



AFM Finance Panel: XYZ, Cinetic, The Exchange, Village Roadshow Talk

Description

Posted by Larry Gleeson



Exciting material with this morning's AFM Finance Conference and yesterday's interview with *Borat* writer **Dan Mazer**. Check out these highlights from the sessions, including ***Producing without a Completion Bond*** and ***Low Budget Films with Huge Profit Potential*** featuring **Brad Krevoy**, Motion Picture Corporation of America, **Brian O'Shea**, The Exchange, and **John Sloss**, Cinetic Media as well as **Jillian Apfelbaum** of Village Roadshow, Pictures, **Nick Spicer** of XYZ Films and **Zachary Tarica** The Forest Road Co.

AFM Finance Conference 11/11/20 @ 9:30AM

Highlights from today's 1st AFM Finance Conference Panel: Producing Without a Completion Bond

Panelists:

[Brad Krevoy](#), CEO, Motion Picture Corporation of America

[Brian O'Shea](#), CEO, The Exchange

[John Sloss](#), Founder, Cinetic Media

Moderator:

[Jill Goldsmith](#), Co-Business Editor, *Deadline*

The current state of Insurance and Production?

Brian O'Shea: It's really been a standstill ever since COVID happened. We were in the midst of one production we had to stop. We moved the production from Eastern Europe to the UK, and found that there was more of a likelihood of finding a bond given that there were more insurance-backed opportunities there. It was all private investment, so they had to find a new investor and it was required that he had to have a bond so they were forced to move out of the UK. I was in the midst of trying to figure that issue out during the COVID process, and so I was out there trying to find investors that do non-COVID investment, or backed investment by bond, and it's really difficult to find.

Brad Krevoy: What we decided to do is go full steam ahead on the basis that very few people would be able to take the risk to make more productions, and our thinking was, "Okay, we're going to make these movies and everybody will want them." What we didn't fully figure out was that ad revenue was going to be a little bit lower and that the studios were going to limit what they were going to release, but we still continued and still moved forward.

In that process, during that exploration, we discovered some very interesting things. We made seven movies and one TV series which we shot in three locations. One was Canada and they have it together. The US policy, when it comes to protecting all of us, it's messy, it's very messy and confusing. But in Canada, they make you do a two-week quarantine, and I mean it's a severe quarantine, they track you! We were able to get Covid-insurance, \$50K for half a million worth of insurance. We bought a little bit of the insurance to reduce and hedge our risk a little bit. It does exist, they offer that product, but it's very expensive.

There were quite a few films made and still being made [during the pandemic] under previous policies still in effect that did not have a COVID exclusion. A company, particularly a broadcaster, will have a year-long insurance policy, so long as that policy is still in effect, it covers COVID.

John Sloss: It's the films in the middle that are really challenged. The ones above \$2M but below the studio, I think have largely ground to a halt. When we talk about PRIA, we're talking about sovereign subsidies. In England, they've got \$500M from the government to subsidize production. What it does is give an additional ability to attract production to your physical location, so if you're willing to basically be the insurance company as a government, you can have a leg up certainly on the US but on a lot of other locations.

If you look at all the states in this country that subsidize with their tax fees and all of the soft money that we've come to rely on, a state covering COVID insurance risk is not so different from a state giving tax rebates, it's an actuarial calculation. I would call upon the commissioners out there to give some serious consideration [to this] if they want to take advantage of this situation to draw a lot of production to where they are.

Brad Krevoy: By the time the governments, at least in the US, get around to figuring this out, it will be too late because we'll have a vaccine, hopefully. The level of development with scripts and writers is at an all-time high right now. I think that's a common theme.

What will the Post COVID reality look like?

Brad Krevoy: It will be the roaring twenty-ones! Content is going to come back strong, and it is going to be happy times, it is going to be fantastic for all of us. There's going to be tremendous demand. The biggest hope of all for independents, that's transformational, is going to be advertising-supported VOD. That is going to give life to us for many years, AVOD will be the ship we all ride on for a while.

How companies are Forging Forward and International Support

Brian O'Shea: The German government is backing insurance relief up to a certain amount, and that is enough given the budget of a [certain] film, which is \$10M, that they're basically putting up no more than 15-20% of the film budget for COVID insurance, and that is enough for film financiers to move forward with the bond.

John Sloss: There's no absolute normal prescription; there is no rehearsal for this period. We're kind of figuring this out as we go along.

Brian O'Shea: We have done a number of films non-bonded with strategic investors in the film. They need to move money; there's a lot of money out there that is not being worked; there are some investment groups out there that are willing to take a risk and that have been successful, so there are specific investor groups that are taking opportunities on non-bonded films; but they have to feel comfortable with the package in general.

