

Faces of contemporary animation

providing financing solutions for film&TV producers

A large, teal-colored abstract graphic that resembles a stylized, flowing ribbon or a thick brushstroke. It starts as a thin line at the top right, curves downwards and to the left, then loops back to the right, and finally tapers off into a thin line at the bottom left. The graphic is semi-transparent, allowing the text behind it to be visible.

Introduction : what are we doing here?

❑ **International financing : new trend or real necessity**

- Why find international financing ?
- Which is the best strategy ?

❑ **Film Financing : the 3 families of money**

- Co-productions and soft money
- Distribution / market & industry money
- Hard money : loans & equity, bridge, gap & mezzanine...

❑ **The perfect cocktail**

- Which resources are the most appropriate ?
- How to combine public and private fundings ?

Backup Films

- ❑ **Founded in January 2002, Backup Films is a pioneer company in film financing**
 - €15m raised for the financing of international film&TV productions in 2007
 - €18-20m expected in 2008
- ❑ **Backup films operates both as fund operator and as financial engineer / broker of financial solutions ranging from co-productions, pre-sales, licenses, loans and equity deals for its clients**
- ❑ **Backup Films completed the first fundraising of the COFICUP film fund under the SOFICA scheme in 2005 and the first fundraising of the COFANIM film fund in 2007**
- ❑ **The Backup Films agency represents producers from all around the world, bringing access to a wide variety of financing solutions for productions at development stage**

A chronological and logical strategy

❑ **First step: looking for soft money**

- National and international subsidies : nationalities and treaties
- Co-productions agreements : welcome to the no-rule jungle

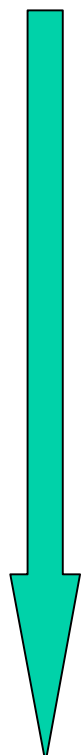
❑ **Second step: distribution (MG), pre-sales**

- Pre-sales, licenses
- Where's my audience ? Who's saying it ?


❑ **Funds and banks money : don't do it if you can afford not to !**

- Funds : from tax optimization to tax shelters
- Banks : loan assessment
- Prerequisite and guarantees

Sample financial structure



SOFT MONEY	20%
PRESALES	30%
EQUITY	30%
GAP	20%



But this quite never happens...

The real price of a financing structure : what's left for the film and its producer ?

- ❑ **Co-production mayhem : spending requirements, sharing the cake**
- ❑ **Distribution : take the cash and run...but don't take all the cash : is a minimum guarantee really such a good news ?**
- ❑ **Loans / equity : the real price of risk**
 - Risk assessment, sales estimates / coverage
 - Setting up / financing / arrangement fees : from 5 to 20% of the value of the investment
 - Interests : from 2 to 5 points above base rate
 - Legal fees : the sky is the limit
 - Premium and backend

Last in First out : risk money golden rule

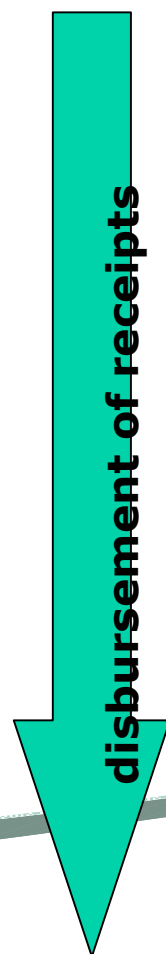
- ❑ **Equity money** : investors do not acquire any rights in and to the film apart from a right in and to the film's receipts (NOT a coproduction) hoping that the film will go into profit
- ❑ **Bank money** : discount, recourse and non recourse loans
- ❑ **Two main objectives** :
 - To invest in films which has an already established financing plan and distribution in place to minimize risks = last in
 - To recoup on a priority basis = first out
- ❑ **Risk exposure / waterfall**
 - Several types of investment vehicle for several types of producer needs
 - A waterfall that need to reflects the specificity of each of the financiers
- ❑ **The level of risk taken by an equity investor or a bank justifies a certain priority in the recoupment structure as well as the fee / interests / premium that they will require**

An insight into the profit zone

❑ Still to pay once risk money is recouped :

- Bank & equity interests and premium
- Recoupable soft money
- Deferred fees, including to sales agents, bond, producers and talents


❑ What's left is net profit

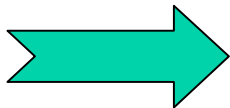


100% gross receipts	
sales agent and collection non deferred fee	sales and collection expenses
	recoupment of gap + interest
	recoupment of equity + premium/fees
sales agent fee	recoupment of sales agent and other deferred fee
	recoupment of recoupable soft money
	recoupment of producer/talents deferred fees
<p>NET financiers producer talents PROFITS</p>	

Tax funds & tax shelters

A new breed of film financiers in Europe

- ❑ The central tax shelter characteristic: encouraging private investment in the industry by setting up tax incentives for doing so
 - ❑ After creativity in the subject matter of our films, creativity in the artistic content of our films, creativity in the production scheme : here comes creativity in the financing !
 - ❑ Main forms:
 - Generic tax breaks that can be used for films : EIS (UK) and Soparfi (Lux) ...
 - Specifically designed schemes : SOFICA (France), Belgian tax shelter (Belgium) ...
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- ❑ Tax breaks / tax shelters to leverage equity / minimize risk
 - ❑ European film funds : the emergence of hard but friendly money



BACKUP FILMS FUNDS

- ❑ 2008 : €10m+ to invest in Film&TV productions through our own film funds
- ❑ New funds to be structured and announced over the year, raising €15m in 2008, to be invested in 2009
- ❑ All Backup funds are tax enhanced, so they can afford to be not as costly (although not less risk averse) as most existing dedicated funds
- ❑ Backup films does not produce : all our investments are made in independent productions led by talented producers we trust
- ❑ 1/3 is invested as development funding, including animation
- ❑ 1/3 is invested as gap financing guaranteed on international revenues of the productions we invest in
- ❑ 1/3 is invested in the productions of a group of animation studios we partnered with, namely Futurikon, Millimages, Moonscoop, Xilam

THANKS A LOT FOR YOUR ATTENTION !

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