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Cultural and Creative Sectors

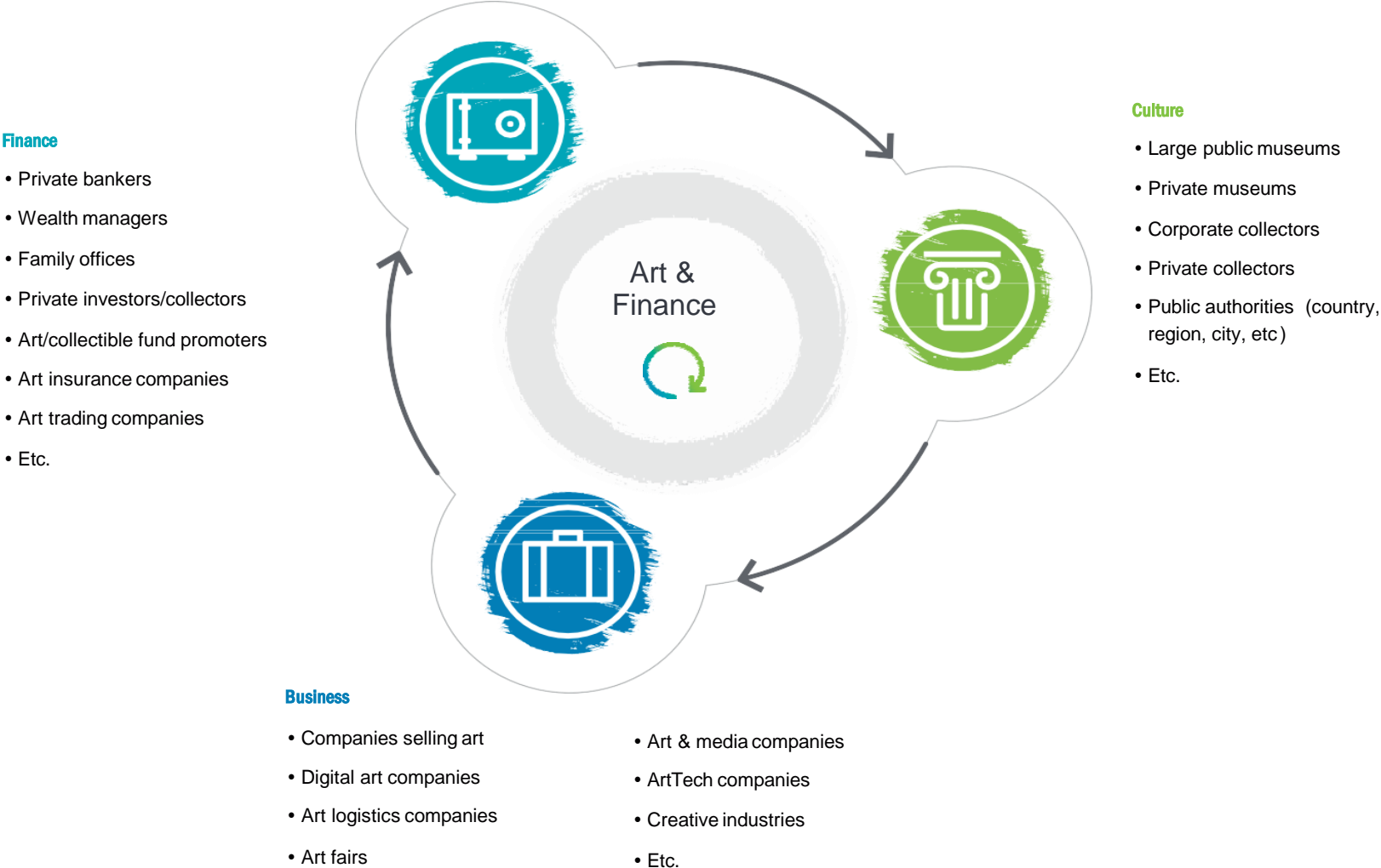
Introduction – Bogota – May 8th, 2019

The Global Art Market is in the midst of a significant transformation, creating new opportunities



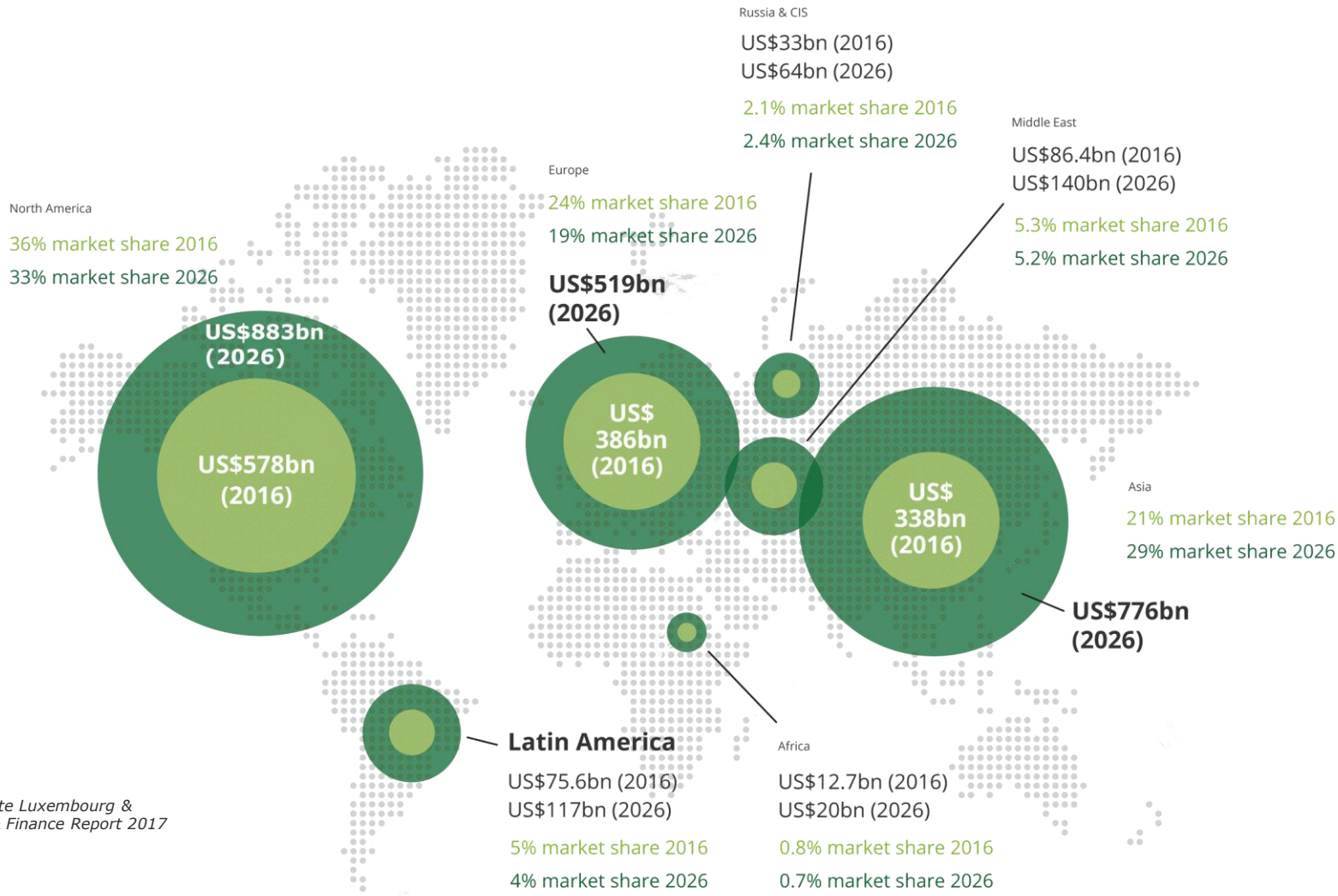
Source : Deloitte Luxembourg - Art & Finance Report 2017

Art & Finance is uniquely positioned at the intersection of three interconnected sectors



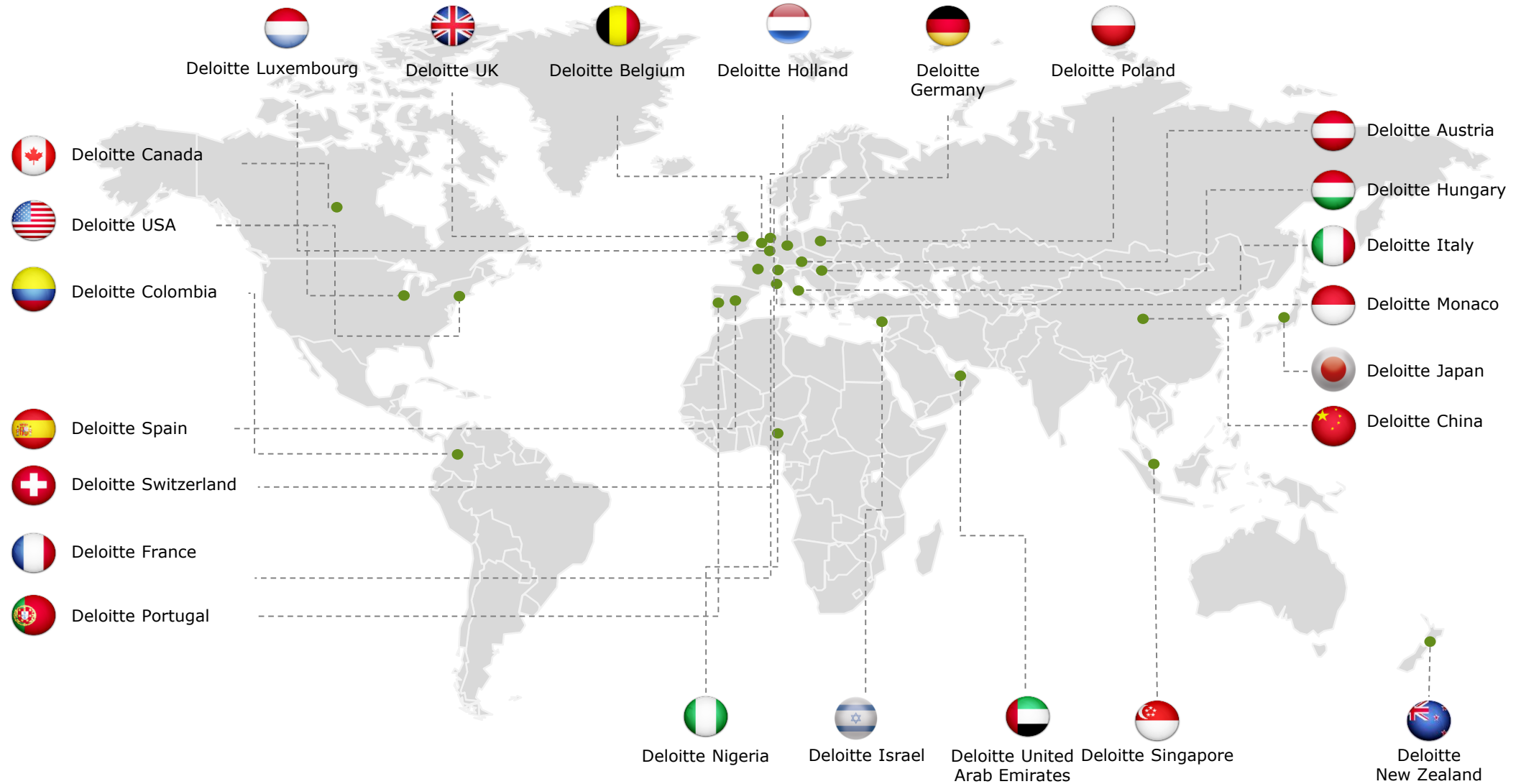
Global UHNWI Art & collectibles Wealth 2016 to 2026 Estimates

US\$ 1.622 billion in 2016 to US\$2.706 billion in 2026



Source: Deloitte Luxembourg & ArtTactic Art & Finance Report 2017

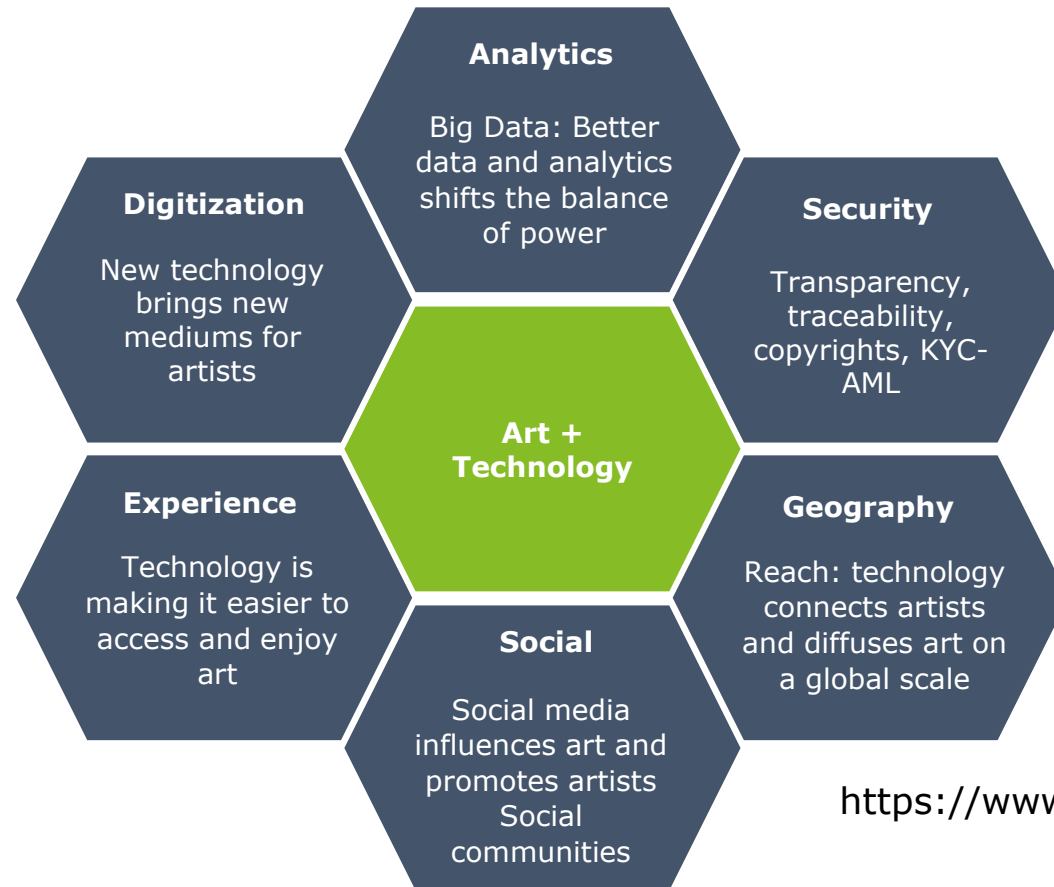
The Deloitte Art & Finance involves today more than 24 countries in 6 continents



