SECURED MEDIA INVESTMENT

CAPACIA	SECURED MEDIA FINANCE

Designed and Crafted by The Observatory
August 2023

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Introduction

- Jersey SPV focused on secured Film & TV debt
- Target 10% net IRR | Defensive, collateral-backed strategy
- 500+ deals executed by team with 30+ years' experience
- Investment uncorrelated to traditional markets in a fast-growing niche sector
- Repaid before film release
- £50m raise to scale a proven, underbanked niche

CAPACIA OFFERS INVESTORS UNIQUE ACCESS
TO UNDERSERVED MARKET WITHIN A JERSEY STRUCTURED VEHICLE

TRACK RECORD

Leveraging decades of expertise from film financing leaders…

Benji Strange

Benjamin is a professional director (Dip IoD) with over 13 years' experience leading companies. He was previously the owner/CEO of an investment-backed business which he exited in 2021. At Capacia, he leads the vehicle's vision and governance, bringing a clear investor focus to media finance.

Tim Smith

Tim has over 25 years' experience in the entertainment industry, including senior roles at Twentieth Century Fox and Walt Disney. Since 2002, he has specialised in film and TV financing, helping to develop and fund 70+ productions such as *Wolf Hall*, *The King's Speech*, and *Chef*. Tim co-founded Prescience Film Finance, Hindsight Media, and the Aegis Film Fund.

Tom Harberd

Tom has financed or produced over 350 feature films including *Black Mass*, *TÁR*, *Moon*, *Minamata*, and *The Forgiven*. As Managing Director of Head Gear Films, he scaled the company into one of the UK's top private media financiers, deploying ~$55m annually across film, TV, and games. He also served as CFO at Bankside Films and holds a Distinction-level MBA in Film Business. Tom lectures on media finance at the UK's National Film and Television School and the London Film School.

Mick Southworth

Mick has over 30 years' experience in UK film distribution and acquisitions. As founding MD of Film Four Distributors and the Feature Film Company, he has released acclaimed titles including *The Madness of King George*, *Brassed Off*, *Bend It Like Beckham*, and the Oscar-winning *Man on Wire*. He is also Executive Producer on *Escape from Pretoria* and *The Card Counter*.

