

EXPORTING CANADIAN SCREEN-BASED PRODUCTIONS IN A GLOBAL MARKET



TRENDS, OPPORTUNITIES AND FUTURE DIRECTIONS

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REPORT

Exporting Canadian Screen-based Productions in a Global Market: Trends, Opportunities and Future Directions

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Executive Summary

The Present Study

This report provides an analysis of trends in exports of Canadian film and television productions (i.e. sales of rights to these productions in foreign jurisdictions) in the years from 2013-2014 and 2018-2019, as well as trends in exports of film and television in some of the top exporting countries. Foreign sales of Canadian film and television rights are critical to the financing of Canadian screen-based production. In 2019-2020, foreign financing accounted for 26% of the total value of Canadian film and television production.¹

This report provides evidence of the popularity of Canadian film and television programs with foreign audiences. Canadian productions are highly valued and sought after in global markets.

The Post-Covid Future

It is clear that production and distribution were disrupted by the pandemic. The pandemic accelerated pre-existing industry trends, amplifying ongoing shifts in consumers' behaviour. With audiences sheltering in place and cinemas shuttered, at-home viewing increased substantially during the pandemic, boosting the number of viewers accessing content on subscription-based or ad-supported streaming services,² further disrupting the film and television distribution models. Streaming has become a crowded field, as the number of platforms has also grown, some of which may have started as linear broadcaster's catch-up services.³

The pandemic also accelerated the ongoing transformation in film consumption. Cinema going was in decline before the pandemic, a trend which has been amplified during the pandemic. It is predicted that theatrical distribution of tent-pole, big budget "event" movies will accelerate as the industry emerges from the pandemic.⁴

As Canada and its key trading partners emerge from COVID-related lockdowns, these trends may impact the future market for independently produced film and television exports, providing new opportunities, and some challenges.

1. Trends in Exports of Canadian Television and Films

Television

Between 2014-2015 and 2018-2019, television projects funded by the Canada Media Fund (CMF) were pre-sold for a total value of \$279 million. Ninety percent of the programs pre-sold were produced in English. International coproductions financed a higher proportion (31%) of their productions through international pre-sales, as compared to 22% for domestic productions. The majority of pre-sales (74%) were of drama projects, including historical, family, thriller and comedic dramas. Other genres that sold in international markets include animation (15%), children's and youth (7%), and documentary (3%) with \$208M in export pre-sales.

Drama projects with budgets greater than \$10 million achieved a higher proportion of international pre-sales. These trends are consistent with trends observed in the international marketplace. The primary markets for the top-selling Canadian television programs are the United States (US), the United Kingdom (UK) Ireland and France.

Four of the top Canadian pre-sold programs were based on underlying properties. A notable trend in international pre-sales of CMF-funded productions is the importance of advances from distributors, who are investing earlier in projects to ensure access to rights.

There continues to be demand for Canadian productions at higher budgets, but there is also a greater need to finance these productions through international pre-sales. Compared to the previous five-year period examined in *Exporting Canadian Television Globally*, the proportion of budgets financed through international pre-sales has increased from 16% to 24%.

Film

Between 2013-2014 and 2018-2019, Canadian feature films funded by Telefilm Canada generated total international sales of \$407.2 million. Sixty percent of these revenues were derived from international pre-sales and the other 40% from international sales of completed films. Of the films that had both pre-sales and sales (70 films in all), half were international coproductions (35 films).

Canadian feature films shot in the English language with high budgets, and produced as international coproductions achieved the highest volume of sales. Coproductions with budgets of \$10 million or more were the most successful in achieving international sales, accounting for 56% of all sales. International pre-sales of Canadian feature films represent about one-third of production budgets for films of \$10 million or more. France is a coproducing partner of choice for Canadian films, followed by the UK and Ireland.

The majority of films sold were dramas accounting for 61% of all pre-sales and 55% of all sales after completion. These were followed by genre films (horror, mystery, science fiction and thrillers), which accounted for 22% of pre-sales and 29% of sales.

The twenty top-selling Canadian films funded by Telefilm Canada generated 70% of all international sales of completed films. These films are characterized by the attachment of marquee talent, representation by major international sales agents. Half of the top twenty selling films are based on recognizable underlying intellectual property. Other defining characteristics included exposure at major international festivals, critical acclaim and prestigious awards. They also feature well-known directors and performers and are represented by major international sales agents. These findings are consistent with foreign trends, where the films that export well are typically higher budget international coproductions.

2. International Trends in Exports of Television and Film

Overall, export sales trends in Canada are consistent with trends observed in the international marketplace.

Key Exporting Jurisdictions

The US, UK and France are key trading partners for Canadian television and film. These jurisdictions are the global leaders in screen-based exports, and key markets for Canadian ex-

ports. The US, UK and France lead in both the number of titles exported and in the total volume of foreign sales and admissions. All three countries export a mix of highly commercial titles as well as more moderately produced “independent” fare. The size of the US, UK and French audiovisual and feature film markets presents numerous opportunities for Canadian exporters.

Spain and Germany are finding markets based on cultural and linguistic affinities, while others have carved out international markets for their formats (the Netherlands and the UK), or their particular brand of televised drama (Turkey).

A notable trend among the top exporting countries is the increasing exports of films and television productions to China, particularly for the US, UK, France, and Germany. To penetrate the Chinese market, some of the biggest budget US, UK and French films are being made as coproductions with China.

The volume of coproduction is increasing in France, Germany and Ireland. Italy and Spain are also expanding coproductions. The UK’s favoured coproduction partner for television productions is the US.

Characteristics of Content that Travels

Big budget action and adventure films are the most popular with theatrical audiences around the world, achieving the highest international earnings from box office sales. A significant number of these films are based on pre-existing intellectual property. Animation films targeting family audiences also perform well around the world. This includes both studio produced and independent films.

Television series in the genres of fantasy, horror, action and adventure and thrillers are finding their markets abroad. Horror films have dedicated niche audiences in many territories. VOD services are also promoting their popularity.

Documentary or factual series on science and technology, nature, sports and history are popular with buyers around the world. Unscripted formats continue to travel well with game shows, reality competitions and factual entertainment representing the top three selling format genres.

Films and television productions export more easily to territories that share a language, culture or geographical proximity. Marquee elements, including well-known lead performers, directors and writers, as well as critical acclaim, also facilitate exports of film and television.

3. Opportunities and Challenges for Exporting Canadian Television and Film

The current global market presents significant opportunities. Studies conducted post COVID note that despite the decrease in production volumes of film and television during the COVID-19 pandemic, and thus, the potential for sales, nevertheless the industry is showing signs of resilience on the international front, as it has in previous recessions.⁵

While the number of international coproductions decreased during the pandemic, these are expected to resume. Post pandemic, it is clear that there will be new demand for films and series destined for online streaming platforms.

Canadian producers have been finding new ways to create value from their IP rights, by retaining and exploiting their IP in new and established markets. Investments in high budget content by global subscription video-on-demand (SVOD) services has driven up production budgets. As a result, exports are more important than ever to close financing.

Financing available from the domestic market is said to be declining, in part because of declining investments by Canadian broadcasters and distributors, and in part because new revenues generated from sales to SVOD and VOD services have not as yet replaced income lost from declining revenues in the traditional home video market.

To meet the demand for higher budget content, many Canadian producers are entering into international coproduction arrangements. Companies with established business relationships in other jurisdictions are well positioned to pursue opportunities for international pre-sales and sales of completed projects. This is even more true as more market events and business meetings are conducted online.

Producers and distributors interviewed for this study see increasing opportunities to sell Canadian films and TV programs globally. There is every reason to believe that Europe's largest film markets (the UK, France, Germany and Spain) will continue to be important for sales of Canadian feature films and television programs.

However, while there are considerable funding opportunities and incentives available to Canadian companies to produce Canadian films, television and VOD content, these are said to be poorly adapted to the production of content with export potential.

4. Future Directions to Address a More Competitive Global Market

Canadian industry stakeholders interviewed for this study made the following recommendations to enhance foreign sales, which could significantly enhance the Canadian production sector's ability to exploit the considerable opportunities afforded by international markets, including opportunities on new VOD services. The two recommendations are:

- 1) Greater resources for the development of internationally competitive projects, and
- 2) Greater resources for international coproductions.

These recommendations continue to be relevant in the post-covid context.

Introduction

1. Preamble

Recognizing the sustained importance of exports for Canada's screen-based media sector, the Canadian Media Producers Association (CMPA) engaged Communications MDR to update two previous reports prepared by the consultants for the CMPA and published in 2017: *Exporting Canadian Television Globally*, and *Exporting Canadian Feature Films in Global Markets*.⁶ The screen-based production sector in Canada includes companies producing film, television and linear digital media intended for distribution in cinemas, broadcast television and on-demand services.⁷

For the purpose of the study, exports of Canadian productions are defined as sales of rights to territories outside Canada. These include pre-sales, sold in advance of the completion of projects and often used to finance production, and sales of rights to completed productions.

1.1 Goals of Study

The goals of the study were two-fold:

- To identify trends in international sales of independent feature films, television programs and linear digital media generally, including Canadian film, television and linear digital media productions specifically;
- To provide intelligence on new or emerging challenges and opportunities since 2016 to increase sales of Canadian films, television programs and linear digital media internationally.

2. Approach and Methodology

This study used multiple lines of inquiry: a review of Canadian and international literature; analysis of data pertaining to international sales of Canadian feature films, television programs and linear digital media; and in-depth interviews with key informants.

To provide important context, the study includes brief overviews of export trends in other key exporting markets. The review of literature focused on trends in international sales of feature film, television programs and linear digital media in selected jurisdictions, including the United States (US) and the leading European exporting countries for which information on sales was readily available: the United Kingdom (UK), France, Germany, Spain, the Netherlands and Turkey.

Information for the review of literature was drawn primarily from annual statistical profiles and studies published by international industry organizations and public agencies. The consultants also reviewed white papers and grey literature available from industry sources. Appendices 1 and 2 contain the results of this review: trends and export drivers of the top exporting countries; and characteristics of screen content that travels. Exports may be measured differently by jurisdictions and may include the number foreign box office admissions, foreign box office revenues, and sales of rights to foreign territories. The consultants also re-

viewed literature on the impact of the COVID-19 pandemic on exports of film and television productions. Appendix 4 contains a selected bibliography.

An analysis of the trends in the foreign sales of Canadian television, feature film and linear digital media was undertaken based on data obtained from the Canada Media Fund (CMF) and Telefilm Canada (Telefilm) for the years 2013-2014 to 2018-2019. The reference periods varied slightly by type of data.

The consultants conducted 24 in-depth interviews with English- and French-language Canadian industry representatives, selected from amongst producers, distributors and sales agents. These took place in early 2020, prior to the disruptions caused by the COVID-19 pandemic. Appendix 5 contains a list of interviewees.

I. Understanding International Sales in the Value Chain of Screen-based Content

1. The Value Chain for Screen-based Content

The vast majority of screen-based media content is developed for initial exploitation in television and feature film markets. In recent years, additional opportunities have arisen to produce these forms of screen-based content specifically for exploitation on video-on-demand (VOD) services. Demand for VOD services has increased significantly since the advent of the COVID-19 pandemic, with implications for the future of the orderly marketplace of exploitation windows.

1.1 Pre-Sales of Exploitation Rights Are an Important Source of Production Financing

Independent producers typically finance their productions through a mix of sources, including public sector incentives and contributions; broadcaster, distributor and VOD license fees; and other private and public investments. It is not unusual in the Canadian industry for productions to be financed from advance sales (“pre-sales”) to broadcasters, VOD services, distributors and sales agents in Canada and in foreign territories. These are sales of rights made in advance of the completion of the production. For higher budget productions in particular, international pre-sales are a vital source of financing.

Once a production is completed, the right to exploit it is offered to the international market typically on a territory-by-territory basis (where the rights to the content were not already “pre-sold”). This has usually meant sales to a foreign distributor for the rights to exploit the production in all or selected markets in their territory, such as the theatrical, broadcasting, VOD, DVD or Blu-ray markets. Traditionally, each window is a period of time during which the buyer has an exclusive right to exploit the product.

Amongst the pre-existing trends amplified by the pandemic are the shrinking theatrical market for feature film, and increased interest from audiences for VOD and SVOD services. Global streaming platforms may elect to buy out all the exploitation rights to a property, in exchange for fully financing its production. Typically, the producer will be offered a fee over and above the production costs to make the film or program. As the market has shifted towards online viewing, all-rights sales to streaming services may become more commonplace.

1.2 VOD Services Have Disrupted the Orderly Marketplace for the Sale of Rights in the Series of Exploitation Windows

The most significant disruption to the screen-based sector’s value chain has come from the rapid development of major global streaming services. As has often been reported, forced lock-downs changed consumption habits in favour of on-line viewing. For example, it was reported that time spent on Crave was up 60% between March and May 2020. On CBC Gem viewership increased by 57% between January and May. The number of ICI TOU.TV users increased by 13% in 2020.⁸

The global streaming platforms increased their presence in markets around the world, buoyed by sales of subscriptions. Where revenues from SVOD sales and global box office were about

the same in 2019, global SVOD sales are expected to be twice the volume of world box office sales by 2024.⁹

SVOD services have become important buyers of television and film content. In some cases, these services are disrupting the traditional model of rights exploitation by fully financing development and/or production, in exchange for sweeping first window rights to as many platforms and territories as possible.

Prior to the COVID-19 pandemic, theatrical, linear broadcast and home video services, while declining, were nevertheless important markets for screen-based content. For the time being, broadcasters and local VOD platforms continue to be an important market for film and television content. Broadcasters are continuing to invest in and acquire content for their channels and increasingly, also for their own VOD services.¹⁰ Regional subscription video-on-demand (SVOD) services are proliferating, developed by cable service providers, by public and private broadcasters and by Pay TV services, such as the European service Sky International, which has transitioned to become an SVOD service. Sales agents continue to play an important role in the value chain by offering content to broadcasters and independent distributors in global territories.¹¹

There is some concern in the industry that, as audiences have shifted to SVOD services, traditional cable television services will be negatively impacted. This in turn could imperil the valuable licensing fees that producers and studios charge for the rights to their content.¹²

While the theatrical experience remains essential to the entertainment of feature film audiences around the world, the business model is adapting to new viewing habits. International box office has been the lifeblood of the business, with gross box office sales abroad representing 73% of all box office sales for American films in 2019. Box office sales in many jurisdictions were increasing prior to the pandemic, including China, Japan, South Korea, France, Germany, Russia, Mexico, Spain, Brazil and Italy.¹³

At the same time, theatrical windows have been shortening. While France and Germany regulate how long after an initial theatrical release, films can be offered in the home video market, in other jurisdictions, global platforms have been increasingly seeking shorter theatrical windows in order to counter piracy and capitalize on expensive theatrical promotional campaigns.¹⁴ A study of successful films in five European countries determined that the average theatrical release was 4 to 5 months.¹⁵ By contrast, the average theatrical release in the US was 90 days (3 months).¹⁶ Since the turn of the century, the US theatrical window has shrunk by more than two months.