John Sloss: You don't always need a completion bond, but if you're working through conventional finance channels where you're not at the high-risk edges of these arbitrageurs and if you're working with commercial banks or you're taking contracts from territorial buyers who have committed to pay on delivery of a completed film - if you're taking those to a bank to borrow against it and fund your production, you really do need a bond.

Brad Krevoy: Sometimes in COVID, the riskiest thing is not making to the post-production process. So what you might be able to do is get a bond for a post at a normal price and you're just hoping that every day of production goes the way you want it to so that you can still convert some of your contracts into cash.

What positive outcome of the pandemic could there be for the independent product when COVID clears?

Brad Krevoy: There's a huge demand. You have all the new streaming services coming online. You have the AVOD coming online. All the mechanisms are aligned.

John Sloss: There's only so much you can do at this moment but the consumption hours for content have exploded because everybody's quarantined in their house, watching. It happens to coincide with the launch of all SVOD services that are going to be chasing Netflix. The real bottleneck here is in production, and when the pandemic passes the bottleneck is going to open up. So what a smart person does is create the best possible source material they can right now; when the production opens up again, people are going to be working 24 hours a day.

What Content is Wanted?

John Sloss: I think documentaries are going to fare well. They have not been as impacted. We're all moving towards episodics! They're doing that for scripted, doing that for docs, and I think that is a very fertile area to focus on at this moment.

Brian O'Shea: It's about content, and people needing content! I'm meeting with a lot of broadcasters too, major broadcasters in Europe, and they are looking for content as well.

Brad Krevoy: Movies will reflect the culture, and that culture will have more uplifting, fun properties as opposed to dramatic projects. I think you'll see a little bit of a shift with people wanting stories that make you laugh, that make you cry, or make you think. I don't know how horror will fare as it's not in my wheelhouse.

John Sloss: The most reliable genre is the New! something that has not been seen before. When we had Napoleon Dynamite, we saw about 500 scripts after that that were take-offs on Napoleon Dynamite or tried to capture that vibe. It's not necessarily within the realm of everyone to create something new and yes emotion is important and passion is important but if you have a chance at creating something no one has seen before that has the greatest chance.

AFM Finance Conference 11/11/20 @ 11AM

Highlights from today's 2nd AFM Finance Conference Panel: Low Budget Films with Huge Profit Potential

Panelists

[Jillian Apfelbaum](#), EVP, Content, *Village Roadshow Pictures*

[Nick Spicer](#), Partner, *XYZ Films*

[Zachary Tarica](#), CEO & Director, *The Forest Road Co.*

Moderator

[John Rhodes](#), Co-Founder, *Screencraft*

How do you Decide on Budget?

Zachary Tarica: It's what you can afford, it's what you can put together. The thing we press on as a film finance company is making the budget make sense for the project.

Nick Spicer: Most scripts have a minimum budget that it's going to take to actually make what's on the page. And there are certain production elements that are immutable in a project, but that doesn't mean that the movie is worth that amount of money, or worth that amount of money in one iteration versus another. So, what we do is that we always value the project with realistic assumptions for cast, realistic assumptions for what we think we would be able to get in terms of production value, and we figure out what we think the movie is worth to the market.

What do you look at to decide value?

Nick Spicer: It's one part science and one part instinct. I wish that I could tell you exactly how to value a movie and you could go do it and it was easy math. But a lot goes into it, because it's a

creative industry and because you're trying to gauge audience taste, which is a very hard thing to do. The best thing to do is look at comps—the breakout successes of the past five years—those are usually not realistic comps for a low budget movie.

Zachary Tarica: The first thing I do when I look at even the top line of a budget is try to figure out what type of coverage that film can have. We see hundreds, even thousands of projects, [where] we're having a real, honest conversation with the production company looking at it and saying, "There's a really good chance here that you lose \$6-7M." It's important to go into it with that open mind looking at your budget with an accurate or realistic outcome.

How has Success Evolved?

Jillian Apfelbaum: What determines a film's success in this new environment is directly related to the reason why the film is being made—it is not often that a high risk, the low budget movie can have huge financial returns. That doesn't mean it's not a success, especially if you're trying to prove a filmmaker, build relationships, build your own production company, try it for awards. While financial success is definitely one of the areas in which a movie can be successful, there are other areas in which there are achievements that have value in the long-term growth of a producer or company.

Zachary Tarica: There's so much more to it that can ultimately get you to where the profitability needs to be. The lower the budget, the more important the distribution plan is, the correlation's 100%. We've had some really interesting case studies, where films sub \$500k have done incredibly well.