Technological trends : Six forces that are practically shaping everything



Case study : Art & Technology – Six keys facets – ARTTECHS



<https://www.youtube.com/watch?v=u5SBhWgEE80>

Digital Technology has changed the field of art, in its production, distribution and reception

- Digital art has expanded to include browser-based art, light art, generative or 3D video, interactive works or those using virtual reality
- Do we have a market for it ? Is-it on the radar of the elites ?
- Video Art : Bill Viola
<https://www.bing.com/videos/search?q=digital+art+works+bill+viola+&&view=detail&mid=05986F279B87CDA9A7AB05986F279B87CDA9A7AB&&FORM=VRDGAR>

The Mori Building Digital Art Museum

<https://borderless.teamlab.art/>



Louvre Abu Dhabi : the world's first and only radio guided highway art gallery



Louvre Paris - Song APESHIT; Artist THE CARTERS

Visitor trails JAY-Z and Beyoncé at the Louvre

Thematic trail - Length: 1h30 - Tour days: Wednesday Thursday Saturday Sunday



Source Youtube

230
PROJECTS
79 IN GLOBAL CITIES

PROJECTS
ANNOUNCED **123**

PROJECTS
COMPLETED **107**



MUSEUM/
GALLERY



PERFORMING
ARTS CENTER



MULTIFUNCTION
ARTS VENUE



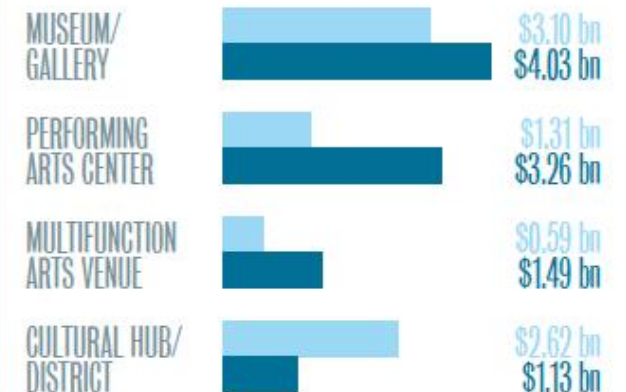
CULTURAL HUB/
DISTRICT



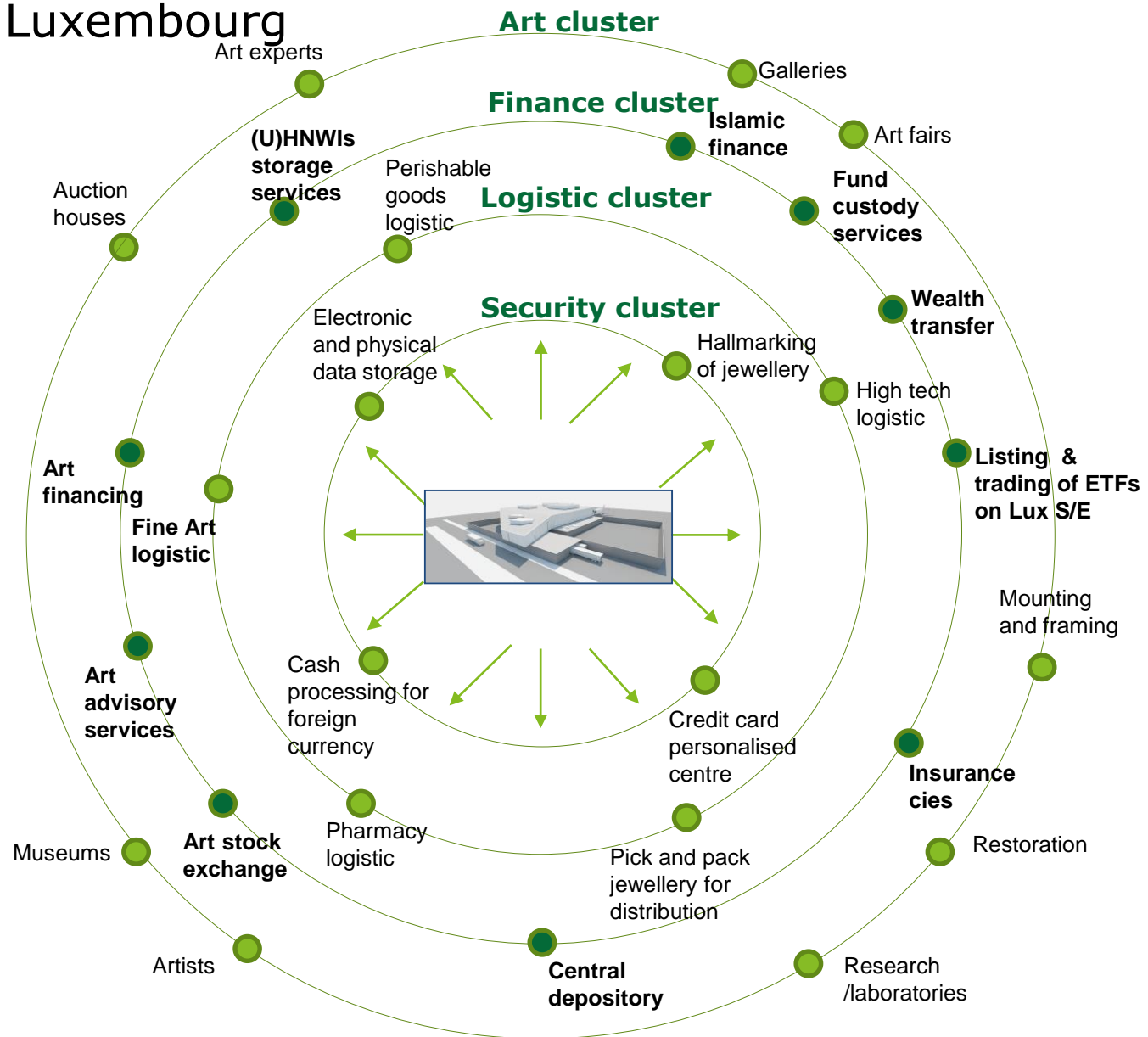
MEDIAN SQ METERAGE
PER PROJECT
5965

MEDIAN COST PER
SQ METER
\$6728

\$7.62 bn PROJECTS ANNOUNCED
\$9.92 bn PROJECTS COMPLETED



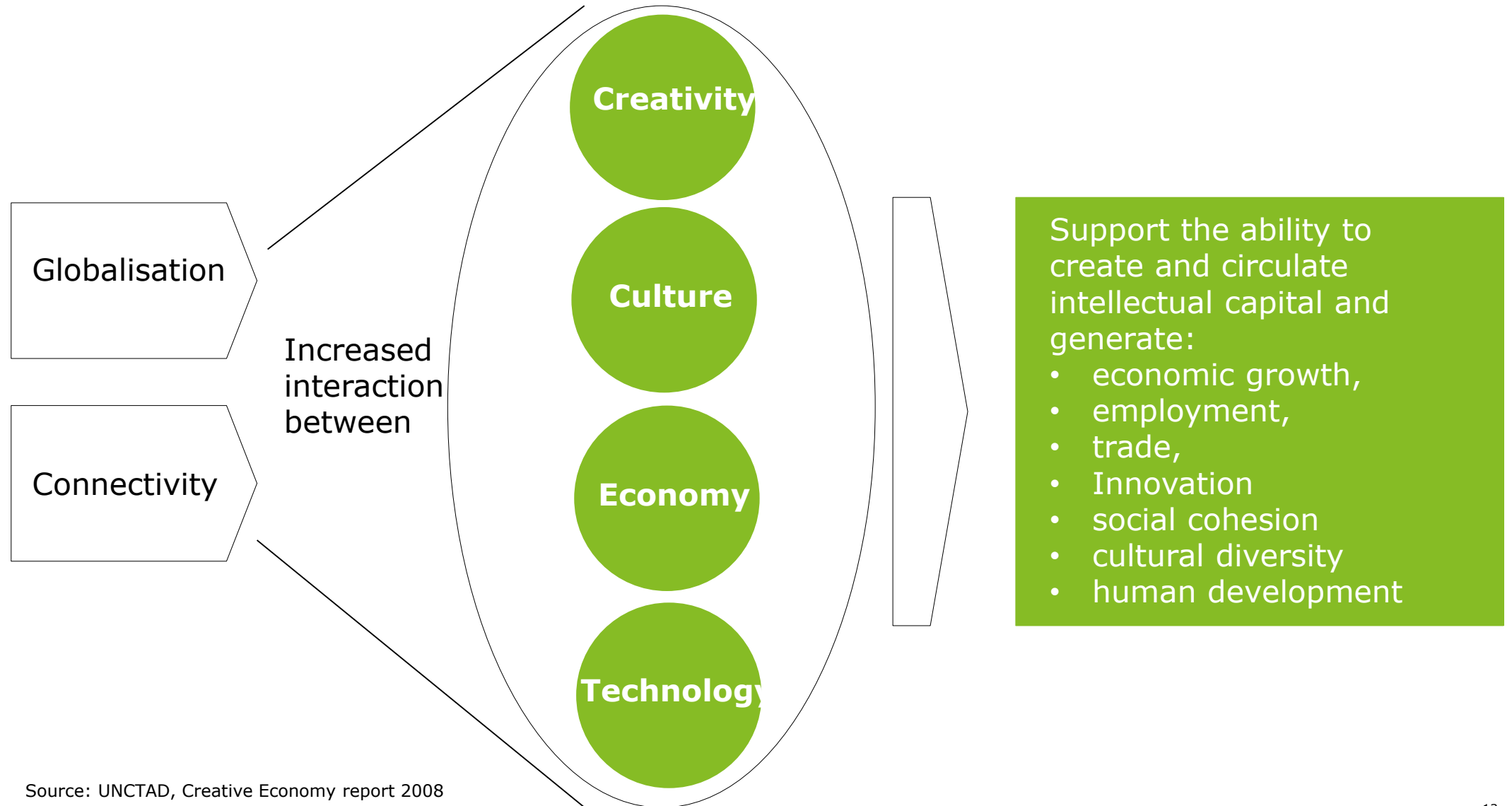
Case study : The Luxembourg Freeport will contribute to the development of the creative economy in Luxembourg



The Luxembourg Freeport will have a positive impact on the financial, logistic, ICT & cultural sectors in Luxembourg and will enhance Luxembourg creative economy:

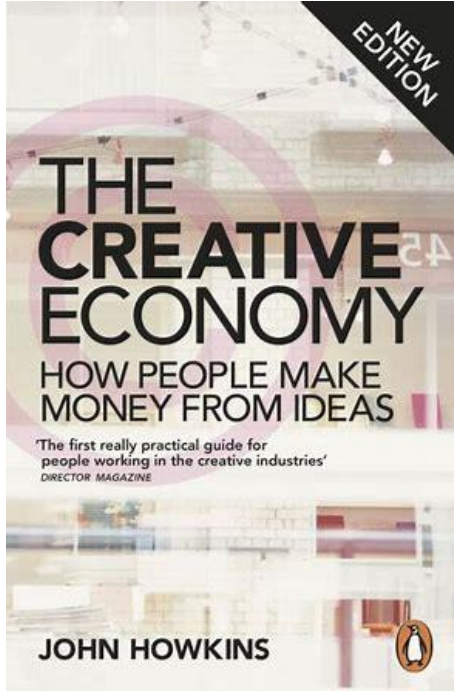
- Cultural assets
- Valuable tangible assets
- Data centers for digital assets (music, film, artworks, e-books, etc)
- Attract online companies in the art space
- New art businesses to Luxembourg
- New financial products and services
- New financial players
- New logistic services
- Etc
- The storage facility should be viewed as the first piece of a multi-dimension puzzle

Long term trends: Development strategies must cope with the far-reaching cultural and technological shifts under way in our society



Source: UNCTAD, Creative Economy report 2008

Long term trends : new markets emerge to meet the new needs generated by the economic expansion



Maslow pyramid

Need for self-fulfillment : knowledge and beauty (aesthetics)

People whose material needs are largely satisfied and who have a high level of disposable income remix their ambitions and **put a premium on matters of the mind**

Creative economy drivers

The underlying **cause of expansion** in both the supply and the demand curves is the increase :

- in the numbers of college-educated people and their desire to make and buy creative products.
- in internet reach and the power of search-and-share

Supply side

Demand for manual labor is down young people are looking to the creative sectors which offer an attractive lifestyle and above-average economic rewards

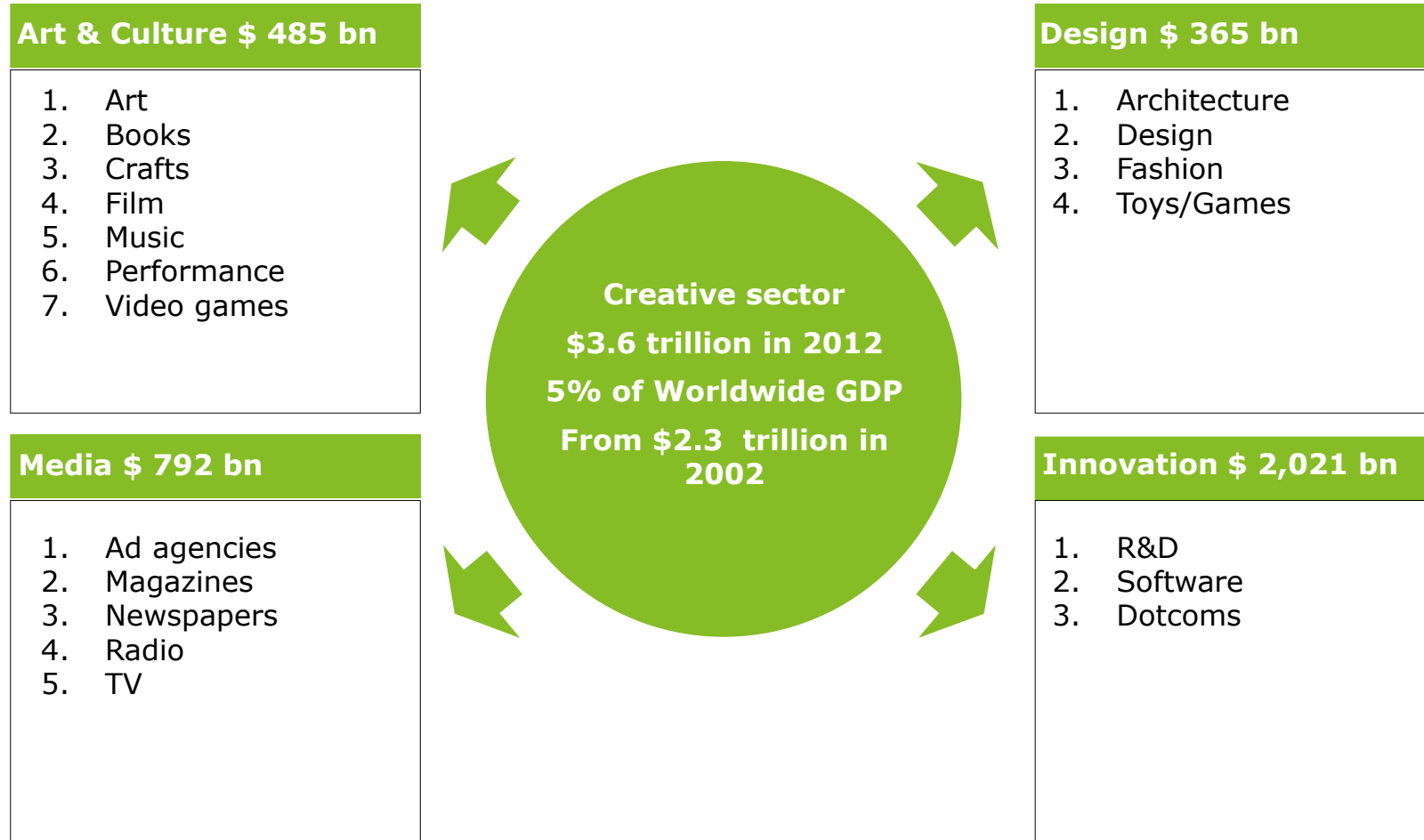
Demand side

Most rich countries spend more on culture and recreation than on foods or clothing

