



Production Finance Market

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Keynote interview with Pierre-Ange Le Pogam, Co-founder of EuropaCorp

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What gave you the indication that Luc [Besson] was talented, what had he made at this point?

That was in '81. I started in '74 so that's seven years in which I had seen something like 3,500 movies, so I guess I have an opinion and an instinct on the movies, and my personal taste. I would never be a film critic, I couldn't teach lessons... I believe that everyone is capable to make his own opinion on anything. Some people have more culture, that's all, and some people are more lucky than others. I could see Besson's movie, "Le Dernier Combat" at the Festival of Avoriaz, and I could see the way he was using the characters of [Pierre] Jolivet and Jean Reno, the design, the emotion from nothing... he was f***ing talented..... and in black and white... very risky, and very elegant.

And how did you forge the relationship? Did you start to look after his films?

Not quite; as I was the head of the booking for the theatres, I had some power, so I helped him to get access to theatres. Then I would spend some time with him over the weekends to give him advice on the cities in which I didn't have theatres to book, as to which theatres he should call. He was doing it himself. So basically we co-distributed the movie on a Saturday afternoon and Sunday morning. Afterwards, I was making progress inside Gaumont. Daniel Toscan du Plantier, who is someone that I still miss today, came to me in '84, and said 'you are doing the booking of the theatres and I don't understand anything about that technique'. He said, 'I am the head of Gaumont and nobody believes in my movies. As you have been a distributor before I would like you to take over movie distribution in Gaumont'. I thought that he was too arrogant with me, and I told him to come back in a year because I hadn't finished my work. And he came back a year later, and in '85 I was buying the movies for Gaumont and doing the marketing and distribution.

Of course I still had the relationship with Luc, he was my friend, and as a good employee of Gaumont I had a good salary, and Luc, as a perfect independent French artist, had no money. So I told him, 'I'm renting this house in Brittany, you'll enjoy the place', except the bars, because he doesn't drink any alcohol. He would work between 7 and 10am, and as it was vacation I was of course sleeping, and every morning at 7am there would be 16 yoghurts, and every morning at 10am there would be no yoghurts! He was writing *Subway*, and we started to discuss the subject matter of the movie, and I told him, 'you know what, you are ready to go to bigger movies, come with us at Gaumont and we will do your movies', and this is how it started. At that time his dream was to do *Subway* with Charlotte Rampling and Sting. And one of my assistants was always telling me that music videos were becoming something, this was in '84, and he told me that there is a guy who wants to produce a music video of the Gainsbourg song "Pull Marine" with Isabelle Adjani. She asked if I knew someone who could be the director. So I said yes, Besson could do it, so Besson got to know Adjani, and Adjani introduced him to Christopher Lambert. And this is how *Subway* became Adjani and Lambert. And Gaumont has been very successful with that movie.

By the way, in '85, Gaumont was so successful in terms of theatrical distribution. We had a wonderful year, even with very special movies. I remember coming to London to spend three hours with Sir David Lean and buy *A Passage to India*. That movie was so successful in France. Beautiful movie. And this is the way that I did, in '86, '87, '88... I was considered as a good theatrical distributor. I had a lot of skills for marketing, public relations, press, creating events for the release of the movie, and now I wanted to discover the video market. I wanted to know, what is video? So I took over video, and then I wanted to discover what it was to sell a movie to a TV station, so I did the job to learn the culture of the main TV stations, and I took over the selling of the movies to the TV stations, and then I did the same for the international sales. I had this idea that with fantastic directors who were working with us like Jean Jacques Beineix, like Besson, even someone like Francis Veber who could travel in the world, we were thinking that there was a niche to go outside of France to provoke the international market. And we started... I guess that the generation before us did it from France with these old movies with Jean Paul Belmondo etc, some of these movies were very successful in some territories like Germany, South America, Brazil, Japan, but we came with more modern movies and provoked the market, and we found in some territories a real appetite to be aggressive with our movies. Especially in Japan and Germany, or Italy and Spain. And I started to believe that there is a way to be a good, French, distributor for theatres, for video, for TV and for international. Now the step above would be to have control of the production.