The trend to shorter theatrical windows has accelerated as a result of COVID-19. In 2020 Canadian theatre chain Cineplex struck a deal with Universal Filmed Entertainment Group (UFEG) that maintains an exclusive theatrical window of up to five full weekends prior to video-on-demand (VOD) exploitation.¹⁷ For many films released in North America there is no longer any holdback at all. For example, Warner Media announced that in 2021, its entire slate of seventeen films would be released simultaneously in cinemas and on its sibling streaming service, HBO Max.¹⁸

As streaming platforms have normalized the release of films directly to audiences on their platforms, it is anticipated that post-COVID, more films will be launched simultaneously in theatres and on streaming platforms, or online only. This is anticipated to become the new model.¹⁹

As COVID-19 related restrictions ease and cinemas slowly reopen, a contraction in the number of cinemas is anticipated in markets other than China. Audiences are predicted to continue to seek out big event movie experiences (“blockbuster” type movies). These are expected to do well even with parallel releases on streaming platforms. Smaller theatres dedicated to more artistic fare will continue to cater to niche audiences with smaller, independent films.²⁰

Figure 1 provides an overview of opportunities for financing and international sales at different points along the value chain.

Figure 1: Financing and International Sales Along the Value Chain For Screen-based Content



A model has emerged where global SVOD services are vertically integrated with their own production studios, where they are spending billions to produce big budget premium scripted series. At the same time they continue to compete for exclusive global rights to premium independent content and to acquire vast catalogues of content from other players.

Some producers are making pre-sales to global SVOD services that, due to the size of the deal, preclude any need for other sales, thereby bypassing other rights buyers in the international market. Others are selling worldwide rights to their completed productions in the first window of exploitation to single buyers for significant sums.

In other cases, the VOD window is replacing the traditional Pay TV window. Transactional VOD services (TVOD) provide rights holders with the opportunity to make sales directly to consumers who wish to purchase or rent content through a paid transaction online. Others are making sales to advertising supported VOD services (AVOD). Some of these sales have started to replace the revenues lost from the disappearance of the physical disc home viewing market.²¹

II. A Portrait of the International Sales of Canadian Television Programs

1. Exports of Television Projects Supported by the Canada Media Fund

1.1 The Majority of International Television Pre-sales were for Drama

The Canada Media Fund (CMF) is the largest funder of Canadian television productions, providing \$353 million in 2020 to support the Canadian television and digital media industries.²² CMF-funded television projects generated \$279 million in international pre-sales from 2014-2015 to 2018-2019. These pre-sales represented 24% of the total production budgets (\$1.2 billion) of the projects that were pre-sold. (See Figure 2.)

Figure 2: Total International Pre-sales of CMF-Funded Projects, 2014-2015 to 2018-2019

Total Number of Projects Pre-sold	Total Value of International Pre-sales	Total Production Budgets	Percentage of Production Budgets Financed by Pre-sales
125	\$278,679,395	\$1,184,254,934	24%

Pre-sales of dramatic television projects amounted to \$208 million, which represents 74% of all international pre-sales (all genres included). The average pre-sale value of drama projects was \$4 million, almost double the average pre-sale value of animation and live action children's and youth projects. (See Figure 3.)

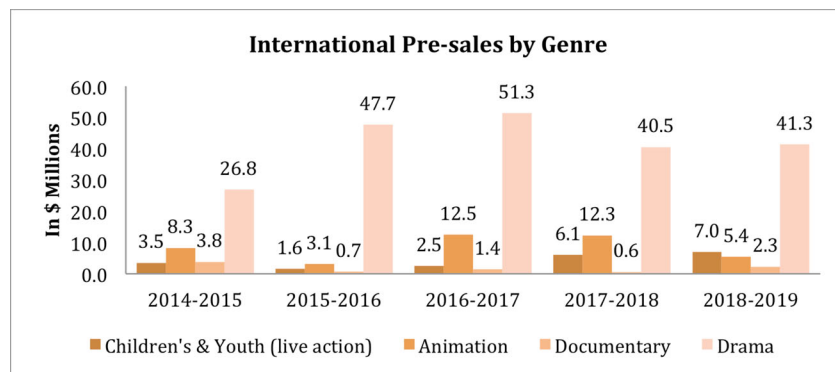
Figure 3: Total International Pre-sales of CMF-Funded Projects by Genre, 2014-2015 to 2018-2019

	Number of Projects	Total International Pre-sales	Total Production Budgets	Average Pre-sale
Drama	51	\$207,591,744	\$839,940,016	\$4,070,426
Documentary	45	\$8,917,008	\$54,385,998	\$198,156
Animation	19	\$41,553,596	\$186,887,170	\$2,187,031
Children's and Youth*	10	\$20,617,047	\$103,041,750	\$2,061,705
Variety and Performing Arts	0	\$0	\$0	\$0
Total	125	\$278,679,395	\$1,184,254,934	\$2,229,435

*This refers to only live action programs

Figure 4 below illustrates the yearly evolution of pre-sales of CMF-funded projects by genre. Pre-sales of drama programs peaked in 2016-2017, valued at over \$51 million. Animation pre-sales were highest in 2016-2017 and 2017-2018, valued at \$12.5 million and \$12.3 million, respectively. Pre-sales of live action children and youth programs varied from a low of \$1.6 million in 2015-2016 to a high of \$6 million in 2017-2018. Documentary pre-sales declined from \$3.8 million in 2014-2015 to a low of \$601K in 2017-2018 before increasing to \$2.3 million in 2018-2019.

Figure 4: International Pre-sales of CMF Funded Projects, by Genre and by Year, 2014-2015 to 2018-2019 (\$ CAD millions)

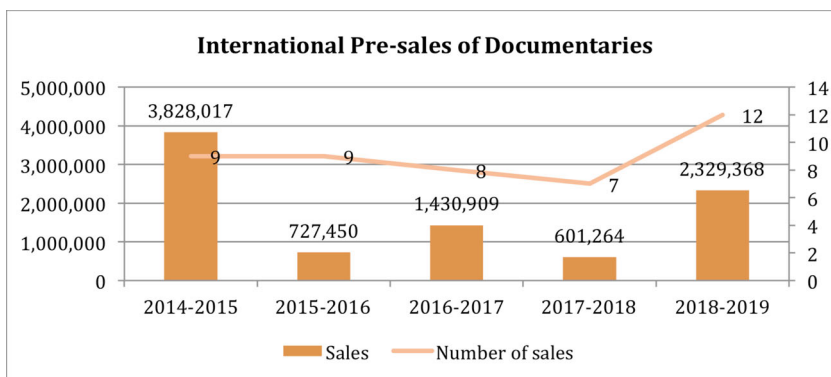


Drama projects with budgets greater than \$20 million achieved a higher proportion of international pre-sales. Representing 14% of all pre-sold programs, these productions attracted 47% of the total value of pre-sales between 2014-2015 and 2018-2019.

1.2 Modest Pre-sales for Documentaries

Documentary projects funded by the CMF accounted for 36% of all projects with international pre-sales and 3% of the total value of foreign pre-sales between 2014-2015 and 2018-2019. The average pre-sale of documentaries was about \$200K. As shown in Figure 5, following three years of declining pre-sales, the total volume of documentary pre-sales almost tripled in 2018-2019 over 2017-2018, increasing by 287%.

Figure 5: International Pre-sales of CMF-Funded Documentaries, by year, 2014-2015 to 2018-2019



1.3 Greater Global Market Opportunities Exist for English-language Programs

A greater number of English-language projects were pre-sold, amounting to \$275 million. Pre-sales of French-language programs amounted to over \$4 million. (See Figure 6.)

Figure 6: Total Pre-sales of CMF-Funded Projects, 2014-2015 to 2018-2019

Language	Number of Projects	Total International Pre-sales
English	113	\$274,581,424
French	12	\$4,097,971
Total	125	\$278,679,395

1.4 Domestic Productions and International Coproductions Attracted Pre-Sales

The majority of pre-sold projects financed by the CMF were domestic productions. Pre-sales of domestic projects accounted for 22% of domestic production budgets overall. (See Figure 7.) Coproductions (including both majority and minority coproductions) attracted pre-sales valued at 31% of the Canadian portion of their total production budgets.

Figure 7: International Sales of CMF-Funded Projects, by Domestic or International Coproduction, 2014-2015 to 2018-2019

	Number of Projects	Total International Pre-sales	Total Production Budgets (Canadian Portion)	Percentage of Total Budgets
Domestic production	95	\$222,719,989	\$1,006,068,048	22%
Majority coproduction	10	\$8,245,788	\$41,922,920	20%
Minority coproduction	10	\$47,713,618	\$136,263,967	35%
Total	125	\$278,679,395	\$1,184,254,934	24%

1.5 Importance of International Distribution Advances

International distribution advances continue to be of great importance to the financing of CMF-funded television projects. These accounted for 75% of all international pre-sales. This compares to international broadcaster pre-sales, which accounted for 25% of all international pre-sales. As can be seen in Figure 8, international distribution advances were valued at \$208 million, while the value of international broadcaster pre-sales amounted to \$71 million, from 2014-2015 to 2018-2019.

Figure 8: Value of International Pre-sales to Distributors and Broadcasters for CMF-Funded Projects, 2014-2015 to 2018-2019

	Number of International Pre-sales	Total Value of International Pre-sales	Percentage of Total Pre-sales
Distribution Advances	91	\$207,908,107	75%
Broadcaster Pre-sales	41	\$70,771,288	25%
Total	132	\$278,679,395	100%

1.6 The US and UK are Canada's Most Important Markets for International Pre-sales of Television Programs

As can be seen in Figure 9, the greatest number of pre-sales between 2014-2015 and 2018-2019 was made to the US and the UK. Other top five markets for Canadian television exports included Ireland, France and South Africa.

Figure 9: Top Five Countries for International Pre-sales of CMF-Funded Television Projects, 2014-2015 to 2018-2019

Country of Broadcaster or Distributor	Number of International Pre-sales	Total Value of International Pre-sales	Percentage of Total Pre-sales
United States	39	\$120,363,333	66%
United Kingdom	19	\$36,854,499	20%
Ireland	7	\$18,329,564	10%
France	9	\$5,556,002	3%
South Africa	2	\$1,000,000	1%
Total	86	\$183,094,113	100%

Note: Projects with sales in more than one country are counted more than once.

1.7 Characteristics of Television Projects with the Highest Value of Pre-sales

As shown in Figure 10, most of the top-selling CMF-funded projects were dramatic series, including international coproductions. The top selling English-language projects were drama series, including historical, family, thriller and comedic dramas. Amongst the top-preselling drama series was the historical drama *Vikings*, a big budget minority coproduction with Ireland.

The top-pre-sold French-language program *Fatale-Station* was a Canada-France-Germany coproduction in the dramatic thriller genre.²³ Other top pre-selling French-language projects included documentary and children's and youth series.

Recognizable marquee cast in the top-selling programs included Anna Paquin in *Alias Grace*; Dan Levy, Eugene Levy and Catherine O'Hara in *Schitt's Creek*, and Micheline Lanctot in *Fatale-Station*. Four projects amongst the top pre-selling projects funded by the CMF were based on underlying properties: *Alias Grace*, *Anne/Ane with an E*, *Tom Sawyer* and *Unspeakeable*.

The primary markets for pre-sales of the top-selling CMF-funded Canadian television projects were the US and France.

Figure 10: Top Pre-Selling Projects Funded by the CMF, 2016-2017 to 2018-2019

Title	Language	Territory	Genre
Alias Grace (Season One)	English	United States	Drama
ANNE (Season Two)	English	United States	Drama/Family
Anne with An E (Season Three)	English	United States	Drama/Family
Apocalypse la paix impossible	French	France	Documentary
Fatale-Station (Season One)	French	France	Drama/Thriller
Frontier (Season Two)	English	United States	Drama/historical
Frontier (Season Three)	English	United States	Drama/historical
Schitt's Creek (Season Five)	English	United Kingdom	Drama/Comedy
Tom Sawyer (Season One)	French	France	Children's and Youth
Transplant (The) (Season One)	English	United States	Drama/medical
Unspeakable (Season One)	English	United States	Drama
Vie de chantier (Season One)	French	France	Documentary
Vie secrète des Lacs (La) (Season Two)	French	France	Documentary
Vikings (Season Six)	English	United States	Drama/historical
Vikings (Season Five)	English	United States	Drama/historical
Vraiment Top! (Season One)	French	France	Children's and Youth

1.8 Limited Number of Pre-sales of Web Series

The CMF launched the Web Series Program in 2016. A total of 46 projects received financing between 2016-2017 and 2018-2019. Amongst these, five projects (11%) had international financing. Three projects (7%) were pre-sold internationally and two (4%) were international coproductions. (See Figure 11.)

Two French-language drama projects were pre-sold to television and VOD broadcasters based in France. One English-language documentary had a financing contribution from a US YouTube channel. Two projects were Canada - New-Zealand co-production, funded by the CMF-New Zealand co-production fund. Average budgets for these Canadian web series ranged from \$412K in 2016-2017 to \$656K in 2018-2019.

Figure 11: International Pre-Sales and Coproductions of Web Series Funded by the CMF, 2016-2017 to 2018-2019

	Number of Web Series Funded in Production	Average Production Budget	Number of Web Series with International Pre-Sales	Number of International Coproductions
2016-2017	11	\$412K	1	1
2017-2018	16	\$474K	2	0
2018-2019	19	\$656K	0	1
Total	46		3	2

1.9 The Average Value of Pre-sales of Canadian Television Programs Has Increased Since 2013

Compared to trends apparent five years ago, exports are more important than ever to finance Canadian television productions. A comparison of trends from the five year period ending in 2013-2014 and the more recent five-year period examined in this report shows that there continues to be demand for Canadian productions at higher budgets, but there is a greater need to finance these productions through international pre-sales.

Overall, pre-sales accounted for 16% of CMF-funded production budgets in the years 2009-2010 to 2013-2014. By comparison, pre-sales have accounted for 24% of CMF-funded production budgets in the years since 2014-2015. The trend is even more pronounced for projects with the highest budgets, those of more than \$20 million, where pre-sales accounted for 17% of total production budgets in the years from 2009-2010 to 2013-2014, and for 28% more recently, in the period from 2014-2015 to 2018-2019. (See Figures 12 and 13.)

Figure 12: Analysis of Pre-sales of Higher-budget Projects Funded by the CMF, 2009-2010 to 2013-2014

2009-2010 to 2013-2014	Number of Projects	Total International Pre-sales	Average International Pre-sales	Total Production Budgets	Percentage of Budgets Financed by Pre-sales
Projects with budgets > \$20m	17	\$73,916,998	\$4,348,059	\$446,834,854	17%
All other projects	157	\$83,674,361	\$532,958	\$560,689,828	15%
Total	174	\$157,591,359	\$905,697	\$1,007,524,682	16%

Figure 13: Analysis of Pre-sales of Higher-budget Projects funded by the CMF, 2014-2015 to 2018-2019

2014-2015 to 2018-2019	Number of Projects	Total International Pre-sales	Average International Pre-sales	Total Production Budgets	Percentage of Budgets Financed by Pre-sales
Projects with budgets > \$20m	17	\$131,744,802	\$7,749,694	\$478,897,768	28%
All other projects	108	\$146,934,593	\$1,360,506	\$705,357,166	21%
Total	125	\$278,679,395	\$2,229,435	\$1,184,254,934	24%

It is also interesting to note that average production budgets of animation, and live action children's and youth programs have increased, as shown in Figures 14 and 15. Average production budgets of animation projects increased by 105% in the period 2014-2015 to 2018-2019 as compared to 2009-2010 to 2013-2014, from \$4.8 million to \$8.8 million. The value of international pre-sales of animation projects also increased by more than 160%, from \$851K to \$2.2 million. Average production budgets of live action children's and youth programs increased by 53%, from \$6.7 million on average to \$10.3 million. The value of international pre-sales of live action children's and youth projects almost doubled, increasing by 94%, from \$1 million to \$2 million.