Digital technologies have created new opportunities for content, a new universe of online networks, user-generated content and interactive media, hungry for information, images and stories

The term creative industries group the following sectors:

Other dimensions : Regional – National / Private – Public / Companies – Private individuals



Source: John Howkins, «The creative economy, how people make money from ideas» Penguin business 2013

Creative economy in numbers and by core markets

2012 \$ billions	America	Europe*	Britain	China	Global
Art & Culture					485
Art	18	21	13	14	56
Books	37	48	6	13	135
Crafts	6	6	1	8	42
Film	33	25	6	3	90
Music	15	19	4	**	49
Performance	18	18	4	4	52
Video games	15	18	4	8	61
Design					365
Architecture	26	15	3	24	95
Design	41	39	8	25	165
Fashion	8	15	4	7	45
Toys/Games	21	17	4	9	60
Media					792
Ad agencies	24	20	7	3	58
Magazines	50	29	5	5	98
Newspapers	32	52	9	18	164
Radio	18	15	2	2	47
TV	145	105	18	22	425
Innovation					2,021
R&D	419	310	42	197	1,469
Software	137	78	31	35	310
Dotcoms	n/a	n/a	n/a	n/a	242
Total	1,043	850	171	397	3,663
* The figures for Europe include Britain			Source: John Howkins, «The creative economy, how people make money from ideas» Penguin business 2013		
** Under \$0.5 billion					

UNESCO Approach : The Creative Industry Sectors – 11 sectors

Description

The Creative Industry Sector (CIS) can be described as the aggregation of the following 11 sub-sectors :



Books



Fine arts & Design



Music



Publishing



Television



Advertising



Movies



Performing Arts



Radio



Architecture



Videogames/
Softwares

US\$ 2,250b of revenues & 29,5% million jobs worldwide, 1% of the world's active population – CCI revenues worldwide exceed those of telecom services (US\$ 1,570 b globally)

The biggest geographic areas contributing to the revenue are (billion) :

- Asia/Pacific: \$743b
- Europe: \$709b
- North America: \$620b
- Latin America/Caribbean: \$124b
- Africa/Middle East: \$58b

Top three revenue :

- Television: \$477b
- Visual art and design: \$391b
- Newspaper and magazine: \$354b

Top three employers :

- Visual art and design : 6.73 m
- Books: 3,67 m
- Music: 3.98 m

Market Analysis of the Cultural and Creative Sectors in Europe (CCS)

Cultural Activities

Correspond to “those activities, whether ending in themselves or contributing to the production of cultural goods and services, which embody or convey cultural expressions, irrespective of the commercial value they may have” (UNESCO) AND/OR “industries producing and distributing goods or services that, at the time they are developed, are considered to have a specific attribute, use or purpose that embodies or conveys cultural expressions, irrespective of the commercial value they may have. Besides the traditional arts sectors, they include film, DVD and video, television and radio, video games, new media, music, books and press (EC 183/2010)

Creative Industries

Correspond to “those industries that use culture as an input and have a cultural dimension, although their outputs are mainly functional. They include architecture and design, which integrate creative elements into wider processes, as well as sub-sectors such as graphic design, fashion design, or advertising” (EC 183/2010)

Cultural and Creative Sectors

CCS means all cultural and creative sectors whose activities are based on cultural values and/or artistic and other creative expressions, whether those activities are market- or non-market-oriented, whatever the type of structure that carries them out, and irrespective of how that structure is financed. Those activities include the development, the creation, the production, the dissemination and the preservation of goods and services which embody cultural, artistic or other creative expressions, as well as related functions such as education or management. The cultural and creative sectors include inter alia architecture, archives, libraries and museums, artistic crafts, audio-visual (including film, television, video games and multimedia), tangible and intangible cultural heritage, design, festivals, music, literature, performing arts, publishing, radio and visual arts (EIF)

Heritage, Archives and Libraries	Books and Press	Visual Arts	Architecture	Performing Arts	Audio Visual & Multi media	Education & Memberships	Other cultural and creative sectors activities
<ul style="list-style-type: none"> Library and archives activities Museums activities Operation of historical sites and buildings 	<ul style="list-style-type: none"> Books', newspapers' and journals' publishing activities and retail sales in specialised stores 	<ul style="list-style-type: none"> Artistic creation activities Photographic activities Specialised design activities 	<ul style="list-style-type: none"> Architectural activities (advisory, technical consultancy, design and planning) 	<ul style="list-style-type: none"> Operation of arts facilities Performing arts and its support activities 	<ul style="list-style-type: none"> Production, recording and distribution of motion picture, video and music Radio and TV broadcasting Publishing of computer/video games 	<ul style="list-style-type: none"> Tertiary education Cultural education Activities of professional membership organisations Activities of other membership organisations 	<ul style="list-style-type: none"> Wholesale of musical instruments Retail activities of auctioning houses Renting of jewellery, musical instruments, scenery and costumes Repair of books, musical instruments

The European CCS are renowned on a global scale and rank among the top performers

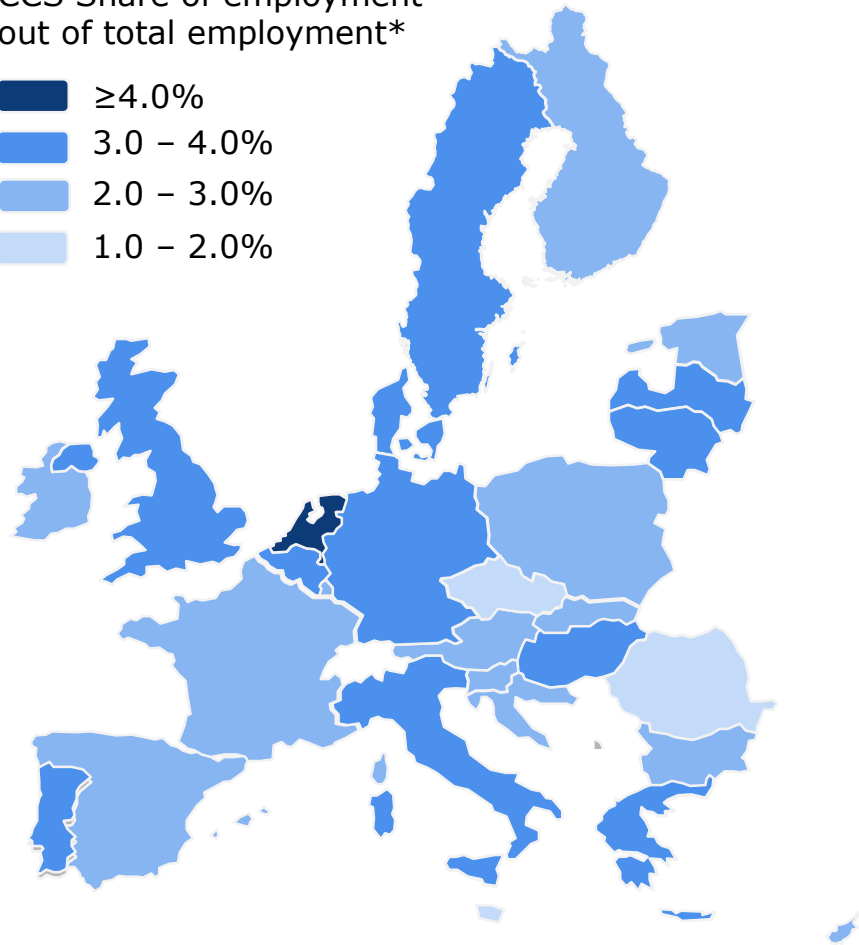
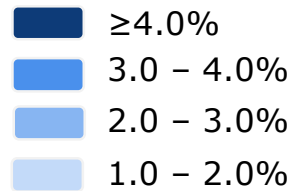


Key observations about the European CCS:

- European CCS companies count among the **leading world brands** e.g. Universal, Bertelsmann, Pearson, LVMH, Gucci, Sotheby's, Rovio, Pathé, Nordisk, Spotify, KING, Supercell and many more
- European CCS activities achieve a **significant market share**: TV programme, Animation, Film, Music, Publishing, Art market, Fashion (international and local market)
- Europe hosts a **thriving, agile and highly creative independent** sector e.g. film, music, publishing, games
- Europe is renowned for **excellence in Arts management and Live Events** e.g. Museums/Festivals/Events
- European festivals and international trade fairs are amongst the largest in the world e.g. Frankfurt Book Fair, Cologne "Gamescom", "Sonar" Barcelona, Cannes (Midem/MIPTV/Film Market), "Art" Basel, Salone Mobile/ Milano, Sziget
- European **Art and Design schools rank among the best in the world** e.g. Royal College of Art (UK), Aalto (FI), Politecnico di Milano (IT)
- Europe is home to **a great number of heritage and gastronomic sites**/tourism sites (most visited sites) – 50% of UNESCO sites

The CCS represents a key market for the EU in terms of size, employment and value added

CCS Share of employment out of total employment*



*Source Eurostat, data for 2015

Key Observations

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 employment represents:
 - ≥ 4.0 % of total employment in 1 country
 - 3.0 – 4.0% of total employment in 11 countries
 - 2.0 – 3.0% of total employment in 13 countries
 - 1.0 – 2.0% of total employment in 3 countries

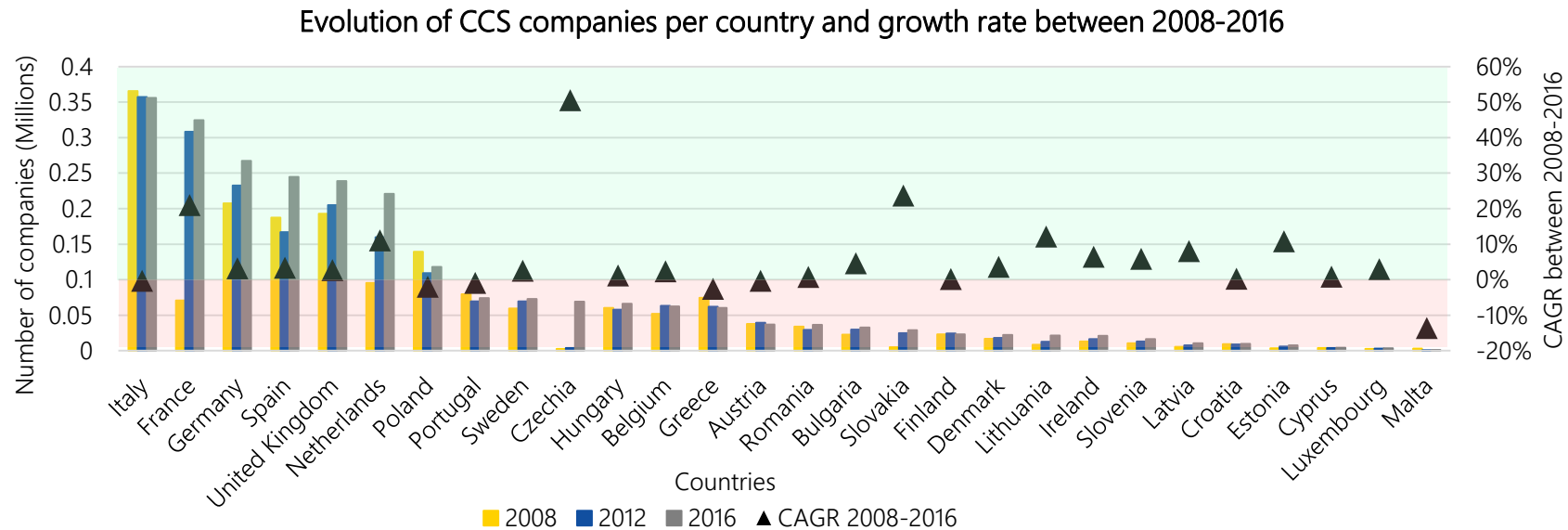
The CCS' economic weight is comparable to that of ICT and the accommodation and food services sectors

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⁾

Key Observations

- CCS' contribution to GDP is **similar to the sectors of ICT and Accommodation and food services**
- CCS generates a **higher level of value added than the Accommodation and food services sector**
- The number of companies in CCS **exceeds those in ICT and Accommodation and food services**

The CCS experienced overall positive growth in terms of the number of companies in most EU countries



Key Observations

- Overall, the number of CCS companies has steadily increased over the period 2008-2016 with a CAGR of 4%
- In the EU, 22 countries experienced growth in the CCS between 2008 and 2016. Only 6 countries* saw a decrease in the number of CCS companies
- Regarding CAGR, the Netherlands, Slovakia, Lithuania and Estonia are the top performing countries (over 10% growth)**
- In 2016, the countries counting the most CCS companies were Italy (355,836), France (324,579), Germany (267,118), Spain (244,762), the United Kingdom (239,062) and the Netherlands (221,031)

Source: Eurostat (figures based on NACE codes shown in Appendix)

