RIBBON & BLUE MAVERICK MEDIA

FILM FINANCING AND INVESTMENT STRATEGIES IN AFRICA

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Introduction

The Film industry in Africa has enjoyed exponential growth in development especially as it relates to production, post-production, marketing and distribution of titles among others. Quite pivotal and largely indispensable in the African film conversation is the Nigerian film industry, colloquially referred to as "***Nollywood***". Nigeria ranks the highest in terms of film production in Africa with an estimated production capacity of about 2,500 films every single year - second only to India's Movie industry or ***Bollywood,*** in the world ranking. However, Ghana, Tanzania and Kenya follow Nigeria from a significant distance in the Africa volume ranking.

In 2024, Nollywood recorded an impressive sixty percent (60%) increase in the total amount of gross ticket sales at the Box office. About Eleven Billion, Five Hundred Million Naira ***(₦11,500,000,000)*** was realised from ticket sales in cinemas across Nigeria in 2024, a significant increase from Seven Billion, Two Hundred Million Naira ***(₦7,200,000,000)*** recorded in 2023. With movies like ***"Everybody Loves Jenifa"*** already topping the list of the highest grossing movies of all time in West Africa with about One Billion Eighty-eight Hundred Million Naira ***(₦1,880,000,000)*** earned from cinema exhibition in Nigeria and Ghana alone, the best of Nollywood is truly yet to come.

Film Financing Models

Without funding, the best movies will remain mere ideas or at best, scripts or screenplays. Critical aspects of film making such as story development, screenwriting, casting, directing, cinematography, sound design, editing, coloring etc require proper funding for excellent film projects execution. The following models explain how film projects are funded.

1. ***Personal Funding or Self Financing***

This is a common phenomenon in African film financing whereby film projects are funded through the personal funds or savings of film makers. This model was a huge challenge for a majority of African filmmakers in the past. Many movies were underfunded and produced with inferior pictures and even directional quality due to paucity of funds. Notwithstanding the availability of other funding models in the current economic dispensation, a lot of filmmakers still fund film projects from their personal funds or savings not necessarily because of choice or personal decision but due to their inability to secure funding from other film financing models.

2. ***Film Grants***

Film grants are funding provided by organizations (whether governmental or non-governmental) to support film productions and creative endeavours of film-makers. Grants are usually provided by the funding organizations without an expectation of repayment. Essentially, film-makers are not excepted to repay such grants. Film categories for grant funding include feature film grants, documentary grants, short film grants etc.

In 2013, the administration of President Goodluck Jonathan instituted a Three Billion Naira (₦3,000,000,000,000) Film Fund dubbed "Project Nollywood". Although, this initiative may not have effectively fulfilled its potential, it is a veritable example of government sponsored film grants. Other examples of film grants include The MacArthur Foundation Film Grant, Ford Foundation's JustFilms Grants, Sundance Institute Documentary Fund and many others.

3. ***Equity Financing***

In equity financing, film producers receive funding from individual investors, venture capital firms, equity financiers and other corporate organizations. These investors receive equity in the film projects representing their investments. Their investments will in most cases, rank on a pro rata *parri pasu* basis which means an equal basis depending on each investor's level of investment. When the films are commercially exploited, the profits will be shared in proportion of equity holding subject to other agreed terms.

4. *Debt Financing*

In debt financing, producer receives funding from a bank, debt equity financier or other lenders to fund their film projects. The funding received under debt financing are always to be repaid with interests. In this case, this lender will require a collateral securing the loan for a guaranteed repayment. In the fast paced orange economy, film producers and Intellectual Property (IP) creators now use the IP rights in film projects, trademarks, musical catalogs etc as collateral for loans.

5. ***Product Placement and Brand Sponsorship***

This is a completely different type of film financing model. Under product placement, film-makers creatively advertise products in their movies for a fee. For instance, the automobile brand, beverage brand or other products visibly exposed in movies may be products placed in the movie for advertisement purposes. These advertisements are facilitated by product placement and brand sponsorship transactions. Fees generated from product placement and brand sponsorships are also used in funding film projects.

6. ***Hybrid Financing Model***

Hybrid financing model comprises two or more financing model for the purpose of funding one film project. Equity financing + debt financing + product placement and sponsorship is an example of hybrid financing model.

Apart from the film financing models already discussed in this article, other film financing models available to filmmakers include **crowdfunding, merchandising, etc.**

Impact of Video-On-Demand Platforms on Film Financing in Africa

Video on demand platforms ("VOD") – YouTube, Netflix and Amazon Prime among others have had tremendous impact on the film industry in Africa. Asides from revolutionising film distribution, they have been quite instrumental in improving the quality of titles produced in Africa, providing huge advance funding for our local content.

