



## **TheGrill@ Locations: The Value of Managing Expectations on Financing, Piracy & Home Entertainment**

At TheWrap's TheGrill@ Locations Show: "We'd gone from rational exuberance to the opposite -- irrational despair; now it's rebounded a bit"

By Jeff Sneider June 28, 2013



"We've all adjusted our expectations since 2008 and had a strong market at Cannes," Radiant Films CEO Mimi Steinbauer said Friday at the "Trends in Global Film and TV Financing" panel, part of TheWrap's TheGrill@ Locations Show in the West Hall of the L.A. Convention Center.

"There was a lot of product, but buyers found what they needed," Steinbauer said. "What works hasn't changed much. Buyers are still looking for theatrical films with name cast. That business is as strong as ever."

She was joined on the panel by IM Global's executive VP of motion picture finance and operations Michael Roban, Exclusive Media COO Marc Schipper and attorney Lindsay Conner, moderated by TheWrap's Brent Lang.

The others agreed with Steinbauer's assessment that -- with expectations appropriately adjusted -- independent film finance is rebounding following the 2008 economic collapse.

"We'd gone from rational exuberance to the opposite -- irrational despair," said Conner. "We went from 45 banks lending to the film business to eight or nine, so it was tough to get credit and equity. Now it's rebounded a bit."

"On one hand, it was the best market we've ever had," said Roban of this year's Cannes. "I think markets are at a point now where we can predict them. They don't surprise us that much. It's generally healthy so long as your expectations are in line with reality."

"We had seven new films to sell and we sold them all," added Schipper. "The most interesting thing was a 3D Metallica concert film. What we were really providing was a distribution solution for that."

And it still helped to trot out the old dog-and-pony show to impress the foreign buyers at the south-of-France fest.

"Martin Scorsese has wanted to direct 'Silence' his entire life, and it has taken years to come to fruition. It's not a commercial movie, but it has the potential to be a great movie. To get buyers in a room with Scorsese where they can hear Marty talk about the movie was great. He's more than an ambassador for the film, it's his baby, so the value of a distributor getting face time with him and hearing from him what movie he plans to make is incredible.

"It's not 'The Departed,' but for the price he's going to do it for, it makes perfect financial sense. It's an art film, so it's being done on a much smaller scale."

The mood wasn't quite as good, however, when it came to home entertainment.

"We haven't recovered. The decline of the DVD in Europe and beyond has been a disaster," admitted Roban, who said the company is getting prices that reflect the current economic situation.

On this front, though, Conner disagreed. "The biggest pillar of the film business -- home entertaining -- was sliding into the trough, and 2012 reflects the fact that the digital future is here, and it's catching up with the decline of DVD. We've survived."

Schipper said his ultimates were thrown off when Blockbuster's U.K. operation and HMV went under in Q1. But in Germany, "the DVD market is still very. very healthy."

The Exclusive Media exec added that the home-entertainment market in the U.S. grew 4-5 percent from 2011 to 2012, despite the fact that DVD flatlined.

"Home entertainment is recovering," he said. "Digital is growing at a steady clip. The problem is the rest of the world is two to three years behind."

Concurred Steinbauer: "Every three months you can see emerging VOD markets across the world."

And what about piracy?

"The problem of piracy is already built into our economic models," sighed Roban. "Markets are going to mature in the developing areas. 'Prison Break' was the most pirated TV show in China, but for China to shut it [piracy] down, they'd have to acknowledge they allowed it to happen there."

"They've had no incentive so far [to stop piracy]. They say, 'We're going to show the film. Would you like \$10,000 or nothing'" added Steinbauer. But even that is changing, Schipper said: "Five years ago the government turned a blind eye, and all of a sudden China wants to foster an indigenous audience and start taking copyright laws very seriously. You get put in jail very quickly for copyright infringement, and that didn't use to happen."

"You can rent a movie on VOD for 48 hours for \$2.99. A pirated DVD still costs 10 bucks, which is half of what it would cost in retail. It makes more economic sense to rent online or on VOD," argued Conner. "There needs to be a proper alignment of economic interests. The business

works better if everyone's return is in line. If everyone has the same interest and return, you get a lot better economic result than when some people do fine when movies don't perform."

Regarding VOD and shrinking release windows, Schipper said the rigid windowing system of 90 days "is going to become more fluid. It has to." "Content democratizes media," Schipper said, speaking to a question about films that play on VOD before their theatrical release. "You, as a consumer, are able to get your thing out there, so who needs cable? Some 80 to 85 percent of consumers will pay the money if the product is fairly priced and easily accessible. Every single company is reducing costs because you can't get people to pay four times for the same piece of content, unless you're 'The Avengers.'"

"Ultimately, it will allow different kinds of movies to be seen," said Conner.