

InvestEU Scoreboard¹

Presentation of the financing or investment operation:

Implementing Partner: European Investment Fund (EIF)

Name of the Operation: ST'ART ("ST'ART" or the "Intermediary")

Type of approval: Individual financing or investment operation

Name of the financial intermediary (for intermediated operations): ST'ART

Country(-ies) of implementation of the operation: Belgium (Wallonia and Brussels regions)

Short description of the financing or investment operation:

This operation, in the form of portfolio guarantee, aims to support access to finance to companies operating in the Cultural and Creative Sectors ("CCS").

The Intermediary focuses on small and medium-sized companies and small public enterprises in the CCS space. It supports the creation, growth and upscaling of projects and products of new or existing companies operating in the CCS fields, by providing financing throughout all the different stages of their lifecycle. The provision of the EU Guarantee will allow the Intermediary to:

- i. continue to offer existing debt products, which were launched thanks to the predecessor CCS Guarantee Facility, with improved conditions to the eligible final recipients;
- ii. launch new debt products to the benefit of CCS companies, aiming at tackling short-term financing needs of entities active in the production environment (e.g. expositions, audio-visual, performing arts, gaming).

Public Statement

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

Item 7 of Annex II of the InvestEU Regulation:

financial support to entities employing up to 499 employees, with a particular focus on SMEs, and small mid-cap companies

Item 8 of Annex II of the InvestEU Regulation:

cultural and creative sectors, cultural heritage, media, the audio-visual sector, journalism and press

Thanks to the EU Guarantee, the Intermediary will be able to offer more favourable terms to eligible final recipients which will consist of the following:

- Reduction of cost of financing – the Intermediary will implement the interest rate reduction for the core existing and new products (i.e. all except loans to cultural institutions).
- For loans to cultural institutions different access to finance measures may apply, which will focus on the provision of bespoke repayment terms compared to the terms offered without the guarantee

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.

The Intermediary is also expected to originate, inter alia, final recipient transactions that are subordinated debt transactions. This type of debt financing is expected to improve the capital structure and solvency position of targeted final recipients.

The use of the EU Guarantee allows EIF to enter into a guarantee with a financial intermediary supporting final recipients operating in the CCS ecosystem, which otherwise would have remained underserved due to lack of guarantee programmes targeting this specific policy area.

One of the challenges for the cultural and creative sectors, especially for SMEs and organisations, is the difficulty they face in accessing the funds that they need to finance their activities, to grow, and to maintain and increase their competitiveness or internationalise their activities. While that is a common challenge for SMEs generally, the situation is significantly more difficult in the cultural and creative sectors due to the intangible nature of many of their assets, the prototype nature of their activities, and their intrinsic need to take risks and experiment in order to innovate and be creative. Thanks to the guarantee, the Intermediary will also be in a position to increase the volume of subordinated debt (often convertible). This is specifically important for final recipients with uncertain cash flow sustainability in need of additional third party debt financing, encouraging additional lending by private and more traditional lenders.

In the area of access to finance for SMEs and in particular in CCS sectors, market failure is not only present during a deep recession or a financial crisis, but also on an on-going basis as a fundamental structural issue. There are several reasons for this:

- (i) Disproportionality between the extent, and hence the cost, to assess a relatively smaller company's application for finance and its potential revenue (in particular for CCS sectors – lack of understanding of such sectors on the side of financial institutions). Coupled with an average financing need that is relatively smaller than the one required by larger companies, banks and other finance providers are struggling to achieve economies of scale, reducing the access to finance.
- (ii) The aforementioned issue is reinforced by the asymmetric information, i.e. information gap between lender and borrower, and the availability (and quality) of information on smaller and in particular younger enterprises. Combined with uncertainty, this results in an insufficient supply of credit, which can be particularly true in the case of SME financing, and in particular in the CCS sectors where due to intangible nature of assets, collateral is even scarcer.

In particular, with respect to the situation in the geographical areas targeted by the Intermediary, data shows an acute market gap in terms of availability of financing opportunities for these type of companies.

The financial gap in respect of the availability of external finance for cultural and creative sectors was confirmed by an independent feasibility study² and is addressed in the Creative Europe Programme impact assessment. The market gap in the credit area has been estimated in the range of EUR 2.51bn – EUR 6.22bn over three years, or EUR 837m – EUR 2.07bn per year.

Further to the above, ST'ART is normally providing up to 50% of the financing needs of eligible CCS companies, with an aim to further crowd-in private co-investments via cooperation with banking partners and alternative investors for the remaining 50%. In this way, it has been contributing to the

² [Ex-ante evaluation of new financial instruments for SMEs, mid-caps and organisations from the cultural and creative sectors - Publications Office of the EU \(europa.eu\)](#)

establishment of a CCS financing ecosystem, leveraging also on close and complementary collaboration with public authorities and regional investment companies.

As a result, support of the EU Guarantee will reach beyond the Intermediary itself, by leveraging on the crowding-in of private co-investments into the CCS ecosystem in Belgium.

EIF will provide practical guidance to the Intermediary in order to ensure terms and conditions of the guarantee are met and to facilitate the deployment and ramp-up of the portfolio. This may take the following forms:

- Ad hoc assistance (e.g. monitoring, reporting, eligibility checking, etc.); and
- Webinars for individual or groups of intermediaries (on all aspects of the implementation of the EU Guarantee).

This operation is expected to have a strong and positive signalling impact on the overall CCS ecosystem in the Walloon region in Belgium. The presence of the guarantee will facilitate the Intermediary's financing terms and conditions. As a result, such conditions will further encourage other lenders to participate in the financing rounds of CCS enterprises. This in turn is expected to improve the overall competences and understanding of financial intermediaries in the CCS space, crowd in investments from competitors, further facilitating access to finance.

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

Pillar 4 - Financial and technical contribution by the Implementing Partner (**Very Good**)

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

Pillar 7 - Complementary indicators³

Operation-specific indicators, estimated on the "InvestEU Leverage and Multiplier Effect Calculation Methodology" as approved by the InvestEU Steering Board.

- (a.1) Leverage effect: Indicatively 5.7x
- (a.2) Multiplier effect: Indicatively 8x

³ The InvestEU methodology is used in order to calculate figures presented in this document. The financial intermediary's estimates may differ.