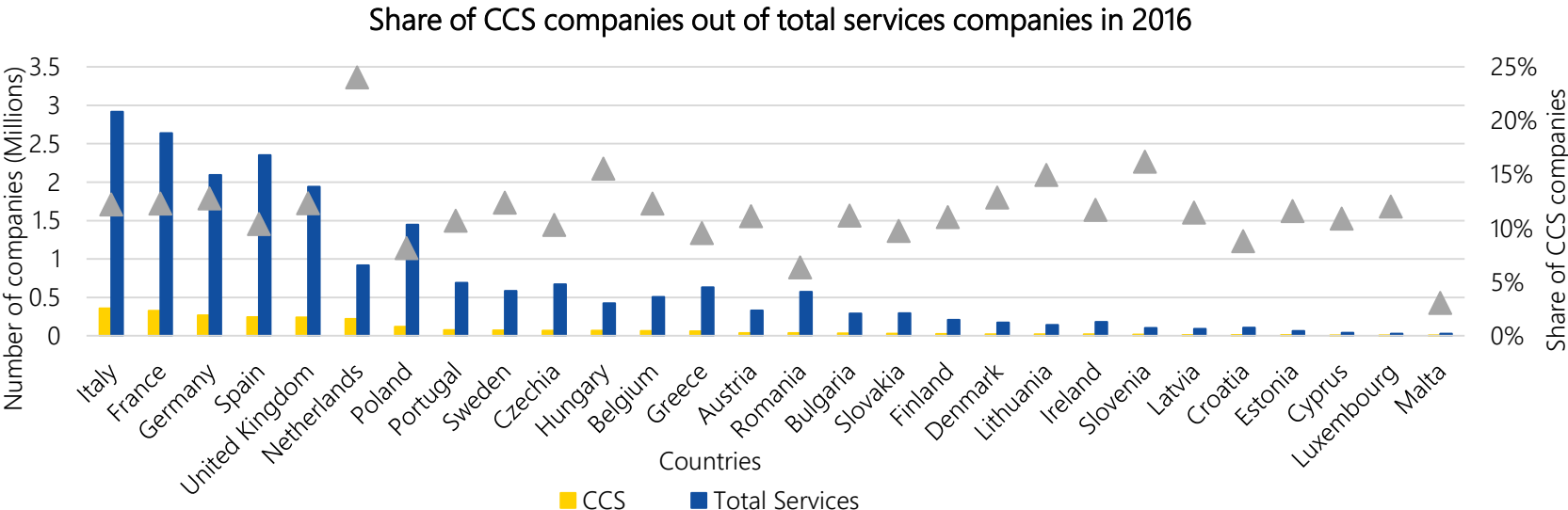
Introduction – Bogota – May 8th, 2019

*The 6 countries that saw a decrease in CCS companies over the period 2008-2016 are: Italy, Greece, Malta, Austria, Poland and Portugal

** Please note that the high CAGR for Czechia is due the unavailability of data at the start of the

reference period leading to an overestimation. The same applies to France where the total number of CCS companies in 2008 is underestimated due to unavailability of data in that year for several sub-sectors.

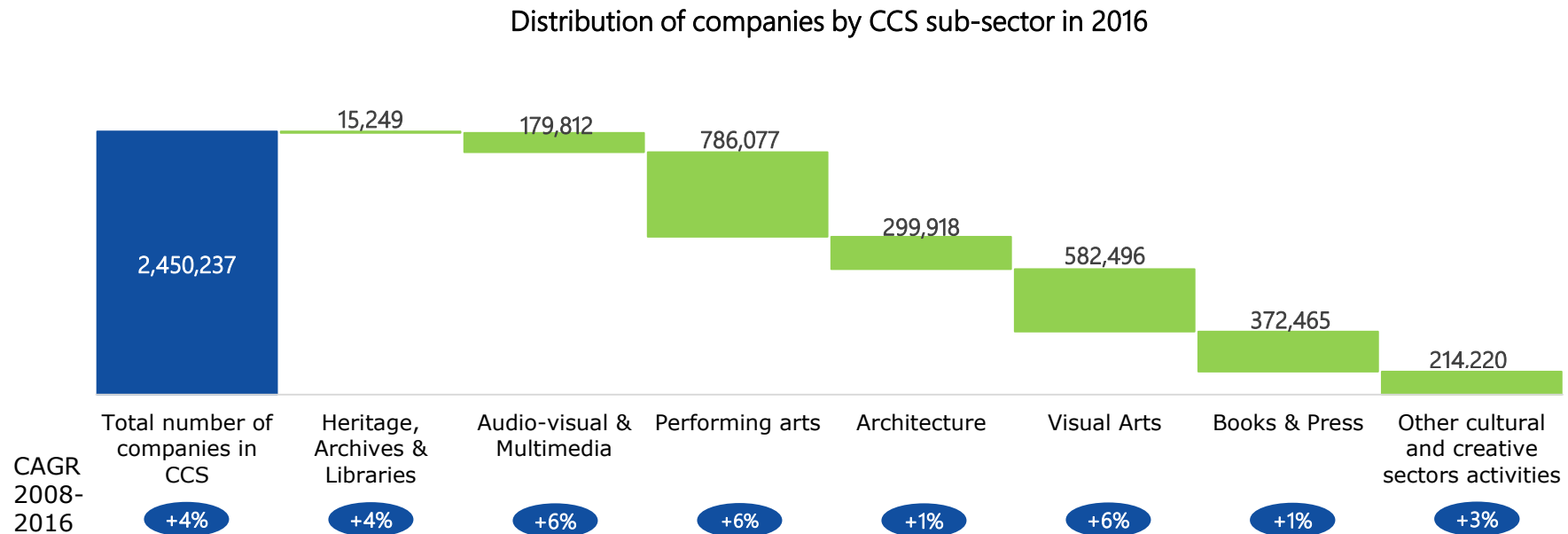
CCS companies play an important role in the majority of European economies as their share out of total service companies reaches at least 10% in most countries



- Key Observations**
- The Netherlands, Hungary, Lithuania and Slovenia are amongst the countries with the highest share of CCS companies in their economies
 - On average the share of CCS companies out of all companies (i.e. total services) across the EU28 exceeds 10% making it an important contributor to local economies

Source: Eurostat (figures based on NACE codes shown in Appendix)

All CCS sub-sectors have seen an increase in the number of companies in past years

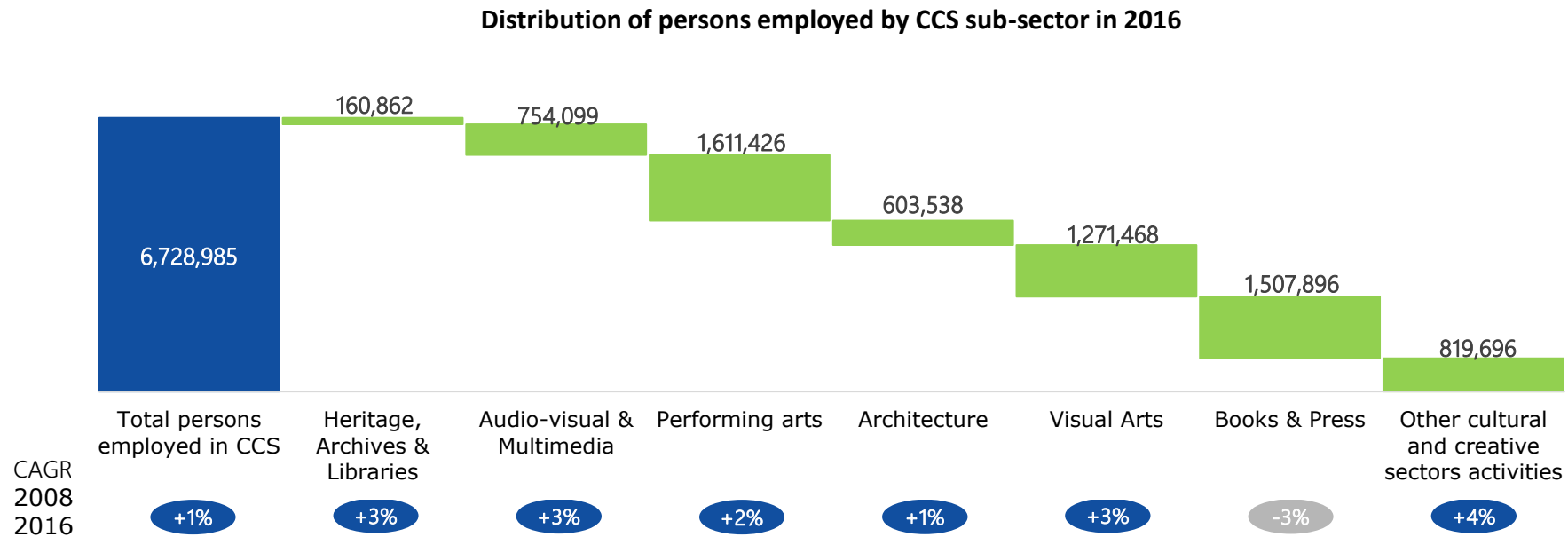


Key Observations

- In the EU28 the number of companies has grown by 4% (CAGR) in the period 2008-2016 across all sub-sectors
- In 2016, the largest sub-sectors in terms of number of companies are:
 - Performing Arts
 - Visual Arts
 - Books & Press
 - Architecture
- Sub-sectors with the strongest growth rates:
 - Audio-visual & Multimedia
 - Performing arts
 - Visual Arts

Source: Eurostat (figures based on NACE codes shown in Appendix)

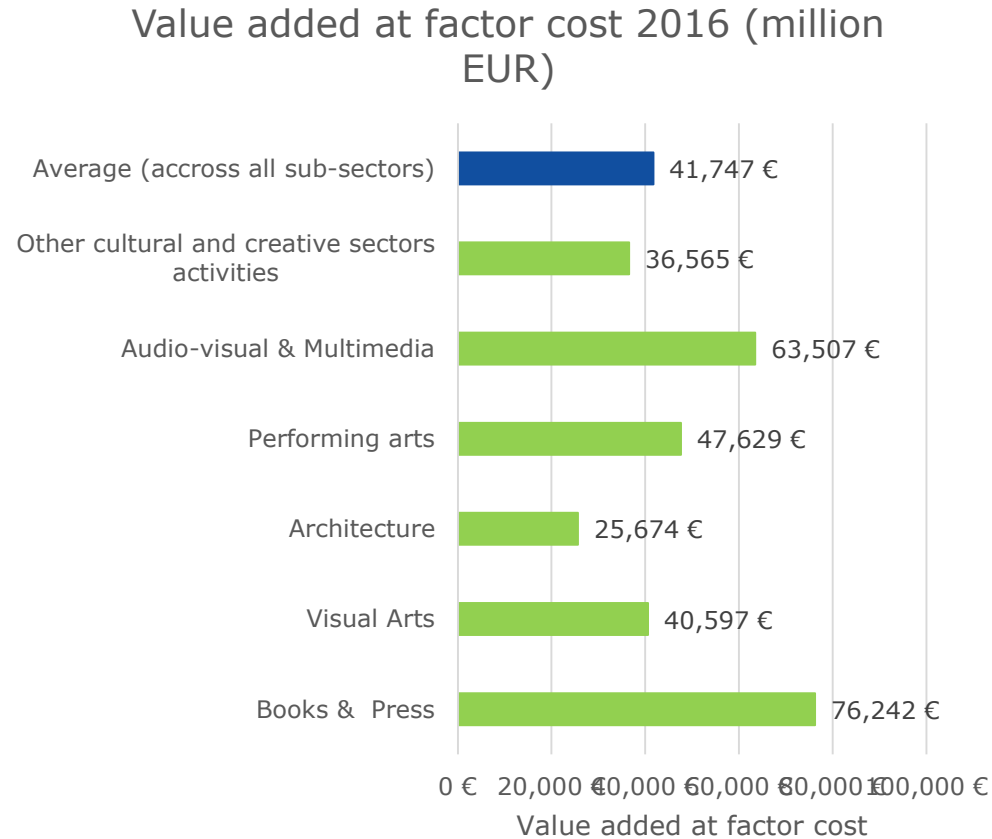
Overall, employment in CCS has grown since 2008 with some sub-sectors seeing significant growth rates



Key Observations

- Total employment in CCS amounts to more than 6.7 million in 2016. It has remained stable over the period 2008-2016 with a CAGR of 1%
- The sub-sectors with the highest number of persons employed are *Books & Press*, *Performing arts*, *Visual arts* and *Audio-visual & Multimedia*
- The sub-sectors *Other cultural and creative sectors activities*, *Audio-visual & Multimedia*, *Visual arts* and *Heritage, Archives & Libraries* have seen the highest CAGR over the reference period
- The sub-sector *Books & press* has seen a decline in the number of persons employed over the reference period

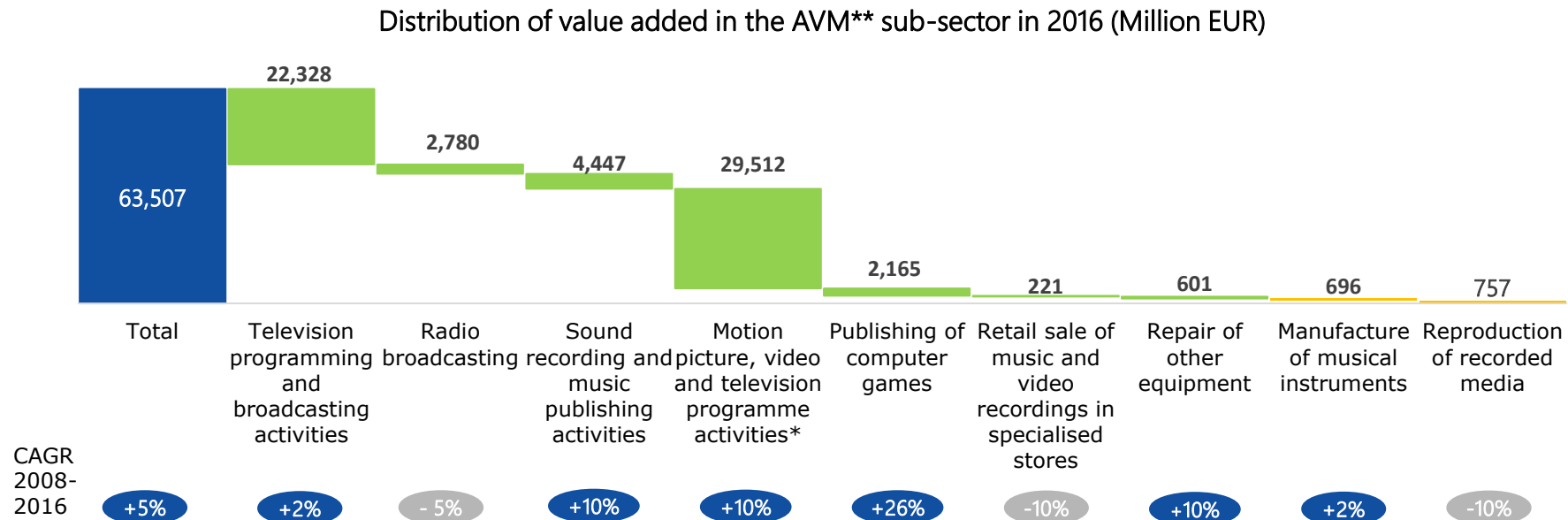
Value added in the CCS has seen constant growth in past years reaching EUR 290 billion in 2016