The increases in production budgets and international pre-sales of animation and live action children's and youth programs suggest that there are increased opportunities for higher

budget projects in these genres. However, there is a greater need to finance these productions through pre-sales from the international market.

Figures 14 and 15 also show that while average budgets for drama projects did not vary significantly, the value of international pre-sales increased by 57%, indicating a greater need to seek financing from the international market for these projects.

Figure 14: Average Production Budgets of Projects Funded by the CMF that Were Pre-Sold Internationally, by Genre, by Five-year Period

	Drama	Children's and Youth (Live Action)	Animation	Documentary	Variety/ Performing Arts
2009-2010 to 2013-2014	\$16,943,328	\$6,734,346	\$4,802,591	\$1,290,770	\$1,649,035
2014-2015 - 2018-2019	\$16,469,412	\$10,304,175	\$9,836,167	\$1,208,578	\$0
Variance	-3%	53%	105%	-6%	

Figure 15: Average Pre-Sales of Projects Funded by the CMF, by Genre, by Five-year Period

	Drama	Children's and Youth (Live Action)	Animation	Documentary	Variety/ Performing Arts
2009-2010 to 2013-2014	\$ 2,591,578	\$1,064,890	\$851,090	\$202,039	\$369,906
2014-2015 - 2018-2019	\$4,070,426	\$2,061,705	\$2,187,031	\$198,156	\$0
Variance	57%	94%	157%	-2%	

2. Summary Observations

Sales of television projects funded by the CMF between 2014-2015 and 2018-2019 show that high-budget international coproductions in the drama category and in the English language generated the most exports. Drama projects covered the gamut of historical, family, thriller, comedic dramas. Animation, children and youth and documentary also generated sales.

The primary markets for the top-selling Canadian television programs were the United States (US), the United Kingdom (UK) Ireland and France. These are also key coproducing partners for Canadian independent television production.

High-budget international coproduction has grown globally in recent years, though the number of international coproductions saw a significant downturn as a result of the pandemic. International coproduction is however expected to resume going forward.²⁴ Added to these markets are new opportunities afforded by global, US-based streamers who are increasingly investing in non-US dramas, non-fiction and comedy shows produced outside the U.S, particularly in Europe, Asia and Latin America. Investment in international series has become a key part of the growth strategy of every major streamer launching on the market.²⁵

III. A Portrait of International Sales of Canadian Feature Films

1. Exports of Canadian Feature Films Supported by Telefilm Canada

Telefilm Canada's mandate is to foster and promote the development of the audiovisual industry in Canada. Through the Canada Feature Film Fund, Telefilm Canada is the largest funder of Canadian feature film productions, providing \$108.7 million in 2018-2019 to Canadian film through its various funds and programs.²⁶ In the years 2013-2014 to 2018-2019, Canadian feature films funded by Telefilm Canada achieved total international sales of \$407.2 million.²⁷ Sixty percent of this amount, \$243.5 million, contributed to financing production costs, in the form of pre-sales. As regards sales, \$164 million was earned on completed films. Not surprisingly, 83% of these post-completion sales - \$136 million - were for films that had also been pre-sold (to different buyers).

A total of 593 films funded in the years 2013-2014 – 2018-2019 were included in the analysis of pre-sales, of which 145 had some form of international sale (25%). With respect to sales of completed films, out of a total of 593 films examined, 209 (35%) reported sales between the years 2103-2014 to 2018-2019. Seventy of these films were both pre-sold and sold on completion to various territories.

An analysis of the pre-sales and sales of Canadian feature films funded by Telefilm Canada reveals that, as in other jurisdictions, films shot in the English-language, with high budgets, and international coproductions achieve the highest sales.

1.1 High-Budget Films and Coproductions Generate the Most Pre-Sales Internationally

As can be seen in Figure 16, high-budget films attracted higher levels of pre-sales. Films with the highest budgets, those of \$10 million or more, accounted for 20% of all pre-sold films (29 of 145 total films) and attracted 67% of the total value of all pre-sales. This can be accounted for by the fact that higher budget films generally have more marketable elements that appeal to international markets, such as well-known actors and directors.

Figure 16: International Pre-sales of Canadian Films Funded by Telefilm Canada, by Size of Production Budget, 2013-2014 to 2018-2019

	Number of Films Pre-Sold	Total Value of Pre-sales	Total Production Budgets	Percentage of Total Pre-sales
Less than \$2.5M	47	\$10,689,261	\$68,059,232	4%
\$2.5M to \$5M	28	\$18,981,708	\$101,692,178	8%
\$5M to \$10M	41	\$50,005,865	\$282,585,932	21%
\$10M and more	29	\$163,849,010	\$500,681,054	67%
Total	145	\$243,525,844	\$953,018,396	100%

As Figure 17 shows, 85% of pre-sales were generated by international treaty coproductions – 35 majority coproductions and 36 minority coproductions. Majority coproductions attracted the highest volume of pre-sales, at over \$133 million.

Figure 17: Analysis of Pre-sales of Films Funded by Telefilm Canada, by Domestic, Majority and Minority Coproductions, 2013-2014 to 2018-2019

	Number of films	Value of Foreign Pre-sales	Value of Total Production Budgets	Percentage of Total Pre-sales
Domestic	74	\$36,295,160	\$284,410,306	15%
Majority Coproduction	35	\$133,371,032	\$403,335,262	55%
Minority Coproduction	36	\$73,859,652	\$265,272,828	30%
Total	145	\$243,525,844	\$953,018,396	100%

1.2 Higher-Budget Films and Coproductions Generate the Most International Sales of Completed Films

Figure 18 shows that productions funded by Telefilm Canada that had budgets of \$10 million or more accounted for approximately 10% of the number of films that were sold after they were completed (20 of a total 209 films). These films attracted 56% of the total value of international sales of completed films in the period examined.

Figure 18: Analysis of International Sales of Completed Films Funded by Telefilm Canada, by Budget Size, 2013-2014 to 2018-2019

Production Budget Range	Number of Films	Value of Sales	Total Production Budgets	Percentage of Total Value of Sales
Less than \$2.5M	111	\$16,161,201	\$130,881,732	10%
\$2.5M to \$5M	40	\$22,547,419	\$151,246,135	14%
\$5M to \$10M	38	\$33,322,711	\$260,978,600	20%
\$10M or more	20	\$91,709,891	\$307,535,036	56%
Total	209	\$163,741,223	\$850,641,503	100%

Figure 19 provides a more detailed view of each budget category by domestic and coproduction status. As shown in the figure, sales of completed international coproductions in higher budget brackets of \$5 million or more attracted a higher percentage of foreign sales of completed films.

Figure 19: Total Sales of Completed Feature Films Funded by Telefilm Canada, by Size of Budget, Domestic, Majority and Minority International Coproductions, 2013-2014 to 2018-2019.

Production Budget Range	Domestic/ International Coproduction	Number of Films	Total Sales of Completed Films	Total Production Budgets	Percentage of Total Sales
Less than \$2.5M	Canadian	108	\$ 15,273,469	\$ 124,553,711	9%
	Majority/Minority*	3	\$ 887,732	\$ 6,328,021	1%
\$2.5M to \$5M	Canadian	34	\$22,087,351	\$130,631,450	13%
	Majority	3	\$ 36,949	\$ 9,259,143	0%
	Minority	3	\$ 423,119	\$11,355,542	0%
\$5M to \$10M	Canadian	22	\$ 9,485,471	\$ 149,605,673	6%
	Majority	9	\$ 18,235,622	\$ 58,506,358	11%
	Minority	7	\$ 5,601,618	\$ 52,866,569	3%
\$10M or more	Canadian	7	\$ 16,044,457	\$ 98,539,264	10%
	Majority	9	\$ 57,128,092	\$ 150,691,579	35%
	Minority	4	\$ 18,537,342	\$ 58,304,193	11%
Total		209	\$163,741,223	\$850,641,503	100%

*Majority and minority coproductions were combined to protect confidentiality.

1.3 One Third of Films Funded by Telefilm Canada Attracted Both Foreign Completion Sales and Pre-Sales

A total of seventy films funded by Telefilm Canada achieved both international pre-sales, which helped to finance production, and additional international sales once the films were completed. The total pre-sales of these films amounted to \$117 million, which represents 48% of the total value of pre-sales achieved by all films in the reference period. Once completed, these same productions earned additional foreign sales amounting also to \$136 million, which was 83% of all international sales of completed films. Of the films that had both pre-sales and sales, half were international coproductions (35 projects).

Figure 20: Feature Films Funded by Telefilm Canada with both International Pre-sales and Sales, by Domestic and Coproduction, 2013-2014 to 2017-2018

Type of Production	Number of Films	Foreign Pre-sales	Foreign Sales	Total budget
Domestic	35	19,181,846 \$	38,050,268 \$	155,620,386 \$
Majority Coproduction	20	66,443,373 \$	73,480,503 \$	209,703,023 \$
Minority Coproduction	15	31,160,538 \$	24,599,175 \$	125,022,158 \$
Total	70	116,785,757 \$	136,129,947 \$	490,345,567 \$

1.4 The Average Sale and Pre-sale Was Highest for Films with the Biggest Budgets and For Majority Coproductions

As can be seen in Figure 21, as the average production cost of a film increases so too does the average value of pre-sales and sales of the finished film. The average value of pre-sales of films with the highest budgets were valued at over \$4.5 million, while sales of these films once completed averaged almost \$5.5 million.

Figure 21: Average Value of Pre-sales and Sales of Completed Films Funded by Telefilm Canada, by Budget Size, 2013-2014 to 2018-2019

Production Budget Range	Average Pre-sale	Average Sale of Completed Films
Less than \$2.5M	\$235,053	\$373,677.99
\$2.5M to \$5M	\$749,479	\$1,169,181.75
\$5M to \$10M	\$1,313,996	\$1,121,494.50
\$10M or more	\$4,504,704	\$5,475,906.43

Figure 22 shows that majority Canadian international coproductions with production budgets greater than \$10 million had significantly higher average sales than did either minority coproductions or domestic productions. The average sales of majority coproductions were almost 3 times higher on average than sales of domestic films, at the highest production budget range.

Figure 22: Average Value of Sales of Completed Films Funded by Telefilm Canada, by Domestic, Majority or Minority International Coproduction, Films with Budgets of \$10M or More, 2013-2014 to 2018-2019

	Type of Production	Number of Films	Average Sale of Completed Film
Films with production budgets of \$10M or more	Canadian	7	\$2,292,065
	Majority Coproduction	9	\$6,347,566
	Minority Coproduction	4	\$4,634,355

1.5 The Top Five Coproducing Partners of Canadian Feature Films Included France, Ireland, the United Kingdom, Germany and Spain

More coproductions funded by Telefilm Canada were undertaken with France than any other coproducing partner. Of the 78 coproductions funded by Telefilm Canada, 24 had France as a coproducing partner. (One project was a coproduction with France and Luxembourg, omitted from the table to protect confidentiality). These included 20 French-language projects and 4 English-language projects. Valued at over \$214 million in all, pre-sales and sales of coproductions with France accounted for 44% and 15%, respectively, of international sales of completed coproductions. Ireland was the second most frequent coproducing partner of choice, accounting for a total of thirteen projects, attracting over \$99.3 million in pre-sales and sales. Though involving fewer films, the total sales of projects coproduced with the UK achieved over \$95 million, exceeding the value of total sales of films coproduced with Ireland. (See Figure 23.)

Figure 23: Coproducing Partners, Pre-sales and Sales of Films Funded by Telefilm Canada, 2013-2014 to 2018-2019

	Number of Films	Total Pre-sales	Total Sales of Completed Films	Total Sales	Total Production Budgets
France	20	\$91,416,231	\$15,464,058	\$ 106,880,289	\$214,353,644
United Kingdom	7	\$44,018,647	\$9,107,565	\$ 53,126,212	\$95,080,070
Ireland	11	\$19,353,747	\$21,172,869	\$ 40,526,616	\$81,012,942
Germany	7	\$13,462,408	\$20,146,499	\$33,608,907	\$61,198,810
Spain	2	\$5,923,895	\$ 3,048,643	\$8,972,538	\$28,926,615
Belgium	3	\$1,773,273	\$ 37,097	\$ 1,810,370	\$21,523,158
Belgium, France	3	\$1,971,700	\$-	\$ 1,971,700	\$20,646,444
Ireland, Luxemburg	2	\$1,233,840	\$2,801,270	\$4,035,110	\$18,290,018
Belgium, Luxemburg	2	\$595,393	\$27,038	\$ 622,431	\$11,943,327
Switzerland	4	\$1,161,667	\$5,891	\$ 1,167,558	\$9,870,539
Total	78	\$320,197,784	\$195,415,633	\$515,613,417	\$998,266,012

1.6 Dramas, Genre Films and Comedies Were Top Sellers

More dramas funded by Telefilm Canada were pre-sold than films in any other genre, achieving total pre-sales of \$149 million, or 61% of all pre-sales. Genre films attracted pre-sales of \$53.5 million, representing 22% of all pre-sales. Comedies accounted for 16% of the total value of pre-sales. Documentaries attracted 1% of all pre-sales. (See Figure 24.)

Figure 24: Analysis of International Pre-sales of Films Funded by Telefilm Canada, by Genres, 2013-2014 to 2018-2019

	Number of Films	Total Pre-sales	Total Production Budgets	Percentage of All Pre-sales
Drama (Film)*	70	\$149,434,849	\$527,225,962	61%
Other Fiction (Genre)***	40	\$53,538,511	\$248,954,366	22%
Comedy**	26	\$38,913,653	\$167,045,801	16%
Documentary	9	\$1,638,831	\$9,792,267	1%
Total	145	\$243,525,844	\$953,018,396	100%

*Includes drama and historical drama

** Includes comedy, romantic comedy and musical

*** Includes Action/Adventure, Horror, Mystery/Crime/Police, Sci-fi/Fantasy/Tale, Thriller, Western

As can be seen in Figure 25, the majority of films that were sold after their completion were also dramatic films. These accounted for 55% of all sales of completed films. Films in other genres accounted for 29% of all sales, while comedies attracted 15% of all sales. Documentaries accounted for 1% of all sales of completed films.

Figure 25: Total Volume of Sales of Completed Films Funded by Telefilm Canada, by Genre, 2013-2014 to 2018-2019

Genre	Number of Films	Sales of Completed Films	Percentage of Total Sales
Drama (Film)*	96	\$89,771,702	55%
Other Fiction (Genre)***	51	\$47,962,560	29%
Comedy**	47	\$24,961,250	15%
Documentary	15	\$1,045,711	1%
Total	209	\$163,741,223	100%

*Includes drama and historical drama

** Includes comedy, romantic comedy and musical

*** Includes Action/Adventure, Horror, Mystery/Crime/Police, Sci-fi/Fantasy/Tale, Thriller, Western

1.7 Global Sales Opportunities Differ by Language of Production

Pre-sales of English-language films funded by Telefilm Canada amounted to \$190 million between 2013-2014 and 2018-2019. Sales of completed English-language films were valued at \$145 million in the same period. (See Figure 26.)

