in Rhône-Alpes, source of significant economic benefits and jobs
- promote the region at national and international level, thanks to movies that are broadcasted everywhere in the world
- promote films coproduced in the the region, particularly among young people.

So allegedly they are indirect benefits to film production financing, the diversity of which is clearly reflected in the Rhône Alpes web page, that could also be quantified to assess the funding efficiency:



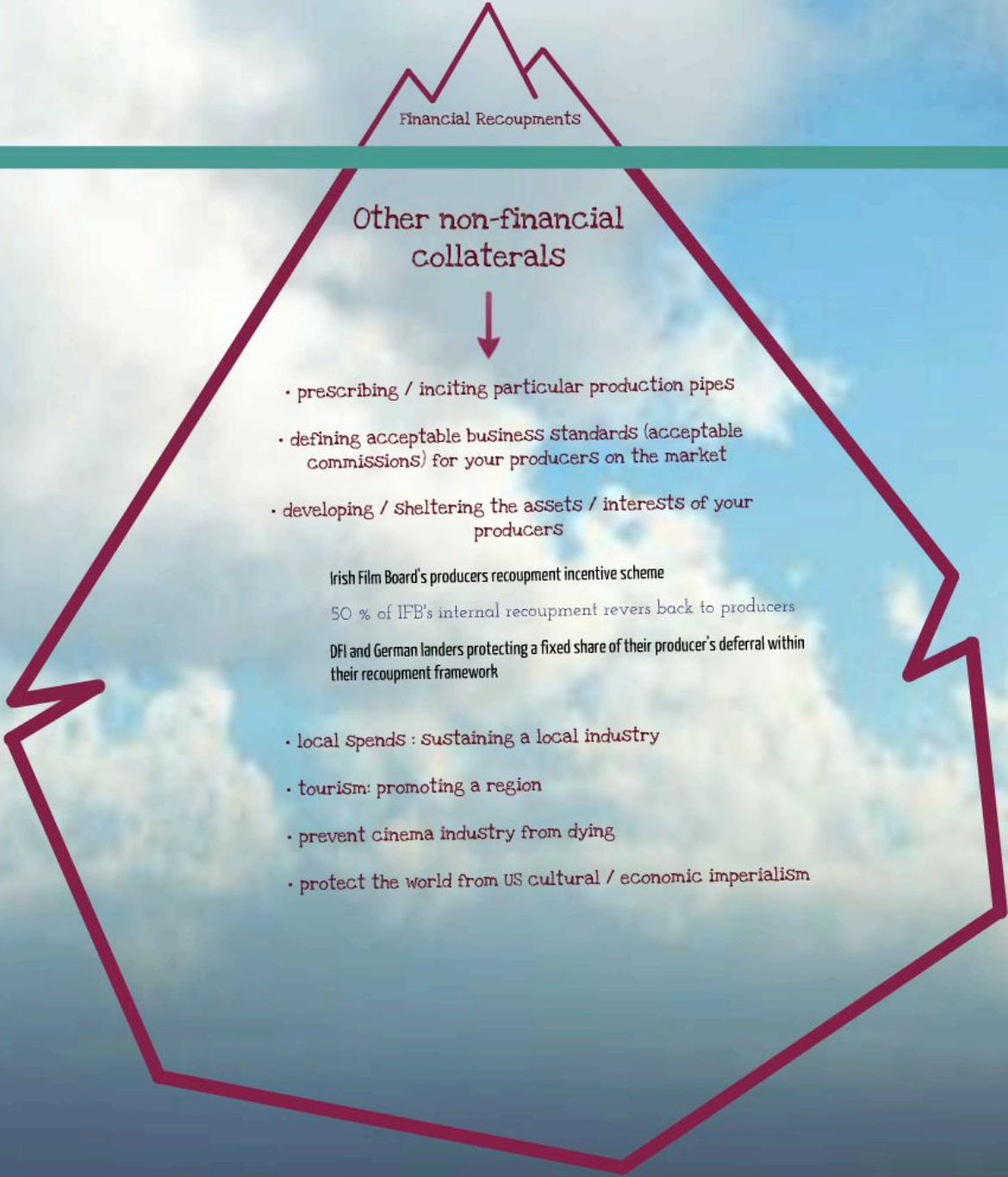
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Financial Recoupments

Other non-financial
collaterals



- prescribing / inciting particular production pipes
- defining acceptable business standards (acceptable commissions) for your producers on the market
- developing / sheltering the assets / interests of your producers

Irish Film Board's producers recoupment incentive scheme

50 % of IFB's internal recoupment reverts back to producers

DFI and German lenders protecting a fixed share of their producer's deferral within their recoupment framework

- local spends : sustaining a local industry
- tourism: promoting a region
- prevent cinema industry from dying
- protect the world from US cultural / economic imperialism



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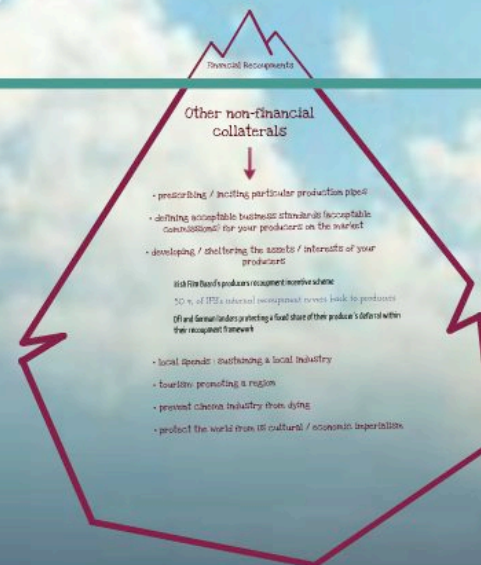
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- Impact investments are investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return.
- USD 50bn in 2009
- USD 500bn expected in 2019 (Monitor Institute, Investing for Social and Environmental Impact, 2009)
- Criteria to evaluate social and/or environmental performance are an integrated component of the investment process

crowd funders : the first attempt to impact investment in the film industry

Impact Investment in Films ?

1. Quality film or media project: Foundation for distribution, outreach and community engagement strategies
2. Increased public awareness: Critical building block for individual and social change : 1st step to measure impact
3. Increased public engagement: Indication of change in attitudes, beliefs and behavior and a shift from awareness to individual action.
4. Stronger social movement: Evidence that film or media can move individuals to collective action and strengthen capacity of advocacy organizations in their strategic work.
5. Social change: ultimate goal

Financing Strategies

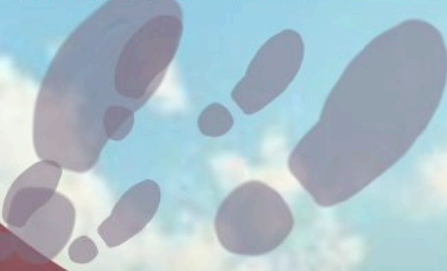
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Key Factors Outline

- necessity to better define what is expected from a film public funding
- better measure what risk assessment and monitoring measures should consequently be implemented:
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Filling in the recoupment Spreadsheet

What amount of recoupment are you expecting overall / on a film by film basis?

Precise description of the recoupment corridors:

when does it start?

what percentage? definition of the percentage basis

reference to other financiers or to acceptable business practices, caps...

or any of the above-mentioned risk mitigators