Key Observations

- In 2016, total gross value added at factor cost amounts to EUR 290.2 billion. The average gross value added across CCS sub-sectors amounts to 41.7 billion Euro
- Over the reference period (2008-2106) the gross value added has consistently grown with a CAGR of more than 2%
- Out of the 6 CCS sub-sectors for which data on gross value added was available, 5 have seen an increase in the gross value added over the reference period. The only sector that has experienced a moderate decline in gross value added is *Books & Press*
- The sub-sectors *Books & Press* and *Audio-visual & Multimedia* achieve the highest gross value added. Furthermore *Audio-visual & Multimedia* achieves the highest compound average growth rate over the reference period in gross value added

Value added in the audio-visual and multimedia sub-sector has seen tremendous growth over the past years



Key Observations

- In 2016, nearly half of the gross value added in the AVM sub-sector is generated by Motion picture, video and television programme activities
- Activities related to Television programming and broadcasting activities, Sound recording and music publishing as well as Publishing of computer games contribute more than 40% to total gross value added
- While overall gross value added has seen a constant growth with a CAGR of more than 5%, Publishing of computer games has seen the strongest growth in the reference period amounting to over 26% (CAGR)

The surplus in the EU trade balance for cultural goods indicates an increased demand for EU cultural goods



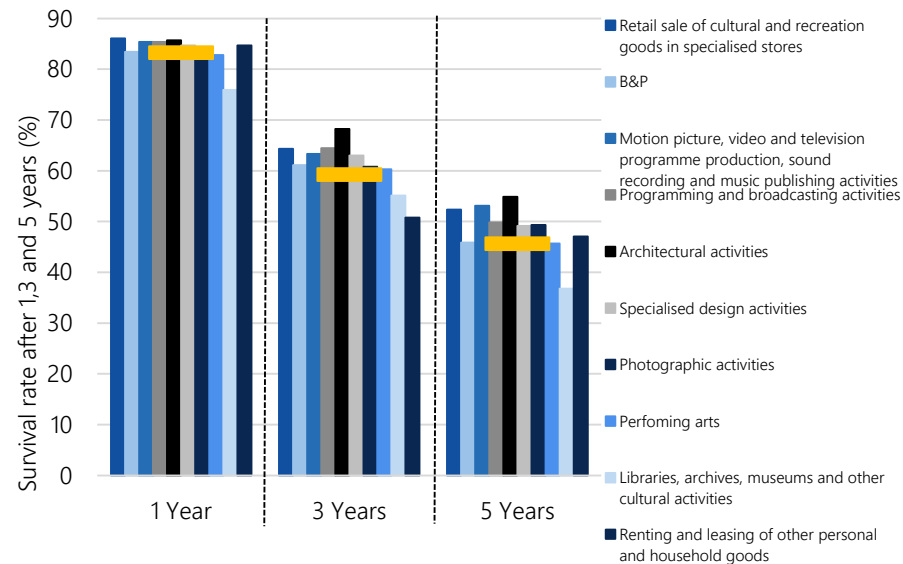
In EUR million

Key Observations

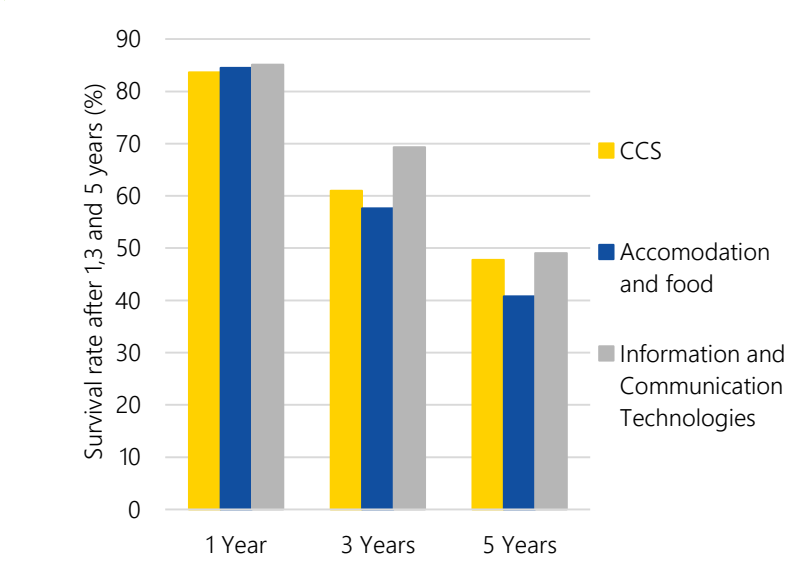
- Cultural goods are the products of artistic creativity that convey artistic, symbolic and aesthetic values; examples are antiques, works of art, books, newspapers, photos, films and music
- The EU's cultural goods trade balance switched from a trade deficit of EUR 2.068 million in 2008 to a trade surplus of EUR 1.857 million indicating an **increased demand for EU cultural goods**
- This change can be explained by an increase in exports (+3,2%) and a decrease in imports (-2.4%)
- The main contributors to the surplus in the balance of trade for cultural goods are **works of art and books**
- Cultural goods make up **0.65% of the total EU imports** in 2014
- Cultural goods accounted for a **0.75% of total EU exports**

Survival rates of companies in most CCS sub-sectors outperform the benchmark of service enterprises in the EU

Survival rates of CCS companies after 1, 3 and 5 years compared to a benchmark of all services enterprises



Survival rates of CCS companies after 1, 3 and 5 years compared to other industries



Key Observations

- Survival rates* for service enterprises** across the EU were:
 - 83% after 1 year
 - 59% after 3 years
 - 45% after 5 years
- The CCS sub-sectors with the highest survival rates after 5 years are Architectural activities and Motion picture, video and television programme production, sound recording and music publishing activities

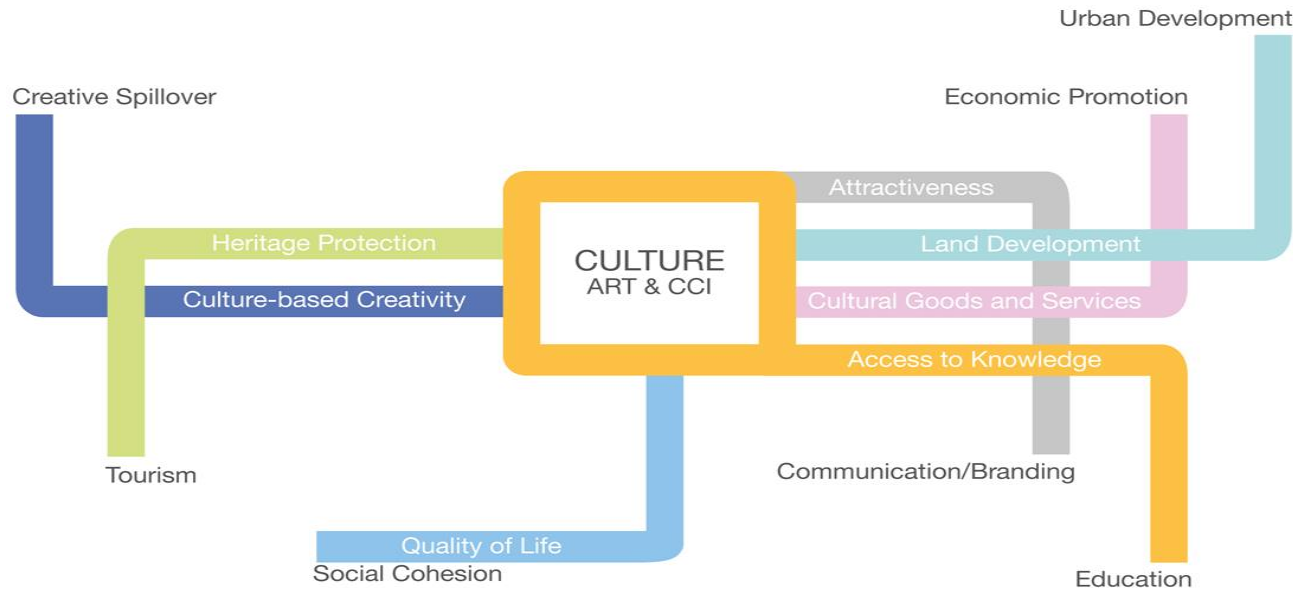
Key Observations

- In the EU, CCS SMEs have similar survival rates after 1 and 5 years as companies in the ICT sector
- After 3 years, CCS companies still have a higher survival rate than the accommodation/food sector

Apart from financial and risk considerations, CCS investment decisions should also take into consideration the social impact of CCS projects

- 1** CCS is **important for young employment, inclusion** and **entrepreneurship**
 - CCS in the EU employs more people aged 15–29 years than any other sector
- 2** CCS encourages the **participation of women** compared to other sectors
 - For instance, in the UK, in 2014, the share of women amounted to more than 50% of employees in the music industry
- 3** The CCS is **driven by small businesses** or individuals, which attracts agile and innovative employers
- 4** The CCS **enhances the attractiveness of cities**
 - It provides the opportunity to engage in large urban development projects
 - It has a positive impact on tourism
 - It contributes to the creation of a local identity supporting social cohesion

Cities are main investors in CCS to develop territorial attractiveness/regeneration and to support entrepreneurship



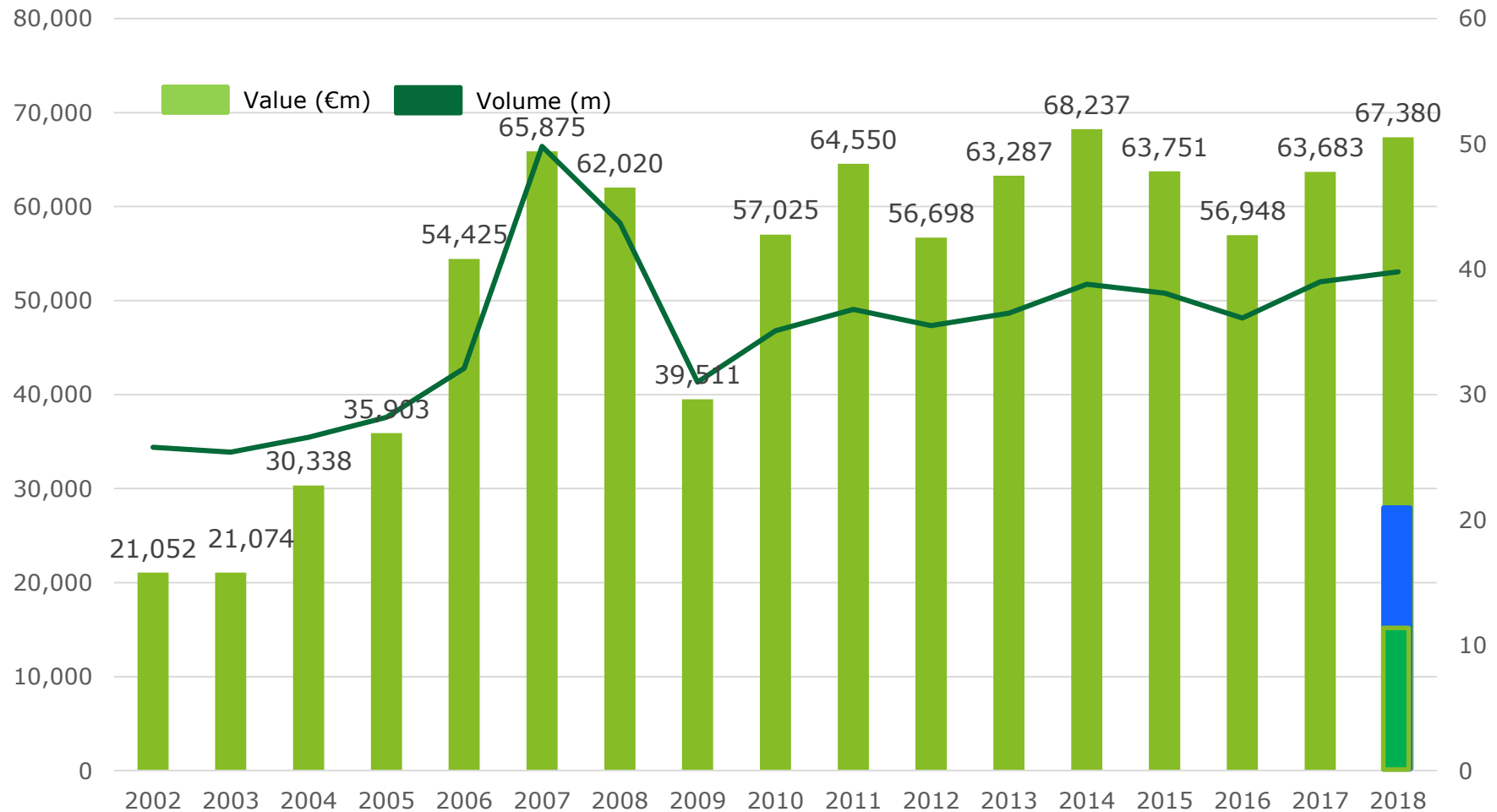
"I have long believed that talent attracts capital far more effectively and consistently than capital attracts talent. The most creative individuals want to live in places that protect personal freedoms, prize diversity and offer an abundance of cultural opportunities."