Figure 26: Total Pre-sales and Sales of English-language Canadian Feature Films Funded by Telefilm Canada, 2013-2014 to 2018-2019

Type of Export	Number of Films	Total Amount
Pre-sales 2013-2014 to 2018-2019	106	\$190,326,766
Sales of Completed Films 2013-2014 to 2018-2019	137	\$144,660,842

Pre-sales of French-language films funded by Telefilm Canada were valued at \$53 million between 2013-2014 and 2018-2019. Sales of completed French-language films totalled \$19 million in the same years. (See Figure 27.)

Figure 27: Total Pre-sales and Sales of French-language Canadian Feature Films Funded by Telefilm Canada, 2013-2014 to 2018-2019

Type of Export	Number of Films	Total Amount
Pre-sales 2013-2014 to 2018-2019	39	\$53,199,078
Sales of Completed Films 2013-2014 to 2018-2019	71	\$19,080,338

One Indigenous-language film was pre-sold internationally during this period. This film was excluded from the analysis to protect confidential commercial information.

When looked at by year, Figure 28 shows that the total annual volume of international pre-sales of films was consistently higher for English-language films.

Figure 28: Total Pre-sales of Films Funded by Telefilm Canada, by Language and Year, 2013-2014 to 2018-2019

Fiscal year	French-language		English-language	
	Number of Films	Total Pre-sales	Number of Films	Total Pre-sales
2013-2014	2	\$4,213,186	20	\$42,616,280
2014-2015	7	\$1,637,137	10	\$14,815,377
2015-2016	10	\$13,621,793	12	\$20,809,419
2016-2017	6	\$17,508,884	22	\$48,555,779
2017-2018	9	\$13,783,661	16	\$16,447,899
2018-2019	5	\$2,434,417	26	\$47,082,012
Total	39	\$53,199,078	106	\$190,326,766

Average annual values of pre-sales fluctuated, and were highest in 2013-2014 and 2016-2017 for both French- and English-language films. (See Figure 29.)

Figure 29: Average Value of Pre-sales of Films Funded by Telefilm Canada, by Language and by Year, 2013-2014 to 2018-2019

Fiscal year	French-language		English-language	
	Number of Films	Average Pre-sale	Number of Films	Average Pre-sale
2013-2014	2	\$2,106,593	20	\$2,130,814
2014-2015	7	\$233,877	10	\$1,481,538
2015-2016	10	\$1,362,179	12	\$1,734,118
2016-2017	6	\$2,918,147	22	\$2,207,081
2017-2018	9	\$1,531,518	16	\$1,027,994
2018-2019	5	\$486,883	26	\$1,810,847
Total	20	\$1,686,348	64	\$1,751,339

1.8 Characteristics of the Twenty Top-Selling Canadian Films

1.8.1 The Importance of Marquee Elements

Figure 30 identifies the twenty Canadian feature films funded by Telefilm Canada that had the highest level of foreign sales in the past decade. The twenty films are presented in alphabetical order, and not in order of sales. Fourteen of the twenty films (70%) were international coproductions.

Figure 30: Twenty Top-Selling Feature Films Funded by Telefilm Canada, 2013-2014 to 2018-2019

Title	Language	Coproduction or Domestic	Budget	Genre
9th Life of Louis Drax (2016)	English	Coproduction	N/A	Thriller
Ballerina (2017)	English	Coproduction	More than \$10M	Animation
Born To Be Blue (2016)	English	Coproduction	More than \$10M	Drama
Breadwinner (The) (2017)	English	Coproduction	\$5M - \$10M	Animation
Brooklyn (2015)	English	Coproduction	More than \$10M	Drama
Calling (The) (2014)	English	Domestic	\$2.5M - \$5M	Thriller
Elliot the Littlest Reindeer (2018)	English	Domestic	More than \$10M	Animation
Goon: Last of the Enforcers (2017)	English	Domestic	Less than \$2.5M	Comedy
Guerre des tuques 3D (La) (2015)	French	Domestic	More than \$10M	Animation
Juste la fin du monde (2016)	French	Coproduction	\$5M - \$10M	Drama
Life (2015)	English	Coproduction	More than \$10M	Drama
Little Italy (2018)	English	Domestic	Less than \$2.5M	Comedy
Maps to the Stars (2014)	English	Coproduction	More than \$10M	Drama
Midnight Sun (2015)	English	Coproduction	\$2.5M - \$5M	Romantic Drama
Mommy (2014)	French	Domestic	\$2.5M - \$5M	Drama
Padre (The) (2018)	English	Coproduction	\$5M - \$10M	Drama
Reasonable Doubt (2014)	English	Coproduction	\$5M - \$10M	Thriller
Remember (2015)	English	Coproduction	\$5M - \$10M	Drama
Room (2015)	English	Coproduction	More than \$10M	Drama
Stockholm (2019)	English	Coproduction	More than \$10M	Thriller

Sources: Telefilm Canada, and data available from professional industry websites online.

The twenty top-selling films are responsible for 70% of all international sales of completed films. (See Figure 31.)

Figure 31: Value of Foreign Sales for Top 20 Selling Films and All Other Films Funded by Telefilm Canada, 2013-2014 to 2018-2019

Category of Films	Value of Foreign Sales	Percentage of Foreign Sales
Top 20 selling films	\$113,972,755	70%
All other films	\$49,768,468	30%
Total	\$163,741,223	100%

Based on information obtained from a review of web-based literature, we can identify some of the characteristics shared by these top selling films. Generally speaking, these films can be characterized as having internationally recognizable, marquee actors in leading roles and/or internationally recognizable directors at the helm.

The films have been premiered or played at major international festivals including Cannes, Venice, Sundance, Telluride, Namur, and Toronto. They are represented in international

markets by major sales agents and distributors including Gaumont, Fox Searchlight Pictures, Diaphana/MK2, A24, the Weinstein Company, Lionsgate, Roadside Attractions, Open Road Films, Studio Canal, China Film Group Corporation and Sola Media GmbH.

Eleven of the top twenty films are dramas, four are animated features, three films are thrillers and two are comedies. A total of nine films are based on underlying intellectual properties, including *The 9th Life of Louis Drax*, *La guerre des tuques 3D*, *Midnight Sun*, *The Breadwinner*, *Brooklyn*, *Room*, *Juste la fin du monde* and *The Calling*. *Goon: Last of the Enforcers* is a sequel.

1.9 Compared to Previous Periods Examined, Financing from the International Market Continues to be Critical to Produce Canadian Films

As compared to earlier years, the value of international pre-sales of Canadian feature films supported by Telefilm Canada continues to contribute about one-third of the overall financing needed to produce films with budgets of \$10 million or more. These accounted for 32% and 35%, respectively, over the two periods from 2005-2006 to 2015-2016 and from 2016-2017 to 2018-2019. (See Figures 32 and 33.)

Figure 32: Analysis of Pre-sales of Higher-budget Projects funded by Telefilm Canada, 2005-2006 to 2015-2016

2005-2006 to 2015-2016	Number of Projects	Total International Pre-sales	Average International Pre-sales	Total Production Budgets	Pre-sales as Percentage of Budgets
Budgets of \$10m >	46	\$257,184,658	\$5,590,971	\$814,795,506	32%
All other projects	139	\$112,950,909	\$812,597	\$568,030,245	20%
Total	185	\$370,135,567	\$2,000,733	\$1,382,825,751	27%

Figure 33: Analysis of Pre-sales of Higher-budget Projects funded by Telefilm Canada, 2016-2017 to 2018-2019

2016-2017 to 2018-2019	Number of Projects	Total International Pre-sales	Average International Pre-sales	Total Production Budgets	Pre-sales as Percentage of Budgets
Budgets of \$10m >	16	\$101,431,338	\$6,339,459	\$290,423,893	35%
All other projects	68	\$44,381,314	\$652,666	\$261,921,146	17%
Total	84	\$145,812,652	\$1,735,865	\$552,345,039	26%

As can be seen in Figure 34, average pre-sales of films with budgets of \$10 million or more increased by 13% while average production budgets remained relatively constant, increasing only by 3%. These trends suggest that for higher budget films, financing from the international market continues to be very important.

Figure 34: Comparison of Average Value of International Pre-sales and Average Production Budgets for Higher-budget Projects funded by Telefilm Canada, 2005-2006 to 2015-2016 and 2016-2017 to 2018-2019

	Average International Pre-sales	Average Production Budgets
2005-2006 to 2015-2016	\$5,590,971	\$17,712,946
2016-2017 to 2018-2019	\$6,339,459	\$18,151,493
Variance	13%	3%

2. Summary Observations

Analysis of sales of films funded by Telefilm Canada reveals that, as in other jurisdictions, films shot in the English-language, with high budgets, and international coproductions achieve the highest sales. The characteristics of top-selling films include marquee or recognizable talent (performers and directors).

Dramas, animated features, thrillers and comedies feature amongst the top 11 selling movies. France, the UK, Ireland, Germany and Spain are the top markets for sales of Canadian feature films.

Going forward there is no doubt that the landscape for theatrical exhibition will continue to be changed by trends accelerated during the pandemic. As noted by one industry executive, “Without the pandemic, you wouldn’t have seen the theatrical windows collapse in the way they did.”²⁸ The realignment of release windows that began before the pandemic will continue, with many films launched either day-and-date in theatres and online, or online in the first exploitation window.²⁹

As COVID-19 related restrictions ease and cinemas slowly reopen, a contraction in the number of cinemas is anticipated in markets other than China. Audiences are predicted to continue to seek out big event movie experiences (“blockbuster” type movies). These are expected to do well, even with parallel releases on streaming platforms. In the US and other markets, independent theatres dedicated to more artistic fare will continue to cater to niche audiences with smaller, independent films.³⁰ The innovations introduced during the pandemic, such as virtual cinema experiences promoted by independent theatres are expected to continue, providing audiences with choice as to how they view newly released films.³¹

For the near future, producers and distributors with established international networks will be better positioned to make sales and undertake coproductions.³² During the past year, the industry has adapted to lockdowns with more virtual events. That said, many agree that it is more difficult to develop new business relationships virtually.

IV. Interview Findings on the Challenges and Opportunities in the Exports of Canadian Screen-based Production

1. Key Markets for Export Sales: The US and the Larger European Countries

1.1 The US Tops the Priority Markets for Export

Producers and distributors interviewed for this study were asked to identify the most important markets and territories for exports of Canadian TV and feature films. The US market tops the list with interviewees for their ability to generate revenues from sales to distributors, broadcasters and VOD services in that country. The US market is said to be critical to back-stop financing for a production. The US market affords the most valuable license fees for both scripted and unscripted content sales to linear broadcasting and VOD services.

Many producers point to the increasing importance of the US market due to expanding opportunities on US-based SVOD and AVOD services which, some interviewees, consider to be the equivalent to opening up new territories in terms of the overall volume of demand for content that such services represent.

1.2 Top European Markets Include the UK, France, Germany, Spain and Italy

After the US, the most lucrative territories for international sales of Canadian screen-based content are in Europe. The most important of these are the larger TV markets in the UK, France and Germany. The UK is generally the second most important English-language market. Italy and Spain are also important territories due to the size of their markets. Australia and New Zealand are additional English-language markets of importance to Canadian companies.

For sales of French-language content, France is the most important market. The international market for French-language Canadian films is said to be small specialised, often limited to art house distributors. For these sales, France and Germany are important markets.

1.3 China Represents a Growth Market

Interviews conducted for this study reveal that China represents an important market for some producers. One interviewee noted that China is interested in doing more English-language films that circulate internationally and that Canada can facilitate these deals because of its close working relationship with the US. Another interviewee noted opportunities in China for material distributed in 4K format. Sales opportunities are primarily reported to be made to Chinese TV and VOD services.

For other interviewees, China is considered a territory in which they have not been successful in building business relationships. One producer noted that coproductions with China could be one way to facilitate exports, but these might be higher risk projects. Another interviewee pointed to the difficulty in penetrating the Chinese market, which may be easier for companies with associates located in the country.

2. Canadian Companies are Exporting International Coproductions With Marquee Talent

International film and television coproductions featuring marquee directors, writers and actors are said to be more exportable. International treaty coproductions are indispensable to make films with higher budgets needed to attach marquee talent. Producers and distributors interviewed for this study point out that without marquee talent attached to their projects it is virtually impossible to generate pre-sales in foreign markets. Projects that are attractively packaged can more easily attract international sales agents. International coproductions can also facilitate pre-sales in the partnering territories. In these cases one can make a pre-sale to a distributor in the coproducing partner's territory.

Some producers primarily undertake international coproductions. The rising costs of production may be a driver of increased international coproduction activity. One interviewee pointed out that European international coproductions are more useful for penetrating European markets as they qualify for European content quotas. It is interesting to note that Telefilm Canada is a member of the international cinema support fund of the Council of Europe, Eurimages, with the aim of facilitating access by Canadian companies to coproduction opportunities in Europe.

Another producer stated that they seek to maximize the incentives available from each coproducing partner country. This has allowed them to produce series with budgets of \$1m per episode. One producer sees the value in coproducing to accelerate international market opportunities.

Some jurisdictions, like France, offer attractive tax credits to their domestic productions, which makes it difficult for Canadian producers to build an attractive offer for an international coproducing partner without signing away valuable IP. Canadian producers must provide these partners with sufficient incentives to take a minority position in an international coproduction with Canada. With the trend towards smaller Canadian license fees, being able to secure major international pre-sales is essential. Some French-language producers are coproducing with English-language markets as a means of making more exportable content.

3. Genres that Are Exportable

Interviewees offered their observations on the genres that are highly exportable.

3.1 Action, Thriller and Science-Fiction Genres Travel

Action, thriller and science-fiction genres do well in worldwide sales. One of the advantages is that these productions do not require large casts and can travel on the strength of a great idea and great execution. Such productions can be sold in international VOD markets as well as television. Interviewees mentioned sales of action films, thrillers and science fiction content to services such as Amazon, Hulu and Netflix. The US market is said to be particularly important for genre content, for example, science fiction shows are said to be much in demand. Sci-fi programs also travel well internationally, especially to markets with specialised cable broadcasters with dedicated programming for genre fans.

Some interviewees point to an increasing demand for demand for police and medical procedurals. Others note that Christmas films are popular as are romantic comedies.

3.2 Animation Travels

Animation, especially films produced for children and families, is said to travel better than some other genres by interviewees. It is easier to translate than live action content and travels well to markets where animation is cost prohibitive to produce locally. Interviewees point out that international sales are critical to finance animated feature films, as funding from the Canadian market is not sufficient.

With respect to children's animated series, the US market is said to be undergoing major change. Some of the major children's television channels are facing significant declines in revenues, as the television audience for children's programming moves online. As a result the number of channels broadcasting children's animation is declining. Fewer US broadcasters are buying children's animation programs. These buyers also want to see evidence of popularity on other platforms before committing to new shows, upending the traditional business model, in which television was the point of entry to the child audience.

3.3 Formats Continue to Sell

The formats business is said to be doing well because of lower associated risks, appreciated by foreign buyers. French-language producers interviewed described their success with selling formats. One company has sold their format for a situation comedy around the world. Another has had success with drama formats in major markets such as France and the Nordic region. One producer notes that each of their projects has international potential whether as a format sale or acquisition. One producer who has had success selling game show formats noted that they have also sold "paper" formats, i.e., concepts not yet produced.

