

## Market Report: American Film Market (AFM)

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This year AFM got off to an excellent start then fluctuated due to external influences, particularly the Academy Awards. With the Oscars looming some AFM sellers were hesitant to offer new product, preferring to wait for Cannes. But generally sellers were kept busy and the mood seemed positive.

The market seems to be lifting from the low of 12 months ago, although buyers did point to a lack of high-profile, commercial films. The AFM organisers provided the usual statistics: they reported an increase in overall attendance to 7,212 this year, with buyers up from 1,309 last year to 1,434, and companies up from 598 to 642. There was increased attendance from Hungary, Russia, Hong Kong and Australia, and all exhibition space was sold. There were also a large number of first time exhibitors, and 15 banks were represented.

The main discussion was the merging of the AFM with the AFI Film Festival. The new dates for AFM later this year are 3-10 November, with the festival being held from the 4-10 November. To quote AFMA management, "This combination of a festival and a market will merge cultural and commercial activities and provide a rich experience for all participants". This could prove to be true; two-thirds of the entries to the AFI last year were from outside the USA.

The scheduling of these two events will provide benefits including:

- a coordinated agenda;
- an opportunity to screen films at the AFI that were being sold at AFM;
- an opportunity for filmmakers at the AFI festival to meet the sales agents, distributors and buyers;
- every AFM exhibitor will receive an AFI festival pass; and
- AFI filmmakers who are in the festival will be able to attend AFM free of charge.

It would appear that most of the sales agents and, more importantly, the buyers are keen to attend the November AFM, despite the closeness to the MIFED market in Milan. MIFED has now moved to early October so as not to clash with AFM's new November date. The big question is will MIFED survive; the answer from the Europeans is a resounding 'yes'.

Note: The AFM began 24 years ago. It appears that the name will change to the International Film & Television Association, in keeping with the internationalisation of AFMA. There are now 170 member companies (including the FFC) from 16 countries, and the overseas members comprise about 40 per

cent of membership. The membership has evolved over the years and now comprises TV and video companies, foreign-language sales agents, producers, banks and financiers as well as affiliated suppliers.

As part of AFM there was an excellent conference held over three days. Topics included –

- The future of feature film financing
- The state of film financing in Europe and the USA
- The new cool corners of co-production
- Innovative models of independent film distribution
- Produce This! The business of being creative
- How do you budget imagination? Writing in the low & high budget world
- Foreign and domestic incentives for the independent

As the conference progressed it became apparent that financing a film is a complex partnership between various distributions and sales agents and soft money from different countries. Many of the panelists at the conference agreed that finding your way through the world of international film financing is something that you cannot do alone – the catch cry was get an experienced executive producer or producer or a knowledgeable lawyer.

The independent co-production financing mechanisms being employed in Europe, Canada and the US are similar to those we are employing here: UK or German tax funds in conjunction with UK S&L, plus distribution or presales –the main difference being the magnitude of the budgets. Australian independent feature film budgets tend to be the same or higher, compared to independent budgets in the US and UK.

The size of Australian budgets was being questioned by some sales agents at meetings we attended. Of particular concern was that concept/script and proposed cast for the film were generating low sales estimates and that the level of budget could therefore not be justified.

There was also considerable discussion of the marriage between equity investors and subsidy. The critical issue here was the dovetailing of the two and the need for those with subsidy to be cognisant of the fact that equity is hard to find.

Lou Horowitz (a banker) estimated that about 8-10 years ago films could be funded mainly by pre-sales and bank loans taken against distribution guarantees. With the increase in soft money from tax funds worldwide, he believes that 85 per cent of films rely on equity investors. The issue for Australian producers is tapping into these funds. The UK is not so much a problem – provided producers can come up with the presales and sales estimates that are required to trigger the UK funds. The UK S&L with Equity can provide up to 35 per cent of the budget. But in the case of Germany, it is getting tough in terms of what they require vis a vis recoupment and level of commitment to the

budget. Some German funds will now only provide 20-30 per cent of the budget and it is not cheap.

Panelists at the conference also discussed the changes in the UK tax laws that occurred in February. Although there has been some loss of production (estimated at up to UKP200 million) it has not been as much as was first envisaged. It appears that there are funds available in the UK; it is one of the most generous tax-based systems in the world. However, June 2005 is not that far away – that's when the next series of changes to the UK laws come into play.

