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Strategic Report.

The case for author-driven Latin American cinema. Why the middle market is undercapitalized, why now is the window, and why Nemea's tri-jurisdictional structure is the right vehicle.

FUND SIZE	EQUITY / FILM	AUTHOR FILMS	BASE MOIC
$10M	$800K	10	1.53×
Seed round target	40% co-equity per SPV	4-year deployment	~12% IRR (4yr)

00 Executive Summary.

Nemea Studios is raising $10 million to finance 10 author-driven Latin American feature films over four years. The fund deploys $800,000 of equity per film through a **structurally hedged model** combining Mexican and British Columbia incentives, SPV isolation, and a disciplined festival-first distribution strategy.

The base case targets **1.53× MOIC and ~12% IRR**, with probability-weighted returns of 1.37× across bear, base, and bull scenarios. **Structural incentive recovery provides a meaningful floor even in adverse outcomes** — the bear case returns 0.52×, not zero.

Return Scenarios

BEAR	BASE	BULL	PROB-WEIGHTED
0.52×	**1.53×**	**2.33×**	**1.37×**
~−4.2% IRR	~12% IRR	~24.5% IRR	Conservative
1 Success · 9 Flop. Structural floor supported by tax incentives.	2 Success · 6 Normal · 2 Flop. Primary target scenario.	1 HR · 5 Success · 3 Normal · 1 Flop.	20% Bear · 55% Base · 25% Bull.

Key Structural Advantages

ADVANTAGE 01

Incentive Floor

Mexico's 2026 EFICA 30% tax credit + BC PSTC 36% on Canadian labour recover a substantial portion of production cost **regardless of box-office performance**.

ADVANTAGE 02

SPV Isolation

Each film sits in its own special-purpose vehicle. **Underperformance on one film cannot contaminate the portfolio.**

ADVANTAGE 03

Currency Arbitrage

Production costs in MXN; returns in USD. **Peso weakness structurally benefits the fund** on a purchasing-power-parity basis.

ADVANTAGE 04

Proven Market

Author-driven LatAm films have demonstrated acquisition multiples of **5–17×** at Cannes, Sundance, and Venice against comparable budget profiles.

01 Market Opportunity.

The global independent film market is in structural expansion. Within it, the $1M–$3M author-driven segment occupies a uniquely advantageous position — **low breakeven, full festival eligibility, streaming demand, and perfect alignment with incentive thresholds**.

Global Independent Film Market

The global film production market is projected to expand by **$90.4 billion between 2025 and 2029**, growing at a CAGR of 14.6%. Independent films have accelerated their share of that growth: after an 18% dip in 2024, the top 10 independent productions surged **41% at the global box office in 2025**, reaching a record $1.9 billion — with independents accounting for more than a quarter of worldwide box office revenues.

Within the independent landscape, the most durable opportunity lies at the intersection of festival-credentialed, author-driven films and streaming platform acquisition. At Sundance 2024, **60% of independent films secured distribution deals**. MUBI's breakout success with **The Substance** ($77.3M global box office) in 2024 confirmed that boutique streaming platforms with curatorial authority can drive blockbuster arthouse returns — validating MUBI's subsequent $24M acquisition of **Die My Love** at Cannes 2025.

Latin American Streaming Boom

The Latin American OTT market is projected to reach **$56.1 billion by 2035**, growing at a CAGR of 17% from $11.7 billion in 2025. Netflix, Amazon Prime Video, Disney+, and MUBI are all accelerating Spanish- and Portuguese-language content investments. **Mexico is identified as one of the fastest-growing OTT markets worldwide**.

MUBI — the premium arthouse platform with over 11 million subscribers globally — has dramatically expanded its acquisition budget to pursue global festival films, spending over **$100 million annually** on content licensing and acquisition. MUBI's Latin American catalogue has grown significantly as the platform targets cinephile audiences in Brazil, Mexico, Argentina, and Colombia.