4. *Changes in Windowing Present New Export Sales Opportunities and Challenges*

Some interviewees continue to exploit their content territory by territory, as well as in subsequent windows, as many opportunities continue to exist for these rights sales. The theatrical window is said to be more important to distributors for generating revenues as revenues from the home video market continues to shrink. Theatrically released films are said to be easier to sell to SVOD services because of the possibility of leveraging prior marketing efforts.

Despite the growing importance of SVOD and AVOD services for exports, revenues generated from these opportunities have not yet replaced revenues lost from declining sales to Pay TV, DVD/Blu-ray, and transactional video-on-demand. This is attributed to the shift in consumer demand away from these services. The loss of these revenues, which had high profit margins, has had a negative impact on the revenue streams of producers and distributors.

Producers and distributors interviewed for this study describe VOD services as increasingly important global buyers of Canadian films and television programs. There are hundreds of regional services across Europe, and many more in Asia, in addition to the growing number of global services interested in buying a wide range of content.³³

For some interviewees, AVOD services present opportunities to sell and monetize library content, by providing an additional window of exploitation. The long tail effect for some films and TV productions may materialize in the future as a result. One interviewee said that AVOD services are expanding, with specialized needs for different genres, and that they have been able to make substantial sales.

Subscription services such as Netflix, Amazon and Apple are described as well-capitalized buyers and interviewees point out that global SVODs are said to be paying up to \$3 million per episode for premium content. While many interviewees are interested in making sales to these services, some interviewees note that it is easier to sell to a foreign broadcaster or regional VOD service than to a global streamer as the bar to achieve sales is described as very high.

Where global SVOD services were once seen as a promising new market for independent films, this has not been borne out by recent developments. Fewer independent films are being sold or pre-sold for major licenses to SVOD services. The intense competition between global SVOD services and their race for premium content is driving up production budgets. While the studios are making blockbusters, Amazon and Netflix are producing big budget independent films, such as *Marriage Story* and *The Irishman*. These global VOD services dominate numerous major territories, offering viewers premium series with marquee cast. On these services, the demand for “truly independent” films made at lower budgets is shrinking as the market demands more costly commercial films with marquee elements.

For some producers, sales to global VOD services can present challenges with respect to parcelling rights. Interviewees note that the traditional windowing model and territory-by-territory exploitation of feature film rights is under immense pressure from global SVOD services.³⁴ Interviewees stated that SVODs and AVODs are seeking first window rights for the entire world with little leeway to negotiate rights territory-by-territory. Some note that as the competition between SVOD services intensifies, there may be opportunities to negotiate other rights arrangements with global services like Netflix because of their growing need for content. One example of this is in cases where content development has been financed with a Canadian broadcast license fee, it may be possible to negotiate a separate window for Canada with a global VOD service like Netflix.

5. Exports of Canadian Feature Films and Dramatic Series Are Increasingly Challenging

5.1 Growing Importance of International Sales to Finance Higher Budget, Export Friendly Productions

Producers and distributors report that now more than ever substantial international pre-sales are important to finance their productions. Interviewees point out that because there is so much more content available, there is also more competition for sales and as a result, there is a need to put together bigger budgets, which require more financing. In the global market, the challenge for any program is to sufficiently stand out from the competition. This requires bigger budgets and recognizable talent. However, many interviewees note that the level of financing available for feature film or television production from the Canadian market has decreased, through a combination of fewer opportunities for production and smaller pre-sales.

With respect to TV production, diminishing domestic broadcaster advertising revenues may be impacting upon their capacity to invest in new shows. Some interviewees note that Canadian broadcasters' licence fees are trending to smaller investments, and in some cases, provide only nominal amounts. Interviewees point to fewer investments in TV development and a smaller number of drama series being licensed by Canadian broadcasters as compared to five years ago. Even when Canadian broadcasters do licence a series, there is a gap in the financ-

ing that must be filled with international sales. Canadian broadcasters are said to prefer to license procedurals and one or two mini-series where the underlying IP has a high profile.

Similarly, with respect to feature films, some interviewees commented that there are fewer Canadian films available for export as compared to a few years ago. One of the reasons is the difficulty in financing internationally competitive feature films from the Canadian market. Pre-sales to domestic Pay TV buyers are said to be far fewer as the incentives to encourage these have disappeared. Traditional broadcast buyers are also said to be paying less for pre-sales of films than they were four years ago, reportedly due to the ongoing decline in their advertising revenues.

In this environment, producers are seeking new ways to partner with the international market place, and to create content that can compete in international markets and in sales to multinational and global services.

6. Summary Observations

Prior to the pandemic, interviews with Canadian exporting production companies identified a number of key markets. The US is the top market for exports of Canadian television programs and feature films. The most lucrative for territories in Europe for international sales of Canadian films and television productions are the UK, Germany, France, Spain and Italy. For some Canadian producers, China represents a growth market, with sales opportunities to Chinese television and VOD platforms.

As seen from the perspective of producers, highly exportable genres include action, thriller and science-fiction. Animation and formats are also very exportable. The popularity of such classic genres will likely endure. Producers also agreed that marquee performers, directors, and writers, and higher budgets drive international sales.

Canadian trends in fewer pre-sales to domestic Pay TV buyers, and smaller broadcast licenses are creating challenges with respect to putting together the larger budgets needed to create exportable series and films. Opportunities to create content that can compete in international markets increasingly depend on producers' international partnerships.

Producers note that the traditional model of selling rights territory by territory and in exclusive windows is under immense pressure from the global SVOD services, which seek all rights deals.

As the industry emerges from the COVID-19 pandemic, the US will likely continue to be a top market due to its size, affording opportunities to generate sales with distributors, broadcasters and VOD streamers. The increase in US audience demand for more foreign films and television programs could also provide new opportunities for Canadian content.³⁵

Revenues for feature films from the theatrical market will depend on how quickly cinemas reopen and on the appetite amongst exhibitors for independently produced films, which will cater to more niche audiences.³⁶ There is every reason to believe that Europe's largest film markets (the UK, France, Germany and Spain) will continue to be important for sales of Canadian feature films and television programs.

It is uncertain to what extent China will continue to represent a growth market. During the pandemic, China overtook the US to become the world's largest film market in 2020. However, demand in China is said to be coming from audiences looking for films in local languages.³⁷

V. Conclusions and Future Directions

1. Trends in Canadian Exports are Consistent With Those in International Markets

Producers and distributors interviewed for this study see increasing opportunities to sell Canadian films and TV programs globally, primarily due to growing demand for screen-based content as the number of global and regional buyers willing to make significant content acquisitions continues to increase.

This presents opportunities for Canadian companies to produce and exploit their productions on a multitude of services. While the windows of exploitation are changing, linear television and theatrical distribution continue to be important markets for sales, as demonstrated by the analysis of sales data in this report.

Overall, export sales trends in Canada are consistent with trends observed in the international marketplace (See Appendix 1 and Appendix 2). As in other jurisdictions, Canadian drama series, including international coproductions, lead in international sales. Four of the top pre-sold programs were based on underlying properties. The primary markets for Canadian television programs with the highest value of pre-sales were the US and France.

Canadian feature films shot in the English-language, with high budgets (\$10 million or more), and produced as international coproductions achieve the highest sales. Coproductions with budgets of \$10 million or more are the most successful in achieving international sales. France is a coproducing partner of choice for Canadian films, followed by Ireland and the UK. Films coproduced with the UK achieve a much higher volume of sales on average.

The twenty top-selling Canadian films funded by Telefilm Canada have well-known directors and leading actors. They also share a few defining characteristics: half are based on recognizable underlying intellectual property. All were premiered or played at major international festivals including Cannes, Venice, Sundance, Telluride, Namur, and Toronto. They are critically acclaimed and have won numerous prestigious awards. They are represented in international markets by major international sales agents and distributors. Dramatic films generated the most sales (pre-sales and completed sales) followed by genre films (horror, mystery, science-fiction, thriller) and comedies.

These findings are consistent with trends in foreign sales reflected by the top exporting jurisdictions for feature films: the UK, France, Germany and Spain. The films in these markets that typically export well share a number of common characteristics: they are typically higher budget international coproductions that have well-known directors and marquee cast. The top-selling films are also represented by major international sales agents.

The analysis of data reveals that the US, the UK, France, Ireland and Germany, are key export markets for Canadian films and television programs. Producers interviewed also identified Australia and New Zealand as additional English-language markets of importance to Canadian companies. For some producers and distributors, China has represented an important territory to generate sales while others find it a challenging market to penetrate.

Action, thriller and science-fiction films are generating sales for Canadian producers on linear services and on VOD services. The US market is said to be particularly important for genre content, for example, science fiction shows. There is also demand for police and medical procedurals as well as Christmas films and romantic comedies. Animation, especially films produced for children and families, is said to travel well as do children's animated series. The formats business is said to be doing well because of lower associated risks, appreciated by foreign buyers. French-language formats and animation are finding opportunities in foreign markets. French-language films are finding niche markets abroad.

2. Addressing the Challenges of a More Competitive Global Market

The export of Canadian drama series and Canadian films is becoming a challenge because of the need for larger budgets and recognizable talent, in a context where revenues generated from sales to SVOD and VOD services have not as yet replaced income lost from declining revenues in the traditional home video market. Furthermore, recent investments in high budget content by global SVOD services is driving up production costs.

Traditional buyers are adapting in creative ways to disruptions in the market. Sales agents are expanding into project financing. Broadcasters are pooling their resources to produce higher budget projects that can compete with the streaming platforms. A leading example is The Alliance, a scripted content coproduction partnership between public broadcasters France Télévisions, Rai (Italy) and ZDF (Germany). The aim is to co-finance higher budget television drama series that will appeal to an international audience.³⁸

For their part, producers are finding new ways to create value from their IP rights, by retaining and exploiting their IP in new and established markets. To meet the demand for higher budget content, many are entering into international coproduction arrangements. Companies with established business relationships in other jurisdictions are well positioned to pursue opportunities for international pre-sales and sales of completed projects.

There are considerable funding opportunities and incentives available to Canadian companies to produce Canadian films, television and VOD content. However, the system is currently said to be poorly adapted to the production of content with export potential. Without strong packages to propose to international buyers, Canadian companies face the possibility of relinquishing more of their rights, reducing their opportunities for growth and undermining the sustainability of the Canadian independent production sector.

Canadian industry stakeholders interviewed for this study made the following recommendations to enhance foreign sales, which continue to be relevant in the post-covid context.

2.1 Greater Resources for Development of Internationally Competitive Projects

To produce high quality Canadian series and films, greater resources are needed from the Canadian market to support development in all genres and for all distribution platforms of compelling internationally competitive packages that can attract international financing and sales.

As discussed in this report, there continues to be demand for Canadian productions at higher budgets. While significant opportunities exist, producers report increasing difficulty in financing development from the Canadian market. As shown above, since 2009 the share of financ-

ing from international markets has increased from 17% to 28% for higher budget television projects. International markets continue to represent about a third of all production financing of Canadian films.

Productions with marquee directors, writers and actors attached are seen to be more exportable and facilitate major pre-sales. However, to create compelling packages that can deliver solid international sales, producers must access sufficient levels of financing from the domestic market to attach marquee talent that will attract international investors and sales. Of particular concern for producers is the difficulty in accessing available public financing to develop feature film projects aimed at the international market.

Low levels of available financing hinder producers' ability to put together internationally competitive packages. The result, according to producers, has been a decline in the number of projects developed in spite of growing opportunities abroad. It has been pointed out that the high-risk process of development by Canadian producers requires greater funding.³⁹

2.2 Greater Resources for International Coproductions

International coproductions enhance the exportability of films and television series, performing better at the box office and circulating beyond the territories of the coproducing partners. Prior to the pandemic, interest in and the total volume of coproductions had been increasing in many jurisdictions. France, Germany and Ireland had been doing more international coproductions. Italy and Spain were also expanding coproductions. The volume of coproduction decreased during the pandemic, largely due to lockdowns and restrictions on travel. International coproduction is however expected to resume.⁴⁰ The industry's recovery from the pandemic is encouraging for the export of Canadian feature films and television productions.

Given the increasingly evolving landscape for the export of Canadian feature films and Canadian drama series and the increasing importance of international coproductions, it may be timely to consider modernizing the federal government's international coproduction policy.

In order to facilitate more production intended for international markets, producers need access to dedicated resources aligned to international market realities. This means dedicated resources for development and production of projects with export potential, and the flexibility to attach internationally competitive marquee elements. Questions remain about the exportability of independently produced Canadian feature films. For example, we note that production budgets of Canadian feature films represented an average of \$3 million in 2018-2019 (\$3.6 million for French-language films and \$2.8 million for English-language films).⁴¹ These budgets are well below the budget level of films identified as exportable in this report, which had budgets of \$10 million or more.

Appendix 1: Trends and Export Drivers of the Top Exporting Countries

The following section reports on international trends observed prior to the COVID-19 pandemic, from which the industry is beginning to emerge.

1. The United States

The United States is the leading exporter of screen-based content in the world. In 2018 the US generated \$24.1 billion⁴² in film and television exports, resulting in a trade surplus of \$14.4 billion.⁴³ The US comprises the largest worldwide market for gross box office sales, amounting to almost \$16.8 billion in 2018.⁴⁴ The US and its coproducing partners were responsible for 17 of the top 20 grossing films worldwide in 2018. (The other top 3 films were produced in China, and none ranked within the top ten.)⁴⁵ US films accounted for 56% of the share of the theatrical market in Europe in 2017.⁴⁶ American studio films represented 19 of the top 20 films in terms of European box office sales.⁴⁷

1.1 Feature Film - US Majors Dominate the Global Box Office

The vertical integration of the US major studios⁴⁸ across production and distribution provides these companies with the resources and networks to invest significantly in production and marketing, and to distribute content and build audience awareness in over 140 countries around the world.^{49,50} In the European Union, American films dominate the box office charts. In 2018, 23 of the top 25 titles playing in European cinemas were US films. As in past years there were primarily family films and franchise sequels, prequels and spinoffs. The two highest grossing films were Disney's *Avengers: Infinity War* (over 30 million admissions) and *Incredibles 2* (27.9 million admissions).⁵¹ The United Kingdom (UK) continues to be the largest market for US exports.⁵²

The Asia-Pacific region has increased its share of box office sales of US films.⁵³ In 2018, the top three US films at the Chinese box office – *Avengers: Infinity Wars*, *Aquaman* and *Jurassic World: Fallen Kingdom* – sold over 161 million admissions.⁵⁴ Box office revenues in China are growing rapidly and have become more important than ever before to the major US studios. China's cinemas are undergoing rapid expansion, further growing its theatre attendance.⁵⁵ However, growth in this market is tempered by Chinese quotas, which allow only a limited number of foreign films to be distributed each year. International coproductions that meet exacting requirements to be produced in China, feature Chinese cast and pass China's censorship guidelines can qualify as Chinese. Major Chinese companies have been investing in American studio films, making more room for Hollywood films under the quota.⁵⁶

1.2 Television and VOD

US television exports are dominated by large diversified media conglomerates. Vertical integration between the major studios and television channels continues to be the dominant model in the US.⁵⁷ International markets provide an important share of television revenues for the US majors.