In a 2023 report, Netflix announced that a total of One Hundred and Seventy-five Million US Dollars ***($175,000,000)*** was invested in acquiring, commissioning and licensing film projects in Nigeria, South Africa, and Kenya combined. As of 2013, Netflix had spent over Twenty-three Million US Dollars ***($23,000,000)*** financing film projects in Nigeria alone, licensing over Two Hundred and Eighty-three (283) titles. However, South Africa is Netflix's biggest market, accounting for about Fifty-five percent (55%) of all Netflix subscribers in Africa. In the same period of seven years, Netflix spent over One Hundred and Twenty-five Million US Dollars) ***($125,000,000)*** in the South African market, licensing One Hundred and Seventy-three (173) titles among other projects.

However, the continuing impact and active participation of Netflix and Amazon Prime in Africa may be taking a downward slope. In January 2024, Amazon announced its decision to downsize its staff strength, effect a reduction in the funding of movies in Africa and the Middle East and specifically refrain from commissioning African titles and then focusing on the European markets. The uncertainty around the active funding participation of Netflix and Amazon Prime in the Nigerian market came to the fore in December of 2024 and as of now, key players in the Nigerian film industry are carefully and strategically studying the market and the continued participation of the big streamers in the Nigerian markets.

Commercial Exploitation of Films in Africa

As much as the art is enjoyed and expressed beautifully, every filmmaker is in business to make profit. The film financing models discussed above express the participation and interest of certain investors, whether individuals or corporate organizations in film projects and an expectation of good return on investments. Some of the **major ways** film projects are commercially exploited are;

1. ***Cinema Exhibition***

Film producers monetize their films through theatrical releases. The films are made available in cinemas for viewing by the public usually through a film distributor. Film distributors obtain theatrical rights to distribute the films on behalf of the right holders, (usually the production company) and leverage on their relationship with exhibitors (cinemas) to ensure that the film is made available to the public. Based on pre agreed percentage split, gross receipts will be shared with the exhibitors. The distributors will further deduct distribution expenses and other recoupable costs (if any) from the gross receipts before splitting net receipts with the producers. Of course, the performance of the film at the cinema will determine the net receipt of the producers at the end of the exhibition.

2. ***Licensing to Streaming platforms***

Streaming platforms like Netflix, Amazon Prime, Showmax, Hulu etc pay good money to license films from film producers for the consumption of their audience. These films will be made available on their platforms for a specific number of years based on agreed terms. The producers will receive a licensing fee for the grant of license to the platform. Usually, the films will be exclusive for distribution on the platform during the term. As it is common in Nollywood, some producers are able to secure a licensing deal with these platforms after cinema exhibition, impacting positively and significantly on their profit margin.

3. **Acquisition and Commissioning of Projects *by Streaming Platforms***

VOD platforms also acquire global ownership rights in titles and exploit these titles on their platforms for as long as they want. As opposed to licensing, the VOD platform would usually acquire the rights in the film project in perpetuity. VOD platforms also partner with production companies to produce original content for the platform. How this basically works is that the producer receives a production budget to produce a title or titles for distribution and streaming on the platform. In 2024, Netflix commissioned its highest number of new titles since 2021 and Amazon Prime Video also set a record for its quarterly content production. Both Netflix and Amazon Prime Video reportedly commissioned more than Fifty percent (50%) of all global VOD titles in the first financial quarter of 2024.

4. ***YouTube Monetization***

Film producers also explore the option of monetizing their film content on VOD platform, YouTube. This is however different from what obtains with licensing or acquisition of titles on other VOD platforms like Netflix or Amazon Prime Video. On YouTube, film producers are able to generate revenue from their content by uploading the films on the platform with no licensing or acquisition deals. Where the film does not violate any of YouTube's policies and guidelines, the film will be uploaded and the right holders may take it down at will. Also, there is no certainty to the amount the producer is likely to make from YouTube as revenue generation is dependent of factors like viewer's location, type of ads, advertiser's location etc.

5. ***In-flight Entertainment***

Film Producers may also license their films to airlines for in-flight entertainment. Some airlines have relationship with inflight entertainment distributors who are responsible for aggregating content for inflight entertainment. African film producers may also generate substantial amount of money from these licenses

Other modes of commercial exploitation include **merchandising, brand sponsorships and product placements** etc.

<u>Film Investment Strategies and Tips for Investors</u>

In addition to the understanding of the financing models and modes of commercial exploitation, there are key strategies that film investors and potential investors whether individual or corporate organization must pay attention to when investing in films. It is important to note that the strategies discussed in this article are on a large note, mutually inclusive and one should not be considered in the isolation of the others. Some of these strategies include;

1. ***Producer's Profile and Track Record***

The expertise, experience and track record of the producer may be put into consideration before any investor accepts to invest in any title. Investor should ensure that the producer, either as a company or individual has executed projects with similar budget as the project to be embarked upon and are able to provide record and data to prove revenue generated from exploitation.