And that wasn't necessarily going to happen at Gaumont?

No, I needed to learn something before that. I was not ready at that period of time... I'm totally conscious that you guys think that us French people are very arrogant, which could be true! But also we love to learn, and the beauty of France is that you have so many professional people. Since the years '85-'90, you have in France so many good producers, so many good talents, directors, screenwriters, actors. And I needed to learn the step above. How do these American studios establish their business in the world? It is not only movies, it is a real industry, and it is a real power – you can say to a customer anywhere in the world, "Hollywood", and they know. So I needed to learn this. And I guess this is the same for many of you, when you are successful you have sometimes headhunters looking after you, and in my French arrogance, I thought, I don't need you. At that year Disney was looking for their new president for France because they were splitting Disney Buena Vista and Warner everywhere in the world, and they had 63 candidates to become the head of all activities in France, and I said 'ok, I want to do the contest'. But I will never be the employee of an American company, so you will have to tell them that I don't want my paycheck coming from Los Angeles. Because I'm French! But they said, 'you should do it anyway, because they will convince you'.

It has been my personal victory to be number one on that list of 64 people. I had the first meeting with different people from Disney, and my third and last meeting was with Bill Mechanic. I don't know if any of you know Bill Mechanic, but you better do it before you die, because he's great. He is so smart, so educated, and you wish that every leader in the American studios would be at his level of capacity. We had a great relationship, and at the end of the meeting, I said that I personally very much appreciate that you want me, but I have said since the beginning that I do not want to be your employee. So I have an idea, I remain with Gaumont as the head of these activities, and we do a Gaumont-Disney partnership so that I will be for you and for Gaumont. And it has been my way of learning from the American production because again I've been lucky to be very successful. I was making the decisions with the general manager of Gaumont for the Gaumont movies, but the Disney movies were communal, I was a branch of an American studio. So potentially I had 32, 33 movies to distribute each year, and I was cutting down since the beginning about 10 movies a year. Because I wanted my team to be efficient with only 25. Every year for four years we were doing between 28 and 35 million admissions in French theatres on a market

which was somewhere between 140 and 160. So it was a big company, but a company in which every American movie and every French movie could make its own life. Every movie was the dearest baby of the team. It could be *Lion King* or it could be Cedric Klapisch. Many of you work with American companies; when you are successful, doors are totally open. So I was in Los Angeles, I could go to Michael Eisner, Jeffrey Katzenberg, the guy from Mexico, the guy from Japan, everywhere I could learn how they were establishing their power in the world. And I was thinking, we will never be the same, because there is a comparison in size which does not work. But we don't need to be the same, we just need to create a system in which we could take the opportunity of using what they have created. In Europe we created movies before them, and they created the business before us, and now we have to take it back.

Before we get to EuropaCorp there is one key film at Gaumont which, if you like, was a totem pole, an extraordinary European film: *The Fifth Element*. What was it that made *The Fifth Element* so special?

The budget. [Laughter]

What was the budget?

In those days, it was francs... in today's money, maybe 65, 70 million Euros, but that was in 1996, so I don't know...

Maybe 120 million Euros, something like that. Mega-budget for a European film.