The major studios are among the top producers and exporters of television content worldwide, strengthened by their own major channels with a global reach and multiple affiliates in

jurisdictions around the world. For example, Warner Bros. produces series specifically for foreign markets through wholly owned subsidiaries in 16 countries. The company also licenses many of its films and series for airing on broadcast and cable television and for distribution through other delivery channels.⁵⁸ Sales by foreign affiliates of US audiovisual firms (i.e. firms in the film, video, and sound recording industries) totalled \$17.2 billion in 2015, the last year for which data are available.⁵⁹

American SVOD services with a global reach have joined the ranks of these major studios both in the volume of their production and their export reach. Netflix, Amazon, Apple and Hulu reportedly spent \$40 billion in 2019 on content. In 2020 these services, together with newcomer Disney+, have announced plans to spend approximately \$50.5 billion⁶⁰ on content. Netflix has a global reach of over 190 countries and over 150 million subscribers.⁶¹ Amazon is available in more than 200 countries and currently counts more than 75 million subscribers.⁶²

American programming is cost-effective for many foreign broadcasters based in countries where it is difficult, if not impossible, to achieve the scale necessary to fund original scripted series with the star power and production values that are common to American television shows.⁶³ With their international reach, the US majors have a clear advantage. US television fiction accounts for 45% of all fiction broadcast on European television.⁶⁴ In 2019, Comcast, which owns Universal, expanded its international reach, acquiring a controlling share of Sky, a European transnational service based in the UK, Germany and Italy, through an acquisition that increased its ownership to 75%.⁶⁵ In 2017, 26% of the revenues of the largest 100 audiovisual groups active in Europe were generated by US-based companies. The top US players active in Europe include Netflix, Discovery Communications, Amazon, Viacom, 21st Century Fox, and the AT&T media division.⁶⁶

A 2018 report on US international trade in the cultural industries noted that the UK “remained the largest single US export market for audiovisual services, accounting for \$6.3 billion (22%) in sales.”⁶⁷ Canada continues to be the second largest market for US audiovisual exports, accounting for 9% of all export sales, followed by Germany (7% of exports) and France (5%). These data combine sales of television programs and feature films. While they cannot be disaggregated, these data provide evidence of the supremacy of US TV internationally.

Demand for scripted series by global SVOD services is the most important factor driving growth of exports.

2. The United Kingdom

2.1 Film

The United Kingdom (UK) has a strong domestic industry and continues to be the world’s second most important exporter of feature films and of television, after the US. In 2018, there were 8,165 film production companies, 2,915 film, video and TV post-production companies, 420 film distribution companies and 270 film exhibition companies.⁶⁸

The UK film industry exported a record \$4.5 billion worth of services in 2017 (the latest year for which data are available), up from \$4.7 billion in 2016. In 2017, 83% of sales (\$3.8 billion) comprised royalties earned overseas from the exploitation of UK intellectual property. The

other 17% (\$0.870 million) comprised the sale of UK-based audiovisual and related services to foreign investors.⁶⁹

Within the UK, domestic studio and independent films released in 2018 attracted 177 million admissions, earning \$2.4 billion in domestic box office sales, or 45% of the domestic market, the highest ever recorded.⁷⁰ Independent UK films alone captured 11% of the domestic market.⁷¹

Internationally, UK films accounted for 23% of the global box office in 2018, attracting \$13.2 billion in box office ticket sales.⁷² The UK dominated the box office for European films released outside Europe in 2018, selling 56 million box office admissions and accounting for 64% of all admissions to European films in other jurisdictions beyond Europe.⁷³ In 2018 four of the top five European films exported outside the European Union were UK productions: *Johnny English Strikes Again*, *The Commuter*, *Paddington 2*, and *Darkest Hour*.⁷⁴ These films attracted over 31 million box office ticket sales.⁷⁵

The 2018 list of the top 10 highest earning UK qualifying films at the worldwide box office was made up exclusively of studio-backed titles, the majority of which are either franchise films or sequels, including the top five films.⁷⁶ The highest grossing UK studio-backed titles in 2018 were *Avengers: Infinity War* (\$2.4 billion) and *Jurassic World: Fallen Kingdom* (\$1.5 billion).⁷⁷

UK independent films also make a strong showing internationally, accounting for 3.2% of worldwide box office in 2018, and setting a new record with \$1.8 billion in ticket sales. The top grossing independent UK film in 2018 was *Red Sparrow*, earning \$161.9 million in worldwide box office, followed by *Johnny English Strikes Again* (\$157 million) and *The Commuter* (USD \$126.2 million).⁷⁸

The leading export destinations for UK films in 2017 were the European Union (38.5%) and the US (35%), while the share of exports to Asia climbed to a record high of 13% in 2017, driven by demand in the Chinese market.⁷⁹ The UK is also a strong exporter of films to other European Union countries, ranking second after France for the number of film exports in cinemas and on television.⁸⁰

2.2 Television and VOD

In terms of the value of sales, the UK is the world's second largest exporter of television after the US. The UK exported over 500 television programs in 2017. Half of the UK's television exports were to northern Europe, particularly factual programs.⁸¹

The UK ranks fourth in terms of number of TV fiction hours produced, underpinned by a focus on high-end drama with a strong export potential. The UK leads by far in the number of television channels and on-demand services in the EU. The UK hosts three of the top 10 EU audiovisual groups (Sky, BBC, ITV) and European subsidiaries of the major US media groups.⁸²

In 2018-2019, foreign sales of UK television programs amounted to \$2.4 billion.⁸³ UK sales were split almost evenly between free television (\$561 million), pay television (\$509 million) and SVOD (\$596 million).⁸⁴ Finished programming represents 69% of all exports. Forty-eight percent of all exports are for finished drama content followed by non-scripted factual at 23% of all sales.⁸⁵

The US remains the largest buyer of UK television, amounting to \$774 million and 32% of all exports in 2019. France and Australia continue to be key buyers, contributing \$200.5 million and \$167 million, respectively, in the same year. The Nordic countries are the fourth largest buyer at \$148 million while Italy showed notable growth at \$76.7 million.⁸⁶ India, China and Latin America are the three territories where the UK believes there are opportunities for expansion.⁸⁷

A significant share and growing proportion of sales by UK distributors are to multi-territory VOD services, including worldwide deals to SVOD players Netflix and Amazon. Revenues from world-wide deals increased \$36.6 million (56%) from the previous year.⁸⁸

The UK is, by far, the biggest supplier of EU films on SVOD services, accounting for 38% of all unique EU titles.⁸⁹ In 2018-2019, worldwide deals between UK companies and global SVOD services grew by more than 50%.⁹⁰ The UK ranks first in terms of the number of film exports on TVOD.⁹¹

3. France

3.1 Film

France ranked second amongst European countries for exports of screen-based content. Amongst European countries, France had the largest number of first releases in territories outside Europe.⁹² French films attracted 10% of all admissions (8.3 million admissions) to European films released outside Europe in 2018, and 33% in 2017.⁹³

Foreign box office sales to French films in 2017 amounted to \$754.6 million. Since 2016, foreign admissions to French films have seesawed, falling to \$40.7 million in 2016, doubling to \$82.6 million in 2017 and falling back to \$43.7 million in admissions in 2018 and \$407.4 million in foreign box office sales.⁹⁴

The success of French films internationally has been assured by a solid worldwide audience for French films, to which are added in some years the spectacular successes of American style English-language blockbusters. The latest of these was Luc Besson's *Valerian and the City of a Thousand Planets*, released in 2017. Coproduced by EuropaCorp with China, the US, Germany and AE,⁹⁵ this film alone accounted for over 30 million non-European admissions, or 38% of all foreign theatrical admissions to French films in 2017, earning \$263.2 million in international box office, or 35% of total international box office sales for French films in that year.⁹⁶ By contrast, the most widely seen French film in international theatres in 2018 was the coming-of-age romantic drama *Call Me by Your Name*, with a total of 3.4 million admissions.⁹⁷

French animation is highly exportable. Two animated feature-length films were among the top five exports in 2017, including *Ballerina*, a French minority coproduction between France's Quad Films and Canada's Caramel Films. This film earned the second highest box office outside of France, with 12.7 theatrical admissions and a total of \$123 million in international box office sales. In fourth place, *Les as de la jungle – le film*, garnered \$2 million in international box office in 2017 and \$15.1 million in 2018, for a total of \$17.1 million.⁹⁸

Net revenues from the international exploitation on all platforms of French films released in theatres in 2017 was \$331.8 million, an increase of about 26% over the previous year. These

revenues relate to the exploitation of film rights in theatres, on television, and VOD. Films produced in 2017 account for 83.3% of all revenues, for a total of \$276.4 million in 2017.

In 2017, Western Europe was the most important market for French films, accounting for over 40% of all revenues in 2017. North America was the second largest market, accounting for 21% of all export revenues.⁹⁹ However, in 2018, North America was the largest market for French film exports, accounting for over \$45.2 million in box office sales, followed by Italy with over \$35.9 million in box office sales. Germany was the third most important market in 2018, followed by Belgium/Luxembourg.¹⁰⁰

3.2 Television and VOD

France is a leading television exporter,¹⁰¹ considered the third biggest exporter of television content. Television exports accounted for \$345.7 million in 2018, the third best performance for French TV in 25 years. This included international sales of completed French television programs valued at \$270.2 million and pre-sales totalling \$75.3 million in 2018.¹⁰² The majority of French programs are being sold to neighbouring countries, including Italy and Portugal.¹⁰³

International sales of completed programs have increased by 73% since 2009, rising steadily from \$156.5 million in that year, to a high of \$418.9 million in 2017, and \$270.2 million in 2018. Since 2009, the total value of international pre-sales has increased by 38%, from \$54.7 million in 2009 to \$75.3 million in 2018.¹⁰⁴

Animation continues to be France's most important TV export, representing over 44% of all program exports in 2018, valued at \$152.6 million. This included pre-sales of \$45 million and \$107.6 million for sales of completed programs. Fiction represents 28% of all sales at \$96 million in 2018. This includes sales of completed programs valued at \$77 million and pre-sales of \$19 million. Documentaries are the third most important genres exported by France, with \$57.4 million in exports in 2018, followed by formats, which attracted \$30.4 million in total sales in 2018.¹⁰⁵ The US is France's greatest buyer of animation, followed by Germany. China is also an important buyer of French animation, particularly the dominant VOD platforms Baidu, Alibaba and Tencent. Spain was France's most important market for fiction in 2018, while Belgium was the principal export market for French documentaries.¹⁰⁶

Western Europe accounted for 49% of all foreign sales of French television programs in 2018. North America was the second most important market, accounting for 14% of all sales, while Asia/Oceania accounted for 8%.¹⁰⁷ Germany is France's largest export market, followed by the US and Belgium. Within Europe, Great Britain/Ireland, Italy and Spain are also important markets valued at over \$18.7 million in 2018. The China/Hong Kong/Taiwan market is the fastest growing, showing significant increases since 2016. Sales to these countries increased by 30% in 2018 to reach their highest volume ever, accounting for half of all exports to the Asia/Oceania region.¹⁰⁸

With respect to pre-sales of French programs, Western Europe represents 69% of all international pre-sales. Animation accounts for 60% of all pre-sales, followed by fiction, for which 25% of all pre-sales were made. Documentaries represent 13% of all pre-sales.¹⁰⁹

Over the past decade, the principal markets for pre-sales of French programs has been Germany/Austria, the UK/Ireland, the US and Belgium. In 2018, Germany accounted for 24% of all pre-sales, followed by the UK/Ireland (16%) and North America (11%).¹¹⁰

Sales of rights for global exploitation (worldwide rights deals) accounted for 15.8% of all exports of French television programs in 2018 (\$42.6 million). The value of sales of worldwide rights has almost doubled over four years, from total sales valued at \$21.8 million in 2015.¹¹¹ Overall, 44% of worldwide rights sales were made to broadcasters: subsidiaries of the American majors with global reach, or to broadcasters such as TV5 Monde (primarily animation and documentary for the latter).

For some companies, exports to VOD services can represent up to 30% of annual turnover.¹¹² However, sales to VOD services have only slightly increased from 8% of all sales in 2014 to 10% of all sales in 2018.¹¹³ Revenues from the international exploitation of French television programs on VOD services accounted for 21.5% in 2017 and for 13.3% of exports in 2018.¹¹⁴ Sales to global players Netflix and Amazon are relatively rare amongst French independent production companies, as these global streamers are said to prefer to produce shows for the French market internally.¹¹⁵

4. Germany and Spain: Leading Film Exporting Countries

4.1 Germany

Germany is a leading film exporter and ranked third in terms of European film exports in 2018, exporting 45 new releases.¹¹⁶ In 2018, 406 German films were exported to 63 countries, attracting 26.5 million admissions, and earning \$240.1 million.¹¹⁷ Of these, 209 films were majority German productions. In 2017, German film exports earned \$670.4 million and attracted 81 million viewers, led by the international success of *Resident Evil: The Final Chapter*, the third in the trilogy which, itself alone earned \$417.9 million and attracted 52 million viewers.¹¹⁸

The genre with the highest export value amongst German films was animation. Overall, 30 animation films achieved 54% of the total box office (\$129.4 million). The two top selling German animation films were *Isle of Dogs* and *Luis & Die Aliens*, which together earned over \$95.1 million and reached 10.1 million viewers worldwide.¹¹⁹

Among German domestic and majority coproductions, 21 animation films attracted a share of 41% of all foreign box office (\$34.3 million). The highest selling majority German animation films were *Maya the Bee – The Honeygames*, attracting 12% of all foreign revenues, followed by *Richard the Stork* (9% of revenues) and *The Seventh Dwarf*, 6%, *The Little Vampire* (5%) and *Happy Family* (4%).¹²⁰ The German animation industry is growing at a robust pace with a number of animation productions underway in 3D. Beyond animation, dramatic films accounted for 25% of export revenues, followed by comedy (23%).¹²¹

The most important market for German films is Europe, accounting for 74% of export revenues in 2018. Austria, France, Spain, Italy, the UK and Netherlands are the most important markets in Europe. Germany accounts for 12% of all EU titles available on SVOD services in Europe.¹²²

The popularity of German films in the US, Canada and in some European countries is said to be declining, while demand is increasing elsewhere such as in China.¹²³ Asia (China, South Korea and Japan) ranked second in 2018, with 11% of revenues, followed by South America (6%) and the US (5%).¹²⁴

4.2 Spain

Spain was Europe's fourth largest exporter of films outside Europe in 2018, attracting 4.8 million admissions in foreign, non-European markets.¹²⁵ Spanish films accounts for 6% of all EU titles available on SVOD services in Europe.¹²⁶

Spanish investment in films with international potential has been driven by the production arms of national broadcasters, notably Telecinco Cinema (Mediaset Espana) and Artresmedia Cine (Atresmedia). With titles such as animation film *Tad Jones The Hero Returns*, genre film *Marrowbone* and fiction *Perfectos desconocidos* (a remake of Italy's *Perfect Strangers*), films produced through these companies were said to be leading at the Spanish box office, and in attracting international audiences in 2017.¹²⁷ *Durante la Tormenta (Mirage)*, by Oriol Paulo and produced by Artresmedia Cine, earned \$16.5 million at the Chinese box office in the first half of 2019 following the similar success of his early film, *Contratiempo (The Invisible Guest)*, in that market in 2017.

