



Distributors find room in the middle

As H'wood rallies around tentpoles, indies find sweet spot

By DIANA LODDERHOSE, JOHN HOPEWELL

February 5, 2011

Big markets -- and Berlin, after Cannes, is Europe's biggest -- prompt deep thought about the state of the international business, and many mavens are heading into the European Film Market pondering lessons learned in the past three years: Don't leave home without a marketable concept, get marketable talent for that marketable concept and always create a manageable budget.



It also helps to accept that prices, having largely plunged, are stable but not crazy, and to recognize every territory's strengths and weaknesses.

That said, the game is clearly starting to change for the better for the larger indie players, which are seeing an opportunity for bigger budgets.

"With the studios greenlighting fewer midbudget films, a small circle of independent companies that can mount their own \$30 million-\$40 million movies are accessing quality material more easily and enjoying a less-crowded U.S. distribution landscape," says IM Global's Stuart Ford.

That aspect of the indie business, he says, is the most notable and most vibrant. "More

than ever, foreign buyers need films for their TV packages. As the ancillary market struggles through its evolution away from DVD to VOD, bigger buyers need movies that will potentially generate theatrical profit," he adds.

Exclusive Films sold George Clooney-helmed "The Ides of March," which it co-financed and co-produced, at AFM, and struck deals with distributors like Sony in the U.S. and eOne in Blighty. The branch is also fully financing and producing the Miley Cyrus action comedy "So Undercover," while Exclusive's Hammer label Under Hammer Films, has Daniel Radcliffe starrer "The Woman in Black."

Alex Walton, Exclusive Media Group international sales and distribution prexy, says that while the marketplace has always been competitive, there's now a place for independent films that was previously filled by minijobs.

"I think there's definitely an argument to (be put forward) that 'Ides of March' was a film that should have been made within the studio system, and now we were lucky enough to be able to partner on it," Walton says. "Indies have put themselves in a position to capitalize on these gaps. There's been a complete turnaround."

And in an ever more global film economy, more European companies are angling to access U.S. talent, producing films the studios have largely given up making.

At Berlin, Said Ben Said of France's SBS Prods. will be introducing buyers to "Passion," an SBS project with Brian de Palma attached to direct. Pic is a remake of French film "Love Crime," which starred Kristin Scott Thomas and Ludivine Sagnier as two feuding corporate execs, one of whom is driven to murder the other.

"Movies of this kind are very difficult to make today in the U.S., because the U.S. doesn't have co-productions and the studios are not interested anymore in making them," Said maintains.

Yet a market of so many moving parts hardly encourages one-size-fits-all prescriptions: "It's difficult to (develop) a global response," says Lionel Uzan at Paris-based SND-M6 Group. "Solutions vary, depending on the nature of a film and its audience."

Gaumont's Cecile Gaget sees every territory as its own micro-economy in regards to pricing, with markets like Japan, Spain and Italy still very tough to make the numbers work.

IM Global's Ford agrees. "Prices are pushing up and up in the most competitive markets, like U.K., Germany, France, Australia. Those very bankable territories are having to pay proportionately more to pre-buy movies, when pricing is very soft in territories like Japan, Spain and Eastern Europe."

Sobriety seems to suit the indie sector; talk in Toronto turned on what seemed to be limited sales recovery, which became a kind of mantra at AFM. Banner business went down in Santa Monica, and Sundance saw healthy sales.

"The market's quite strong. It's not at the high of three to five years ago, but prices have continued to move upwards over the last year," says Glen Basner of FilmNation.

But nobody suggests the market is in a total rebound. At Berlin, Wild Bunch will be shopping the latest installment of tentpole Asterix and Obelix, "Asterix and Obelix: God Save Britannia," in 3D to capitalize on what it sees as the fastest growing part of the worldwide market.

"DVD is declining because of piracy; films are not a priority for broadcasters; (but) theatrical is stable, even a bit up, thanks to 3D,"

says Wild Bunch's Vincent Maraval.

Few dispute that diagnosis -- and the mood of sellers, as they prepare for Berlin, is sober -- and pragmatic.

Some attributes that help sell films are evergreen: great casts, quality scripts, talent, experienced directors, quality producers or co-producers. Pathe Intl.'s Muriel Sauzay cites these when describing the marketplace's excitement surrounding the "Iron Lady" screenplay -- a biopic on the life of Margaret Thatcher -- and its star, Meryl Streep.

But there's also room for genre movies -- the smarter the better -- in today's tougher market, though they need to have a selling hook notes Lionsgate Intl.'s Helen Lee Kim. Lionsgate Intl. posted more than \$100 million in AFM sales, mostly from "Hunger Games," "Dibbuk Box" "Silent Hill 2" and an untitled Farrelly brothers comedy.

StudioCanal's Harold Van Lier points to a new generation of extremely well-informed and very demanding filmgoers targeted by pics like his company's co-production "Attack the Block," a kids-in-the-projects vs. aliens concept, which will unspool in Berlin.

"The kids are all geeks, bloggers and film critics now," he says. "Movies that have these unique defining concepts have become very easy to market across territories."

Exclusive Media Group is among those looking for splashy product. At Sundance, Exclusive Films Intl. launched an acquisitions fund to acquire third-party productions and pay guarantees of up to \$20 million per film.

"We can leverage the equity guarantees with banks, which is very important," says Exclusive chairman Guy East. "It's a substantial fund to be able to do that. We're looking for eclectic, opportunistic third-party productions that are bigger-budgeted and star driven, and we're happy to look at action, romantic comedies and thrillers."

East notes that the climate has indeed improved. "At the beginning, we found a lot of distributors were not in the mood to pre-buy. But ... we've tried to align ourselves with producers, and we've worked hard on development with stars, and we're certainly finding now, with 'Ides' and 'So Undercover,' that we had an exceptionally high rate of pre-sales, and the market has shifted."

Solid arthouse certainly still sells, as evidenced by French director Alix Delaporte's "Angele and Tony," which has closed 16 territories via Pyramide Intl. But Pyramide's Eric Lagesse notes that on standard art films, the company has to work harder to get the same number of deals at about 30% less in price for some territories.

Wild Bunch's Maraval says that while five or 10 years ago, it was possible to finance such high-end non-mainstream projects on quality alone, that's no longer the case. "Today, with films above \$10 million-\$12 million, you need to identify their video or TV value," Maraval explains. "If not, you're taking a suicidal risk."

There are those shingles who see expansion as the key to success -- or at least the key to staying in business.

"In order to survive now, one needs to have a company that is going to be involved in every aspect (of the business)," says Exclusive's co-chair and CEO Nigel Sinclair, whose company encompasses development, production and distribution. "If you are going to take the risk of developing and producing, you've got to be able to have a library to take in cash flow and you've got to be involved in sales and marketing. Margins are much lower than they used to be, so you need to be able to make sure that you can tap into everything."

If a film clicks, rewards can still be handsome.

"When distributors pursue something they're sure of, they're prepared to pay more for that security," says Summit Intl. topper David Garrett. "Good films are like gold bullion. In the current climate of economic uncertainty and commercial instability, the price of gold remains seductively buoyant."