

Greater Montréal's Booming VFX Industry





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Montréal's VFX industry

Key facts

A leading edge ecosystem

- One of the largest hubs in the world with the highest industry concentration in Canada
- Full-service industry made up of tool developers, animation, production and post-production studios, etc.
- Global success of VFX made in Montréal: *Blade Runner 2049*, 2018 Oscar winner for best visual effects; *X-Men Apocalypse*; *Star Wars - The Force Awakens*; *Game of Thrones*

A very specialized workforce

- Close to 4,000 2D/3D animation and VFX specialists in the audiovisual sector
- Labour pool expected to reach 5,000 experts by the end of 2020
- - 14,000 university students in IT related programs and 2,600+ in arts and cinema
 - 4,100+ college students in arts and cinemarelated programs

Competitive costs & tailored made incentives

- 28% cost advantage compared to the average of the 20 largest metropolitan areas in Canada and the U.S. for ICT
- Competitive employee salaries paired with an affordable cost of living
- Up to 43% tax incentives for film production services

01

A Leading Edge Ecosystem





Montréal's VFX industry

Key metrics

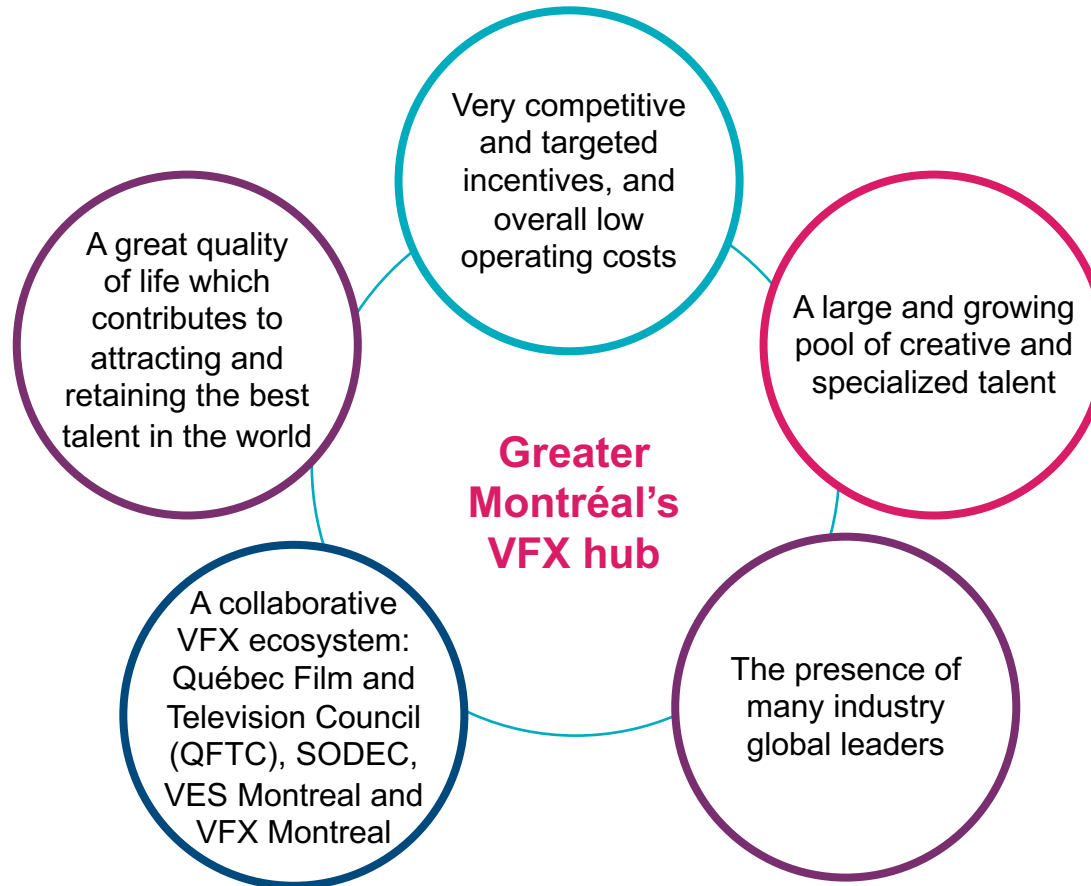


1st city

in Canada and a world leader
in VFX & animation

- **Close to 4,000 2D/3D animation and VFX specialists**
- Labour pool expected to reach **5,000 experts** by the end of 2020
- **A record year for the VFX in Québec:**
500 M\$ in contracts in VFX in 2018