Spanish director and auteur Pedro Almodovar continues to attract worldwide audiences. His latest film, *Pain and Glory*, earned over \$21.8 million in the early part of 2019, in advance of its release by Sony Pictures Classics in the US.¹²⁸ Other successful exports include animation films such as *La Gallina Turuleca (Turu, the Wacky Hen)* coproduced by Spain and Argentina. The film had great success in terms of international pre-sales in 2019, including sales to China, Russia, Croatia, Serbia, Montenegro and Bosnia-Herzegovina, before being offered to the US and UK markets.¹²⁹ For its part, *El Cuento de las Comadrijas (The Weasel's Tale)* was sold to Italy, Hong Kong, France and Russia. The thriller *El Reino (The Realm)*, was sold to over twenty countries, including the UK, US and China.¹³⁰

Spain, and Madrid in particular, is seeing significant investment in series production, led by Madrid Content City (Secuoya) which houses Netflix productions for Europe, and has attracted major productions by Mexico's Televisa, American network AMC and Moonage Pictures and Tiger Aspect Productions for their production of *Intergalactic* for the British channel Sky One.¹³¹

5. The Netherlands and Turkey: Leading Television Exporting Countries

5.1 The Netherlands

The Netherlands is also a leading television exporter,¹³² said to rank third behind the UK and the US in terms of the volume of its television content exports.¹³³

Exports have largely been driven by the popularity of Holland's TV formats. With titles including *Big Brother* and *Fear Factor*, the Netherlands producer Endemol-Shine Group (a joint-venture between 21st Century Fox and Apollo Global Management)¹³⁴ is the 2nd largest producer of TV-formats in the world after the BBC.¹³⁵ The company produces more than 800 productions in 79 territories airing on more than 287 channels around the world, and controls brand licensing rights to entertainment formats, animation and games.¹³⁶ Other worldwide hits include *The Voice* and *Deal or No Deal*.¹³⁷ Talpa, also based in the Netherlands, made its mark with *The Voice*, ranked as the best-selling format of the last decade. The company has also had success with spin off series. *The Voice Kids* was ranked the most popular spin off format, while *The Voice Seniors* was sold to six territories.¹³⁸

The US, Germany, the UK and France are leading trade partners. In the first half of 2018, these countries accounted for around 45% of total exports for entertainment-related services. The UK accounted for 15% of exports, followed by Germany at 11%, the US at 10% and France at 7%.¹³⁹

5.2 Turkey

In terms of access to international audiences, Turkey is a major exporter of television after the US, reaching 400 million viewers in 75 countries.¹⁴⁰ Turkish television exports were valued at \$500 million in 2018, up from \$350 million in 2017¹⁴¹, and a significant increase over exports valued at \$10 million in 2008.¹⁴²

The Turkish television sector has grown significantly since 2010, and Turkish television programs and series have been sold to 146 countries.¹⁴³ The revenue generated from TV series exports has increased by 15 times over the past 5 years.¹⁴⁴ While part of this success can be accounted for by the rising number of productions for sale in international markets, another factor has been increased sales prices, from USD \$500 per sale a decade ago, to between USD \$5K to \$200K per sale in recent years.¹⁴⁵

Some of the biggest Turkish hits outside the country include the *Magnificent Century*, which has sold around the world.¹⁴⁶ At its peak the series was sold to over 40 countries.¹⁴⁷ In 2017, the Turkish hit telenovela, *Kara Sevda (Endless Love)*, won the international Emmy for Best Telenovela.¹⁴⁸ It is interesting to note that Turkish series have much longer running times than is usually seen in the west, averaging 150 to 180 minutes per episode, factoring in ads and episode recaps.¹⁴⁹

Key markets include the Middle East, followed by Eastern Europe and Russia, Western Europe, Asia, the US and Latin America,¹⁵⁰ where Chile is currently the largest consumer of Turkish programs in terms of the number of programs sold. For their part, Mexico and Argentina are said to pay the highest prices for Turkish TV acquisitions.¹⁵¹ Exports to Latin America and the Caribbean are said to be increasing steadily¹⁵² and represent represents 25% of all international sales.¹⁵³

Part of the reason for Turkey's success is attributed to companies that are doing deals with the goal of gaining access to foreign screens, even whole territories. As such, Global Agency sold *1001 Nights* to Chilean broadcaster Mega by allowing the series to be locally dubbed in Chile.

Turkey aims to penetrate the US and Western European markets with format sales of its dramatic series, such as *Game Of Silence*, which was the first Turkish drama series to be adapted for US television.¹⁵⁴ In some cases, format sales include coproducing deals for the shows with their international buyers. This is the case with Inter Medya, which has an agreement with Colombian producer DMomento to coproduce the dating reality show *The Perfect Couple*.¹⁵⁵

Appendix 2: Characteristics of Screen Content That Travels

The following section reports on international trends observed prior to the COVID-19 pandemic, from which the industry is beginning to emerge.

1. Genres That Travel

1.1 Film

1.1.1 Big Budget Action and Adventure Films Travel Well and Lead in International Box Office Sales

Big budget action and adventure are the most popular genre with theatrical audiences, travelling well worldwide. Disney's *Avengers: Endgame* earned over \$2.8 billion in 2019, making it the highest earning film of all time.¹⁵⁶ Overall, films from the Disney studio surpassed \$9.9 billion in international gross box office sales in that year, almost twice as much as was earned in the US, for a total of over \$15.6 billion. Six of Disney's films earned over \$1.4 billion each in 2019.¹⁵⁷

Graphic novel adaptations are particularly in demand in cinemas. Earning \$1 billion in international box office sales in 2019, *Joker* contributed heavily to Warner Brothers' full international cumulative audience of 4 billion.¹⁵⁸

Action movies perform best in Asia. China, Japan and South Korea produce their own share of action films, but there is room in these markets for American-style action films like *Furious 7* and *Jurassic World*.¹⁵⁹

Johnny English Strikes Again, the third in the action-comedy trilogy featuring Rowan Atkinson, was the top UK independent film export in 2019.¹⁶⁰

1.1.2 Family-Friendly Animated Films are in Demand Around the World

There is increased demand for independently produced animated film (i.e. produced by companies other than the major studios) to serve the family market, given the impressive performance of animation films at the box office.

Among the reasons for animation's success in foreign markets are its ease of translation to other languages and animation's greater facility to cross cultures. For distributors, the country of origin of an animated film is of little concern in foreign markets, as they can customize the film to meet the needs of their own audiences. Animation's attractiveness also has to do with its longer shelf life when compared to live action films. Sales agents are said to be handling more animation, given the greater ease of pre-selling them, as compared to live action films, for which pre-sales are becoming more difficult.

As previously highlighted, animated film is an important export genre in France while successful animated films are also being exported from growing content markets like Brazil, Belgium and Russia. Recent Brazilian animated hits include *Tito and The Birds*, by Split Studio, and from Belgium nWave's *The Queen's Corgi*.^{161 162} Russian company Wizart's animated franchises *The Snow Queen* and *Sheep & Wolves* have both made more than \$141.7 million

worldwide. *The Snow Queen 3: Fire And Ice* is said to have grossed \$15.6 million at the Chinese box office alone.¹⁶³

1.1.3 The Horror Genre Travels Well

Horror films travel well, transcending language and culture, even on very modest budgets.¹⁶⁴ Horror's low cost has also made these films more accessible to first-time directors.¹⁶⁵

In the past three to four years, there has been a resurgence of theatrically exhibited horror films. Horror films need a "hook" to secure theatrical play. The current appetite is for "horror films that aren't typical ghost stories or slasher stories," but rather for films with "a strong character arc, or, are heavily art-directed or have some kind of a twist."¹⁶⁶

Films like *Hereditary*, *Mandy*, *Suspiria* and *The Babadook* are considered crossover titles, attracting audiences that normally would not be interested in horror films. Armando Bo's *Animal*, or the German *Endzeit: Ever After* are other examples of horror's new cosmopolitan bent.

The French horror/fantasy/sci-fi film, *Valerian et la Cite des mille planets*, accounted for over 35% of all international admissions to French films in 2017, earning \$264 million in Global box office outside of France in its year of release, 2017.

SVOD services have also contributed to a resurgence of the horror genre. There are opportunities to do a worldwide rights deal with Netflix, which last year was said to typically pay a \$391,000 flat fee (USD \$250K) for low-budget horror film.¹⁶⁷ This year, Netflix is said to be buying fewer horror films, preferring to produce its own in-house.¹⁶⁸

To attract attention and generate sales, producers and sales agents rely on strong critical reception and word-of-mouth from a reputable festival with a good genre reputation — such as Fantastic Fest in Austin, Sitges in Spain and the Midnight Madness sections of Cannes and Toronto. Buyers then do a traditional rollout, usually involving a small theatrical release followed by video-on-demand and even physical home entertainment. The Blu-ray business is booming again for certain kinds of horror. Fans are willing to pay money to own these movies.

1.2 Television

1.2.1 Drama Series are the Leading Genre for International Sales

Drama series continue to lead the international sales of television productions due to their popularity with audiences around the world. A study of over 100 television channels in 12 countries around the world found that fictional series continue to draw significant audiences. In five major territories - Germany, USA, UK, Australia and France - the highest rated scripted series across all platforms in 2017 were dominated by drama programs.¹⁶⁹

The rise in original scripted production is also bolstered by global SVOD services, led by Netflix and Amazon. Dramatic series on Netflix dominated worldwide demand for digital original series.¹⁷⁰

In 2017, 60% of the top ten dramatic series imported into European territories were either from the US or the UK.¹⁷¹

In 2018-2019, drama was the primary television export from the UK, accounting for almost half (48%) of sales. International hit series such as *Bodyguard* and *Killing Eve* drove UK television exports to record sales of \$2.5 billion in 2018-2019.¹⁷²

In France, exports of fiction programs have been increasing in importance, achieving an all-time high of \$99.7 million in 2017, and \$77.3 million in 2018, almost matching the second-highest volume of exports set in 2016 (\$77.9 million).¹⁷³ Western Europe accounted for more than half of all exports of French fiction programs, or 56% of sales in 2017 and 70% of sales in 2016.¹⁷⁴ French broadcasters are also buyers of international drama and are said to offer French audiences international dramatic programming that is of high quality and diverse.¹⁷⁵

Turkish dramas are second behind the US in terms of export revenues. These lavish productions are popular in Russia, China, Korea and Latin America.¹⁷⁶ Sales agent Eccho Rights (Sweden) recently announced that 10 Turkish series would be airing in Spain in the coming year, thanks to the record breaking ratings for Turkish series *Fatmagul* in that country.¹⁷⁷

Sub-genres

Amongst sub-genres, the most popular were dramas based on real events and history, and supernatural stories.¹⁷⁸ Recent crime dramas inspired by real events include *Stanley H* (Netherlands) and *White House Farm* (UK).¹⁷⁹

Spanish dramas continued gaining ground internationally in 2019, driven by period dramas and thrillers as its most demanded TV genres.¹⁸⁰

Crime series appeal to audiences around the world.¹⁸¹ Scandinavian crime dramas or “nordic noir” are popular in many markets. Swedish crime series *Beck* and Danish series *Rebecka Martinson* have made strides in Scandinavian countries and Germany.¹⁸² Crime series set in previous eras are notable for their popularity, of which German hit series *Babylon Berlin* is the latest.¹⁸³ A greater number of crime dramas are broadcast in Germany and the Netherlands.¹⁸⁴

Series in the genres of fantasy, horror, action and adventure and thrillers are finding their markets abroad. Major broadcasters in Western Europe and Asia are offering more fantasy and horror series. BBC has aired the mini-series *Dracula*, also released on Netflix. In South Korea, *Hotel del Luna* aired on TVN.¹⁸⁵ Netflix’s hit fantasy series, *The Witcher*, based on the fantasy novel series by the Polish author Andrzej Sapkowski, was reportedly the most in demand television series across all platforms in the US and globally in early 2020.¹⁸⁶ A number of Spanish thriller series have been sold to multiple jurisdictions. These include “*La Verdad*” (a Plano a Plano production for Mediaset Espana), which sold to Globosat, DirecTV Latin America and Sony Pictures in Russia, and *Money Heist (La Casa de Papel)*, a production by Vancouver Media and Atresmedia Studios for Movistar+, which was sold in almost 100 countries, including Germany, Italy, the Baltic countries, Australia and Canada.¹⁸⁷

Made-for-TV movies

Cable networks and streaming platforms are now producing, commissioning and acquiring hundreds of films every year, including holiday stories and family feel good stories.¹⁸⁸ The demand for made-for-TV movies for streaming platforms and broadcasters is also on the rise.¹⁸⁹

1.2.2 Children's Animation Series

Animation series are a key driver of television export around the globe. France provides a strong case for the importance of animation in reaching global audiences. Exports of French children's animation have been increasing steadily since 2014, from 31% to 44% of all television exports in 2018, valued at \$77.3 million. This followed two years, 2016 and 2017, in which animation exports totalled \$117 million each year.

The US, Germany and China are the most important markets for French television animation. Sales to the United States have been increasing every year for the past seven years and peaked at \$18.6 million in 2018.¹⁹⁰ Germany is France's second most important animation market, followed by China, for which sales of animation reached their highest volume in 2018, increasing by 47% over 2017 to attain \$7.7 million in sales. Sold in 140 territories in all, *Les Légendes de Tatonka* (52 x 13') by Cyber Group Studios was acquired by Chinese national broadcaster CCTV as well as several VOD services in the country.¹⁹¹

French animation has been making strides in the English-Canadian market, achieving \$4.5 million in sales in 2018, notably with the sale of the series *Les nouvelles aventures de Geronimo Stilton* (26x23'), produced by Superprod Animation. The UK is also a major market for French animation, accounting for \$3.6 million in 2018. India is a growing market for French animation, with the Sun TV Network buying the animation series *Les Légendes de Tatonka* (52 x 13') by Cyber Group Studios.¹⁹²

French SVOD exports included season one of *La Tribu Monchhichi* (52x11') by Technicolor Animation Productions to WarnerBrothers' subscription service Boomerang, with a second window on Hulu.¹⁹³ The series was co-produced by Technicolor Animation Productions and TFI in collaboration with Sekiguchi.