Michael Bloomberg, former mayor of New York City and founder of Bloomberg

CCS are at the heart of urban development strategies and a main contributor to urban economies and social development:

- CCS increase cultural offers and make cities attractive to talents, tourists as well as investors
- CCS encourage innovation (fablabs*, makerspace, cultural hubs and clusters) and hybridisation acting as laboratories to the new economy
- In large European cities 1 in 7 jobs are in the cultural and creative sectors
- In Greater London gross value added from CCS activities has risen from EUR 23 billion in 2003 to nearly EUR 47 billion in 2015

Trends : The Global Art Market* : Value (€m) and Volume of transactions (m)

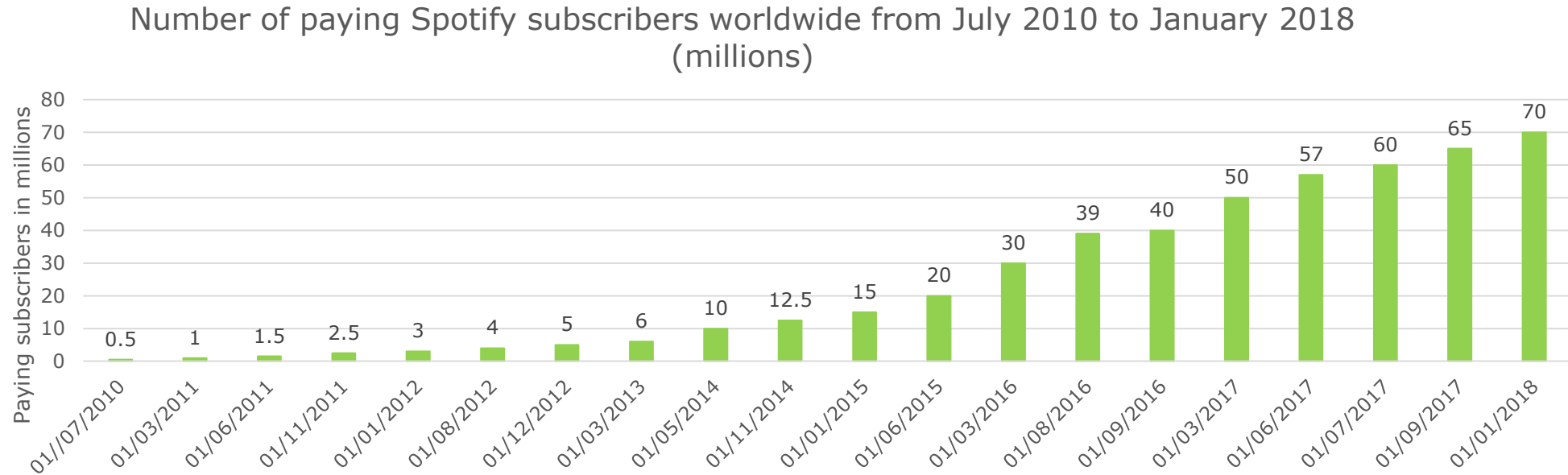


Source : Tefaf Art Market Reports & The Art Basel & UBS Art Market Reports
 *Global Art Market = fine and decorative art and antiques

Global Art Auction Market: 29,1 \$bn
Fine Art sectors: 14,4 (\$bn) (21%):

- Post War & Contemporary : 7,2 (\$bn)
- Modern : 4,2(\$bn)
- Impressionist and post impressionist :2,1 (\$bn)
- Old Master : 0,9 (\$bn)

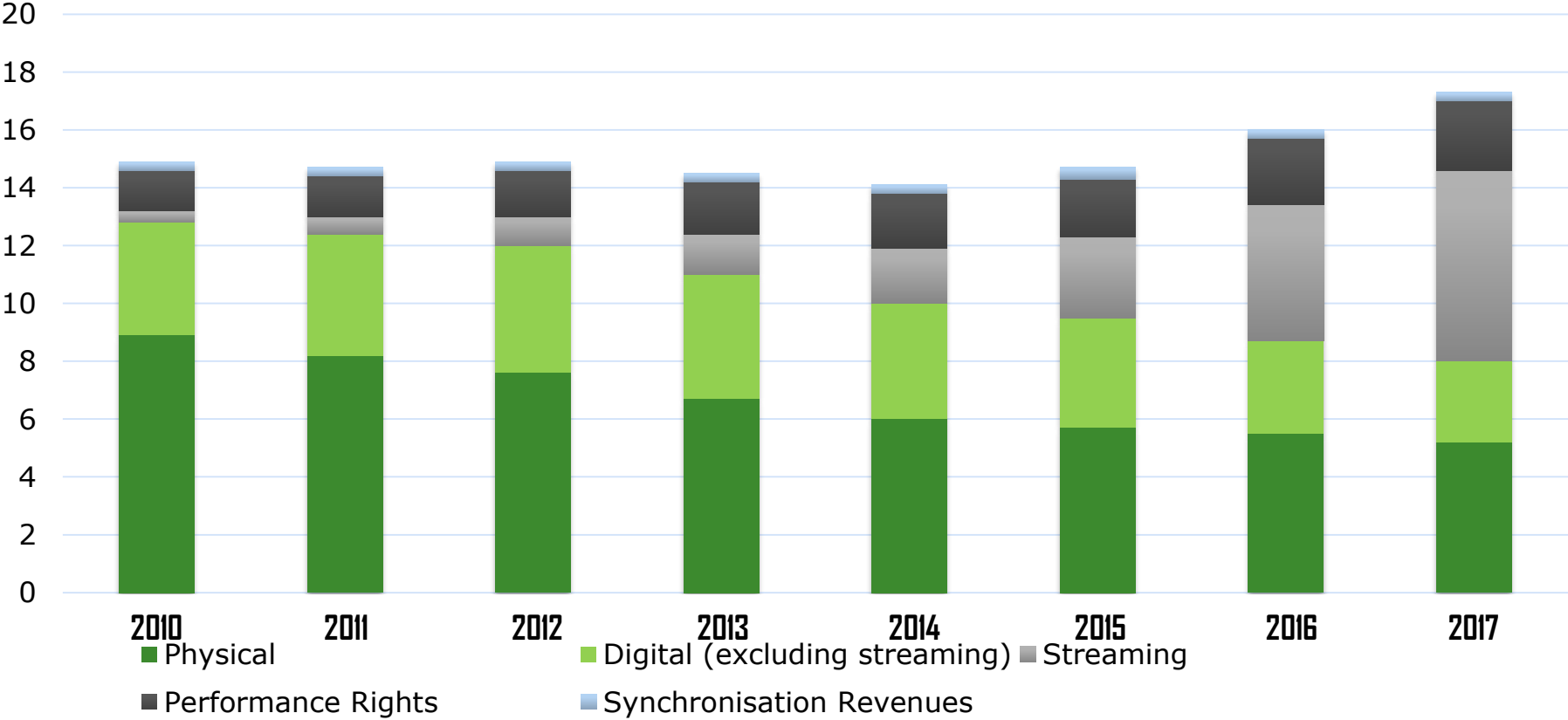
Trends : The subscription model is replacing the traditional ownership model, giving CCS new growth opportunities



New Ways to Generate Revenues

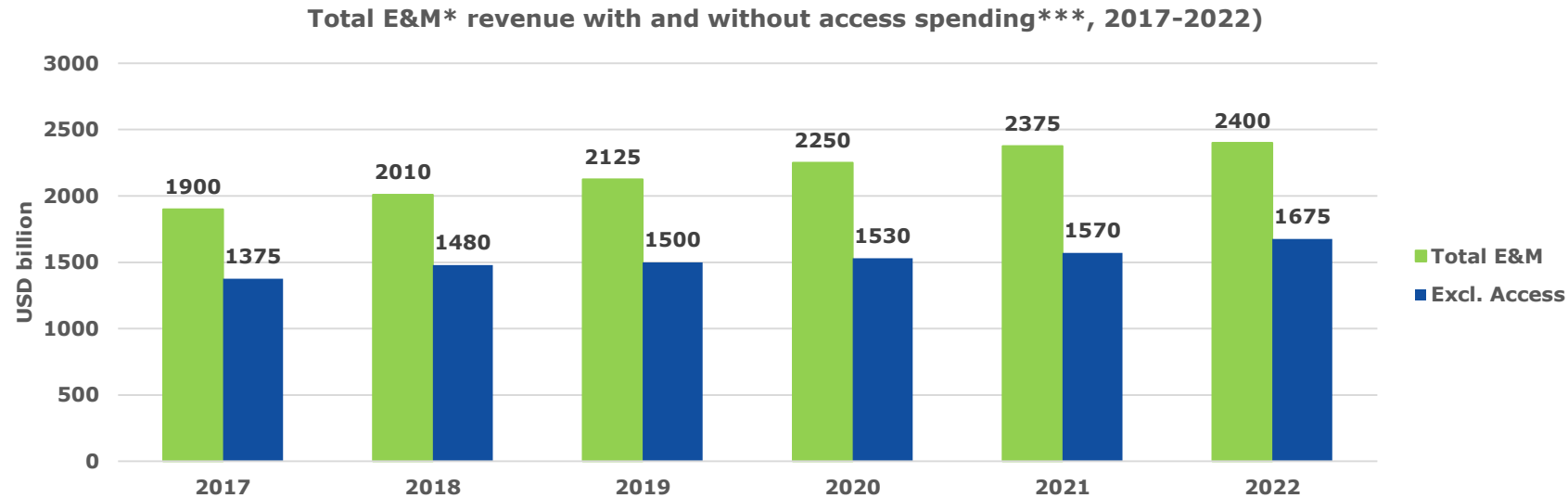
- The **subscription business model is gradually replacing the ownership model** and becoming the main point of access to content e.g. Spotify, Apple Music, Amazon, Netflix, Google, Deezer, etc.
 - Spotify has seen an increase in paying users from 40 million in September 2016 to 70 million in June 2018.
 - There is an increased importance of social media, merchandising and live performances to generate revenues
- The main victims of this trend are retailers as well as actors in the lucrative home video market and CD sales
- In general, it can be observed that the younger generation shows new consumption patterns (more mobile in taste and usage)

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



Source: IFPI Global Report 2018

Trends : Growth forecast for entertainment and media predict fast growth for virtual reality (VR) and over-the-top videos (OTT**)



Growth and productivity

- Total global Entertainment and Media (E&M) revenue will see a 4.4% CAGR rise over the five year forecast period through 2022, reaching USD 2.4 trillion in that year, from USD 1.9 trillion in 2017
- In the EU, the video on demand (VOD****) market has grown from revenues worth EUR 1.165 million in 2013 to EUR 5.131 billion in 2017. In particular, **SVOD***** revenues have experienced exponential growth**, from EUR 363 million to EUR 3.649 billion
- Magazines and Newspapers are experiencing a negative trend

Source: Global Entertainment and Media Outlook, 2018

***E&M** : Entertainment and Media

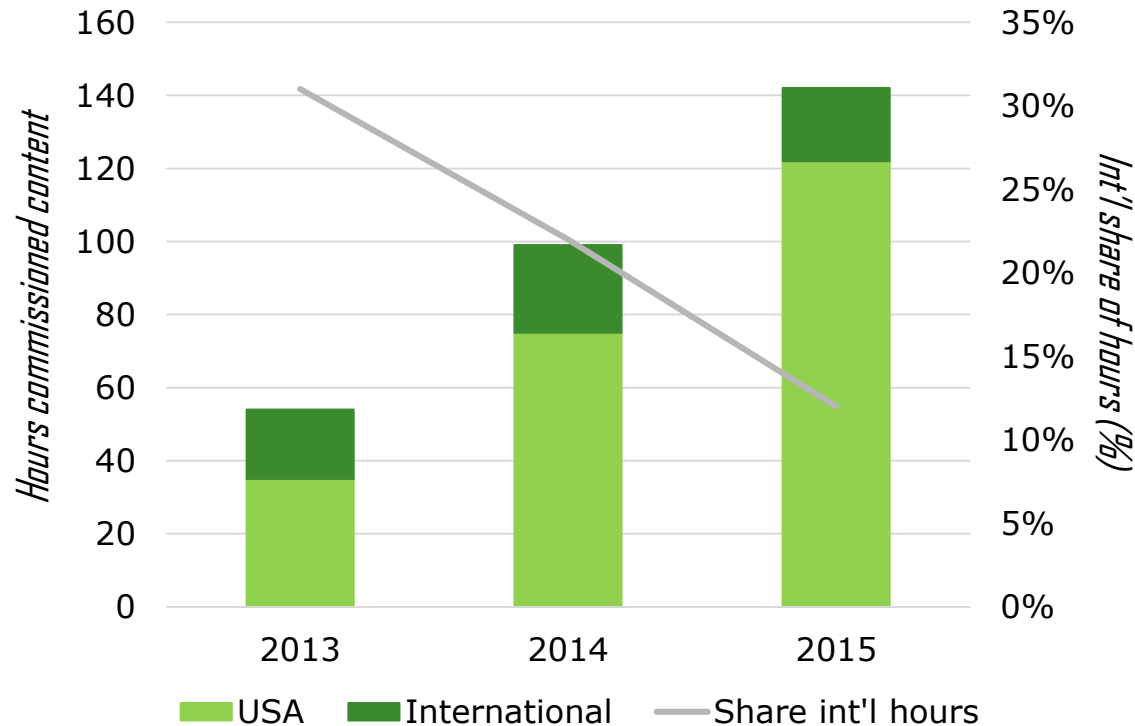
****OTT**: over the top videos – OTT refers to content providers that distribute streaming media as a standalone product directly to viewers without dedicated distributors/telecommunications, broadcasting companies etc.

*** **With access spending** refers to the total spending of accessing content including the subscription cost required to access content (e.g. broadband access and mobile internet) **without access spending** excludes these costs

*** **VOD**: Video-on-Demand

*******SVOD**: Subscription-Video-on-Demand

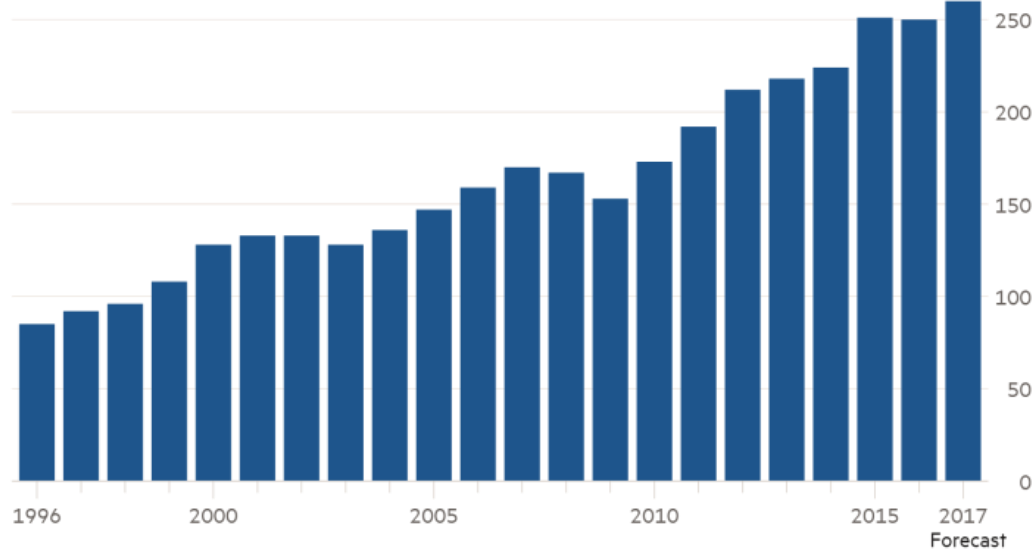
Trends : Increased demand for content from global media/tech platforms



- 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 luxury and fashion, global sales have seen a strong rise in recent years and EU based players are among the key players

Luxury goods global sales between 1996 and 2017 (in EUR billion)