Nick Spicer: Huge profit potential does not mean \$100M at the box office. If you have a movie for \$25k-\$50k and you sell it for \$150k—that's a really good return. I don't expect that it's going to become the next Paranormal Activity.

Can a film Have Success without Name Talent?

Zachary Tarica: It's having a pinpoint audience—you have to have an audience that's interested in what you think you're creating and really hone in on that audience so that this is something that is sellable. We had low budget filmmakers that drove cross-country selling packages to churches and made a profit.

Jillian Apfelbaum: I think Nick's company [XYZ] is also doing something really interesting when it comes to the audience in that they're doing a lot of local language productions. I'm also fascinated by the faith-based audience and think that there's a total market there. I think there's a market for local language, for the Spanish language, especially in the US and South America. There is an opportunity to find value in your film outside of the US.

Nick Spicer: Local language is booming. Netflix is capped out on subscribers in the US so their growth is entirely international, so there's a pretty great appetite for local language content.

Jillian Apfelbaum: Calling casting directors and asking them who is in the next wave of movie stars or TV stars that you can access before they hit it, that's really helpful too. Making a movie takes time, so if you cast someone ahead of their break—we made a movie called "Hot Summer

Nights?? with Timothee Chalamet in it before Timothee Chalamet got big. Our movie didnâ??t come out until after Timothee had done several major movies, and it ended up really bolstering the success of the film.â?•

The Impact of COVID

Zachary Tarica: â??[In one instance] a false positive COVID test can cost the production company about \$200k, so think about that when you have a \$1M to \$5M budget filmâ?the issues of quarantine, a bubble, travel, the contingency, the insurance, the things that go into it [planning for COVID] are things that weâ??re not always thinking about as filmmakers that really come into play here.â?•

Maximizing Profit Potential?

Jillian Apfelbaum: â??Genre is critical in the development stageâ?if itâ??s horror or thriller, it is going to have a stronger chance at breakout success and a larger audience than if itâ??s a drama. Otherwise, finding ways to maximize production value without increasing cost is always really effective, and that has to do often with visual effects, and when youâ??re going practical versus going visualâ?but I think the biggest determining factor has to be genre.â?•

AFM Podcast Session 11/10/20 @ 11AM

Highlights from yesterdayâ??s Filmmakers Podcast ft. Dan Mazer: How to Make Movies, From Indies to Studio Features & Working On Set

Hosts

[Giles Alderson](#), Creator & Host, *The Filmmakers Podcast*

[Ian Sharp](#), Founder, *Sharp House*

Guest

[Dan Mazer](#), Writer & Director, LBI Entertainment

On Home Alone reboot:

â??We were making a movie in Marchâ?and they read on Deadline that we were about to be shut down!â?•

â??We made the announcement, we shut down, without knowing when, if, how we would come down having a five million dollar set still standing in Montreal for all that timeâ?and more pertinently, having a young, 11-year-old boy as our lead with the clock ticking on whether he was going to hit pubertyâ?•

On Borat 2:

â??With Borat, obviously there youâ??re in the real world; film sets are sort of hermetically sealed, weâ??re tested five times a day [he def meant week]â?but with Borat, thatâ??s a very different scenarioâ?•

â??I remember on the first day of shooting, we were waiting for the COVID test for the makeup person to come through, we couldnâ??t start until that came through and sat in a car park waiting for a

negative result for nine hoursâ?and then we lost the light and had basically a half hourâ??s worth of filmingâ?•

Dan on getting financing during covid:

â??People started to look more towardsâ?comedy, I think the need for people to just have the stress and strain taken away and to be able to just laugh at stuff has come to the foreâ?•

Dan on success:

â??One thing that Iâ??ve learnedâ?the things that have been the most successful that Iâ??ve done have tried to break the mold in some way, and anything that feels familiar or like youâ??ve seen it before or like a facsimile of somethingâ?however good it is, itâ??s much less likely to breakthroughâ?•

â??Daring to be different is really the answer to making an impactâ?•

â??As with most things with filmmakers, itâ??s about ego. As a director, itâ??s very easy to get high on your own supply and just think youâ??re a god because everyoneâ??s so nice to you, and you donâ??t have to listen to anyoneâ?but my attitude to filmmaking generally is surrounding yourself with brilliant people and let them be brilliant and that will steer the shipâ?•

Dan: â??[On when Home Alone is coming out] Itâ??ll be next Christmas!â?•



(Source: Press release provided by Jennifer Garnick, AFM Press)

Category

1. American Film Market

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