Mexican Cinema: An Established International Pedigree

Mexico has produced three of cinema's most globally recognized directors: **Alfonso Cuarón** (Oscar: *Gravity*, *Roma*), **Alejandro González Iñárritu** (four consecutive Oscar wins), and **Guillermo del Toro** (Oscar: *The Shape of Water*). Their international trajectories began with low-budget independent productions — *Y tu mamá también*, *Amores Perros*, *Cronos* — that premiered at Sundance, Cannes, and Venice, then scaled to global distribution.

The next generation — **Amat Escalante** (Cannes Best Director), **Jayro Bustamante**, **Michel Franco**, **Lila Avilés** — continue this tradition. The Morelia Film Festival, BAFICI, and Guadalajara International Film Festival have matured into credible pipeline events that regularly feed films into Cannes Un Certain Regard, Venice Horizons, and Sundance World Cinema.

The $1M–$3M Budget Sweet Spot

ADVANTAGE **Low Breakeven** A $1.5M production needs only modest multi-territory SVOD sales to recoup — achievable **without any theatrical presence**.	ADVANTAGE **Full Festival Eligibility** All major festivals — Cannes, Venice, Berlin, Sundance — welcome films at this budget level. Many have minimum budget floors for competition.	ADVANTAGE **SVOD Acquisition Fit** Streaming platforms' per-film acquisition budgets for international arthouse content cluster in the **$1M–$5M range**.
ADVANTAGE **Incentive Maximization** Mexico's new EFICA decree applies from a MXN $40M (~$2.3M USD) floor — **perfectly matching Nemea's per-film budget**.	ADVANTAGE **Talent Availability** Top Latin American creative talent actively seeks production vehicles at this scale — the natural range for first and second features.	ADVANTAGE **Distribution Leverage** At this scale, a single SVOD deal can return capital. Multiple buyers compete for every quality acquisition.

Sources: Technavio / Yahoo Finance (Movie Production Market 2025–2029) · Indy Film Library (2025 Indie Box Office Report) · Mark Litwak Entertainment Law (Independent Filmmakers 2025) · FilmTake (MUBI Buying Blitz 2025) · Future Market Insights (LatAm OTT 2025–2035) · Sundance Institute · Mexico News Daily.

02 The Mexico–Canada Advantage.

Nemea's most powerful competitive differentiator is not creative taste alone — it is the ability to systematically **reduce net production cost by 30–50%** through deliberate stacking of Mexican and British Columbia fiscal incentives.

Mexico — Creative Hub + 30% Tax Credit

Mexico offers world-class crews, competitive below-the-line costs (**40–60% below equivalent US rates**), and diverse locations from Mexico City to Oaxaca, the Yucatán, and Baja. The EFICINE program (established 2006) provides income tax credits with a 20-year track record of reliability.

In February 2026, President Claudia Sheinbaum signed the **EFICA 2026 decree** establishing an additional 30% transferable tax credit on qualifying Mexico-incurred production costs.

EFICA 2026 DECREE

Key Features

→ **Credit rate:** 30% of total qualifying Mexico production costs
→ **Cap per production:** MXN $40M (~$2.3M USD)
→ **Annual pool:** MXN $400M
→ **Validity:** Through 30 September 2030
→ **Transferability:** Sold to third-party taxpayers at up to 70% of face value
→ **Eligibility:** Foreign co-productions qualify via Mexican production company

BC PSTC (2025+)

Rate Structure

→ **Basic PSTC:** 36% of qualifying BC labour (up from 28%)
→ **Regional Bonus:** +6% outside Metro Vancouver
→ **DAVE Bonus:** +16% on VFX / animation
→ **Effective Combined:** Up to 46.2%
→ **Refundable:** Cash refund from BC government
→ **Stackable:** Fully independent of Mexico incentives

Incentive Stacking — The Nemea Model

A Nemea film shot in Mexico with BC post-production can capture incentives from **both jurisdictions simultaneously**. The following illustrative example shows net cost reduction for a $1.5M production:

COST COMPONENT	GROSS COST	INCENTIVE RECOVERY	NET COST
Mexico Production (cast, crew, locations)	$1,100,000	$330,000 (30% EFICA)	$770,000
BC Post-Production (editing, sound, VFX)	$300,000	$108,000 (36% PSTC)	$192,000
Other / Contingency	$100,000	—	$100,000
Total	**$1,500,000**	**$438,000 (29.2%)**	**$1,062,000**

CURRENCY ADVANTAGE

Production costs in Mexico are denominated predominantly in Mexican pesos, while investor capital and returns are denominated in US dollars. **Structural MXN weakness — the peso has depreciated approximately 15–20% against the USD since 2020 — means each USD of investor capital purchases proportionally more production value.** This currency dynamic is structural, not a short-term bet.

Sources: Baker McKenzie / KPMG (Mexico Film Tax Incentive 2026) · Creative BC (PSTC Program).

03 Comparable Film Returns.

Author-driven international films at sub-$4M budgets have generated documented returns of **5× to 17×** — validating Nemea's per-film tier assumptions. All figures below are worldwide theatrical gross; streaming acquisition premiums, home video, and ancillary rights are **additive**.

FILM	YEAR	BUDGET	WW GROSS / DEAL	MULTIPLE	DISTRIBUTION	RECOGNITION
Son of Saul	2015	$1.7M	$9.7M theatrical	**5.7×**	Sony Classics	Cannes Grand Prix · Oscar Best Foreign Film
Capernaum	2018	$4.0M	$68.6M theatrical	**~17.1×**	Sony / StudioCanal	Cannes Jury Prize · Oscar Nom · Highest-grossing Arabic film ever
La Llorona	2019	~$0.6M	$294K theatrical + SVOD	**~11.8×**	Shudder / MUBI	Venice Orizzonti · Sundance · Substantial SVOD premium
Roma	2018	~$15M	Netflix acq. ~$25M+	**~1.7×**	Netflix (global)	Oscar: Director, Cinematography, Foreign Film
A Fantastic Woman	2017	~$1.5M	$3.8M theatrical	**~2.5×**	Sony Classics	Oscar Best Foreign Language Film
Monos	2019	$1.8M	$1.9M theatrical + SVOD	**~2.0×**	Neon / StudioCanal	Sundance World Cinema Jury Award

Interpretation for Nemea's Model

The table above validates each of Nemea's per-film return tiers. The **Capernaum model** (17× theatrical alone, driven by Chinese box office) represents the **Home Run scenario**. **Son of Saul** (5.7×) maps precisely to the **Success tier**. **Roma**, despite its larger budget, demonstrates that Netflix will pay substantial acquisition premiums — the direct analog of Nemea's SVOD acquisition assumption. **Monos** and **A Fantastic Woman**, at 2–2.5× theatrical, represent the **Normal tier** — and both generated additional streaming revenue through multi-territory SVOD deals.

CRITICAL VALIDATION

All of these films were made by first- and second-time feature directors with **strong festival credits but no major stars**. All achieved international distribution through festival premieres alone — **the exact model Nemea is replicating**.

Sources: Box Office Mojo · The Numbers · IMDb · Wikipedia · Tubefilter (Roma Netflix P&A figures).

04 Investment Structure.

A disciplined capital allocation, SPV-based liability isolation, and a clear waterfall that aligns LPs, GP, and talent.

Fund Allocation

TRANCHE	AMOUNT	% OF FUND	PURPOSE
Film Investment Pool	$8,000,000	80%	$800K equity × 10 author-driven films
Studio Operations	$1,500,000	15%	Bridges Years 1–2 before studio revenue matures
Reserve / Bridge	$500,000	5%	Contingency, BC PSTC bridging, working capital
Total	**$10,000,000**	**100%**	

SPV Structure

Each film is financed through its own special-purpose vehicle, wholly owned by Nemea Studios Inc. The SPV structure provides three critical protections:

PROTECTION 01

Liability Isolation

Creditors of one film have **no recourse** to other films or to the studio entity.

