

Investing in Screen-focused Businesses

The Angels' Perspective

Presented by

 UK Business Angels
Association

creative
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In partnership with

 BFI
Film
Forever



Introduction from UKBAA

Jenny Tooth OBE

Chief Executive, UKBAA

UK Business Angels Association seeks to build and grow an effective ecosystem for angel and early stage investment into entrepreneurial growth in the UK. We seek to connect all parts of the finance chain and our members include angel groups, covering over 15,000 angels, online investment platforms, VC Funds; accelerators and a range of other funding sources, advisors, academics and key stakeholders.

A key role that UKBAA plays is to enable our investment community to connect with strong sources of deal flow and to identify new opportunities to bring investment and business experience to help entrepreneurs build and grow. With this in mind, we are delighted to be working with Creative England and the British Film Institute to enable angels and early stage investors to gain more understanding of investment opportunities in screen-focused businesses, increasing the potential for these entrepreneurs to access the finance they need to successfully scale.

To help us understand what are the barriers and opportunities for investing in these sectors, we have carried out a survey among our community. The results presented in this report can be summarised as follows:

THE ANGELS' PERSPECTIVE ON INVESTING IN CREATIVE SCREEN BUSINESSES

- Only a small proportion of angel investment goes to creative industries
- Angels invest less per deal in creative industries than in other strongly tech focused sectors
- Angels are more attracted to screen content converging with new immersive technologies such as VR/AR than TV, video games and animation
- Key drivers for angels who back screen-focused businesses are existing related tax breaks; and the opportunity to draw on their own industry-knowledge and sector experience
- Whilst for those not currently investing in the sector, the key barriers identified were lack of knowledge or experience on the sector, or access to information about the growth and returns of the sector, combined with a lack of quality dealflow.

WHAT COULD BE DONE TO ENCOURAGE MORE ANGEL INVESTMENT

- Provide better opportunities for angels to access market intelligence on the sector and growth potential of the sector
- Attract more lead angels with industry experience or investment knowledge of the sector who can evaluate opportunities, lead deals and mobilise other angel investors
- Increase opportunities for angels to interface with investment ready growth focused businesses from the sector



Foreword from Creative England

Mehjabeen Patrick

Chief Finance and Operating Officer, Creative England

Creative England uncovers, connects and backs the best original content creators; driving diversity, collaboration and growth in the creative screen industries.

We invest in talented people and their creative ideas, nurturing our richly diverse games, TV, film and digital media industries. From direct investment and loans to business mentoring; we champion the best ideas of talented people and their businesses.

Creating an environment where screen businesses have the finance they need to grow has been part of our mission for a long time. Globally, the appetite for screen-based content keeps growing and in the UK, our screen sector is world leading. In 2016, for example, our films earned one sixth of total global receipts. From TV shows like *The Crown*, to films like *Darkest Hour*, our content is celebrated the world over. But for the benefits of this to be felt all over the country, we have to help small, ambitious businesses at the start of their journeys.

We know that these businesses need finance to innovate and export, bring in new skills and to reach new markets and to produce the new, top quality content that we all love. However, the investment market is simply not providing enough of this. In the UK there is still a real lack of early-stage investment into the creative industries, especially outside of London.

In our work at Creative England we see many examples of innovative, high growth potential businesses throughout the country. Our investment programme has shown that given the right financial and business support, creative businesses can really thrive. Between 2012 and 2017 we invested £20million in 350 creative SMEs. 83% of our businesses have survived for more than three years – compared to the national average for SMEs of 60%. Our business loans have a default rate of just 4%, compared to the Governments start up loans scheme, which have reached as high as 40%.

It is clear that creative industries and especially screen-focused businesses can be an exciting area of investment and we are delighted to be partnering with UKBAA and the BFI to help substantially increase the level of investment into innovators in this sector.

Angels are currently making a limited number of investments in creative industries businesses

Of the nearly 500 investments made by our survey respondents in the past two years, only 15% of the total investments made were in CI businesses.



Angels are generally committing lower amounts of investment into creative industries businesses compared to more tech intensive businesses

INVESTMENT AMOUNT	NATIONAL AVERAGE % across all sectors	CREATIVE AVERAGE %
< £20K	33%	64%
£20-£50K	21%	7%
£50-£100K	12%	19%

A light purple map of the United Kingdom is overlaid on the table, positioned behind the 'NATIONAL AVERAGE %' column. The map is semi-transparent and serves as a background element for the data comparison.

