

InvestEU Scoreboard¹

Presentation of the financing or investment operation:

Implementing Partner: European Investment Fund (EIF)

Name of the Operation: Logical Content Ventures SAS (the “Fund”)

Type of approval: Individual financing or investment operation

Name of Financial Intermediaries: Logical Content Ventures SAS

Country(-ies) of implementation of the operation: The Fund is expected to have a strong focus on France. Audio-visual productions with a significant production activity from InvestEU Participating Countries² are expected to represent the majority of the portfolio.

Short description of the financing or investment operation:

- EIF intends to support Logical Content Ventures SAS, an alternative investment fund financing content production, focusing in particular on production of smart movies³, TV series and impact content.
- In January 2023, the Manager publicly announced its partnership with Pathé, a French film production and distribution company, along which the Fund will co-invest.

Public Statement

Eligible areas for the operation in accordance with Annex II to the InvestEU Regulation:

Item 8 of Annex II of the InvestEU Regulation:

cultural and creative sectors, cultural heritage, media, the audio-visual sector, journalism and press, in particular through the development of new technologies, the use of digital technologies and technological management of intellectual property rights

- EIF’s investment will be in the form of equity and preferred equity, which will in turn allow the Fund to promote equity and/or quasi-equity investments at the level of each underlying investments, in the context of co-production agreements.
- The availability of capital at inception of development and production phases of audiovisual projects would therefore enable audiovisual producers to access additional sources of funding beyond the traditional schemes of soft money (grants, tax breaks), pre-sales by distributors and, in particular, beyond the “work-for-hire” practices that platforms (such as Amazon Prime, Netflix...) are offering to European audiovisual producers. Based on this practice, European producers are contracted to develop their movies but left without the intellectual rights of their works for the benefit of the streaming platforms, typically not based in the EU. The increase of “work-for-hire” practice has been identified as a threat to the European audiovisual sector due to the risk that the best ideas and the

¹ This Scoreboard of indicators reflects the information presented to the InvestEU Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

² Meaning EU 27 and Norway and Iceland (subject to the signature of the amendment to the InvestEU Guarantee Agreement that expands the geographical scope of InvestEU products towards Norway and Iceland.

³ Smart movies are defined by the team as independent productions with a global reach and genre films (horror, thriller, sci-fi...).

overall creative capacity of European producers will benefit mainly non-EU players, therefore compromising the overall European sovereignty and potential of the sector.

- Against this situation, the provision of alternative forms of financing - like under this Operation - contributes very positively to the EU ecosystem of audiovisual production and distribution, since producers will benefit from enhanced access to capital to develop independently their works and keep intellectual property rights.
- The Fund will therefore provide an opportunity to retain its *pro rata* share of the IP and/or commercial rights in the countries of production in line with its investment in the project.
- In this case, the use of the EU Guarantee is particularly critical for providing support in the sector of audio-visual productions, especially given the currently limited availability of alternative sources of capital for investments in such projects.
- The EIF's investment is deemed strategic in supporting this specific strategy, given the high novelty of audio-visual funds in general and this one in particular, as it is the first fund formally raised with third party investors by the Manager, which is otherwise well versed in audio-visual.
- Equally, EIF's anchor role provides institutional support to the Fund, and is expected to help catalysing more private investors and ultimately to allow the Fund to reach a viable size in a timely manner.

Audiovisual financing in the form of equity/gap finance to be provided by private sectors is minimal in Europe. Precisely to cater for this market gap (estimated to be of EUR 399-648m/ year)⁴ and encourage risk capital investment in this underserved area, the MEDIAINVEST program was launched, as it is set to invest in a new generation of Audiovisual equity funds as this one.

- Financing in the audiovisual sector in Europe, has heavily relied on i) public sources of soft money (grants, tax breaks) and ii) contributions from broadcasters typically linked to pre-sales in a certain territory.
- Equity financing from private investors in the European audiovisual sector has been thus limited, in sharp contrast with the American audiovisual sector, dominant worldwide, where equity financing has played a larger role.
- The Fund will actively address the challenges raised by the changing environment in the production financing. The Fund will provide a complementary offer of instruments that could be flexible, adjusting to the production needs. This should help bridging the financing gap in the budgets and accelerate the launch of the production.
- Both the independent productions and the co-investments with Pathé are fitting well with the mandate objectives of Media Invest, fostering European productions.