PROTECTION 02

Clean Accounting

Each film's P&L, tax credits, and distribution revenues are tracked **independently**.

PROTECTION 03

Jurisdictional Flexibility

Each SPV can be incorporated in the **optimal jurisdiction** for its specific incentive profile.

Waterfall / Distribution of Proceeds

PRIORITY	RECIPIENT	AMOUNT / RATE	DESCRIPTION
P1	Distribution Expenses	First dollar	Distribution fees, P&A, collection account
P2	Investors (Equity Recoupment)	120% of invested capital	Full return of capital plus 20% premium
P3	Tax Credit Recovery	Pro-rata	EFICA + BC PSTC credits returned to fund
P4	LPs (Preferred Return)	8% p.a. compounded	Cumulative preferred return on unreturned capital
P5	LPs / GP / Talent	50% / 30% / 20%	Remaining profit split; GP carry is 20% of total profits above hurdle

OPERATIONAL SUSTAINABILITY

The $1.5M Studio Operations budget bridges Years 1–2. **From Year 3 onward, Nemea is designed to be self-funding** through management fees ($200K/yr from the fund) and production service fees charged to SPVs at market rates.

05 Scenario Analysis.

The return model is built **bottom-up**: individual film-level returns aggregated across 10 productions. Each film is assigned to one of four performance tiers based on historical precedent.

Per-Film Return Tiers

HOME RUN	SUCCESS	NORMAL	FLOP
5.00×	**2.66×**	**1.56×**	**0.33×**
$4.0M+ per film	$2.13M per film	$1.25M per film	$264K per film
Festival breakout + major global SVOD + broad theatrical. 1 in 10.	Strong festival premiere + multi-territory SVOD + limited theatrical.	Solid festival + regional SVOD + tax credits fully recovered.	Limited distribution; partial recovery through incentives + rights.

Fund-Level Scenario Matrix

SCENARIO	FILM MIX	GROSS RETURNS	FUND MOIC	IRR	LP NET MOIC
Bear	1 Success · 9 Flop	$5.2M	**0.52×**	−4.2%	~0.44×
Base Case	2 Success · 6 Normal · 2 Flop	$15.3M	**1.53×**	~12.0%	~1.37×
Bull	1 HR · 5 Success · 3 Normal · 1 Flop	$23.3M	**2.33×**	~24.5%	~2.05×
Prob-Weighted	**20% Bear · 55% Base · 25% Bull**	**$13.7M**	**1.37×**	**~9.8%**	**~1.22×**

Bear Case Floor Analysis

Even in the bear scenario (1 Success, 9 Flops), the fund returns $5.2M on $10M invested. **The floor is not zero** — it is supported by three structural buffers:

BUFFER 01

Tax Credit Recovery

EFICA (30%) + BC PSTC (36%) can recover **$250K–$440K per film** even without any distribution — approximately $3M aggregate floor across 10 films.

BUFFER 02

Minimum Distribution Floor

Even Flop-tier films retain rights value — streaming platforms, educational licenses, home video provide **residual revenue**.

BUFFER 03

SPV Isolation

Bear scenario films **do not create liability** that claws back capital from performing films.

06 Risk Analysis.

Independent film investment carries inherent execution and market risks. Nemea's structure is designed specifically to address each material risk category **through structural, legal, and operational**

mitigations.