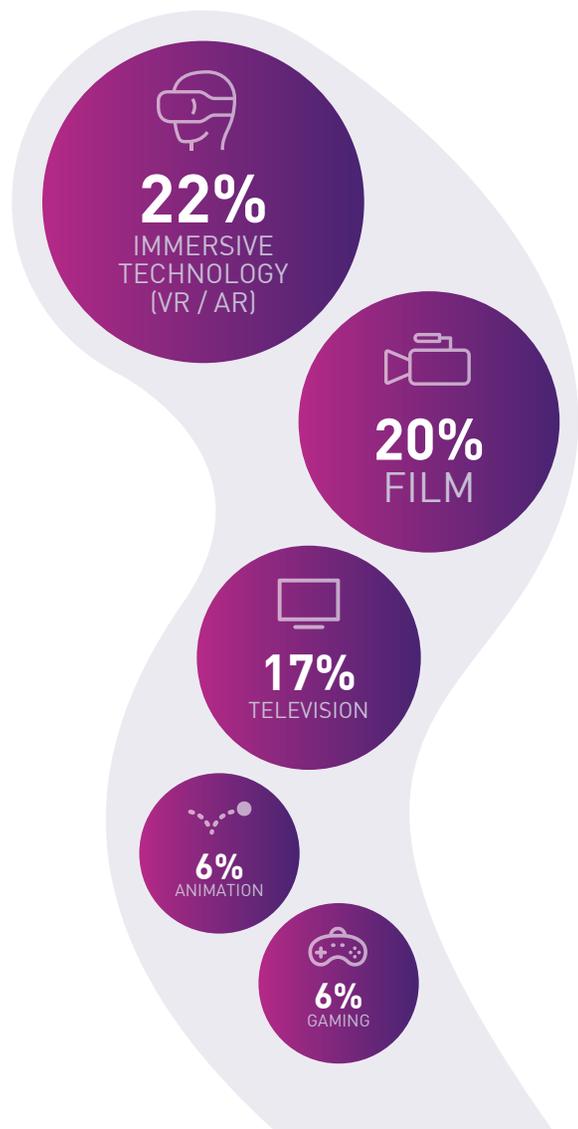
Above:

Angel investment per deal in creative industries businesses compared to the national average

Additional Source:

British Business Bank - UKBAA The UK Angel Market 2017

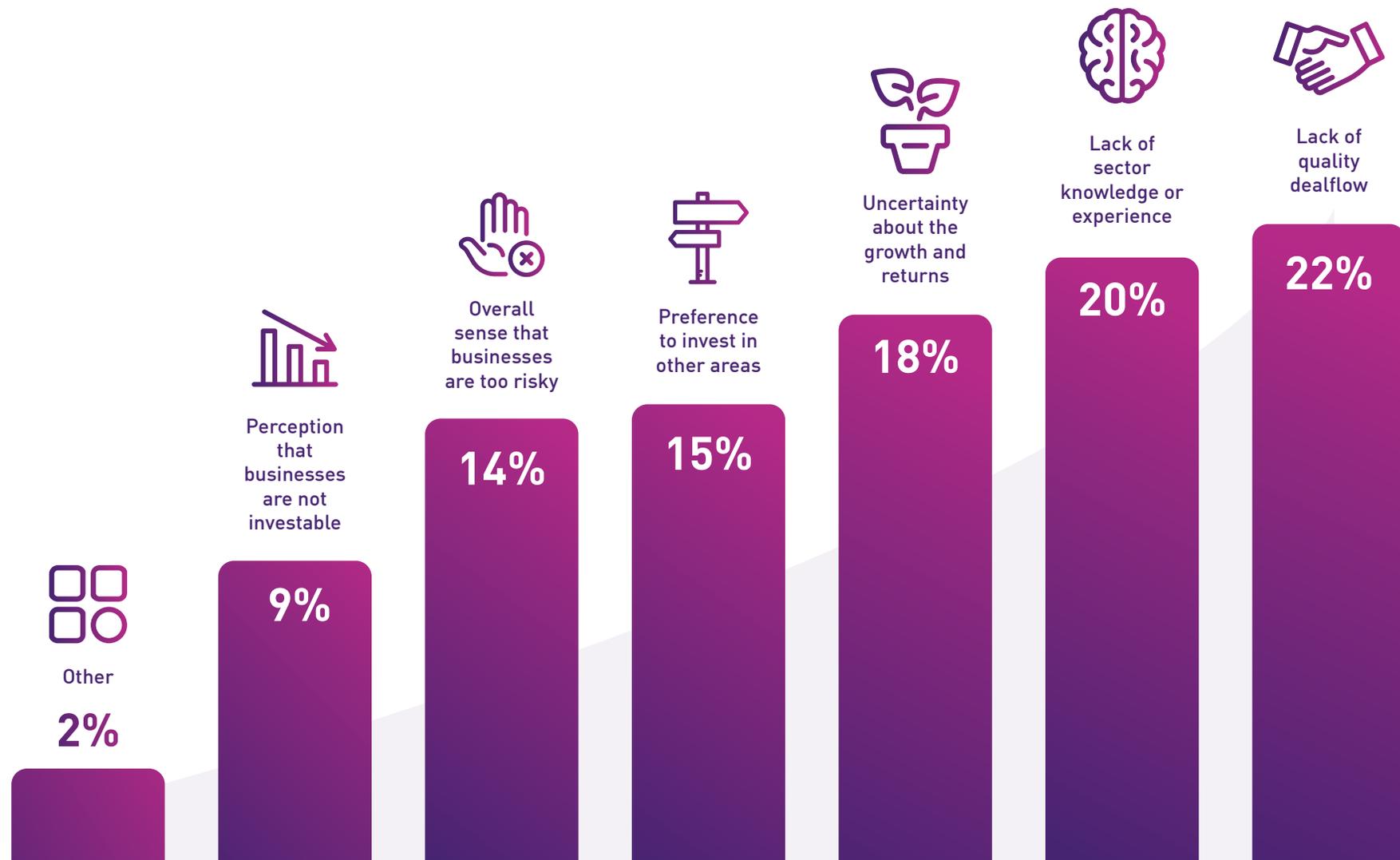
Angels showed greatest interest in investing in the opportunities offered by immersive technology, whilst gaming and animation are identified as significantly less attractive



