The Ankler

8 VC Firms Betting on Hollywood's Next Act — What They Want

For investors chasing fast scale and 100x jackpots, showbiz was always too slow. AI and live changed the script

By
Ashley Cullins

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DEALMAKERS

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I wrote about 14 private equity firms ready to pounce on Hollywood, analyzed all the media M&A activity so far this year and interviewed Media Res CEO Michael Ellenberg about what shows are selling now.

With great risk comes great reward – and when it comes to venture capital plays, there's potential to make up to a hundred times your money by backing a breakout startup in its early days (also: the potential to lose your investment entirely). And as the entertainment ecosystem continues to evolve at a breakneck pace, those managing VC funds are staying hyper-attuned to investment trends around media, content and audiences. So, after diving into the world of private equity in Hollywood, I check in today with investors on the venture capital side of the business.

"We're entering a really interesting, scary, exciting time with AI," says **Will Ward**, founder of talent management, production advisory and investment company Fourward. Even if you're not directly investing in artificial intelligence, he adds, you need to be thinking about how the emerging tech will impact the industries you are interested in.

And partly in reaction to the rise of AI, Ward, who has past stints at both CAA and WME on his résumé, also expects live events to continue to thrive – but he doesn't just mean sports and concerts. "I even believe that when an artist paints something, people will actually watch it happen so we know a human made it," he says.

Along with Ward, I spoke with **Seth Hallen**, founder and managing partner of Hallstone Ventures, **Adam Lilling**, PLUS Capital founder and managing partner, and other investors about how backing a company before it's profitable (or sometimes, before it really even exists) changes return expectations, why there aren't more VCs funding Hollywood startups and which facets of the entertainment industry they find the most attractive these days. (No, it's not just AI.)

In this issue:

- 8 VC firms to know now – and where they're putting their money
- How VC investing differs from private equity plays and which you should be pursuing when
- The massive upside on the right VC bet: "100x is a possibility"
- Why VCs aren't big on Hollywood studio startups – and what they're chasing instead
- Four AI opportunities investors see in entertainment – including one that could benefit small creators
- Two key questions one VC asks about every startup pitch
- Why one investor thinks content from space is inevitable

Venture Capital 101

While there is some overlap among firms that deal in private equity and venture capital, they're entirely different species of investment.

"For VCs, it's all about backing the founding team and their ability to build something from zero to scale," says Lilling, whose PLUS Capital pairs stars, athletes and cultural leaders with venture investment opportunities. "With private equity, the company is already at scale and it's more about the operating team increasing profitability, which many times involves changing out the founding team. To me, VC is more mission-driven, where you imagine a new product, service or market opportunity and make it real. By the time private equity comes in, it's already been realized.'"

BUILDER PLUS Capital's Adam Lilling sees VC investing as "mission-driven, where you imagine a new product, service or market opportunity and make it real."
PLUS Capital

Before I dive into what VC firms are looking for now, here's a quick rundown of the fundraising life cycle of a startup and how investments and expectations change along the way.

- **Pre-seed:** This is the earliest stage with the highest risk profile. No customers and sometimes no product, just a founder with an idea. These investments can come from friends and family or VC firms that specialize in making bets based on pitch decks, prototypes and precognition.

- **Seed:** This is the first round where some kind of tangible business exists – a prototype, beta testers and sometimes even a revenue stream. One partner at a venture fund focused on sports, media and entertainment tells me lead investors are typically looking for double-digit ownership at this stage, and close to that in the next.

- **Series A:** At this stage, the business strategy is clear, a market has been established and a valuation is set. From this point on, typically every six to 18 months, founders will try to raise more capital from investors as they continue to grow.

- **Series B and beyond:** Growth investors (which can be VCs, private equity or a hybrid) typically come in during Series B, C and D, when there's real business data available. These investments – providing capital to scale – have lower returns, but less risk.

Unlike private equity, where investors expect 18-20 percent annual return, venture investment portfolios are akin to movie slates or book publishing. VCs realistically expect some companies they bet on to fail – and count on a couple of big wins to make up for it.

Investors at the earliest stages are hoping for a 10x return. Once you get to Series B, C or D, a solid return is in the 3x to 5x range. Some businesses will go to zero and others will break even or have modest success, but the sky is the limit for the winners.

"In venture, if something really works out, 100x is a possibility," says one investor, whose firm generally targets seed and Series A rounds.

VC investors tell me their timelines have extended over the past decade, largely because it's becoming more common for businesses to stay private longer. Seed investments can last seven to 10 years and beyond, while growth stage investments generally have a four- to six-year horizon.

High interest rates and underperforming IPOs are making even successful businesses hesitant to go public – especially when there's a ton of undeployed capital in the private markets. It's an especially hard sell for a company that doesn't have an AI bent.