CATEGORY	SPECIFIC RISK	MITIGATION	RESIDUAL
Distribution	Film fails to secure distribution; no theatrical or SVOD revenue.	**EFICA + BC PSTC credits recover 29–44% of production cost regardless of box office.** Even unacquired films retain rights value.	LOW
Portfolio Concentration	Single-film underperformance drags fund returns.	**SPV structure:** each film isolated. No cross-collateralization. One Flop cannot impair performing films.	LOW
Currency (MXN/USD)	Peso strengthening reduces USD value of incentives.	Budgets fixed in USD at greenlight. **Local MXN costs benefit from peso weakness.** Asymmetric structural benefit.	LOW
Incentive Policy	Mexico or BC changes tax credit terms.	**EFICINE:** 20-year track record. **EFICA 2026:** valid through Sept 2030. **BC PSTC:** legislated Jan 2025, multi-year commitment.	LOW
Execution / Team	Team inability to source, greenlight, and deliver quality films.	Founders bring **30+ years combined experience** with proven festival credits. Board-level oversight of greenlight.	MEDIUM
Market Saturation	Streaming platforms reduce arthouse acquisition budgets.	MUBI, Amazon LatAm, Apple TV+ **actively expanding**. Festival films have permanent, inelastic demand from premium platforms.	LOW
Festival Acceptance	Films fail to secure A-list festival premiere.	**Pipeline strategy:** Morelia, BAFICI, Guadalajara as proof-of-concept. Escalation to Cannes UCR, Venice Horizons, Sundance WC.	MEDIUM
Legal / Co-Production	Cross-jurisdictional legal complexity.	CLO with international co-production expertise. Established relationships with Mexican and Canadian entertainment counsel.	LOW

07

Why Now.

The convergence of **structural market forces, newly enacted fiscal incentives, and a maturing Latin American festival ecosystem** creates a time-limited window of exceptional opportunity for a well-positioned fund. Five macro-level catalysts are simultaneously active.

01	**Platform Demand for International Arthouse** MUBI spent $24M on a single title at Cannes 2025. Netflix, Apple TV+, Amazon all expanding non-English acquisition budgets.	**Multiple competing buyers** for every quality festival acquisition → price competition favors sellers.
02	**EFICA 2026 Decree** 30% transferable tax credit on Mexico production costs, valid through September 2030. Published March 2026.	**New structural cost reduction** not available to prior-vintage funds. First-movers in compliant structures capture maximum benefit.
03	**BC PSTC Rate Increase (Jan 2025)** Basic rate increased from 28% to 36% for productions starting after December 31, 2024.	Post-production economics improved by **~8 percentage points** vs. prior cycle. Nemea's BC entity benefits immediately.
04	**LatAm Festival Circuit Maturation** Morelia, BAFICI, Guadalajara regularly feeding films into Cannes, Toronto, Sundance. Sundance CDMX in its second year.	**Pipeline infrastructure now exists** for Mexican films to travel the full international circuit with lower discovery friction.
05	**Post-COVID Content Right-Sizing** After 2021–2022 overproduction and 2023–2024 correction, platforms are now selectively acquiring quality films at rational prices.	Supply-demand balance has **normalized**. Acquisition multiples for quality festival films have stabilized at historically attractive levels.

THE OPPORTUNITY WINDOW

The EFICA 2026 decree is the most time-sensitive element. With a total annual pool of MXN $400M (~$20M USD) and validity through September 2030, **first-movers who structure compliant productions will capture a disproportionate share of available credits**. A fund that closes in 2026 deploys into the most favorable incentive environment in Mexican film history.

Conclusion — A Structurally Superior Entry Point

Nemea Studios offers sophisticated investors a disciplined, research-backed vehicle to participate in the most dynamic segment of international cinema: **author-driven Latin American film at the intersection of festival credibility and SVOD demand**.

The base case **1.53× MOIC** and **~12% IRR** are supported by fiscal incentives that create a structural floor regardless of box office performance — a characteristic rare in any creative industry investment.

The probability-weighted case of **1.37×** reflects a deliberately conservative view of outcomes. The upside — a single Home Run on the scale of a *Capernaum* or *Son of Saul* — can reshape the fund's return profile fundamentally, delivering 2.33× or beyond. **That asymmetry, combined with the downside floor provided by incentives, defines Nemea's risk-adjusted value proposition.**