Yes, it was a big budget. We knew for a while with Luc that *The Fifth Element* was going to happen, so the doors were open on the international field, the capacity of being a big distributor in France, all of that made sense with the experience that we had. Him as a director, because he had done many successful movies before, and me as an executive or whatever. And we could pre-sell *The Fifth Element* in the whole world during the shooting. The system would not be the same today because at the time the chairman and owner of Gaumont, Nicolas Seydoux, he was fine to bear the risk, and it was a huge budget. The movie as you know has been very successful, we did \$270m worldwide at the box office. We showed to the system with the opening at Cannes... the capacity of creating a big event that night, as a French company we had produced the movie, we had the movie sold everywhere in the world, we had an American partner, Sony, and we had MTV with us live on a worldwide basis for 8 hours... it was a big thing, like an American studio. And of course all that was possible because of our past experience. After the success of *The Fifth Element*, '98, '99, we knew I had other movies to do... I did *The Crimson Rivers* with Alan Goldman, and Alan Poiré before he was really sick asked me to take care of *The Dinner Game*. We knew with Luc that the only movie we would be doing with Gaumont would be *Joan of Arc*. In '99 I had no idea I was going to be a partner with Luc. What I knew is that I wanted to create my own company as a production company with the skills of distribution inside. And I knew, that even from France, I could have a relationship with many partners in the world. I went to Los Angeles and came back after one week with eight different proposals of American companies wanting to share this experience with me. I met again with Luc when he was the President of the Jury in Cannes in May 2000. He said that he had heard that I was leaving Gaumont, and that if I left he didn't want to continue to do his movies with Gaumont and that we should be partners. And so we started EuropaCorp.

In terms of starting the company, how was it organised financially? Who put in what?

I had two or three bad experiences with Gaumont, and that provoked my idea of leaving the company. I bought *Out of Rosenheim (Bagdad Café)* in Rio de Janeiro, in '87, and they

forced me to give the movie back. I didn't like that. I had to bring it to a friend, and then the friend became very successful. Two or three movies that I wanted to do I could not do because it was not my company; even though I had a lot of freedom and respect in that company sometimes I needed to share decisions. Luc had this idea to produce *Taxi* and of course he came to me, and gave me the script. At that period of time we were preparing *The Fifth Element*. The financial risk for *Taxi* was less than a million Euros, about 800,000 Euros, to become a co-producer and a worldwide distributor of the movie. I was shocked because I had to fight with Gaumont to convince them that we were going to do *Taxi*. I think Nicolas [Seydoux, chairman of Gaumont] became nuts; he said 'you convince us that he is a talent'. We did all his movies since *Subway*, and now he is doing *The Fifth Element*, and you are going to use maybe 50% of his energy as a producer on another movie, so you are going to ruin *The Fifth Element*. I said, 'you don't know artists, they can work 20 hours a day'. I knew that if he wanted to do it he would do it anyway, and if he was unsuccessful he would hate us because we didn't help him, and if he was successful we would lose him. I said, you never know, *Taxi* could do 1, maybe 2 million admissions. Nicolas provoked a meeting with 5 or 6 directors and all of them were saying to me, 'you like Luc too much, we need to say no'. And I didn't like it of course. The thing I did like was that it took us back to our roots; I was doing some Saturdays and Sundays distribution of *Taxi* with him. The movie did 6 million admissions in France and as you know the movie became a big success.

Just explain to the audience, how did the movie get made outside of Gaumont?

I called TF1 to tell them to help him a little bit more than their plan. Canal+ became a co-producer and we had created a relationship with another French producer, his name is Laurent Pétin, because he was at that period of time a very talented marketing agent. He did the campaign of two movies with us, and he wanted to become a real distributor and producer, but he was not at all equipped to do a big movie. So I went to see him with Luc and I said take it, the risk is very reasonable. So this is what happened. And Luc of course did *Taxi 2* without Gaumont, and when we had this discussion at Cannes in 2000 he showed me the economic situation of his little production company. I said to him you are going to receive something like 15 million Euros out of the video business on *Taxi 2*; let's use this money to establish EuropaCorp.

Tell us about the structure that you and Luc agreed on when you started EuropaCorp. We have talked about a vertically integrated company, was that what you were aiming to do from the start? Development, production, sales, distribution... you didn't get into cinema exhibiton, not immediately, but that was your plan?

The plan was to capture the margin of the distribution business. Without arrogance, I want to say that we are people from the ground, we know how to make movies. This is our job. So as any other good independent producer, with the budget of the movie we had to ask, how do you match the artistic with the financial? At a certain moment you have a final number, say 10. We will always work to make the 10 become 8 without cutting anything from the artistic side. We will always show to our potential partners that for that level of 8, or 10, we will deliver a proper movie for the rights that they acquire from us. So French TV, some international partners, depending on the movies, some equity partners, and we have a business model which is we will not easily green light a movie if we are not sure that we can match 80% of our total risk.