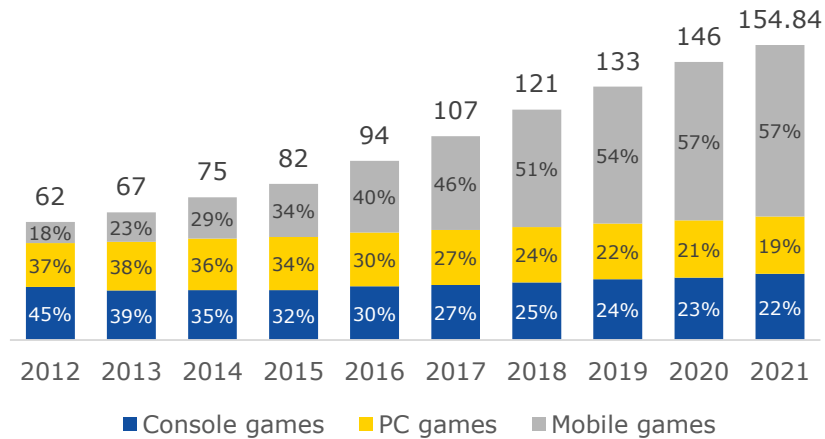
© FT

Market leaders pulling smaller actors

- 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)
- Significant M&A in the sector (Versace but also smaller brands largely foreign acquisitions)
- Importance of E-commerce platform (Zalando)

Trends : The global video games market is growing rapidly due to the expansion of new technologies

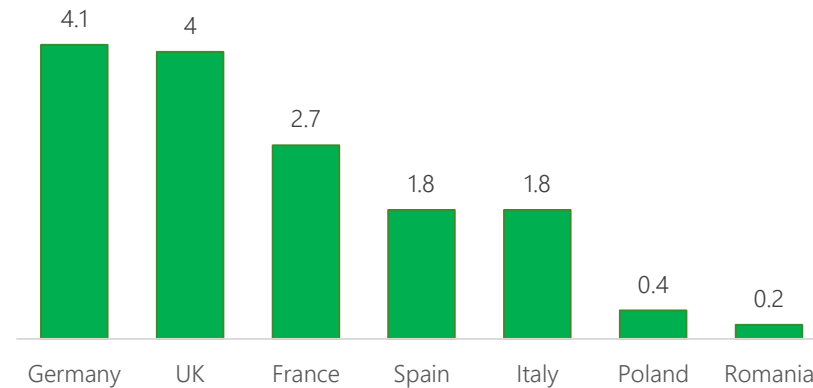
Global video games market revenues (EUR, billion)



Key Observations

- The global video games market is growing. In 2018, it was worth around EUR 121 billion and is projected to grow by 27% until 2021
- Mobile gaming is the largest segment accounting for around 50% of the market in 2018

European video games market revenues (EUR, billion)

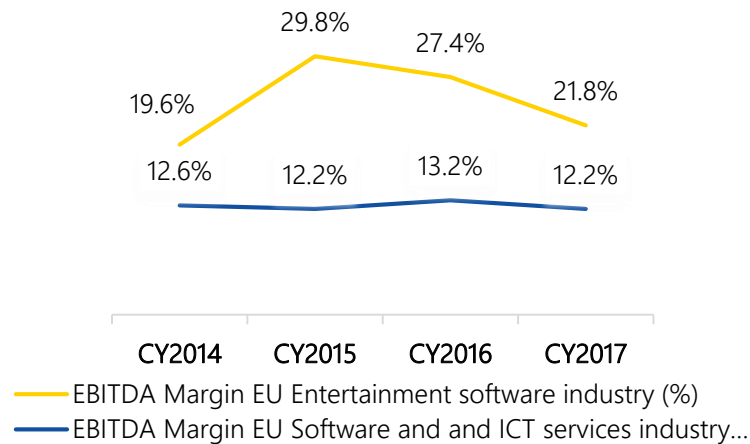


Key Observations

- The biggest EU players account for around EUR 15 billion of the total EU market representing around 12% of the global market
- The biggest markets are Germany, UK followed by France, Spain and Italy

Trends : The EU entertainment software industry has seen a constant growth of yearly revenues and EBITDA margins outperformed those of the EU Software and ICT services industry

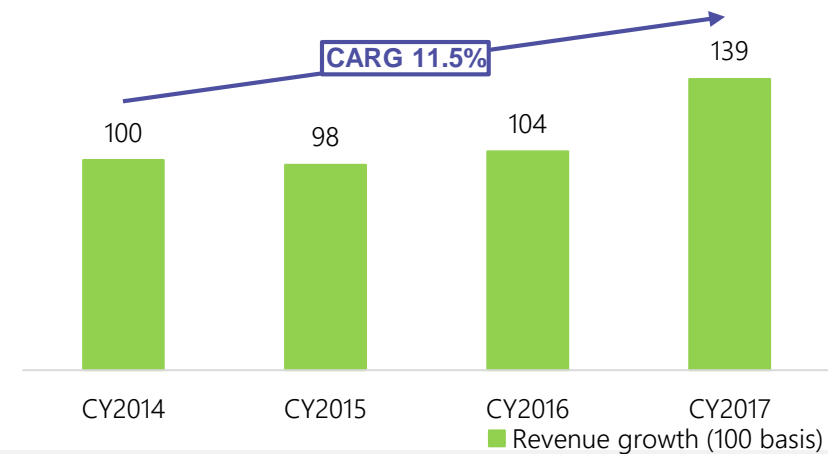
EBITDA Margin (%)



Key Observations

- The EU entertainment software industry had a **higher EBITDA margin than the EU software and ICT services industry** during the last 4 years
- The industry in EU reached a record EBITDA margin of 29.8% in 2015 and has decreased ever since to a level of 21.8% in 2017

Revenues – Yearly growth (%)

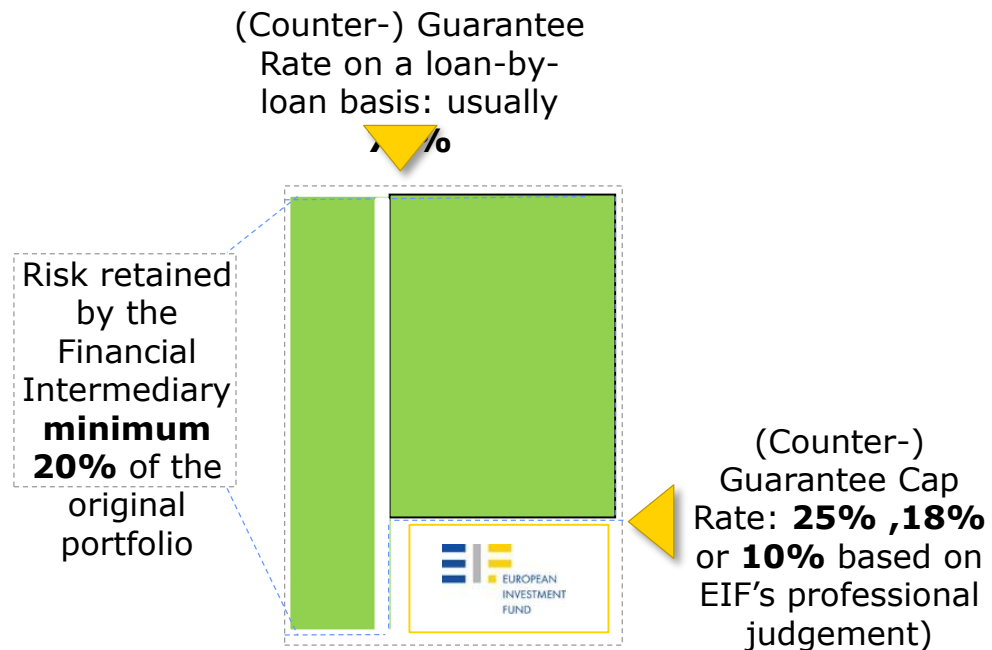


Key Observations

- The entertainment software industry in the EU had a **CAGR of 11.5% for the last 4 years**
- The entertainment software industry's total revenue growth in EU increased by 39% since 2014

Case study : CCS Guarantee Facility – Key features

Financial intermediary's portfolio of CCS related transactions to SMEs



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)

CCS Guarantee Facility - Eligible entities and Debt Financing

SMEs* and Small Public Enterprises** that:

- Have a **CCS NACE code**; 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 and intends to continue doing so**; 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 from **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)

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...

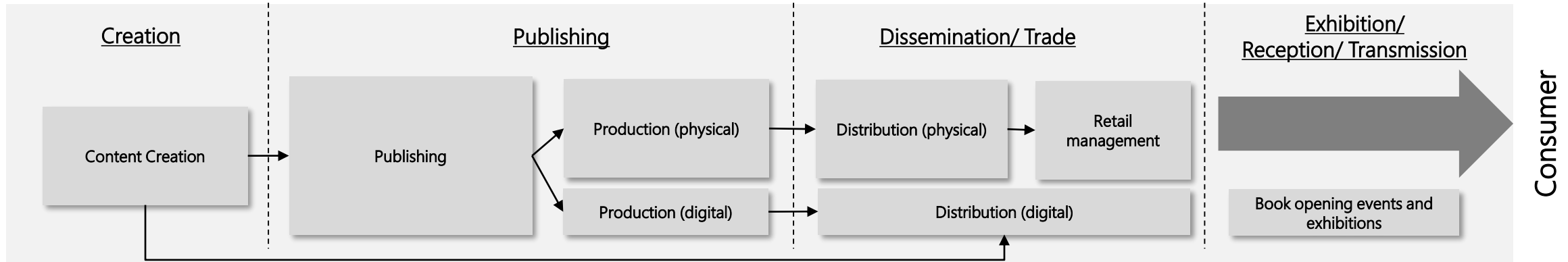
- **...Understand the business models** and specificities of operators of the CCS,
- **...Market financial products to the CCS market** and build a prospecting strategy,
- ...Assess the **credit risk** associated with SMEs in the CCS within the specific context of CCS value chains and B2B relationships,
- ...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.

CCS specifics and value chain example

The financing needs of CCS SMEs depend on their positioning on the value chain of the different CCS sub-sectors

Typical CCS value chain



Overview

- Each CC sub-sector has its own specificities in terms of business model and market structure.
- However, there are certain **characteristics which are common** for all CC sub-sectors:
 - Dependence on **intangible assets** and often intangible nature of the projects and production,
 - **Value chain** is dominated by a network of agreements with partners, and 2/3 of the revenues are based on B2B relationships
 - Complex and evolving **business models** subject to **external trends** such as technology disruptions and shift in consumer preference (digital distribution channels, impact of social networks, sharing vs. ownership-based consumer consumption etc.)

Socially Responsible Investment (SRI)

Socially Responsible Investment (SRI) is an investment strategy that incorporates environmental, social and corporate governance (ESG) factors within the investment process

Is there a future for Socially Responsible Cultural Investments ?

The Creative Industry Sector

United Kingdom



Funding

The UK's funding policy covers various commitments :

- Direct funding through the [Arts Council England Development Funds](#) (2018-22/£72.M per year)
- Approx. £13B of [tax relief](#) granted to the industry granted since 2010.

It is to be noted that the CIS is well established in the UK, to the point that private [Creative venture specialists](#) have emerged and are also investing.

The UK masters the industry like no other and the government made a clear statement to be the leading nation for CIS.



Initiatives

On the top of extensive fundings, the UK strategy is also all across the board:

- Inclusion of Creative careers programs in existing schools ([London Screen Academy](#)) and a dedicated school opening ([Arts & Media School – Islington](#))
- [Online piracy and copyright infringement](#) campaign
- [Numerous Music education hubs](#) across the country
- Access to finance
- Education and Skills
- Communications / Digital Infrastructures
- Intellectual property : Robust support for copyright – effective enforcement – Intellectual Property Office
- International : Export and inbound Foreign direct investment

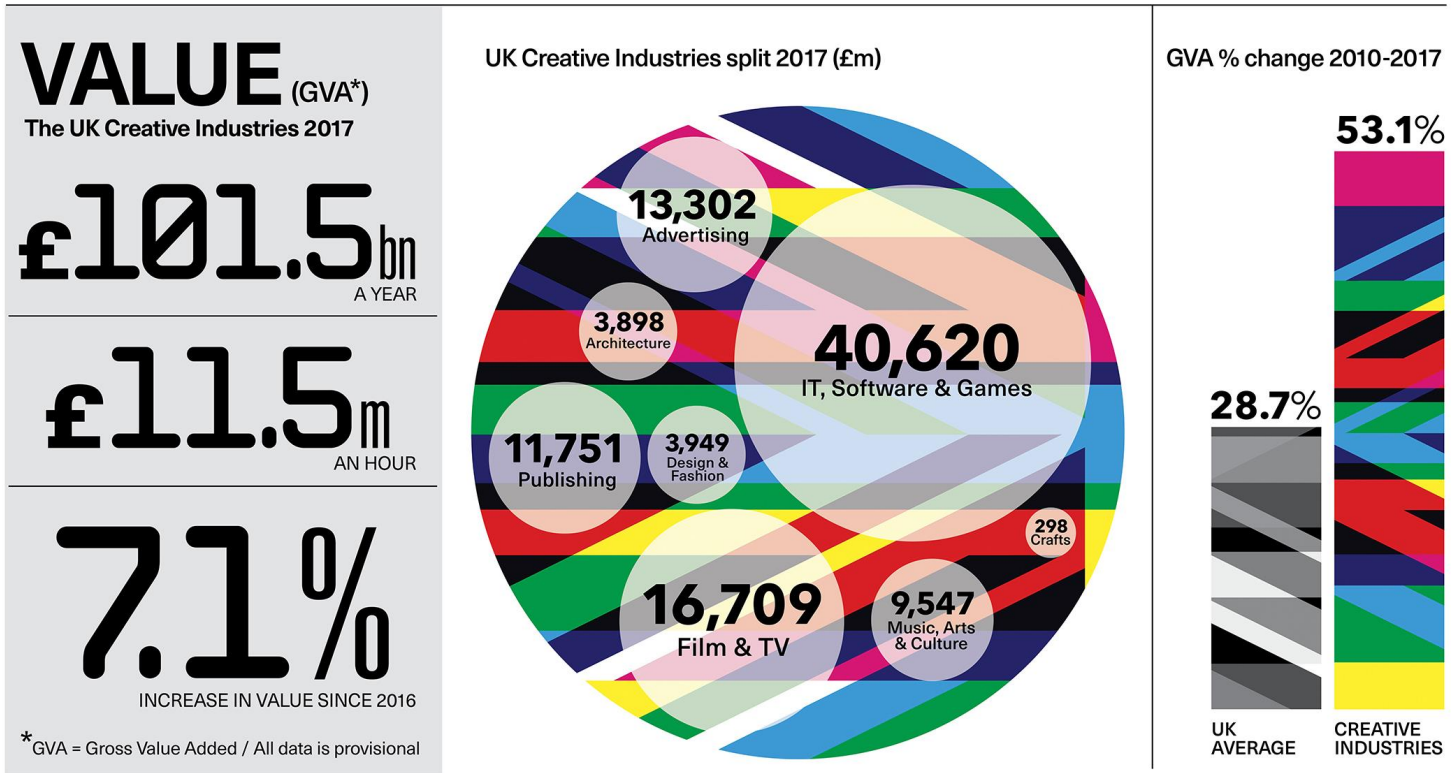


Organizations

The UK creative economy is mature enough to have its own professional association at the Macro level (i.e. not only sub-sectors), [the Creative Industries Federation](#).

