

BUSINESS INSIDER

16 VCs that are funding the future of entertainment by backing generative AI and other disruptive tech

By Lucia Moses
12 January 2024

- Funding for AI-driven media startups has remained robust even as VC investment dwindled in 2023.
- Investors are betting on AI to cut the high cost of Hollywood productions.
- Business Insider identified 16 VCs capitalizing on AI and other shifts in entertainment.

Funding for startups has become scarcer as venture dollars dwindled in 2023 amid a slowing economy and layoffs in tech.

But as with so many sectors, founders in entertainment who are looking for funding are still able to raise it — especially when AI is part of the deal.

Michael Blank, who leads Creative Artists Agency's investing arm Connect Ventures, told Business Insider that investors' interest in blockchain- and web3-specific companies has cooled. But companies with gen AI at their core — tech that has disrupted special effects and translation — are still red-hot, with new ones popping up all the time.

"Tools that support content creation and consumption are highly attractive right now," Blank said. "Production, visual effects, localization — there are a whole bunch of areas of entertainment where companies are being built to address those spaces."

After a period of "wild west" investing in AI, Blank believes activity will favor AI companies that respect artists' consent and compensation. Such issues were among the top concerns of striking Hollywood actors and writers in 2023 — and both guilds won concessions protecting their creative work from the incursion of AI in their new contracts with the Hollywood studios.

"It's more important than ever to work with companies that ensure people have control over their IP. There are more folks now than ever that agree with that approach," Blank said.

Veteran media investor Jon Miller said AI can help reduce the cost of Hollywood's highly expensive content, even factoring in the guilds' restrictions. He also sees the tech being used more to increase efficiency and accuracy in customer acquisition and content valuation.

AI can provide "genuine benefits to workflow," said Miller, CEO of TPG investment vehicle Integrated Media Co. and a senior advisor at Advancit Capital. "The budgets of these shows are extraordinarily high, so if you can take out some meaningful costs, you'll want to do that," he continued, adding, "The second area is that the value of investing in programming will be more defined."

BI identified 16 early-stage investors, listed alphabetically, that have backed startups using AI to disrupt filmed entertainment or otherwise capitalizing on industry shifts.

They include talent agencies like CAA that have long used investment arms to diversify their revenue beyond representation and often to back clients' business ambitions beyond Hollywood; the venture arm of Bertelsmann, which looks for startups that support its parent's business units as well as pure financial investments; firms like Waverley Capital that have long had media and entertainment at their core; and broad investors like Octopus Ventures that have recently led investments in startups with entertainment applications.

Accel

Founded in 1983, Accel has invested in over 300 companies from early to growth stage, including Facebook, Slack, and Dropbox. The venture capital firm's interest in AI has led it to make multiple investments in Assembly AI, a text-to-speech company used by NBCUniversal, BBC, Loop TV, and others. Accel most recently led Assembly's \$50 million Series C in December.

Aperture Venture Capital

Two-year-old Aperture is interested in the intersection of fintech and AI with entertainment, along with other industries. It recently co-led a \$1 million seed round in Conduitt, which centralizes entertainment companies' production finance operations.

Aperture is also in due diligence with wealth management companies aimed at college athletes making money from NIL (the use of their name, image, and likeness). The firm's thesis is that while some sectors of entertainment have been infiltrated by tech, there are still areas of opportunity such as workflow and financing.

"We think the definition of media is expanding every day and expect to see more overlap between fintech and AI and media," managing partner Garnet Heraman said. "Film lending and the application of AI and fintech is something we're looking at very seriously. The business workflow of making a TV show is shockingly backwards in terms of digitization and workflow." Aperture has \$75 million in assets under management (AUM) and actively looks for diverse founders to back.

Bertelsmann Digital Media Investments

BDMI is the longstanding corporate venture arm of Bertelsmann. About 25% of its portfolio is in media, the rest being in fintech, web3, and enterprise SaaS. Being a corporate venture arm, some of its investments directly benefit its parent — like Papercup, an AI dubbing company that counts Fremantle, a Bertelsmann-owned production company, as a user. BDMI also uses its parent company to help evaluate potential investments.

With about \$450 million AUM, other investments include FloSports, a live sports platform; and Antenna, a data company that measures and analyzes subscriber behavior. BDMI's investment focus, though, is on tools like Papercup that streamline production. "We have a slight bias towards tools and using AI to get costs down," managing partner Urs Cete said.