So you are laying off a considerable amount of risk all the time.

And on the other side of the company we are capable to control all the medias and we better bear the overheads of the distribution system, and let 30 -35% go to that field of all intermedias. Who is going to do a better marketing job on our own movie than us, when we

have the capacity to do it? So basically we capture the margin. And create communication in a tiny team, being capable to make a decision between morning and night, and have around the table, or in the same building, have all the people working on the movie from executive producer, through the editing, to the guy in charge of the promotion.

This is beginning to sound like Pixar. I'm teasing.

No, because we speak French! But I am a big fan of John Lasseter, he is smart and talented.

Inside EuropaCorp the company grew quite quickly from this inception, in terms of revenues. I'm interested in what decision you came to with Luc in terms of taking the company public in 2007, what drove that decision.

We needed money. The strategy, the goal, the mission of the company is, since the beginning, to produce or co-produce 9 or 10 movies each year and eventually acquire 3, 4, 5 other movies from international or from other partners in France, so the distribution company is going to be responsible for just 15 movies a year. As I explained before, we do development, we do research, we welcome projects from outside, we control artistically and financially the production, we do the marketing, we do the theatrical distribution, we do the video publishing. But for example the video publishing in EuropaCorp is three people for 32 million Euros revenue last year. We keep only the publishing; our partners inside in an economical entity which is Fox, Pathé and EuropaCorp, all the back office is done for these three companies by a team of 65 people, but they do not belong to EuropaCorp. Small is beautiful, if possible. You save time on communication, for decisions, and people always have to demonstrate their skills.

So you are efficient, and you try to keep it as tight as possible in terms of the overhead margin, but explain more clearly why you needed to go public.

We needed two things. The movie business as you know is a small niche in the world, and you realise when you spend 25 years in that business you know a lot of people and a lot of people know you. When you want to do bigger movies you can have a drink with the agent at CAA or you can have a drink with this producer or this manager in Los Angeles, because he has known you for ten years and even if you are French he thinks you are a cool guy! But the day you say to him, I am serious about hiring this big talent that you represent, he looks at you and he knows that he has Sony, Fox, Warner Bros... so even if Luc and myself and the people working with us have a nice reputation, we needed an institutional representation. We have not just created a little company somewhere in France, we have a real company, we are public, so you can trust us, we will deliver. We did movies already with American talents. Jet Li, when he was at the top level, he made movies with us, we shared with him the profit of the movie – call his lawyer, he received several millions\$ from us. We deliver. So we needed that. The banks and the lawyers were explaining to us that if we were going to be public for some 25% of the whole company, we could raise anywhere between 50 and 100 million Euros. This is immediate cash. We needed that cash to go further immediately for bigger projects. We wanted to increase for the future, for the next 10, 15, 20 years, the potential revenues of our future catalogue, and we wanted to do at least one big acquisition of a big catalogue. That was Roissy Film. To acquire Roissy Film we needed 25 million Euros. We were competing with this little French company, I don't know if you know the name, Orange! So basically: recognition, and the cash to develop one or two big 'American' projects... what we call American is European, but they look like American movies. Every person working on the movie is from Europe.

That was the plus side of going public. What is the challenge, what are the problems, from your point of view? Would you ever take it private again?

You want to bring cash inside the company, to develop the company, what can you do? You can share the company with a big mogul group, but most of the time, after some years, they want to make decisions, and this is not what we wanted. We are not children, we know that to have money in your professional life to establish your company you need to accept some rules, and some of these rules are difficult. Every media company has been 'bashed around', but we don't care so much because we are not selling... you care about the level of your stock when you want to sell. It is now four years and we have delivered the numbers that we announced, and we believe that year after year the financial world will finally believe properly in our model. But hopefully not only in ours, they will come back to the beauty of the movie business. My belief, for the next years, is that there are many professional people, many responsible people, and that that business can deliver revenues and profits. Except maybe we do too many movies. The whole world does too many movies.

