



ATLANTIC SCREEN SCORES BUSINESS SUMMARY

May 2021

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Executive Summary

Atlantic Screen Scores Limited ("ASS"), is a UK based owner of, and investor in film and TV music copyrights.

Film and TV music copyrights are lucrative and stable investments that can produce attractive returns in a growing film and TV market. The ability to exploit and generate revenue from the growing number of digital platforms, coupled with the potential in regions that currently do not recognise IP rights, are areas of opportunity for ASS.

The Music Publishing Market

- 2019 global music publishing market of US\$4.9bn forecast to reach US\$7.45bn by end of 2026 with a CAGR of 6.1% 2021 to 2026
- Music streamers Spotify, Apple Music & Pandora driving global streaming revenues from US\$42bn in 2019 to US\$184bn to end of 2026
- The UK Performing Rights Society processed a record high £686m of royalty payments in 2019, up 13.7% on prior year.

Key ASS current highlights

- Owns Copyrights in 36 film scores which in 2020 generated £257,000 in revenue (Projected income 2021: £400,000)
- Owns film scores in films such as "The Zookeepers Wife", "Lost City of Z", and "Triple Nine"
- Music Copyright Catalogue valued by Prager Metis at £2m.
- £1,582,776 of share capital and no debt except for a £50,000 Bounce Back Loan.

Key ASM Business Strengths

- 1) Established track record demonstrating growth income
- 2) Scalable: ASS's business model enables expansion, without any increases in overhead costs. Acquiring music copyrights on balance sheet significantly increases margins.
- 3) Strong management track record: extensive personal relationships and a database of contacts with film production companies, law firms and sales agencies, enabling the quick identification of opportunities
- 4) The business has proved to be unaffected by the Covid pandemic and investment in ASS is therefore un-correlated to the effect the pandemic has had in the financial markets

Investment Strategy & Projections

- Secure loan finance £500,000
- Acquire up to 10 new film and television scores
- Grow the projected £257,000 of revenue in 2020 to £514,000 by 2024, and £119,000 of EBITDA in 2020 to £348,000 by 2024.

	Revenue £000	EBITDA £000
2020	257	119
2021	411	203
2022	486	324
2023	534	366
2024	514	348
2025	474	313

1. Business Overview

Atlantic Screen Scores Limited (“ASS”) is a music publishing company that was founded in 2013. The company generates revenue through royalty payments from its growing screen music library.

Copyright Administration Services Limited (“CAS”), an related company to ASS, is a fully integrated music publishing administration company, with direct collection agreements in place with the majority of the world’s major music collection societies. CAS administers the rights to over 200 film and television scores. ASS uses CAS to administer its royalty collections and to exploit its catalogue of music copyrights, paying a 10% collection fee.

Sapia Partners are the Companies Investment Manager, safeguarding the interests of the EIS investors in the company.

1.1. Business Summary

Receiving Royalty Payments

Music Composers vest their rights within performing rights organisations world-wide. In the UK this is the Performing Rights Society of Great Britain, also known as PRS For Music Ltd (“PRS”). The PRS collects some £700 million a year, which it then distributes to composers and rights owners. They collect around 10% of all worldwide performing rights income. Each major country has a similar collection society.

Revenue for the company is collected by a global network of music societies, most of which are non-profit making government supported organisations, such as the PRS in the UK, and ASCAP, BMI and SESAC in the USA. These societies collect royalties from broadcasters, cinemas, radio stations, digital networks, and media agencies within their countries. The music societies will subsequently collate the information and send out reports on fixed days to their clients . Typically, royalties are paid out after three months or six months.

Sophisticated rights management system

Counter Systems Ltd has developed a specialised royalty accounting system, Music Maestro, that has been specifically designed for receiving electronic royalty statements electronically directly from each music society. Many music publishers use 'sub publishers' in each territory, usually a 'major' (Sony BMG, Warner Chappell or Universal). CAS however has created its own international group of local memberships, and all income flows into the UK without any need of local companies, except for in France, Italy, Spain, and Japan where language barriers make it easier to sub publish.

Sale of music scores

Outside of the music societies ASS receives revenue for the sale of music for use in trailers and other reuses (synchronisation deals).

Scores are sold for use in commercials, trailers or for other films and TV series. For instance, a typical trailer sale would be worth approximately \$30,000 for two minutes of music.

Investment in film scores can be made either as part of the production financing prior to the film going into production or in the postproduction stage when the money is actually needed for the music budget of the film. A film is typically released 15 months after production starts and cash for the music rights will flow through to the music societies and back to ASS 6 to 9 months post release.

It is a capital intensive business because investment made on day one will not start to earn income until 18/24 months later. However, this period is shortened if the investment is made nearer the end of production. On the other hand, acquiring catalogues with historical income streams starts to generate revenues almost immediately.

1.2. Management Business Plan

ASS intends to continue investing in acquiring the music rights in films and TV series, focusing on larger budget (\$10 million budget or higher) 'independent films'. Income streams for these films are more predictable and hold a longer shelf life on broadcast.

1.3. Management Team

ASS has a strong management team, with an average of over 20 years of industry experience.