Connect Ventures

Connect Ventures is a 50-50 partnership between talent giant CAA and New Enterprises Associates, a 40-plus-year old VC firm with over \$25 billion in AUM as of June 2023. Connect Ventures launched in 2020 with \$100 million to fund early-stage companies in media and commerce. Headed on the CAA side by Michael Blank, it led a \$20 million investment in Deep Voodoo, a deepfake startup founded by the creators of "South Park."

Connect Ventures has also backed TMRW Sports, a sports, media, and entertainment company founded by Tiger Woods and Rory McIlroy; and the toy retailer Camp, which is getting into live ticketed events for Disney, Universal, and others.

Elysian Park Ventures

Founded in 2015, Elysian invests in companies from seed stage on up where sports intersects with the broader culture, health and wellness, tech, and commerce. In the entertainment realm, it has backed Religion of Sports, the production company founded by Tom Brady, Gotham Chopra, and Michael Strahan; London-based soccer platform Copa90; and Gamurs, an Australia-based esports media and entertainment publisher.

"The confluence of sports and entertainment is where sports occupies a formative place within the cultural zeitgeist, generating rabid interest from and engagement by passionate communities worldwide," emailed Jay Adya, managing partner. "This is the essence of sport, entertainment and ultimately, fandom, and we love investing in companies driving this."

Endeavor Venture Investments

Endeavor Venture Investments is the venture arm of entertainment and sports behemoth Endeavor. Led by former JP Morgan banker Kushaan Ahuja, EVI most recently joined a \$54 million fundraise (led by VC fund a16z crypto) in Story Protocol, a collaborative intellectual-property platform. It has also backed GlobalComix, a digital comics platform; and Dapper Labs, which creates blockchain-based games. Ahuja's current focus is on software tools that help with content generation, editing, and distribution.

Fiat Ventures

Fiat Ventures mainly focuses on fintech; it's through that lens that the firm co-led (with Aperture) a 2023 seed round in Conduitt, a startup that's trying to bring efficiency to

entertainment financing. "We're big believers in the idea that fintech is everywhere and there's an opportunity to take over tired industries that have shielded themselves from innovation," Fiat general partner Drew Glover said. "What Conduitt is doing is breaking into the entertainment space, which is very much still in this golden age of production, and helping it continue to evolve."

Glover started Fiat in 2021 with fellow general partner Drew Harris; they've backed 150-plus companies. With Conduitt, Fiat also is trying to capitalize on fintech's shift from consumer to B2B applications; the firm is also focused on NIL tech, audience measurement AI tools, and financial operating systems.

Javelin Venture Partners

Javelin is an early-stage venture fund that led a \$8 Series A investment in 2023 in Resemble, which uses AI to make realistic-sounding voices for media companies. The firm also has invested in Mythical, a Web3 gaming co.; and MasterClass. It was founded in 2008 by Noah Doyle, a former Google product manager and founder of Payback India; and Jed Katz, founder of Rent Net and Move.com.

LightShed Ventures

Influential tech analyst Rich Greenfield jumped into investing two years ago with a focus on early-stage media, technology, consumer and telecom companies. Since then, LightShed Ventures has backed subscription data firm Antenna, celebrity platform Cameo, and Overtime, a sports media and production company aimed at Gen Z. It also co-led a \$20 million seed round in Telly, a new ad-supported TV startup from Pluto TV cofounder Ilya Pozin.

Another LightShed Ventures investment that touches entertainment is Space Perspectives, a space tourism company that's seeking to build out content applications. The firm is also interested in the ways AI can be applied to the personalization of content, which could play out as Apple launches its Vision Pro headset. "Apple planting a flag bodes well for the overall industry," said Jamie Seltzer, a general partner. LightShed has raised \$82 million, with a second, similar-sized fund set to close by April.

Octopus Ventures

Octopus Ventures, a part of the UK's Octopus Investments, led a \$20 million Series A round in 2022 in Papercup, a UK-based AI dubbing company that's looking to lower the cost of translation for film and TV. Started in 2008, Octopus Ventures is a B Corp that invests across seven sectors including B2B software, consumer, and health. It had over \$2 billion in AUM as of September 2023. Other investments include women's health company Elvie and privacy tech company Permutive. Notable exits include second-hand clothing reseller Depop (acquired by Etsy) and ecommerce brand Trouva (acquired by Re:store).