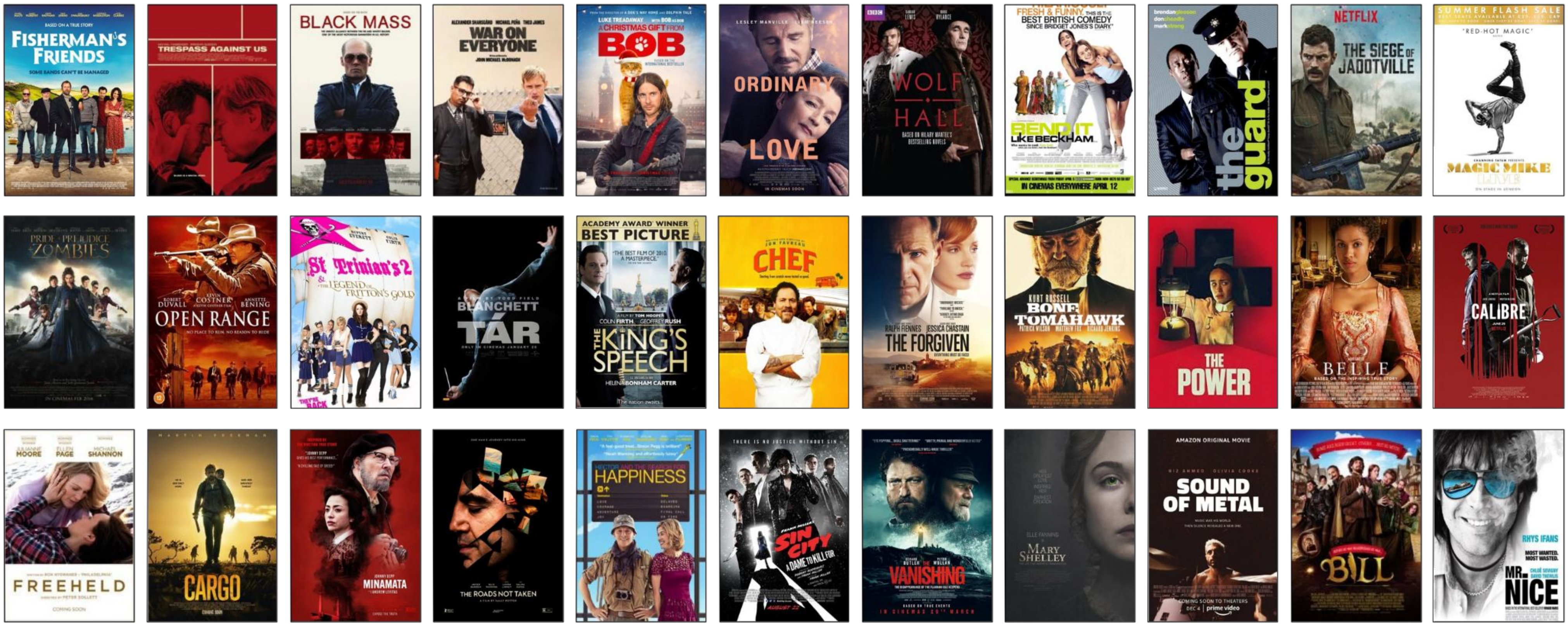
Philip Burgin

Philip began his career at Morgan Stanley in London before joining JTC plc in 1995, where he played a key role in its growth into a publicly listed financial services firm. He co-founded the Aegis Film Fund, helping finance numerous projects including the Oscar-winning *The King's Speech*, and is also an investor in major West End productions such as *Magic Mike Live* and *Dear Evan Hansen*.

Martin McCabe

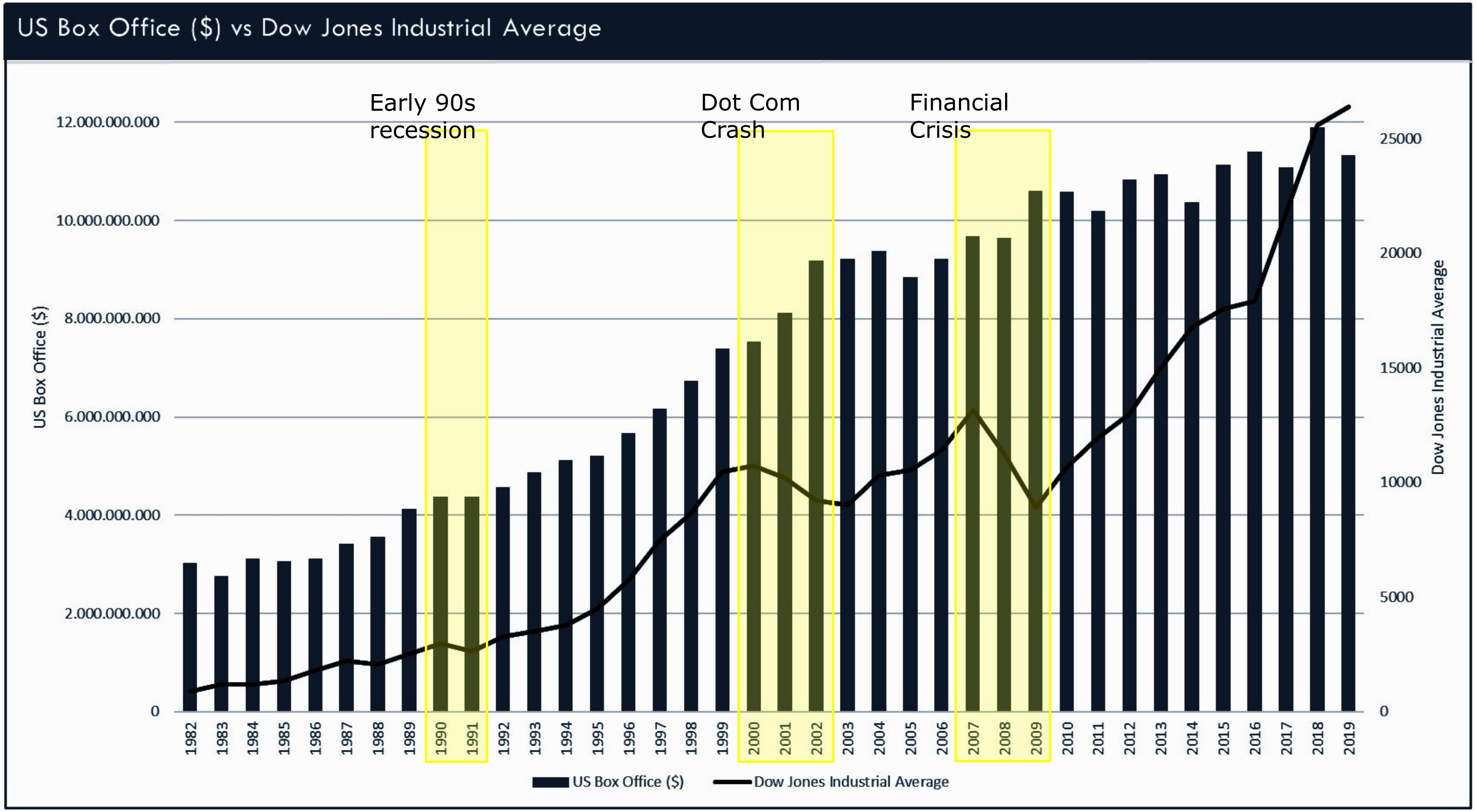
Martin is a veteran of over 30 years in independent film and TV, with deep expertise in distribution, production, and acquisitions. He has advised major clients including Sky, Disney, BP, Virgin TV, and the European Space Agency on film strategy. As Executive Producer, his credits include *First Reformed*, *The Card Counter*, and *Escape from Pretoria*.

