



Canada as a partner for your cartoons and the pros and cons of coproduction from a banker's perspective

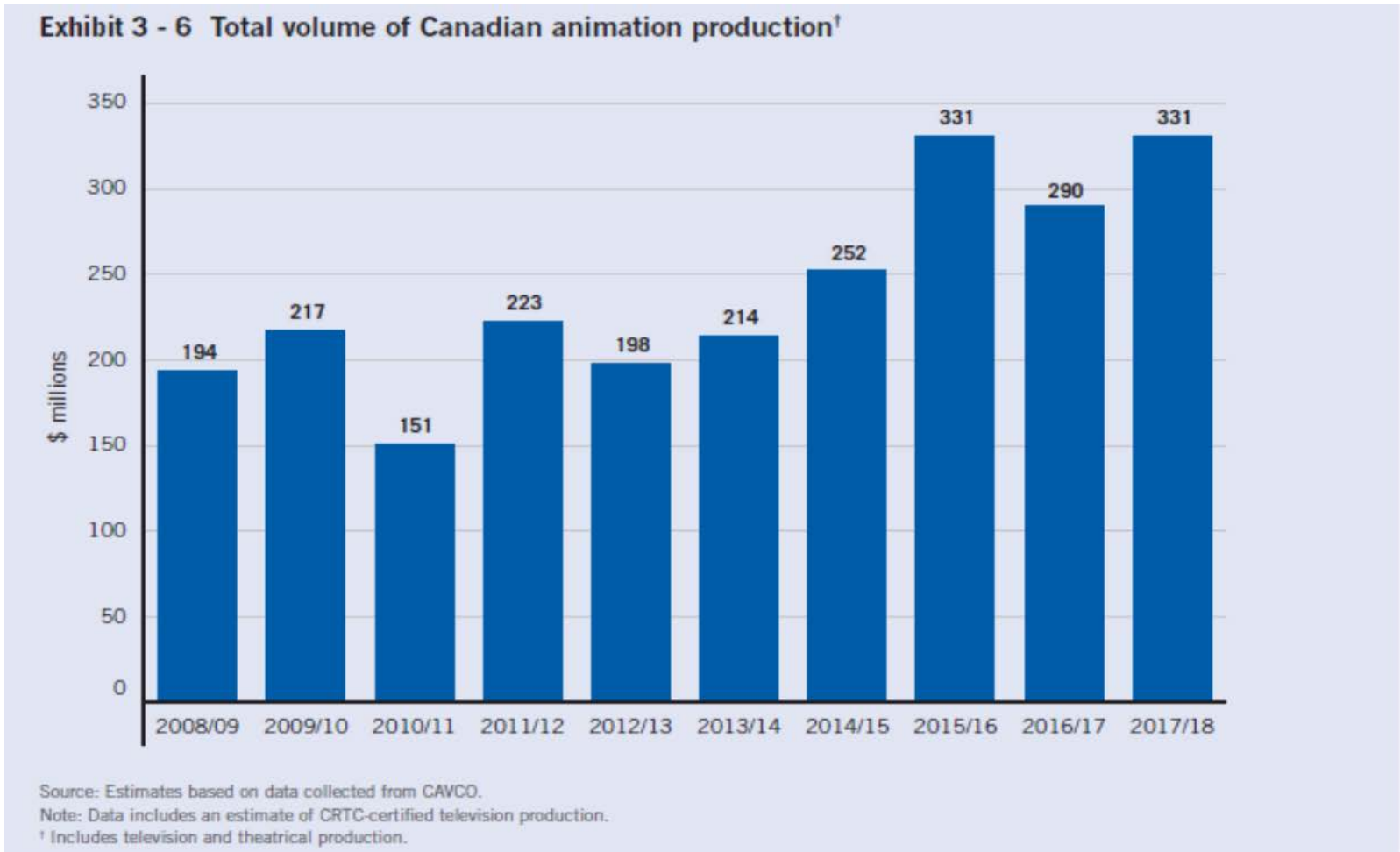
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A few statistics on the Canadian screen based media industry

- Canadian content production decreased by 8.8% to 3.04 billion
- Canadian Children's and youth production rose by 4.7% to \$556 million
- Canadian animation production reached a volume of \$331 million
- Foreign and service location rocketed to 4,8 billion