The investment in the Fund will be in the form of equity and preferred equity, which will in turn allow the Fund to promote equity or quasi-equity investments at the level of each underlying investment.

- Equity financing in audiovisual brings the following benefits:
 - High end products (larger budgets): Equity financing allows for audiovisual producers to devise audiovisual high-end products. Given the larger consumption volumes of audiovisual products, specifically since the arrival of audiovisual streamers, competition for high-end products has increased. High-end products require larger budgets, thus creating larger financing gaps.
 - Riskier projects: As contributions from traditional broadcasters linked to pre-sales in a certain territory, would typically represent a significant share of the financing of an audiovisual product, the risks of audiovisual producers used to be quite low. Facing significant competition from new entrants (such as platforms), the traditional broadcasters have faced a decrease in their

⁴ Media Action Plan, based on the ex-ante evaluation of new financial instruments for SMEs, mid-caps and organisations from the cultural and creative sectors, SQW, 2019

revenues and have adjusted accordingly their contributions to the financing of audiovisual projects. Thus, the production of such content has become a riskier business; providing at the same time more space for equity investments to fill in these financing gaps in budgets.

- **Development phases:** Equity financing play a fundamental role in the development phase of an audiovisual product (pre-closing of finance, typically connected with scriptwriting), given that it is the riskier phase in the value chain of the audiovisual production.
- **Additionality to audiovisual producers:** In the last years American streamers had imposed “work-for-hire” practices where they pay to European audiovisual producers a service fee only and impede them from retaining any copyrights and commercial rights (and thus upside) of the audiovisual production they have created. A thriving ecosystem of equity financial intermediaries will bring additional sources of financing to European audiovisual producers and thus enabling them to avoid the “work for hire” practices of American streamers, participating in retaining more IP and commercial rights in the production countries.

The scale of financing expected to be made available by the financial intermediary to final recipients (i.e., leverage) is estimated at c. 2.x, in accordance with the “InvestEU Leverage and Multiplier Effect Calculation Methodology” as approved by the InvestEU Steering Board.

With respect to the benefits generated by the operation for the final recipients, it is worth highlighting in particular the following key features: (i) the provision of quasi-equity financing needed to close the film budget; (ii) acceleration of the production cycle through the flexibility of the Fund’s strategy, (iii) contribution to the diversification of funding sources for audiovisual producers; and (iv) input provided by the fund manager in the preparation and the production of the projects, as well as during the commercial phase.

In terms of impact on the ecosystem, EIF is expected to contribute by providing an anchor investment to a fund whose strategy is very innovative in the European financing ecosystem. EIF’s support to this fund will trigger cascading effects across the European private equity ecosystem that will start considering investing in the audiovisual sector more often, thus generating a new wave of audiovisual equity funds.

Pillar 3 - Market failure or sub-optimal investment situation addressed by the financing or investment operation (Very Good)

Pillar 4 - Financial and technical contribution by the Implementing Partner (Excellent)

Pillar 5 - Impact of the financing or investment operation (Very Good)

Pillar 7 - Complementary indicators⁵

Operation-specific indicators, estimated based on the “InvestEU Leverage and Multiplier Effect Calculation Methodology” as approved by the InvestEU Steering Board:

- (a.1) Leverage effect: Indicatively between 2x.
- (a.2) Multiplier effect: Indicatively between 7.3x.

ESG aspects

As a first time Manager, it still in the early process of setting up ESG processes and monitoring tools. The Manager has taken a number of initiatives towards ESG:

- Since May 2022, the Manager is a signatory of UN Global Compact.

⁵ The InvestEU methodology is used in order to calculate figures presented in this document. The financial intermediary’s estimates may differ.

- The Manager is a signatory of the charter *EcoProd pour l'Entreprise Audiovisuelle*, which aims at reducing the environmental impact of the signatories, sharing experience, entice clients and suppliers to follow similar approaches.
- The Manager has included SDGs in its investment framework, as part of the review of scripts.
- The Manager has developed an exclusion policy which aligns well with EIF Restricted Sector list.