1.2.3 Documentaries and Factual Series With Truly Global Themes

Foreign documentaries are said to be popular in the US and Australia.¹⁹⁴ There is interest from broadcasters in Germany and Israel, as well as the global network Al Jazeera for documentaries tackling current affairs with a global scope.¹⁹⁵

Documentary or factual series on science and technology, nature, sports and history are popular with buyers around the world. Blue Ant International reportedly sold 435 hours of nature, wildlife and documentary content to five French broadcasters ahead of MIPTV 2019 (Mediawan Thematics, TF1, France TV, ARTE, RMC Decouverte).¹⁹⁶ UK factual productions, including *Blue Planet II* accounted for 23% of international sales in 2018-2019.¹⁹⁷

There is interest from buyers in China for wildlife and nature series.¹⁹⁸ The Chinese SVOD service Tencent has the most important documentary platform in the country, with a predominantly young viewership under 30 years old. Tencent acquires about 700 hours of documentary content each year. Big natural history titles are popular on the service, for example, *Planet Earth*. Young audiences are also drawn to science and history docs, like *Dynasties*.¹⁹⁹

Al Jazeera looks to buy character-driven observational documentaries for its flagship documentary strand *Witness*. The broadcaster will coproduce documentaries with global appeal and high production values.²⁰⁰ Arte is also interested in human interest documentaries.²⁰¹

Coproductions can be an important source of international financing for documentary productions, particularly for ideas of global interest.²⁰² For example, Tencent has coproduced nature and wildlife documentaries with the BBC, Nat Geo and Discovery.²⁰³

1.2.4 Demand for Unscripted Formats

Unscripted formats continue to travel well. According to one estimate, 46% of approximately 9,000 new and recurring television programs that aired around the world in 2017 were concepts sourced from overseas. The majority of these were ready-made formats.²⁰⁴

The three dominant genres for format sales are said to be game shows, reality competitions and factual entertainment. The new game show *The Wall* achieved a top 100 ranking in 2018-2019, with 24 international sales in less than two years and a renewal from commissioning broadcaster NBC.²⁰⁵

Shows about dating or relationships, such as *First Dates* (WBITVP) and *Kiss, Bang Love* (Red Arrow) have been sold as formats. Shows on issues facing the older generation, including *The Voice Senior* (Talpa), *Little Big Shots: Forever Young* (WBITVP) and the South Korean series, *Better Late Than Never* (original title *Grandpas Over Flowers*), which has been made in 10 countries, are also travelling as formats.²⁰⁶

In France, format sales represent about 8% of all exports in 2017, valued at \$30.5 million.²⁰⁷ Formats accounted for 6% of all UK international sales. The primary market for UK formats is Europe, accounting for \$82.5 million in international sales in both 2017-2018 and 2018-2019, while sales to the US doubled from \$15.8 million to \$35.1 million year-over-year.²⁰⁸ In 2018-2019, the UK's *Love Island* accounted for 15% of international sales.²⁰⁹

Europe maintains its position as the primary destination of formats with 55% of all exports sales by the UK in 2018.²¹⁰ Germany and the Netherlands have been the most important buyers of formats since 2010.²¹¹

There is a new approach to big formats that consists of global contests. For example, *Eco Challenge: the Expedition Race*, from Japan's NHK has 50 teams from all over the world competing with one another. For its part, China is airing *The World's Got Talent*, another global contest.²¹² International production giants including Endemol and Fremantle are said to be looking to acquire local formats, as they acquire companies in countries like Israel and Argentina.²¹³

Israel, South Korea, Japan and Turkey are major providers of TV formats that can easily adapted to local tastes.²¹⁴ Israeli company Armoza partnered with Warner Bros.' Shed Media to adapt its factual series *Back to Life*, which has also been sold to Germany, Italy and Poland.²¹⁵ US broadcasters are producing several other unscripted shows from around the world such as *The Final Four*, also from Armoza.²¹⁶ The South Korean music talent show *The Masked Singer* format rights were recently sold to Fox where the show was adapted for the US and has captured global attention – with sale of a second season in the US, and sales in Asia and Europe.²¹⁷ Japan is a major player with classic fare such as *Shark Tank* (*Dragon's Den* in the UK and Canada), and “*American Ninja Warrior*” still airing around the world.²¹⁸

The Turkish format *Rivals-in-Law*, is said to one of the best-selling formats of Turkish distributor Global Agency. The format is rapidly rolling out internationally, having sold in many territories since it first launched, including a recent sale to Channel Ukraine.²¹⁹ Amazon

Prime Video launched its first unscripted original, *The Remix*, an Indian live music reality show, across 200 countries in 2019. The format was acquired from Turkish Global Agency. For this distributor, formats have boomed over the past few years.²²⁰

2. Production and Distribution Characteristics That Impact Sales

2.1 The Popularity of Films and Television Content Based on Pre-Existing Material

Films and television productions based on underlying IP are highly exportable due to their popularity with audiences.

Overall, about half of US studio-produced films are based on pre-existing material.²²¹ These adaptations are three times as likely to secure a large theatrical release compared to independent films with original screenplays. Distributors are much more likely to put resources behind a film that they know has an existing audience. The UK has taken a unique approach to adaptation by taking tried-and-tested subject matter and giving writers and directors the freedom to reinvent it. This is what the BBC has done with its new adaptations of *A Christmas Carol*, adapted by *Peaky Blinders*' Steven Knight; and *Dracula*, adapted by *Sherlock*'s Steven Moffat and Mark Gatiss.

The international marketplace continues to prefer brands, sequels and stars. "Big event" films, particularly those based on pre-existing franchises, fare especially well in foreign markets. Top films in international markets in 2019 included *Avengers: Endgame*, *The Lion King*, *Frozen 2*, *Spider-Man: Far From Home*, *Joker*, *Captain Marvel*, *Aladdin*, *Toy Story 4* and *Fast & Furious Presents: Hobbs & Shaw*.²²²

Recent adaptations include Academy Award-winner *Jo Jo Rabbit*, *The Jungle Book*, *Red Sparrow*, *How The Grinch Stole Christmas*, *The Guernsey Literary and Potato Peel Pie Society*, *Little Women*, *The Bell Jar* and *Bel Canto*.²²³

Remakes and reboots such as *Halloween*, *Mary Poppins Returns*, *The Predator*, *Tomb Raider*, and *Ocean's 8* are yet more examples of internationally successful films based on pre-existing properties.

Scripted formats present another opportunity as these make it possible to customise a proven production to a local market. Scripted formats are especially useful for exporting dramatic series from Asia to the West and vice versa. The same is true for scripted shows that originate in Latin America and Israel.

2.2 Marquee Elements

Marquee performers are viewed as an essential driver of international sales of both film and television. The ability to attract a sales agent at earlier stages of a project and enhance opportunities for financing and exports is greatly enhanced by project packaging (the production budget, script, and attached lead performers or director) that includes marquee, or globally known, talent. Some projects may even need to be redeveloped or repackaged to include marquee elements and talent as the potential for international financing evolves.²²⁴

Some distributors and sales agents indicate that VOD buyers are predominantly interested in the lead performers attached to projects to help with promotion in a crowded market.²²⁵ For

others, the requirement for marquee elements is broader, extending to producer, director, writer and performers.

Having a well-known actor in a film is helpful to securing a theatrical release.²²⁶ Independent films without benefit of a recognizable company brand must rely on genre appeal and star power. For romantic comedies or horror movies, the genre is enough to create interest. Other films need to attach recognizable performers to stand out. For example, a famous cast can help elevate a film from being “just another comedy” to “that comedy starring Mel Gibson and Marky Mark.” While comedies don’t generally travel well due to cultural and language barriers, it can help to have a recognizable star.²²⁷

2.3 International Coproduction

Coproduction enhances the exportability of films. Coproductions do better at the box office, and often circulate beyond the territories of the coproducing partners.²²⁸

Ten of the year’s top twenty performing films at the UK box office were international coproductions with the US.²²⁹ In 2019, 35% of UK films were majority coproductions. European coproducing partners included France, Germany and Ireland. A minority of UK coproductions were television projects. This trend is attributed to the already strong exportability of UK programs. TV coproduction took place most often with the US.²³⁰

Coproductions are likely to become more and more popular in an increasingly globalized world.²³¹ In Europe, coproductions are increasing. In 2018, 82.5% of the total production volume of French animation was for international coproductions. Almost a third (31.9%) of the total volume of television production was for coproductions.²³²

Coproductions continue to be a favoured strategy for financing the considerable production budgets called for in the current market. In 2019 Sky Studios unveiled a \$43.8 million coproduction with Italy’s Lux Vide. The company is focused on production, while parent company NBC Universal handles distribution. Spain’s Telefonica and Atresmedia announced the creation of a new studio, where they will jointly produce new series. Telefonica is investing \$122.9 million per year to produce original programming for its Movistar services in Spain and Latin America.²³³

2.4 Shared Language, Cultural or Geographical Proximity

Exports depend on factors such as a shared language, cultural or geographical proximity. For example, Turkish TV shows sell well in the Balkan countries and the Arab world, due to shared cultural values as well as their geographic proximity. Turkish series incorporate values and traditions of the Islamic World alongside depictions of a Western lifestyle, producing a vision of modern life that integrates Islamic values and traditions.²³⁴ The shared cultural codes with many territories around the world are one of the reasons these programs are successful abroad.²³⁵ There are said to be strong affinities between Spain and Mexico as these markets are said to be closest to each other culturally.²³⁶ On the US networks, all of the successful imported programmes are Mexican or Brazilian telenovelas, and in Russia the top ten imported scripted series are Ukrainian.²³⁷

These long observed drivers of demand exist in the online content ecosystem as well. According to a 2019 study by the European Audiovisual Observatory, the global regions with the highest share of EU films available on their VOD services were those with a cultural or linguistic proximity to the EU. These included Latin America, North America, South Africa, Aus-

tralia & New Zealand. Those with a geographical proximity also had a high share of EU films available on their VOD services, including the Russian Federation and Turkey. British films represent the highest share of EU films on VOD services in other English-speaking territories, including North America, South Africa, India, Southeast Asia, Australia and New Zealand.²³⁸

The Asian and Indian markets remain difficult for EU films to penetrate. These regions had the lowest shares of EU films available on their VOD services, often appearing in the offerings of global players rather than those of national SVOD services. The latter rely on regional films for their subscribers.²³⁹ Spanish films, without surprise, claim their highest share of availability on VOD services in Latin America. Mexico and the US are amongst the top destinations for Spanish TV shows in all genres.²⁴⁰

Appendix 3: Glossary

AVOD: Advertising supported video-on-demand service(AVOD) offer online consumers the possibility of viewing content free of charge by accepting to also view advertising.

Broadband Internet: High-speed Internet generally taken to be Internet offered at speeds greater than 150KB/second.

Coproduction: This is an audiovisual work produced jointly by a Canadian producer and a producer from a foreign country with which Canada has a coproduction treaty. The production must be produced in accordance with the terms and conditions of the treaty.

Co-venture: This is an international coproduction that is not included under an international coproduction treaty. It includes ventures with coproducers of foreign countries that either do not have a film or television production treaty with Canada or, if there is a treaty, the coproduction is not specifically covered by the treaty.

Digital original: Linear content commissioned for exhibition on a VOD service in the first window of exploitation.

Distributor: A distributor has the right to generate revenue from the copyright of a screen-based property, either by releasing content to the end users (the audience) via cinemas, television, DVD or digital distribution technologies including Video on Demand (VOD), or licensing the rights to sub-distributors to release the property to the public in their defined territory or medium. The distributor is also responsible for the marketing of the property.

Distribution Advances: Occur when the Canadian or international distributor provides an advance against a minimum guarantee of revenues in foreign territories. These foreign revenues are typically included in the production's financial structure. (See also "minimum guarantee").

Electronic Sell-Through (EST): These are online transactions where consumers pay for permanent ownership of a digital copy of a program and/or with unlimited access via a digital locker.

EU: The European Union.

Home Entertainment: A content window in which consumers have in-home access, prior to television broadcast. The home entertainment window traditionally includes video, DVD and Blu-ray, but has now expanded from physical products to include TVOD services

Licence Fees: These refer to the amount paid for the right to broadcast the program. The licence fee contains the provisions that determine the number and length of screenings allowed under the licence; fees are based on the perceived value to the broadcaster.

Minimum Guarantee: An advance on royalty income from a particular window in a particular territory.

OTT: “Over the top” delivery of content, i.e., directly to viewers over the Internet without the involvement of a local operator, such as a cable or satellite provider, in the control or distribution of the content.

Output deal: An agreement in which a producer agrees to sell a part of its overall content to the buyer for a specified duration.

Overages: When a film earns more than the minimum guarantee, then net profits or overages are paid to the producer.

Pre-sales: The sale of rights to a screen-based property in advance of its production. Pre-sales are typically used to finance a portion of production costs. The payment is usually termed a minimum guarantee or broadcast license. Pre-sales are often associated with licensing on a territory-by-territory basis, as financial advances are secured against exclusive local distribution rights.

Reality Television: This is a category of television programming that is not scripted and typically presents people in special situations. It includes talent competitions and programs featuring makeovers, coaching, life swaps, etc.

Sales agent: An agent is responsible for the licensing of distribution rights to a territorial distributor in a particular country. Acts on behalf of a third party (producer or distributor) and is the conduit to a film’s distribution outside of its country of origin.

Serial: is a television program that has a continuous plot unfolding in sequential episode-by-episode fashion. Serials typically possess narrative complexity.

Stacking Rights, or In-Season Stacking Rights: are rights to present all of the episodes in the current season of a television program on a digital platform. Broadcasters and television channels generally have rights only to the last five episodes of a show that aired on TV.

Subscription Video on Demand (SVOD): These are online services where consumers pay a subscription fee for continuous access to video content that is viewed on demand.

SVOD: Refers to subscription video on demand (often referred to as streaming over the open Internet). These are temporary rights of use accessed with a recurring payment. For example, a subscription package through Netflix.

Television Format: is the structure of a show that can generate a distinctive narrative or entertainment program and is licensed outside its country of origin in order to be adapted to local audiences.

Territorial Licensing: Licensing of content rights to a specific geographic area.

Territorial pre-sales: Under a territorial pre-sales agreement, a distributor in a particular territory agrees to pay an advance against a negotiated royalty (or a flat price) upon completion and delivery of the film. Pre-sales are often associated with licensing on a territory-by-territory basis, as financial advances are secured against exclusive local distribution rights before the film enters into production. This exclusivity provides the distributor with the possibility of recoupment on each investment.

Transactional Online Rental: These are online transactions where consumers pay to watch a streamed digital copy of a program online within a specified time period.

Transactional video-on-demand (TVOD): a VOD service providing transactional access to content either through a rental or purchase.

Windowing: Release arrangements for the exploitation of a screen-based property's rights across different platforms, timings and geographies. Release windowing is a way of applying differential pricing to consumers who are willing to pay for the content at different times, or in different formats or settings, and/or to distinguish between the value of ownership and access.

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Appendix 5: List of Interviewees

Producers

Jamie Brown, CEO and Executive Producer, Frantic Films
Valérie d'Auteuil, Vice-President, Caramel Films
Kevin Dewalt, President and CEO, Minds Eye Entertainment
Pierre Even, Executive Producer, Item 7
Frank Falcone, President, Guru Studio
Scott Garvie, SVP, Shaftesbury
Daniel Iron, VP, Blue Ice Pictures
Monic Lamoureux, Executive Director, Avanti Ciné Vidéo
Ira Levy, Partner and Executive Producer, Breakthrough Entertainment
Nicola Merola, President, Pixcom Productions Inc.
David Miller, President, A71 Productions Inc.
Josette Normandeau, President, Ideacom International
François Rozon, President and CEO, Encore Télévision
Nancy Savard, President, Productions 10e Avenue
Carlos Soldevilla, President and Executive Producer, Trio Orange

Distributors and Sales Agents

Chris Bonney, CEO Rights, Cineflix Media
Dan Loewy, EVP, Americas, International Distribution, Entertainment One
Andrew Noble, Vice-President, Film Option International
Anick Poirier, Co-President, WaZabi Films
Diane Rankin, SVP Rights & Executive Producer, Distribution 360
Shawn Rosengarten, VP, Distribution, Muse Entertainment
Jon Rutherford, Managing Director and President, Rights, Boat Rocker Studios
Josh Scherba, President, Wildbrain
Noah Segal, Co-President, Elevation Pictures

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⁷ For the purpose of this study, linear digital media is understood as linear content produced for online distribution, i.e. series, one-offs and features created for video-on-demand (VOD) platforms, whether subscription-based, advertising supported or transactional. This study does not address sales of convergent digital media (i.e. digital media components of broadcast television projects). Such components are typically standalone products that relate to, extend, and/or enhance the associated television production. Source: *Profile 2019*. This report concerns exports made by businesses to other businesses: producers, distributors, sales agents, broadcasters, VOD services, etc

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