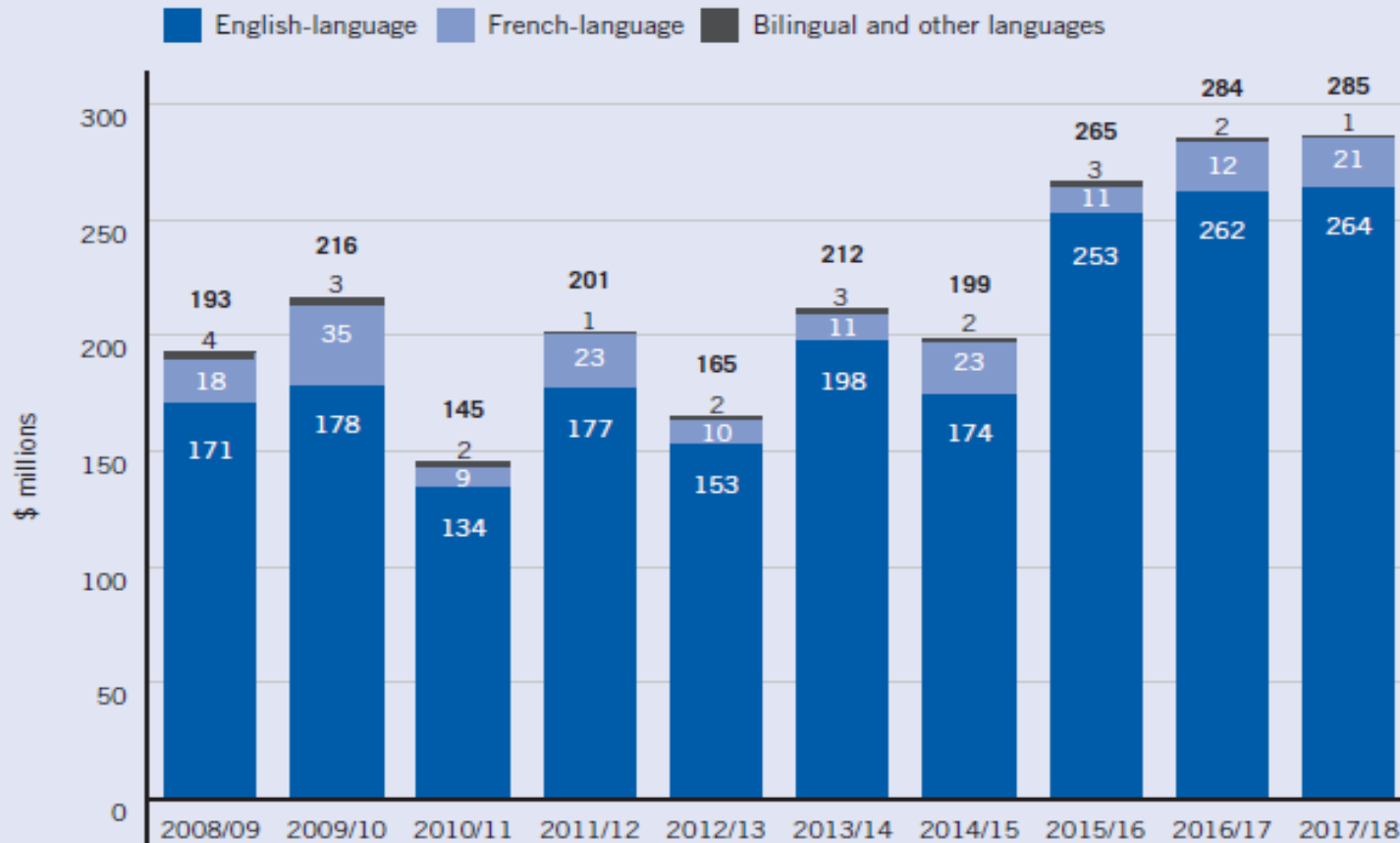
Source: CMPA Media Profile 2018

After experiencing a decrease in 2017, we went back to the ten-year high of \$331 million in 2015/16 (Table from CMPA profile 2018)



Television animation production (Table from CMPA profile 2018)