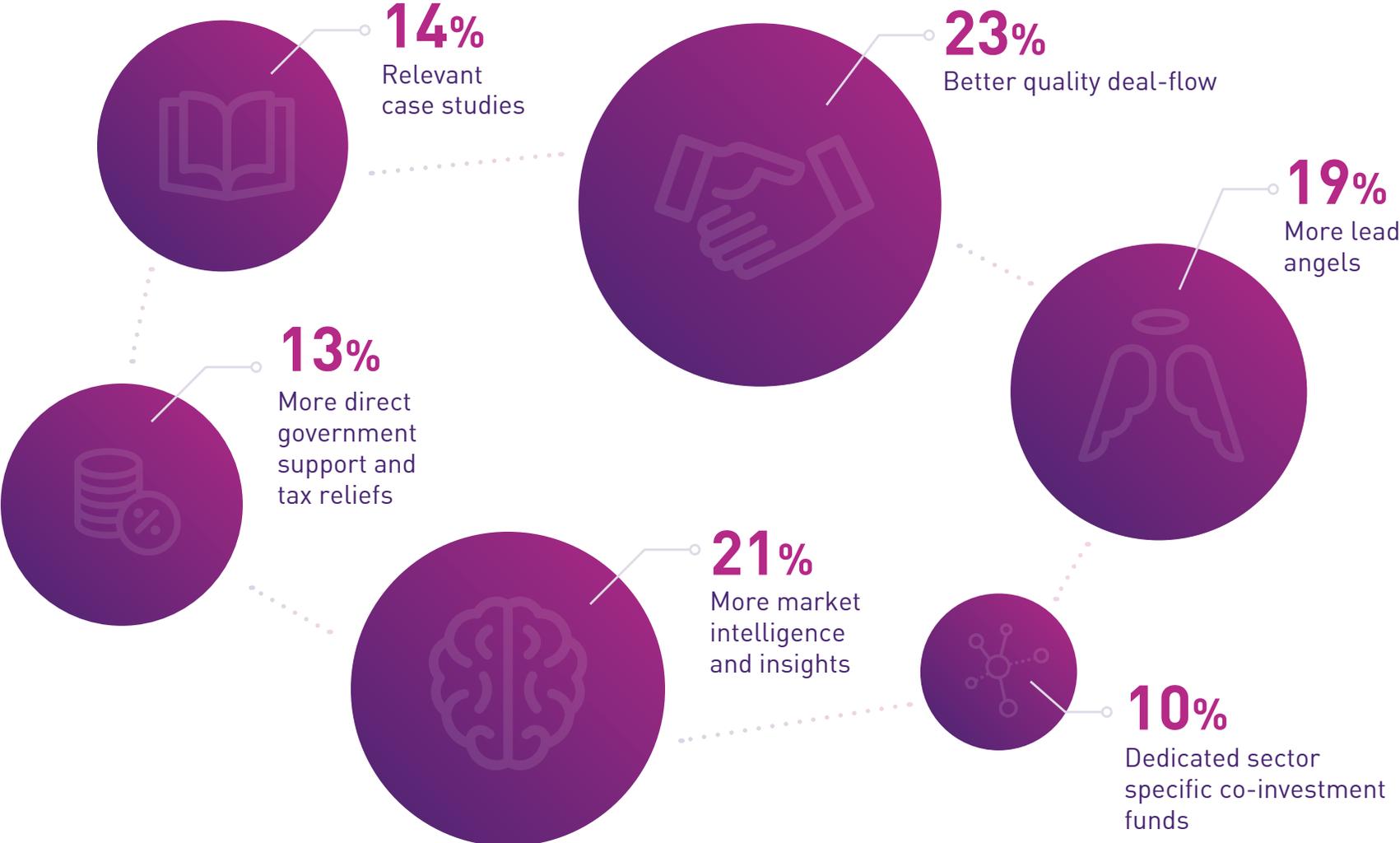
Key drivers for angel investors to back screen focused businesses are tax breaks and the opportunity to use their own industry knowledge and interest



Lack of knowledge and experience of the sector combined with lack of access to sector information on growth and returns and quality dealflow are the key factors holding back angel investment in screen focused businesses



More industry-savvy lead angels and better access to market intelligence are key recommendations from angels to increase investing in screen-focused businesses





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