

## **Development Program**

### **Calculation of Performance Ratio and Access to the Prequalified Stream**

#### **Performance Ratio**

Access to the Prequalified Stream of the Development Program (the “**Program**”) is based on a new measure called the **performance ratio**.

For a given film, this ratio consists of **expressing the total revenues generated by the film as a proportion of its total production budget**.

Specifically, the **total revenue** generated by a film is the sum of:

- 44% of the value of box office receipts in Canada<sup>1,2</sup>
- other national gross revenues, excluding movie theatres
- international gross revenues

A film’s **total production budget** includes the Canadian and, where applicable, foreign share of the film’s production budget.

*For example, a film with a total production budget of \$14 million that generated total revenues of \$7 million would have a performance ratio of 50% (\$7 million / \$14 million).*

#### **Weighted Performance Ratio of Projects**

In order to allocate a production company’s fair share of a film’s success, each film’s performance ratio is **weighted to be allocated in proportion to the level of participation in the success agreed to by the Canadian coproducers**.

*For example, for the same film with a ratio of 50%, two coproducers who have agreed to share the success of the film equally will each get half the ratio: 25%.*

*If the split had been 70%-30%, one company would have had 35% and the other would have had 15%, and so on, according to the current sharing arrangements.*

#### **Production Company Performance Ratio**

A production company’s performance ratio is obtained by **adding together the weighted performance ratios of all eligible films** in its filmography.

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<sup>1</sup> Box-office receipts are provided to Telefilm by the Movie Theatre Association of Canada (MTAC).

<sup>2</sup> The 44% box-office adjustment is a rule of thumb based on a comparison of internal data and a literature review. It aims to deduct sales taxes and the exhibitor’s share to obtain an amount comparable to other sales collected by Telefilm.

To be eligible, a film must meet the following criteria:

- have been **supported by Telefilm in production or post-production**<sup>3</sup>;
- have been **released to theatres in Canada during the six calendar years preceding Telefilm’s fiscal year** for which the stream is open; for fiscal 2021-2022, this eligibility period includes **releases made between January 1, 2015 and December 31, 2020**;
- be a feature film with a **minimum running time of 75 minutes**;
- a production company must own **at least 20% of a film’s success** for that film to be included in the company’s performance evaluation.

As a point of clarification, both fiction and documentaries may be eligible if they meet the above criteria.

*Example of a production company’s performance calculation:*

Film	Participation (A)	44% x Box-office revenues	Other Gross National Revenues	International Gross Revenues	Total Revenues (B)	Total Production Budget (C)	Film Performance Ratio D = (B/C)	Weighted Ratio A x D
Film X	100%	\$150,000	\$50,000	\$100,000	\$300,000	\$1,800,000	16.7%	16.7%
Film Y	100%	\$900,000	\$800,000	\$2,300,000	\$4,000,000	\$6,000,000	66.7%	66.7%
Film Z	50%	\$900,000	\$1,500,000	\$4,600,000	\$7,000,000	\$14,000,000	50.0%	25.0%
<b>TOTAL</b>								<b>108.4%</b>

### Allocation of Access and Funding for the Prequalified Stream

The calculation of companies’ performance ratio is ultimately used to rank all companies eligible for the Prequalified Stream. A total of **125 companies will have access to the Prequalified Stream**. Depending on their ranking, companies may be in tiers A, B or C.

**Tier A consists of 25 companies each eligible for a prequalified amount of \$75,000.** These are the eight French-language<sup>4</sup> companies with the highest performance ratio and the 17 English-language companies with the highest performance ratio.

**Tiers B and C include a further 100 companies** cumulatively. One third of these (34) are French-language companies and two thirds (66) are English-language companies. The English-language companies in tiers B and C are selected based on their performance ratio, but also to ensure regional representation across the country.<sup>5</sup> These regional thresholds could be similar to those used for the allocation of Telefilm’s financial participation in low-budget productions. They take into account certain communities’ demographics, extent of film activity and lack of historical access.

<sup>3</sup> The programs considered are the Production Program, the Theatrical Documentary Program and the Talent to Watch Program.

<sup>4</sup> To determine a company’s language, Telefilm uses the weighted sum of the Canadian shares of eligible films’ production budgets. A company whose majority of production expenses were incurred on French-language projects will be considered a French-language company, and vice versa if the majority of expenses were incurred on English-language projects.

<sup>5</sup> Companies are selected based on regional rankings. The four regions considered are: Atlantic; Quebec (English language); Ontario and Nunavut; and Western, Northwest Territories and Yukon.

Of these 100 companies, **the top 50 performers make up tier B**, with access to a prequalified amount of **\$50,000** per company. **The next 50 companies make up tier C**, which provides access to a prequalified amount of **\$25,000**.