…With unique access to secured media finance opportunities



MARKET OVERVIEW

An industry uncorrelated to traditional markets...



Source: Box Office Mojo, Dow Jones. Note: US box office used historically as proxy to film industry performance. Post 2019, due to the shift in consumption towards streamers, US box office no longer relevant to measure industry performance

... With fast growth driven by streamer expansion

A FAST GROWING FILM & TV MARKET...

In recent years, film & entertainment segment has emerged as one of the top fastest growing markets

$90.9B
2022 valuation

$169.7B
2030 exp. valuation

7.2%
Compounded Annual Growth Rate (CAGR)

...DRIVEN BY EMERGENCE OF STREAMERS

Internationally

as well as locally

10-20 streaming platforms available in each European country

with more room to expand with 21.5% expected yearly growth in next 6 years

Number of subscriptions per household

US	EU	Latin America
4.1	2.7	1.8

Sources: SkyQuest, Flixpatrol, Leichtman Research Group, OliverWyman, Dataxis, Grandview Research

… Leading to an increased demand in media finance combined with a lack of financing sources

MAJOR STUDIOS FINANCE THEIR OWN PRODUCTIONS:
$100M+ SUPERHERO AND FRANCHISE MOVIES

BUT LARGE MAJORITY OF PROJECTS ARE INDEPENDENT AND REQUIRE THIRD-PARTY FINANCING

80%

Best Picture Oscar Winner are independent

Projects sold to streamers, studios and independent distributors

NETFLIX
UNIVERSAL
prime
Constantin Film
PATHE
A24

Requires industry know-how and expertise

Fast-changing landscape

Niche sector

Strong and growing demand for media financing but high-barrier to entry create a lack of banking presence and low level of competition

Source: Oscars.org (2009-2023)

UNDERLYING INSTRUMENTS

Underlying instruments

TAX CREDITS

Pre-financing national tax credits and regional subsidies

12-18 months

Financial completion guaranteed (e.g specialised insurance)

PRE SALES

Pre-financing distribution contracts (presales) with Netflix, Universal, BBC, etc.

12-18 months

Financial completion guaranteed (e.g specialised insurance)

GAP

Pre-financing unsecured sales revenues on B2B market

14-20+ months

Within discount window and interest reserve of collateralised finance

All Loans have first fixed and floating charges over production and first priority recoupment over all other financing. They are underpinned by a significant level of equity financing.

Timeline of loans to film and TV productions

Three uncorrelated debt instruments reimbursed before film is released in cinemas

Financial Closing | Film Completed

Development
- *Several years*
- From idea to mature project (talents & financing secured)

Pre-production
- *8-12 weeks*
- *Building sets, hiring crew*

Production
- *12 months*
- *Production & Post-production*

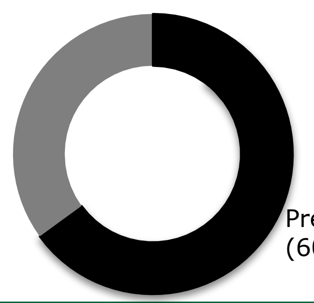
Sales
- *3-9+months*
- *Local distributors pay advance on future performance and take on "box office" risk*

Film Release
- *Several years*
- *Film exploited by local distributor (B2C) in different media (cinema, streaming, TV etc.)*

Presales & Tax credits

GAP

Target Portfolio Composition



A defensive investment strategy…

DEFENSIVE STRATEGY WITH STRONG RISK ADJUSTED RETURNS BASED ON THREE PILLARS

HIGH INTEREST RATES CHARGED

- Strong and growing demand for financing
- High global interest rates
- Interest Reserve charged upfront and secured at Investment (on Financial Closing)

DEFENSIVE APPROACH ON GAP

Adapting to B2B sales fluctuations by:

- Lower loan-to-value (LTV) on Gap
- Reduction of Gap share in portfolio
- Projects with Commercial Intrinsic Value (e.g. bankable cast)
- 100% Gap capital covered from day 1 from excess collateral and interest reserves
- Focus on segments with lower market fluctuations (e.g. TV market)

HIGH LEVEL OF DIVERSIFICATION

- 10+ projects per year
- Backed by different collaterals across SPV

10% IRR Net target with strong downside protection

THANK YOU

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