Exhibit 4 - 10 Volume of Canadian animation television production, by language



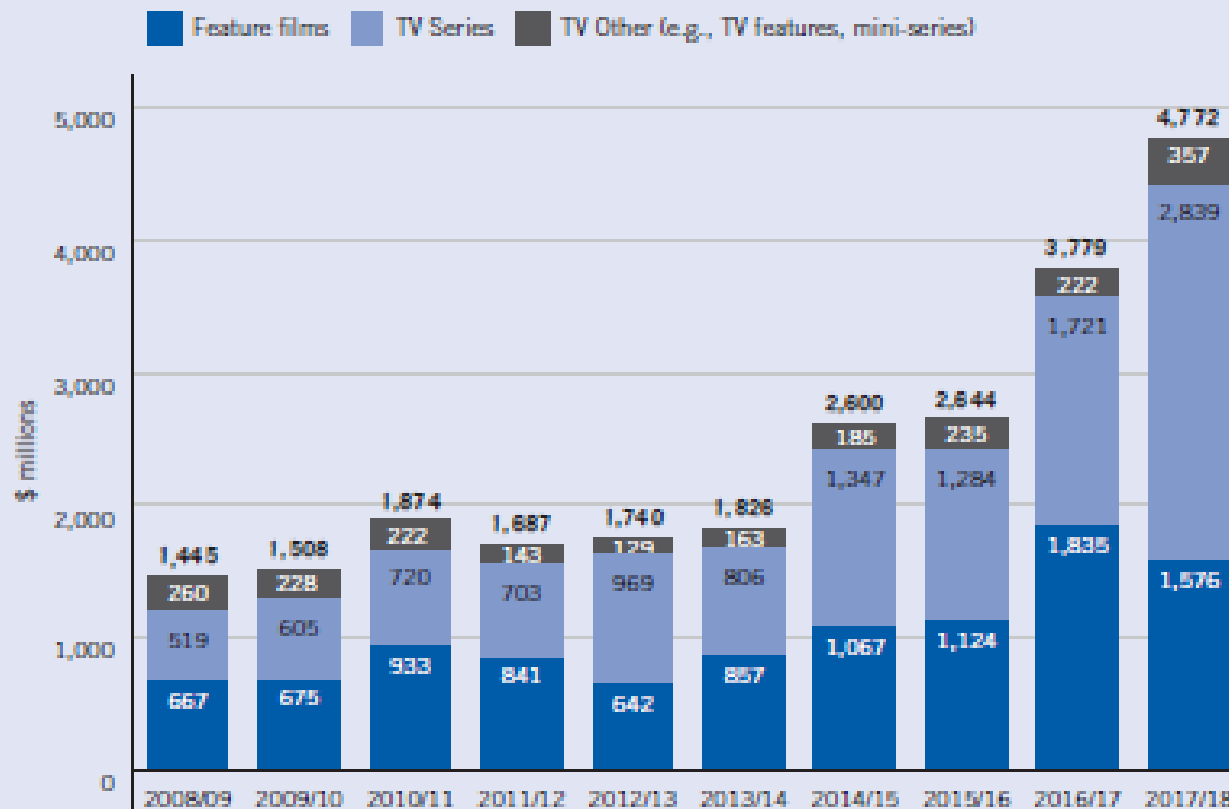
Source: Estimates based on data collected from CAVCO.

Note: Some totals may not sum due to rounding. Data includes an estimate of CRTC-certified television production.



Foreign location and service production

Exhibit 7 - 1 Volume of foreign location and service production, by type



Source: Association of Provincial Funding Agencies.

Note: Some totals may not sum due to rounding.

* Prior to 2017/18, mini-series were included as part of the TV other category. In 2017/18, the statistics for mini-series were collected in the TV series category. For this reason, the year-over-year growth in TV series production in 2017/18 is slightly overstated. However, the vast majority of production in the TV series category is still likely comprised of TV series rather than TV mini-series.



Canadian Coproductions in 2017

	<u># of projects</u>	<u>Total Budget</u>	<u>Canadian Share</u>
Total	55	403 058 311 \$	155 229 006 \$
Biparty	49	370 593 944 \$	144 682 783 \$
Australia	2		
Belgium	2		
Brazil	1		
Cuba	1		
Denmark	2		
France	18		
Germany	2		
Hungary	1		
Ireland	2		
Italy	1		
New Zealand	1		
Romania	1		
South Africa	1		
Sweden	1		
Switzerland	1		
United Kingdom	12		
Triparty	6	32 464 367 \$	10 546 223 \$
Belgium, Luxembourg	1		
Germany, Austria	1		
Israel, Switzerland	1		
Luxembourg, Belgium	1		
Luxembourg, Ireland	1		
South Africa, Germany	1		
	<u># of projects</u>	<u>Total Budget</u>	<u>Canadian Share</u>
English	35	337 236 852 \$	140 699 790 \$
French	20	65 821 459 \$	14 529 216 \$
Film	17	110 418 866 \$	50 641 155 \$
Television	38	292 639 445 \$	104 587 851 \$



Coproduction of animated television series 2017-2018

Production	Year	Production company	Coproduction country(ies)
Chip and Potato	2017	<u>DHX Media Ltd.</u>	United Kingdom
Cupcake and Dinosaur	2017	<u>Entertainment One Ltd.</u>	Brazil
Kiri and Lou	2017	<u>Yowza Animation Corp.</u>	New Zealand
Take It Easy Mike	2017	<u>6179631 Canada Inc.</u>	France
Tee & Mo	2017	<u>Boat Rocker Media Inc.</u>	United Kingdom
Tom Sawyer	2017	<u>GROUPE PVP INC.</u>	France
Hello Charlie	2018	Echo Media Inc	United Kingdom