[Besides, every CIS is supported by one or several professional association](#), which has a clear scope and strategy.

The UK Creative Industries



www.thecreativeindustries.co.uk

Source: DCMS, November 2018

Government interventions across the value chain

Supply Side

Create capabilities for talent to build sustainable careers

Talent development

Provide skills to monetize talent

Education

Provide formal and technical training

Investment

Subside training, studios, trips and more, co-fund innovation

Tax incentives

Offer rebates on expenses and tax holidays for top talent

Market efficiency

Ensure that the market is operating smoothly, especially for SMEs

Smart government

Offer digital one stop shop for processes (for example permits)

Inclusive policy building

Form a single office to represent specific interests

Cluster development

Build focused hubs to reduce market access costs

Access to finance for SMEs

Provide low-cost loans to reduce capital barriers

Demand Side

Drive demand and protect and increase domestic IP

Branding

Establish city-level brand and national status

Market access

Support fairs, festivals, and international trade

IP development

Use diplomatic and legal levers to retain and protect

Case study : Luxembourg steps to develop the cultural and creative sectors

- Bottom-up approach – listen to the stakeholders
- Strong leadership – define objectives
- Sectors mappings – who does what in which field – what are the strengths of the countries
- Federate stakeholders – Digital platform – networking event – directory
- Awareness that CCI is one sector and be able to speak with one voice – Sector starts to better organizing itself
- Develop financing tools (bridge financing for the production) grants, - Understand the value chain – creating the bridge between the creative world and the finance world
- Promote at national & international events CCS – Marketing & communication
- Develop education programs (creative – business – commercial – marketing/communication) addressing the lack of knowledge
- Create a resources center – data – template – communicate on the helps, etc
- Art Incubators (hacker spaces, accelerators, fab labs, co-working spaces)
- Develop a legal status for the “creative” persons
- Cross-border collaboration
- Digital environment and regulation (e-commerce- Fair streaming : Rights distribution keys to establish greater transparency and economic justice)
- Tax regulation – tax credits, tax shelters,
- IP regulation and infringement management and enforcement services
- Regulatory environment to be a competitive place to do business / Censorship limited

The Creative Industry Sector

The Netherlands



Funding

The Netherlands have made a point to be one the most Creative economy in Europe by 2020. Accordingly, the State has setup public and semi-public investment funds dedicated to certain CIS:

The [Performing Arts Fund](#) (EUR 43 M), the [Cultural Participation Fund](#) (EUR 20M), the [Mondriaan Fund](#) (EUR 26M), the [Netherlands Film Fund](#) (EUR 49M), the [Dutch Foundation for Literature](#) (EUR 10M), the [Creative Industries Fund](#) (EUR 15M).



Initiatives

Since the financing of the CIS is well structured into the funds listed above, the State has a low engagement, but the funds are helping businesses through their own initiatives. Some of them have shown ingenuity, to reward CIS actors and foster the collaboration at the same time :

- The Netherland Film Fund offers a [EUR 50k value post-production service](#) to an award-winning film maker,
- HiphopHuis is a foundation advocation for the music production and education, which has directly benefited from [financial advisory of the Culture + Entrepreneurship](#) (the knowledge center for entrepreneurship in the cultural sector)
- The Mondriaan Funds organizes the [Prix de Rome](#), rewarding best young visual artists.



Organizations

Professional associations represent various CIS in the Netherlands :

- Architecture : [Association of Dutch Designers](#)
- Games : [Dutch Games Association](#)
- Advertisers : [bondvanadverteerders](#)
- Television : [Nederlandsde Berôepsvereniging van Fim en Televisimakers](#)

The Creative Industry Sector

China



Funding

China economic strategy is known to be supporting its growth by two means :

- Protectionism policies such as restriction or high taxation to foreign investments China's
- Collaborating with leading foreign organization in order to acquire industry knowledge.

In 2011, the government launched [its first national cultural industry fund](#), scaled at EUR 2,6 B EUR.

In 2017, the government published its [Film Industry promotion law](#) supporting national productions. A [Film School](#) was created in 2014.

The Chinese government supports and funds international exhibitions to tour national public museums in China. Exhibitions usually include an exchange of expertise between public museums and are seen as a way of building international cooperation and domestic capacity through knowledge exchange.



Initiatives

Despite the primacy given to national production, regulation has recently been loosened to facilitate the inflow of foreign capital :

- Until 2015 game consoles were banned. Currently Foreign game developers must work with local publishers to distribute games in China
- In August 2016, the National Development and Reform Commission announced plans to establish a national VR/AR lab
- Incentives include a reduction in import duty on foreign art, from 12% to 3%
- Chinese government supports the 'internationalization' of theatre sector : Loosening restrictions on foreign 'performance agencies'



Organizations

Almost every professional association in China is state-owned and is aimed to serve the national strategy rather than defending the interests of industry members :

- Software and video games : [China software industry association](#)
- State Film Bureau
- General Administration of Press and Publication
- Beijing Industrial Design Center

The Creative Industry Sector

South Korea



Funding

Although the country has been growing exponentially over the past decades, especially in the development of technologies and digital creative content the government has not officially publicized its funding commitment to this growth.

- In 2016, the Government participated to a EUR 51 Million investment in the region of Pangyo, to build Korea's "Silicon Valley", hosting 1,300 companies, including broadcasting networks, video game developers, software developers.
- It is to be noted that the South Korean government, by mean of several ministries, has invested the equivalent of EUR 2,7 billion in the [Korea Fund of Funds](#), which invests in Korean films, Broadcasting, Multimedia content.
- South Korea has invested in venues such as the \$200 million Gocheok Sky Dome, used for K-pop concerts that attract national and global stars.



Initiatives

Other non-financial initiatives have been led to foster the growth of CIS, notably :

- In 2014, the [Center for Creative Economy and Innovation](#) (CCEI) with the ambition to operate institutional programs to help businesses expand internationally. CCEI has offices in every Korean region to facilitate local inclusion.
- South Korea and UK [have signed a agreement](#) in order to jointly explore new markets for creative industries.
- Recently, the government also allowed the creation of crowdfunding platforms through [the Capital Markets Act](#).
- South Korean has also established South Korean [cultural centers](#) globally, in major countries to spread the popularity of Korean culture



Organizations

Professional associations are involved to produce market researches, and a platform for member's collaboration

- Software : [Korea Software Industry Association](#)
- Music : [Record Label Industry Association of Korea](#)
- Movie : [Korean Film Council](#)
- Video Games : [Korea Game Developers Association](#)
- Architects : [Korea Institute of Registered Architects](#)

The Creative Industry Sector

United States



Funding

The US trade policy being historically so liberal, government support is overall limited at the federal level. The support is embodied through the [National Endowment for the Arts](#) budget which budget available for funding in 2017 was *only* US\$ 128M, of which only US\$11M were used for the sub-program "creation of art".

Other funding policies come from local authorities (states and cities) which help to foster local economy, such as :

- The California Arts Council has a US\$ 21M budget to support art creation
- The Los Angeles development fund disburse loans to businesses for an undisclosed amount

Public help to support the export of American productions can be hardly found.



Initiatives

Support does exist at the local level :

- Nashville has an [extensive list of non-financial resources](#) to connect artists from the music industry together
- New York has its own Office of Media and Entertainment, and has set up [a fund dedicated to women's movie production](#), facilitates [trainings for movie production](#), [helps with the promotion of locally made movies](#).
- [Film LA](#) is specialized in helping the planning and management of logistical aspects in filming a movie in Los Angeles.
- San Francisco's Office of Economic and Workforce Development conduct various initiatives including minor [funding of local bookstores](#)



Organizations

Many groups work at the federal level to defend each CIS member interest :

- Movies : [Motion Picture Association of America](#)
- Softwares and gaming : [Entertainment Software Association](#)
- Interior designers : [American Society of Interior Designers](#)
- Fashion : [Council of Fashion Designers of America](#)
- Advertising : [American Association of Advertising Agencies](#)
- Publishing : [Association of American Publishers](#)

The Creative Industry Sector Canada



Funding

Canada's [strategy](#) – “Creative Canada” to grow the CIS is well defined and is based on three pillars : Invest in Canadian Creation, Export Canadian content, and strengthen public broadcasting. and clearly turning to abroad.

Although the total budget of this policy is unknown, there are many funds dedicated to help specific CIS, such as the [book fund](#), the [media fund](#), the [music fund](#), the [periodical fund](#), the [travelling exhibitions indemnification program](#), the [Film or Video Production Tax Credit](#), [creative export program](#), and the [movable cultural property grant](#).



Initiatives

Funds listed above have a very straight forward approach as it the case for the creative export program which makes the country CIS growth successful. Initiatives of this program implies direct contact with other countries :

- in 2018, under the influence of the government, a mission name “Canadian Heritage” involving 60 CIS businesses toured in China to export Canada’s creative content. The operation tallied CAD 125M worth of trade agreements.
- The action is to be repeated in 2019 in Mexico, Argentina and Colombia. Others past and future destinations are proudly [disclosed](#) by the government.

Additionally, the government has provided mandate to the BC Immigrant Investment Fund Ltd. to support the video game industry. In 2018, the fund held CAD\$ 34M of investment and CAD\$ 90M of loans^.



Organizations

Canada’s professional associations are many and have a clearly stated vision for their respective CIS:

- Medias : [Canadian Media Producers Association](#) (CMPA)
- Architecture : [Royal Architectural Institute of Canada](#)
- Design : [Registered Graphic Designers](#)
- Publishers : [magazines Canada](#)
- Video Games : [the entertainment software association](#)
- Music : [Canadian Music Publishers Association](#)

The Creative Industry Sector

United Arab Emirates



Funding

Through the Dubai holding umbrella organization the government is directly involved in CIS; with sub-organization ruling certain industry, such as [TECOM](#), involved in movie and media production. Dubai Creative Cluster Authority was created in 2014 (renamed Dubai Development Authority since), and manages 3 child agencies : [Dubai International Film Festival](#), [Dubai Design and Fashion Council](#), [Dubai Film and TV commission](#). Although the financial involvement of these organizations into CIS is unknown, they rather act as accelerators for new and existing businesses, by providing business assistance.

Dubai Creative Industry Sector is strongly focused on forward-looking technologies (see below).



Initiatives

Indeed, the government has made the bold statement to be "[10 years ahead of any other city](#)". This strategy takes form in very innovative projects :

- First fully 3D-printing office in the world, as part of the [3D-printing worldwide hub strategy](#)
- Fast-tracked accelerator [program](#)
- Foster the creation of innovative technologies for the launch of the [museum of the future](#)
- Bolster the creation of innovative drones, during the [drones for good award](#)
- Help the creation of Artificial Intelligence and Robotic solutions with the [AI & robotics award for good](#)



Organizations

Thanks to the umbrella setup of the holding, businesses are integrated into clusters :

- Design : the [Dubai Design District](#)
- Movie production : [Dubai studio city](#)
- Press : [Dubai Press Club](#)

The Creative Industry Sector

Saudi Arabia



Funding

Saudi Arabia has a very audacious development plan "Vision 2030". The strategy for CIS growth mostly takes place in its Public Investment Fund (PIF). In 2017 the fund was worth EUR 200 billion in assets.

The Kingdom has a clear strategy to develop cultural heritage, as part of the sub-program [Quality of Life](#). The 2020 targets are to provide the EUR 64.1 million grant in film sub-sector, EUR 45.3 million grant in performing arts sub-sector, EUR 16.7 million grant in literature sub-sector, and EUR 14,3 million grant in visual arts sub-sector in addition to EUR 7 million cultural fund.

The PIF is financing various significant development initiatives (see below).



Initiatives

Saudi Arabia has invested massively on upcoming "Giga projects" which partly embeds CIS c:

- the Kingdom is about to open its own creative hub "[Hayy : creative hub](#)". It is supposed to open by 2020.
- [Neom](#) project is US\$ 500 Billion and aims to be the world's future leading example on many aspect, including media production, entertainment, digital sciences
- Under the [Qiddiya project](#), the PIF will invest up to EUR 2 billion for the creation of a large scale entertainment center notably with a theme park, exhibition and performance facilities.
- In October 2017, KSA launched its own e-commerce-amazon-like website www.noon.com.
- The PIF is also investing in the semi-public fund "SoftBank Vision Fund", across all technologies and geographies, including worldwide.



Organizations

Due to historical restrictions in the country, professional associations are scarce.

The Creative Industry Sectors

Key takeaways

- Most public authorities help the financing of their industry through public funds or even tax relieves
- The definition of CIS Sub-sectors is not strictly equivalent in every country
- There is no clear correlation between the public involvement of a nation in its CIS, and the success of the sector, because :
 - Public action is not always successful (Japan)
 - Initiatives led by the private sector are as (if not more) efficient as public ones (USA)
- Public strategies towards CIS is no different than for other industries : USA has a very limited involvement, China is highly controlling the industry and directly involved in it, Europe is the biggest spender.
- The UK seems to have the most active policy for this market, has a track record of successful actions, and a clear plan for the future. Canada is probably not far behind.
- Public funding policies are typically split between two types of CIS, such as "traditional" or "less emotional" sectors such as design, architecture and more explicit creative industries (movies, music, visual arts). Policies tend to bend over one more than the other.
- Middle-Eastern countries (Saudi Arabia, Dubai) have the most looking forward strategies, betting on innovative digital CIS.
- The more developed a country is, the more likely it is to find one or several professional association for every CIS (UK, USA, Japan, Belgium, Germany etc.).
- If a country has strong local cultural identities (Spain with Catalonia, Belgium with Wallonia & Flanders) it typically has a disengaged policy to support CIS. Rather local government have taken over this duty. Similar pattern appears in countries where local areas have a strong administrative power (Germany, USA, Mexico)
- Countries with strong cultural heritage (Italy, Japan), tend to put a lot of emphasis over the protection of this heritage in respect to their spending policy as opposed to spending on the future.
- Public investment strategies in CIS span from the development of local businesses, to the exportation of the national culture (Japan, Canada) – with various success
- When it comes to showcasing the public action towards CIS, not all the countries are equals. Some countries are best in class to show and explain what they do (UK, Canada), some are less secretive or it becomes unclear to understand how the public authority is helping (France, Spain, Germany), or even the output of the publicized assistance (Nigeria, South Africa).
- There is an interesting correlation between a country's reluctance to publicize the amount spent on CIS, and the corruption perception index of the country
- There is no clear pattern of chronological order or priority to develop a CIS rather than another. Although certain countries put more emphasis on forward looking CIS (Dubai, Saudi Arabia) than "traditional CIS" (music, TV, books).
- The CIS most officially recognized by public authorities are Movies and Music, Followed by Books and Television. Less represented are Food (Japan, Nigeria) and Radio.
- Amongst the other sector that most interact with CIS or which are most supported by CIS; we can find tourism and education.

Thank you!



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