"When you go public you have to do a roadshow and get investors excited to allocate a share of their capital away from Nvidia," the investor says. "People are chasing AI stories and almost exclusively AI stories."

VC Targets: Vertical Apps to Video in Space

WORTH THE RISK Traditional Hollywood studios don't scale enough for VCs, but investors would bet on a star like Zendaya, who brings "audience and trust," says Lilling.
Samir Hussein/WireImage

"Not a lot of VC actually invests in Hollywood – other than the AI trying to kill it," one entertainment investment advisor tells me.

There are some exceptions, but generally VC firms are investing *around* Hollywood rather than *in* it. Traditional entertainment businesses just don't scale far enough and fast enough to justify the risk that comes with early stage investments.

"Venture capital invests in platforms that scale," says Lilling. "You might find a venture capitalist who loves movies and will write a personal check, but I don't see many VC firms backing content studios."

But what if an A-lister – like the queen of this summer's box office – wanted to build her own version of Blumhouse? Well, that changes the calculus.

"If **Zendaya** wants to start a studio, capital will show up from venture capitalists and venture capital firms, partly because she brings distribution, audience and trust that genuinely change the economics of a business, and partly because people want to be in business with Zendaya," Lilling says. "If 10 other people pitched the same idea without the platform, I don't think you're going to find VC firms lining up."

Instead, VCs are chasing new platforms like vertical microdramas. ReelShort is reportedly on track to make $1 billion in revenue in 2026, and DramaBox earlier this year raised $100 million in seed funding.

Hallen, whose Hallstone Ventures targets seed and pre-seed investments at the intersection of AI and entertainment, says fan engagement, discovery, monetization and distribution are areas he finds exciting. Hallstone's first fund oversubscribed, raising $11.2 million of a $10 million goal. So far it has deployed investments in four companies: Orbes, which makes cinema drones for space; adtech software Rex; fan-generated content platform Wide Worlds; and Waffle Video, a platform for collecting user-generated content that will train AI. Another four investments are in the due diligence phase, and there are 15 still to come.

"We believe we're going to see a massive growth in micro and nano podcasting," says Hallen, explaining that he sees related opportunity in adtech. "The ability for brands, big and small, to better tune their ad spend in a more meaningful way and find these smaller opportunities to place ads, that will drive revenues for smaller creators."

If mini ads on nano pods sounds a bit sci-fi to you, just wait, there's more.

Thanks to the commercialization of space travel, "the abundance of content coming from low Earth orbit and space is going to be significant," Hallen says. "It's inevitable. There's already technology being built and infrastructure to support this. "There are shows being put in development to be shot in space – films, documentaries, reality shows. There are sports leagues being spun up to exist in these zero gravity situations."

The exact timeline is unclear – it could be a year or a decade from now – but he says it's only a matter of time before there's an out of this world edition of a show like *American Ninja Warrior*.

'What Can AI Do to This?'

What do U.K.-based Mermaid Gin and Telly, the smart TV with an integrated second screen, have in common? They both passed Ward's two essential investment tests.

"When I look at all our deals, the first two questions I ask are *What can AI do to this?* – in a good or bad way – and *What happens in a recession with this?*" he says.

Mermaid is an interesting case study because the alcohol industry has unquestionably taken a hit in recent years. Gen Z drinks less than prior generations, non-alcoholic and THC-infused alternatives hit the market, and people of all ages are increasingly prioritizing health and longevity. Ward expects booze to bounce back.

Not only are the empty Mermaid bottles being upcycled into Etsy collectibles, but also alcohol is relatively recession-proof, and he thinks AI will boost in-person socializing.

SHIFTING LANDSCAPE Hallstone Ventures' Seth Hallen, left, sees "an abundance of content" coming from space; Fourward Ventures' Will Ward is looking only for rapid exits — two to three years — amid AI disruption.
Hallstone Ventures; Fourward Ventures

"There's no doubt that people are going to want to come together more as AI becomes more real," says Ward. "There are going to be certain people that become more isolated because of AI, but generally people are going to want to be around humans more. When you have people communing more together, alcohol becomes part of it."

On the other end of that spectrum, the Hollywood venture fund partner sees potential in tech-driven health and wellness businesses. Ward notes, "You're seeing that people care about tracking, whether it's Whoop with HRV (heart rate variability) or Oura with sleep."

As for AI investments generally, Hallen would love to see pitches solving challenges on the "storefront" side of the ecosystem, where he sees outsize potential.

"That's the single biggest opportunity today across the board for any type of media and entertainment because there's more content than ever before and more creators," he says. "What hasn't caught up is the ability for the the commercialization of all of that content. That's still built on the old stack."

Because AI development is so rapid and its impacts are likely to be widespread, Ward says he's currently targeting faster exits.