How to work with a foreign partner/country

- Official international treaty coproductions
- Joint venture
- Service production
- Setting up a division or a subsidiary

Pros and cons of coproductions

The pros

- Recognition as local content
- Access to local subsidies and tax incentives
- Access to pool of creative and technical talent
- Larger market to penetrate or ease of access to a difficult market

Pros and cons of coproductions

The cons

- Increase in costs
- Waiver of an individual ownership interest in the copyright and the revenues
- Waiver of the entire creative control
- Constraints and limitations in structuring financial arrangements and retaining talent from third party countries or non members of the EEU
- Challenges when trying to coproduce with smaller countries or countries that are not financially comparable
- Challenges to get respective coproducing partners' financing at the same time
- Challenges when trying to meet the expectations of all broadcasters and distributors involved

Animated television series

Example Canada Australia Latin America

Format 26*22 minutes

SOURCES OF FUNDS :

		<u>CAD</u>	
Provincial tax credit		486,7	
Federal tax credit		234,2	
Canadian broadcaster		266,7	
Canadian broadcaster investment		50,0	
FMC		297,0	
Distribution advance		260,0	
Shaw Rocket		350,0	
Producer's investment	11.6%	255,7	
Sub total : Canada 35%			2,200,2
Australian tax credit		355,3	
Australian broadcaster		1,822,6	
Producer's investment	3%	67,3	
Sub total : Australia 35.7%			2,245,2
Latin American broadcaster		170,0	
Studio services		135,0	
Other broadcaster		268,0	
Producer's investment	<u>68.7%</u>	1,256,8	
Sub total : Latin America 29.3%			1,829,8
<u>Total</u>			<u>6,275,2</u>



EXAMPLES CANADA-FRANCE

Format 26*22 minutes

<u>SOURCES OF FUNDS</u>		
<u>Canada</u>		
		78%
Provincial tax credit	1,936.1	
Federal tax credit	778.8	
Canadian broadcaster 1	375.0	
Canadian broadcaster 2	182.2	
Canadian broadcaster 3	312.0	
CMF	550.0	
French coproduction partner and french studio	3,922.1	
Producer's investment	509.0 (5.94%)	
<u>Total Canada</u>	<u>8,565.2</u>	
<u>France</u>		
		22%
CNC Development	74.0	
French broadcaster	88.3	
Other broadcaster 1	1,243.2	
Other broadcaster 2	741.1	
Regional subsidy	14.8	
Foreign presale	47.4	
PROCIREP-ANGO	16.0	
CRÉATIVE EUROPE MÉDIA	78.4	
<u>Total France</u>	<u>2,303.2</u>	
<u>Grand Total</u>	<u>10,868.4</u>	

Format 26*12 minutes

<u>SOURCES OF FUNDS :</u>		
<u>Canada</u>		
		22.7%
Provincial tax credit	300.5	
Federal tax credit	147.5	
Canadian broadcaster 1	117.0	
Canadian broadcaster 2	156.0	
Canadian broadcaster 3	52.0	
Canadian broadcaster 4	52.5	
FMC 1	354.0	
FMC 2	104.0	
<u>Total Canada</u>	<u>1,283.9</u>	
<u>France</u>		
		77.3%
French television	444.7	
CNC	881.9	
CICA	437.3	
French regional aid	59.3	
Other French regional aid	51.9	
Foreign presale 1	186.3	
Foreign presale 2	173.4	
Foreign presale 3	201.8	
Other presale	173.9	
MG distribution division	1,482.1 (26.1)	
Producer's investment	0.4	
<u>Total France</u>	<u>4,384.7</u>	
<u>Grand Total</u>	<u>5,668.6</u>	



Bank's considerations

- Country
- Currency fluctuation
- Flow of currencies
- Censorship
- Partner
- Financial structure and cash flow
- Work split and timing and expenditures
- Other banks involved
- Completion guarantee
- Need for an intercreditor agreement?

Pros and cons of Joint ventures

The pros

- Recognition as local content (in Canada under certain conditions for Canadian content quotas only)
- Access to pool of creative and technical talent
- Larger market to penetrate or ease of access to a difficult market

Pros and cons of Joint ventures

- Increase in costs
- Waiver of an individed ownership interest in the copyright and the revenues
- Waiver of the entire creative control
- Some Constraints and limitations but much less than under a coproduction

Pros and cons of service production

- Access to service tax incentives
- Access to pool of creative and technical talent
- No better access to market

Bank's considerations

- No copyright ownership of borrower
- No security on the main contracting company
- Flow of currencies
- Financing based on tax credit earned

Conclusions

- Don't underestimate Canada
- Evaluate carefully the various options and assess the risks and benefits of each
- Think about your bank



**Questions,
comments?**



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