Point72 Ventures

New York Mets owner Steve Cohen's fund has primarily backed early-stage tech companies since starting in 2016, though it's also invested in some consumer companies over the years,

including Range Media Partners, a talent management firm; and GlobalComix, a digital comics company. Point72 Ventures hasn't been a huge player in entertainment, but it's planning to get more active in the space and recently launched a new media and consumer strategy to invest in media and entertainment as well as sports, ed tech, and beyond. Leading the strategy are managing partners Sri Chandrasekar and Tripp Shriner as well as principal Ishan Sinha.

Powerhouse Capital

Powerhouse is a Los Angeles-based venture capital fund that describes its focus as four areas of tech-driven media: visual content, audio, gaming, and the creator economy. That's led it to back such companies as MasterClass, faith-based production company The Wonder Project, podcast producer Wondery (sold to Amazon), digital sports publication The Athletic (sold to The New York Times Co.) and ticketing app Gametime. Powerhouse was launched in 2019 by Ian Doody, who has entertainment in his background as a founding member of Evolution Media Capital, a boutique merchant bank started in partnership with Creative Artists Agency.



Raine VC

The Raine Group, the investment and advisory firm founded by media veterans Joe Ravitch and Jeff Sine, also invests in early- and later-stage companies. Leading the venture arm is its founder and managing partner Gordon Rubenstein, who previously co-founded multiple entertainment and consumer companies such as Astro Gaming, Rave Digital Media, and Accel Entertainment. While most recent investments have focused on content, commerce, and music (hip hop content platform Rock the Bells, distributor Amuse), past ones have included subscription data firm Antenna; digital content platform Tastemade; and digital news network Cheddar (acquired). Raine VC has also invested in several gaming companies.

SWaN & Legend

The Virginia-based VC firm has a broad consumer portfolio that includes a number of entertainment investments. Fred Schaufeld, a co-founder and managing director, said SWaN looks for companies with a better-for-you message; in entertainment, that's led it to back

production companies Anonymous Content and Sugar23, which were behind Oscar winner "Spotlight" and have other business lines like commercial arms to diversify their revenue.

Other investments include Mindshow, which makes automated animated content; and Jose Andrés Media. With Hollywood in contraction, SWaN has largely hit pause on new entertainment investments to get its portfolio companies on a strong footing. "Right now we're sticking with the known, highly talented individuals," Schaufeld said. "There are too many things changing, it's too risky to take a chance on completely unproven talent." SWaN has deployed \$400 million across its portfolio.

UTA.VC

Talent giant UTA in 2022 formed UTA.VC, a partnership backed by Investcorp, an investment firm (and former UTA investor) with \$50 billion in AUM. Run by Sam Wick, UTA.VC leverages UTA's expertise to invest in media, entertainment, and creator-economy startups like NTWK, Pocket.watch, subscription data firm Antenna, and MasterClass.

UTA's entertainment investments date back to 2014, when it started UTA Ventures. Led by Paul Yoo, Ventures now focuses on building brands created by UTA talent. Its past investments have included PlutoTV and Awesomeness TV, which have since been acquired.

Waverley Capital

The VC firm founded in 2017 by Edgar Bronfman Jr. and Daniel Leff considers itself unique for its ongoing focus on media, sports, and entertainment — a thesis driven by investors who are primarily current and former media and technology company C-suiters. Waverley said it avoids what it considers hyped themes like the metaverse and VR in favor of early-stage companies that are lesser-known and in some cases, underappreciated.

Past exits include a string of streaming TV winners (Roku, Fubo, Pluto TV) and companies that got snapped up by Amazon and The New York Times Co. (podcast producer Wondery, sports publication The Athletic). Waverley's current portfolio consists of Volley, a publisher of interactive voice games including ones based on "Jeopardy!" and other TV game shows; mixed martial arts league PFL, which is making TV shows based on its professional fighters for release later in 2024; and Hook, an AI platform for music.

"Media is going through upheaval and wrenching dynamics. While that's happening, we think the industry is creating a great opportunity for disruption and growth," Leff said. Waverley has deployed \$135 million across two funds; it's currently raising its third.