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ILMC 32: Industry Investment: High stakes

With the financial community increasing investment in the live sector, what does this mean for the business?

By James Drury on 05 Mar 2020



The live sector has previously been seen as hopelessly high risk and something no institutional investor would get involved in. So what's changed, asked chair Jessica Koravos from Oak View Group International.

David Glick from venture capital fund Edge Investments said, on a micro level, nothing's changed. Live events remain high risk. But the attitude with among the people who run events has changed.

Matthias Just of Mayland AG agreed, adding investors are more interested because the industry has shown it can handle the risks. He said as consumers are willing to spend more money on experiences rather than material possessions, the outlook for the entertainment space looks strong.

Sziget Festival's Tamás Kádár said his company got financing in 2017. However, he said his company doesn't make festivals for financiers – they make them for audiences. He said the company took investment because it would help it grow internationally. Artist fees have grown massively in recent years and so to grow the business you have to invest more money in the event each year.

President of AEG Europe, Alex Hill, added certain aspects of the industry have changed to be finance-friendly. He cited the example of trying to raise finance for The O2 arena, which he said was difficult to achieve with British banks, so the company turned to the US, where institutions understood the venues business better. Today, that's changed and UK bankers are more prepared to give finance because they can see a more dependable business model.

Certain aspects of the industry have changed to be finance-friendly

Having worked for years in the theatre sector, Koravos said she's noticed the increasing influence of Hollywood studios and "jukebox musicals". She asked whether the desire for finance firms to make a quick return was impacting what happens on stages worldwide?

Just said he hadn't seen that in the festival industry. More funding means more variety he said.

Sziget festival's Kádár said there's an upside to an investor in terms of the line-up – it's easier to route acts and make joint offers so you can get bigger acts. But the downside is that explaining that circus and classical music are essential part of the experience even though they only get 200 viewers – it can be a tough sell. Fortunately, his investor understands the business and lets them do what they want.

Hill said as an owner-operated business, AEG has a lot of creative freedom. He added the company is always looking for new content and will invest in new ideas if they're viable, citing the example of its C2C festival which was created with UK promoter SJM and is now across multiple territories.

Koravos said having an owner means there's a long termism approach which might not be there when it comes to publicly traded organisation.

There's a huge trend towards people wanting to spend money on experience economy

Glick said all investors want to make as much money as quickly as possible. They rely on highest return for lowest risk. Explaining the difference between private equity (PE) and venture capital (VC) he said PE is about buying things, creating efficiencies of scale and making them more profitable. VC is different – it's about finding entrepreneurs and backing them.

Koravos asked what can a small to medium sized business in live do to attract investment?
And what would make you stay away?

Just said there needs to be a well-defined strategy. Glick said he wants to align with the right people. His company looks for businesses that can scale rapidly, but also talent and people who can execute their plans.

So, summed up Koravos, will the bullish live market continue?

Glick said as an investor his company looks to examine the trends and tech advances and back those which will benefit from those trends. There's a huge trend towards people wanting to spend money on experience economy, and there's no reason for it to end. However, he added there will be economic cycles, particularly with Brexit.