Other trends at the market were:

- Attendees were leaving early ahead of the Wednesday closing as there was a lack of 'tentpole' titles.
- Many attendees were arriving well prior to the market for screenings and meetings, which also added to the drop-off.
- Presales were difficult to achieve.
- There is, however, a rise in international co-production financing as producers and sales agents are looking for other ways to finance films.
- Sales agents are taking a more active executive producing role in the financing of films – i.e. assisting the producer in achieving presales to trigger the necessary production finance. They are also being tougher in their assessment of projects and tending to take on fewer titles.
- *The Passion of the Christ* was grabbing all the trade headlines as it continued to exceed expectations at the box office. The offshoot of this success was that mock-up posters were appearing around the market that had "Jesus", "God" or some reference to religion in the title!
- DVD continues to thrive but there may be a glut of product in the market. Although DVD is driving sell-through, the market will become tougher. Agents were warning producers that it was action/adventure and star-driven titles that continued to do well and that due to limited shelf space and the perceived glut of titles, buyers were becoming very particular as to what films they wanted to acquire.
- The top buying territories seemed to be Russia and Israel. For Germany there was also a shift –from a sellers' to a buyers' market. Generally buyers are still 'cherry-picking' titles, and there is no doubt that films have to be special because many distributors can no longer rely on television and video to help them out if a title doesn't perform in their territory.
- There was a shift in the number of television buyers attending the market. Traditionally the agents have done a lot of their business at MIPTV or MIPCOM. The word from the floor (and this was later verified at the annual AFMA members meeting at the end of the market) was that there was more sales activity on the part of cable, satellite and free-to-air buyers than in previous years.

This could be due in part to the waning interest in reality TV. In the past the plethora of these shows reduced film purchases. However there is now an increased appetite for drama product as reality television falls away in the

ratings. Also adding to this is that television stations are running out of product and need to top up their libraries. The AFMA estimates that 50 per cent of revenue for producers attending the market is from broadcast television.

- The theatrical documentary wave has not abated – demand however seems greater in North America than the rest of the world.

### **Australian presence**

Australians producers present at the market included: Emile Sherman, Phil Avalon, Norm Wilkinson, Geoff Clark, Richard Stewart, Penny Wall and Chris Brown.

Most of the Australian distributors were present:

Joel Pearlman from Village Roadshow

Richard Becker, Reiko Bradley, Richard Payton and Andrew Mackie from REP/Dendy

Mark Gooder from Icon

Robert Slaviero, with CEO Paul Johnson and Richard Sheffield from Hoyts.

Troy Lum and Frank Cox from Hopscotch

Annalisa Paparo from Showtime

Tony Forrest from The Movie Network

Dan Quinn from 21<sup>st</sup> Century

- Australian films screening at the market included:  
*Thunderstruck* (BV Pictures International), *Under the Radar* (Pictures in Paradise) and *One Perfect Day* (Odyssey Entertainment).
- *Fortissimo* (*Somersault*), *Beyond* (*The Oyster Farmer*), Eden Rock Media (*Strange Bedfellows*) and Arclight (*Deck Dogz*) were screening trailers and teasers to create interest with the buyers.

Meetings included:

- Hilary Davis, Beyond
- Wayne Borg, Universal Pictures
- Mark Vennis, Moviehouse
- Angus Finney, Renaissance
- Xavier Marchand, Momentum Pictures
- Judith McCann, Film NZ
- Pete Maggi, Blue Star
- John Pinotti and Cedric Johnson - Greenestreet
- Tony Safford, Fox Searchlight
- Ruth Harley, NZ Film Commission
- Terry Potter – Aquarius – UK Tax Fund
- Wouter Barendrecht and Michael Werner - Fortissimo
- Fran O'Connell, SPE Sony

- Becker Entertainment - Reiko Bradley
- Kirk D'amico, Myriad
- Thomas Augsberger, Eden Rock Media
- Jamie Carmichael – Content (previously Winchester)
- Gary Hamilton & Victor Syrmis, Arclight
- Eric Largesse – Flache Pyramide
- Guy Stodel, Fine Line Acquisitions
- Matt Brodlie – Miramax
- Mark Woods – Executive Director – The Irish Film Board
- Tracey Bing – Warners Independent
- Telefilm Canada – Richard Stursberg – Executive Director

Overall it was a good market. Although this market does traditionally focus on the US, there was a shift. The scope of the market has broadened in the last couple of years: the integration of the AFM with the AFI festival and the change in AFM membership (i.e. a larger number of members ex. USA) will assist those outside of the USA in gaining exposure for their films.

More producers should attend AFM, to explore production opportunities with offshore producers and sales agents, and to have continued contact with sales agents and buyers and the world's largest territory.

Please contact Sian Jenkins at the FFC if you require details of the sales agents and the programs they represent or are looking for.