2. ***Expertise of Production Team***

Investors should also ascertain the experience and expertise of the key members of the production team for quality assurance within budget. Essential crew members such as the Director, director of photography, producer, associate producer, editors, etc must be carefully considered.

3. ***Ensuring the Story meets required standard***

The investor must pay attention to the core creative aspect of the film project like the story and the screenplay. These are critical success determinants and the investor must ensure that the story has the right creative flavors and is able to entertain and command the attention of the film's intended audience.

4. ***Budgeting, Distribution Plan and Path to Revenue***

Before investing in any title, investors must have an understanding of the budget for production, marketing and other ancillary costs. They must also clearly understand the plans for the distribution of the title and how the producers plan to generate revenue. The distribution plan and path to revenue must dictate the budget of the production. For instance, if a producer has a production budget of Three Hundred Million Naira (₦300,000,000) and the distribution plan is solely theatre exhibition, then an investor must carefully consider the profile of the director/producer, timing of release, competition, etc to make an informed decision on whether or not to proceed with such an investment.. On the contrary, if a producer has high chances of VOD licensing after a cinema run, or has already inked a license agreement with VOD platforms, the title may on the face of it be attractive for investment.

5. ***Recoupment and Disbursement Plan***

Parties to film financing deals must agree on recoupment terms. It is highly recommended that investors recoup their investment before distributable profits are shared. Where there are several investors, Investor should ensure that their investment amount is recouped *parri passu* with other investments. Investor must be clear on the percentage of distributable profit that will accrue to them from commercial exploitation. It is advisable that investors own a percentage of distributable profit from every mode of exploitation. For instance, where a producer plans to monetize through cinema exhibition and VOD licensing, investor may ensure that they have a percentage of distributable profit from both modes of exploitation.

6. ***Ensuring Completion of Execution***

Investors should consider project completion strategies to ensure that the producers see to the completion of the film project Where an investor is providing sole funding on the film project, they may require that producer to provide a **Completion Guarantee.** A completion guarantee gets a completion guarantor (usually a bank or an insurance company) to issue a guarantee that the producer will complete the film project within agreed timeline. Where the producer defaults, the completion guarantor will either provide debt financing to the Producer to complete the project, take over the project and finish it or repay the investment amount.

7. ***Marketing and Promotional Plan***

An investor must be convinced of the potency of the marketing strategies and promotional plans of the producer to ensure widespread publicity and create awareness for the titles. Effectual marketing is a critical success factor.

The Future of Streaming Revenue and Strategies for Sustainability

With the uncertainties surrounding the active participation of Netflix and Amazon Prime in Nigeria's original content production, there is no better time for African filmmakers to create local solutions to local problems. The industry is currently at a crossroad and the failure to create sustainable systems around film financing and distribution may have far reaching consequences on the market. In preparation for the possible exit of these VOD platforms, African filmmakers must put strategies and solutions in place to mitigate the likely effect of their total exit.

With the assistance of government and the corporate sector, African filmmakers must deploy local but world-class expertise in technology to build digital distribution channels like virtual cinemas and streaming platforms. While there seems to be local products already taking this turn, there is a need to develop more products to diffuse monopoly and create choices for the consumers. Independent filmmakers with a good number of titles should also consider taking sole charge of their distribution by building products that will enable them reach their audience directly and eliminate middlemen. The virtual cinemas and distribution platforms must be very creative in their approach, paying serious attention to the peculiar realities of the African markets. Their revenue models must encourage flexibility, allowing Africans to pay-as-they-watch, rent movies virtually and consume content with minimal mobile data.

The stakeholders in the industry must also intensify efforts in their partnership with the corporate sector including investors and financiers. The corporate sector will play an instrumental role in providing funding at this critical period in the industry. It is also quite pivotal to also ensure that the stakeholders are constantly liaising with the government at all tiers and are keeping them abreast of the challenges of the industry. Government should consider more strategic intervention in the industry. As an indispensable part of the economy, government should partner with the film industry to develop sustainable products that will drive growth, ensuring increase in Gross Domestic Product (GDP).

Conclusion

The African film market has over the years developed in leaps and bounds with growing investment opportunities. The expansion of the market is however bedeviled by the high cost of internet, digital piracy, lack of infrastructure, paucity of funds among others. Notwithstanding the forgoing, investors in the market are able to generate relatively sizeable return on their investment. As discussed in this article, investment in the market requires both financial and legal strategy and existing investors and potential investors must ensure that they are abreast of the financial and legal development in the orange economy and specifically in the film market to ensure protection of their valued investments and a more robust opportunity for more profitable investments in the market.

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