"I'm not putting anything new in something that has a 10-year exit on it. Anything I'm going to right now is two or three years away from an exit," says Ward. No one knows *how* AI-driven job loss will impact the economy, just that it *will*. "Investors are going to play very, very conservative long-term" and want to see returns on venture plays sooner rather than later, he adds.

8 VC Firms for Hollywood to Know Now

While a handful of megafunds – Andreessen Horowitz, Founders, **Josh Kushner**'s Thrive Capital and Sequoia, to name a few – manage an absurd amount of assets, they're not the only firms ready to back promising businesses. I asked dealmakers which VCs they've been most impressed by among those currently making plays in and around Hollywood. My sources identified eight firms you should be watching, whether you're a potential investor or founder – some invest directly in sports, media and entertainment startups, while others focus on adjacent tech-centric investments or companies with famous founders. And they've all got money to spend on the right story.

CAA's Connect Ventures

Who's in Charge: Nicole Quinn and **Mike Blank**

Investments: Former Golf Channel president **Mike McCarley**, **Tiger Woods** and **Rory McIlroy**'s Tmrw Sports; Moises, an AI-powered music production app; Sekai, an AI-native consumer platform and social network

Quick take: A venture fund targeting seed and Series A investments across sports media, entertainment, health and wellness and e-commerce, and leveraging its connections to Hollywood. Originally a joint venture between CAA and New Enterprise Associates, the fund spun out in January and opened up to raising capital from third-parties.

AGENT OF CHANGE Nicole Quinn spent over a decade at Lightspeed before joining CAA's joint venture with New Enterprise Associates, now spun off as Connect Ventures.
PATRICK T. FALLON/AFP via Getty Images

Elysian Park

Who's in Charge: Cole Van Nice

Investments: Oura; **Tom Brady**, **Gotham Chopra** and **Michael Strahan**'s Religion of Sports; golf swing analyzer Sportsbox AI

Quick take: Elysian Park – named after the home of the L.A. Dodgers and founded by a group of its owners including Eldridge CEO **Todd Boehly**, who also owns stakes in several other sports teams, Penske Media and A24 – is a "stage agnostic" firm that makes investments from $500,000 to $100 million in companies where sports intersects with health, culture commerce and tech.

Imaginary Ventures

Who's in Charge: Natalie Massenet and Nick Brown

Investments: Glossier; **Emma Grede** and **Khloé Kardashian**'s Good American; **Kim Kardashian**, **Jens Grede** and Emma Grede's Skims; MìLà, a Chinese food company – **Simu Liu** was an early angel investor and is the brand's chief content officer

Quick take: This NYC-based firm, co-founded by Net-A-Porter founder Massenet, targets early stage consumer businesses and select tech investments.

PARTNERS IN GLAM Natalie Massenet, left, with Gucci Westman, whose Westman Atelier makeup brand has received multiple investments from Imaginary Ventures.
Lexie Moreland/WWD via Getty Images

Lightspeed Venture Partners

Who's in Charge: Ravi Mhatre

Investments: Beehiiv; Cameo; Epic Games; Stability AI, which counts **James Cameron** as a board member; live shopping marketplace Whatnot

Quick take: A global firm backing "bold founders with big ideas" from seed to Series F. Its portfolio has included everything from video game studios to star-driven consumer companies like **Gwyneth Paltrow**'s Goop, **Lady Gaga**'s Haus Beauty and **Jessica Alba**'s The Honest Company.

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Seven Seven Six

Who's in Charge: Alexis Ohanian

Investments: Angel City FC, now majority-owned by **Bob Iger** and **Willow Bay**; ElevenLabs, an AI voice generator and voice agents platform; Riverside FM, an AI-powered podcast and video recording platform

Quick take: The Reddit co-founder's six-year-old VC bills itself as "a tech company that deploys venture capital" and makes early stage investments in everything from **Jimmy Donaldson**'s Beast Industries to creepy cam maker Flock.

HERE TO PLAY “Sports is the ultimate anti-AI bet,” Seven Seven Six’s Alexis Ohanian said at a July *WSJ* conference. “I’m so incredibly bullish on sports.”
Astrida Valigorsky/Getty Images

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Waverly Capital

Who’s in Charge: Edgar Bronfman Jr. and Daniel Leff

Investments: EEP Universe, a fandom-focused entertainment creative house; Headspace; Professional Fighters League

Quick take: A VC loaded with limited partners from just about every major entertainment company including Amazon, Disney, HBO, NBCUniversal and Roku that’s focused on global “innovation and disruption” in entertainment and sports.

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Wonder Ventures

Who’s in Charge: Dustin Rosen

Investments: Kino, a media tech company focused on mobile content; TRL11, a video tech company for satellites and space operations; Whatnot

Quick take: An L.A.-based business dedicated to backing SoCal companies that believes "no idea is too early."

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