We will continue to grow the business through its database of contacts the management have with film production companies, law firms and sales agencies. Regular contact with key sales and talent agents assists the sourcing of new copyrights, across North America and Europe.

Biographies

Simon Fawcett is the CEO of ASS and of CAS, having joined CAS full time in 2010, and was previously the Chief Executive Officer of Aramid Capital Partners, which managed a \$250m Fund specialising in Entertainment Loan Finance, and financed 30+ films, including such films as “How to loose Friends and Alienate People”, “Cheri”, and “Bush”, and successfully funded the expansion of the leading East European Distributor, “A” Company, and the successful US stage theatre company, Broadway Across America. Simon was previously the Finance Director of Pathé Entertainment, and was actively involved in the growth of Pathé from a small independent UK distributor into an international production and distribution studio operation, with successes including “The Queen”, “Mrs Henderson Presents”, “Girl with a Pearl Earring”, “Bride and Prejudice”, and UK distribution of the Award winning films “Crash” and “House of Flying Daggers”. Prior to Pathé, Simon worked for Landmark Communications Inc. as Finance Director of their UK and French Travel Channels, involved in the launch and expansion of these channels throughout Europe, Africa and the Middle East. Simon qualified as a Chartered Accountant with KPMG.

Rupert Hollier is the Creative Manager for ASS. As a freelance music supervisor, Rupert has worked on many high level advertising campaigns with brands including Marks & Spencer, Nike, as well as the Discovery Channel, National Geographic and various films including ‘Bend it Like Beckham’. In 2009 joined Imagem Music as Head of Film & Television. Imagem remains one of the world’s largest independent music publishers. During his tenure, he represented the Rodgers & Hammerstein and Boosey & Hawkes catalogues, as well as numerous artists and bands on the pop roster including Daft punk, Mark Ronson, Pink Floyd, Vampire Weekend, Genesis and The Stone Roses. During his five-year tenure at Imagem Rupert worked with brands such as Reebok, Skoda, Next, Iceland, Hyundai and Tesco amongst others, and several successful US, UK and European based films. He joined Metropolis Group in 2014 as Creative Director and founded the publishing division (Metropolis Music Publishing) and quickly secured an impressive repertoire of artists, bands and composers, racking up multiple synchronisation placements and campaigns which have gathered millions of Youtube hits. Fulfilling the roles of music supervisor, publisher, and copyright owner, Rupert has extensive experience and detailed knowledge of the entertainment Industry as a whole. In 2016 he won both Best TV Advert and Overall Sync of the Year as music supervisor at the MusicWeek Sync Awards, and holds the position of Head of Advisory Board for The UK & European Guild of Music Supervisors, and has recently produced his first musical film based on the 50th Anniversary of the release of Sgt.Pepper.

2. Key Investment Considerations

2.1. Highlights

- Scalable: ASM’s business model enables organic expansion, without significant increases in overhead costs. Acquiring music copyrights on balance sheet significantly increases margins.

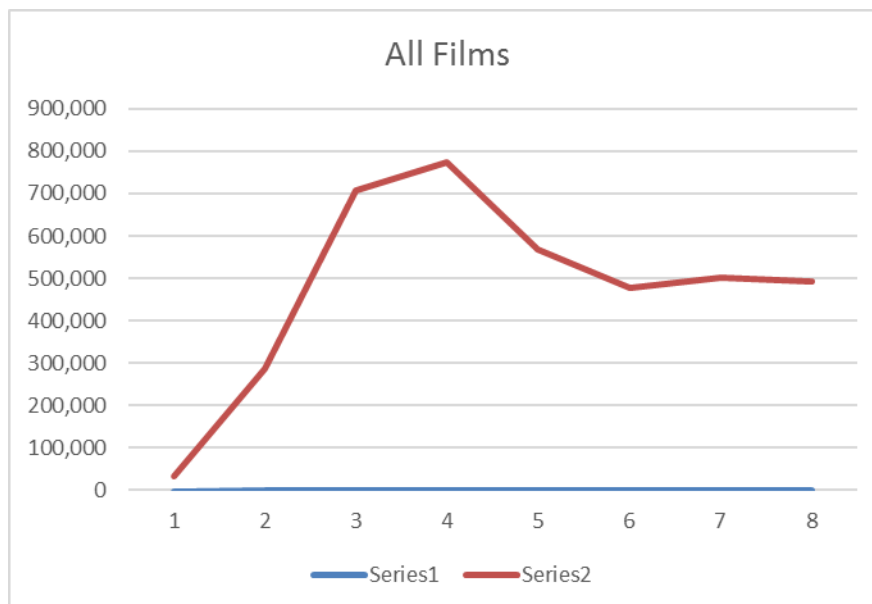
- Strong management track record: extensive personal relationships and a database of contacts with film production companies, law firms and sales agencies, enabling the quick identification of opportunities
- The business has proved to be unaffected by the Covid pandemic and investment in ASM is therefore un-correlated to the effect the pandemic has had in the financial markets

3. Financial Information

3.1. Key Forecast Assumptions

The following assumptions are considered in the projected financial information:

- The revenue generated from copyrights currently owned by ASS is projected to continue to grow and peak in 2023.
- £400,000 of new scores are assumed to be acquired over the next 12 months and will be administered by CAS. Each new score asset is assumed to generate 1.05x its investment value over the first five years after investment.
- Management Fees of £63,000 per year are paid, and Investor Compliance fees paid to Sapia Partners of £22,000 per year. No other significant overheads.
- It is assumed that an additional £500,000 of Debt will be provided to the company at an interest rate of 8% repayable over two years.
- Music Copyrights amortised over 20 years
- Typically film score investments achieve their peak revenue in year 4 after investment, hence the rising revenues on the current catalogue where many of the film score investments were made in 2018/19. Revenue data, graphically presented below, was taken from investments made in 50 film scores made between 2011 and 2014.



3.2. Historical and Projected Profit & Loss

ATLANTIC SCREEN SCORES

PROFIT AND LOSS

FIVE YEARS

	2020 £'000 <i>Actual</i>	2021 £'000 <i>Projection</i>	2022 £'000 <i>Projection</i>	2023 £'000 <i>Projection</i>	2024 £'000 <i>Projection</i>	2025 £'000 <i>Projection</i>	2026 £'000 <i>Projection</i>
Revenues							
Catalogue royalties	257	411	466	454	394	354	321
New Scores		0	20	80	120	120	80
		411	486	534	514	474	401
Cost of Sales							
Admin fees	26	41	49	53	51	47	40
Composer Royalties	11	12	15	16	15	14	12
	37	53	63	69	67	62	52
Net Publisher Share	220	358	423	465	447	412	349
Overheads							
Transaction Costs		30					
Overheads	96	95	94	94	94	94	94
Set Up Costs + Commissions	5	30	5	5	5	5	5
	101	155	99	99	99	99	99
EBITDA	119	203	324	366	348	313	250
Amortisation	101	125	125	125	125	125	125
Loan Stock Interest		12	21	9			
Net Profit	18	65	177	232	222	188	125
Corporation Tax					38	32	21
Profits after Tax	18	65	177	232	185	156	103
Cumulative profits After Tax	-168	-103	75	306	491	647	750

3.3. Historical and Projected Balance Sheet

ATLANTIC SCREEN SCORES BALANCE SHEET FIVE YEARS

	2020 £'000 <i>Actual</i>	2021 £'000 <i>Projection</i>	2022 £'000 <i>Projection</i>	2023 £'000 <i>Projection</i>	2024 £'000 <i>Projection</i>	2025 £'000 <i>Projection</i>	2026 £'000 <i>Projection</i>
Music Copyrights	1,683	2,050	1,924	1,799	1,673	1,548	1,423
Current Assets							
Debtors	1	1	1	1	1	1	1
Prepayments and Accrued Income	198	198	198	198	198	198	198
Cash	0	16	58	301	601	872	1,096
	199	215	257	500	800	1,071	1,295
Current Liabilities							
Trade Creditors	33	33	33	33	33	33	33
CAS Connected Co loan	349	349	349	349	349	349	349
Bounce Back Loan	50	45	35	25	15	5	0
New Loan		354	104	-0	-0	-0	0
Accruals	3	3	3	3	3	3	3
Corporation tax							
VAT	32						
	467	784	524	410	400	390	385
Net Current Liabilities	-268	-569	-266	91	401	682	910
Net Assets	1,415	1,480	1,658	1,889	2,074	2,230	2,333
Capital and Reserves							
Share capital	1,583	1,583	1,583	1,583	1,583	1,583	1,583
Revenue Reserves	-168	-103	75	306	491	647	750
	1,415	1,480	1,658	1,889	2,074	2,230	2,333
Valuation of music Copyrights (assume 8 times income multiple)	2,048	2,962	3,500	3,846	3,698	3,411	2,889
Loan cover		12%	3%	0%	0%	0%	0%

3.4. Historical and Projected Cash flow

ATLANTIC SCREEN SCORES							
CASHFLOW							
FIVE YEARS							
	2020	2021	2022	2023	2024	2025	2026
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Inflows							
Loan		500					
Catalogue Receipts	288	411	466	454	394	354	321
New Score Receipts			20	80	120	120	80
	288	911	486	534	514	474	401
Outflows							
CAS Creditor (31/12/19)	145						
Transaction Legal Costs		30					
Acquisition Costs		492					
Composer Royalties	11	12	15	16	15	14	12
Overheads	96	95	94	94	94	94	94
CAS Music Publishing Admin	26	41	49	53	51	47	40
Set Up Costs + Commissions	5	30	5	5	5	5	5
Corporation Tax	0	0	0	0	38	32	21
Loan Repayments		158	271	113			
Bounce Back Loan Repayments		5	10	10	10	10	5
VAT		32					
	283	896	443	291	214	203	177
Opening Balance		0	16	58	301	601	872
Net Movement	5	16	43	243	300	271	224
Closing Balance	0	16	58	301	601	872	1,096

Simon Fawcett

Chief Executive Officer

Atlantic Screen Scores