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Cannes buyers bag prime pics

Pics are pricier, even though overall biz remained flat

CANNES -- Cannes proved a feast for the indie marketplace, with buyers, having grown fat on the riches of "Twilight," "Hunger Games" and "The Intouchables," throwing around their weight, demanding the kind of heartier fare they can now afford. Sellers -- who have increased in number -- have responded with more bigger-budget product, some of which sold even before Cannes opened.

There was also a great deal of buzz about the potential sales of Alliance to rival eOne -- that deal would eliminate one major player from the market.

"The German market hasn't grown in the past few years, but big independent distributors have made so much money on movies like 'Twilight' and 'Intouchables' that they want to get more product," says Constantin topper Martin Moszkowicz.

This year, the roster of companies selling movies in the \$30 million-\$60 million range has ballooned. David Garrett's Mister Smith, Joe Drake's Good Universe and the Megan Ellison-financed Panorama, headed by Kim Fox, were the leading debutantes on a Croisette packed with new sales companies offering plenty of product.

The sheer volume of well-packaged titles didn't result in the first-weekend sales frenzy of last year's Cannes market. Deal announcements only really gained traction early midweek. But that was due to many buyers, fearful of missing out on hot titles, making trips to Los Angeles to meet big U.S. sellers in the week before Cannes. Those sales agents haven't always rushed to announce pre-Cannes deals.

Mister Smith practically sold out on "The Mortal Instruments: City of Bones" in the five days before Cannes, says Moszkowicz, whose Constantin is producing the film. Budgeted at \$60 million, it was one of the biggest films on offer on the Croisette.

There were many projects of interest up for grabs, particularly pre-buys, reports Michael Barker at Sony Pictures Classics, which picked up competition players "Rust and Bone" and "Amour," plus Directors' Fortnight player "No."

By the sixth day of the festival (May 22), many sellers had reported strong sales, while other titles that were deemed hot tickets -- Panorama's "American Bullshit," "Zero Dark Thirty" and an untitled Spike Jonze project; Voltage Pictures' "Cali"; Exclusive Media's "The Green Inferno" and "Agent: Century 21"; FilmNation's "Tracers"; Sierra/Affinity's "The Coup"; and Pathe's "An Enemy" plus its Gallic comedies -- were nailing down deals.

"2012's Cannes was a continuation of last year," says M6-SND's Lionel Uzan. "Buying was steady, not crazy, but on a par. Product quality held, and that's what's most important."

Some Hollywood studios are still energizing the indie market. In the biggest Cannes deal, Universal picked up multi-territory rights to "Zero Dark Thirty," and "Last Vegas" and "Oldboy" from Good Universe. Sony and Warner Bros. were also taking meetings and evaluating product for their international distribution

pipelines

And the smallscreen market is surviving, as some broadcasters -- Germany's RTL and ProSieben, Spain's Antena 3 and France's DTT -- remain hungry for new product.

"What we wanted to fill our slate with was out there in the market," says one buyer, noting solid business and strong product.

Yet despite the high-quality fare and hungry buyers, for some, there were bigger issues to overcome. While a few established international markets have contracted -- led by Spain, Italy, Greece and Portugal -- competition is inflating prices in Latin America. In 2011, asking prices for rights in the region were about 3% of movie budgets. At 2012's Cannes, prices paid for Latin America on bigger movies reached a reported \$3.5 million-\$4 million, about 6%-7% of big titles.

"Is there a bubble going on for Latin America? Sure. Should people -- sales companies and producers -- be worried? Maybe not yet," says Ivan Boeing, of Brazil-based distrib Imagem. "But, as with all bubbles, sooner or later it is bound to burst or deflate."

Such inflation, however, is not a worldwide trend. Japan was far more active at Cannes, but price points there have dropped, sellers acknowledge, while other territories remain status quo despite competition. "Traditionally strong territories -- the U.K., Germany, Russia, France and Australia -- are accommodating multiple competing, well-capitalized buyers," says IM Global's Stuart Ford. "Chinese distributors are paying bigger and bigger minimum guarantees; Japanese distributors continue to show a renewed appetite for U.S. product."

Russia and the CIS were ferociously competitive at Cannes, driving up prices and making it hard to secure the most attractive titles, notes CP Digital's head of acquisitions Nadezda Motina.

"In total, I counted 18 companies seriously buying for Russia," she says. "For the big titles, a seller may have nine strong offers. I made approximately 40 offers before the market, but was able to secure less than 10 projects."

She says that prices have leapt significantly even since Berlin's European Film Market in February and the American Film Market last November. "I had a chance to buy a movie in Berlin for \$300,000, and here (in Cannes), with first footage presented, it was sold for \$450,000."

The market remains driven by theatrical results, she says, with TV "very picky," homevideo "dying" and VOD "very small."

Indeed, questions about changing distribution models and consolidation in the marketplace dogged bizzers on the Croisette.

VOD isn't offsetting DVD's decline, though it is becoming significant. In France, for example, for distributors, VOD reps about 20% of combined DVD, VOD and Blu-ray profits, Uzan says. Sellers are more aggressive about peddling their pics to Canada and the U.K., because Lovefilm and Netflix are strong in those territories, says Alliance Films' Robert Walak. Sellers also noted that Harvey Weinstein's multi-platform label, Radius-TWC, was a notable presence on the Croisette, although deals weren't announced during the market.

Beside the rocky home entertainment scene, the possible sale of Alliance to eOne caused much agita. EOne distributes films in the U.S., Canada, the U.K. and Benelux (Belgium, Netherlands and Luxembourg), while Alliance, a fellow Canadian-owned multi-territory distributor, has distrib ops in Canada, the U.K. (Momentum) and Spain (Aurum).

By buying Alliance, eOne would take an energetic direct rival off the market, and allow it acquire Alliance's considerable library -- making itself a more attractive buy if its owners ever wanted to put it onto the market.

The Cannes buffet also included new equity in the market, as several film funds made splashy debuts. Chinese producer Bruno Wu talked up his \$1.27 billion Chinawood film and media hub, and Julian Giraldo, head of Colombia's RCN Cine, announced he was launching a \$100 million private equity fund. "There is a lot of equity floating around in the business, which is great for the medium-sized movies," says Patrick Wachsberger of Lionsgate/Summit, which was shopping some of Cannes most buzzed titles, "Catching Fire," the latest "Hunger Games" installment, and "Dirty Dancing 2."

All of the money and product gives some market mavens pause.

"The launch of new sales agents isn't an automatic sign of a healthier market, but rather of a certain void in the sales sector," says Wild Bunch's Vincent Maraval. "Many sales agents had shuttered or downsized, while production levels remain high."

Yet with any market, the menu usually includes more optimists than pessimists. "There's more business being done than before," says Sony Classics Barker. "But people are being more careful."