That is quite an oft-stated observation of the independent and the Hollywood market at the moment, that there are actually too many movies for effective distribution.

I would like to open it up to questions from the audience.

Q: What do you think the impact of digital distribution and digital media is going to be on your business specifically and on the future of the film? Do you think anything is going to change or is it just a technology?

I see a lot of positive impacts in the digital. As a distributor we will save a lot of money in the old lab prints and so on. On the other hand I am very concerned that everybody goes together on the digital area of theatrical, because I don't want to see that system become a branch of only the Hollywood community. I want everybody to be aware of the legal aspects of the relationship between movie owners and theatre owners because we don't want to see the movie business become only an attraction where you take the real money on the food, the popcorn and so on. Basically I see it as huge progress because the technology is great, the pleasure of the customer is great because the sound and the image is fantastic in the theatre, and the day we leave our master, that the master can go anywhere in the world through the computer... pretty cool! Modern, I like it.

What about Video-on-Demand (VoD), because there is a considerable debate in the industry about Video-on-Demand.

I don't understand it. Video-on-Demand? F***. Because I personally believe there is a real business in VoD. I don't understand why it doesn't work better. It's fantastic. For example, we produce only 10 movies a year, 6 or 7 each are French speaking, and 3 or 4 are English speaking. Believe it or not, it is easier to sell on the international circuit English movies than French movies! Even if we are capable to sell very well some French speaking movies... *Tell No One* has been sold in all countries in the world. Carole Scotta [Haut et Court] and her partner, they sell very good French movies in all the world. The new movie that Luc Besson is shooting, *d'Adele Blanc-Sec*, except in the United States has been sold in pretty much all the territories in the world. So we can sell French speaking movies. But I am just thinking, sometimes I take this example, of a Swedish family. They would like to see a French movie, because they have heard about it through the internet or wherever, and that Swedish distributor is not going to buy the rights of that movie because it is becoming more and more difficult to bear the cost. Why can the Swedish family not get the movie from me straight

through the internet? And enjoy a nice evening for three, four or five Euros? I am totally convinced that one day it will be a business. In EuropaCorp, the revenue out of our movies in VoD... we did one in 2007, we did two in 2008, and three this year. It's coming.

Q: Why do you think, other than we're not French, we don't have a EuropaCorp in the UK?

I recognise your fantastic intelligence... you gave me the answer already, you're not French! I have, in my professional life, maybe 100 questions to which I do not have a proper answer. I have been coming to the UK for thirty years, I love this country because my roots of being British make me feel like the same guy when I go to football or rugby with them. You still have your old-fashioned culture, but you are so modern, you are so proud of who you are, you have so many artists, directors, in the theatre, you have so many people... but something is wrong. Maybe this is bull****, but when we thought that you had an advantage in sharing the same language as America, maybe in the end you became a victim of that. Hollywood took profit on you. Many of your talented people, 10, 20, 30 years ago, became employees of these American entities. Maybe you should do it [form a British EuropaCorp]. You have great pay-TV, and I hear that all the American companies have access to the output of the pay-TV, and no English company, which is shocking, you have everything that we have, so I don't know. Maybe you have been spending too much time trying to make deals with American companies and you forgot that you were English. Maybe. Is that an answer?

Q: Do you think one of the answers to that might be because you have in France the cultural benefits of funding systems, you have funding systems for your films that we don't have? And the deals that you can do with pay television in terms of rights reverting? That's something that we don't have in this country, that has helped to shore up the ability to make and distribute French language movies.

It's a major difference, for sure. The huge advantage that we have is to have the National Centre for Cinematography. In France you don't cheat with numbers, everything is public, number of admissions, box office, video results, TV, all of that is public. So it gives you a proper culture, all of that system is shared between everyone. And of course we are in that system in which the box office of the American movies in the theatres provides to the French cinema an economy each year. We have the obligations for the French TV to invest in movies and TV series, which helps. But the main advantage is not so much economic, the main advantage is that it gave to us a generation of very professional people, very responsible.