- **A growth of 88% since 2017**
- Québec is now aiming for the world Top 3
- **Global success of VFX made in Montréal:**
 - Blade Runner 2049,
2018 Oscar winner for best visual effects
 - X-Men: Apocalypse
 - Star Wars - The Force Awakens
 - Game of Thrones

One of the world's most fertile environments for the VFX Industry



Montréal's ecosystem: some of the major players

Full-service industry made up of academia, tool developers, animation, sound, production and post-production studios, etc.

DIGITAL DOMAIN



Université
de Montréal

HEC MONTRÉAL

L'ATELIER
ANIMATION



ECOLE
PIVAUT



HYBRIDE
UNION



Raynauld
vfx



BLUESPIRIT
PRODUCTIONS



ONEG

L'inis

Le campus
a3n

CINESITE

CÉGEP DU
VIEUX MONTRÉAL



MELS



ATOMIX ACTION



SHED



MIKROS



SCANLINE

MPC

RODEO
Visual Effects Company



outpost



RODEO
Visual Effects Company



MPC



ISART



technicolor

DAWSON
COLLEGE



MELS

A collaborative VFX ecosystem



Organization contributing to the development of Quebec's competitiveness as a world-class film and television production centre.



Government agency promoting and supporting the development of cultural enterprises in Québec and abroad.



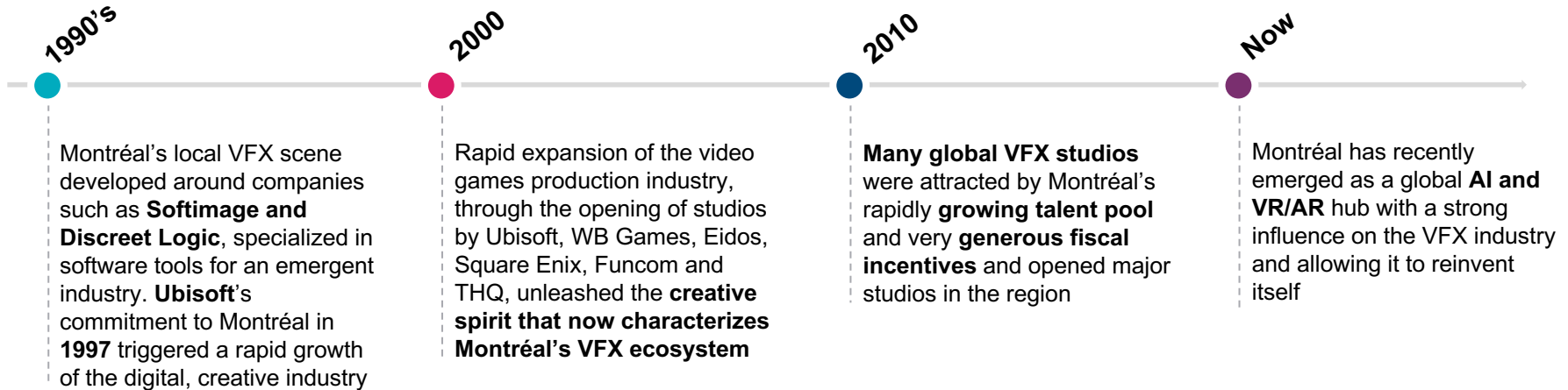
Platform dedicated to promoting internationally Montréal and Québec's visual-effects production centres and members of the Québec Film and Television Council (QFTC).



The Kid Who Would Be King - DNEG © 2019 Twentieth Century Fox Film Corporation. All rights reserved.

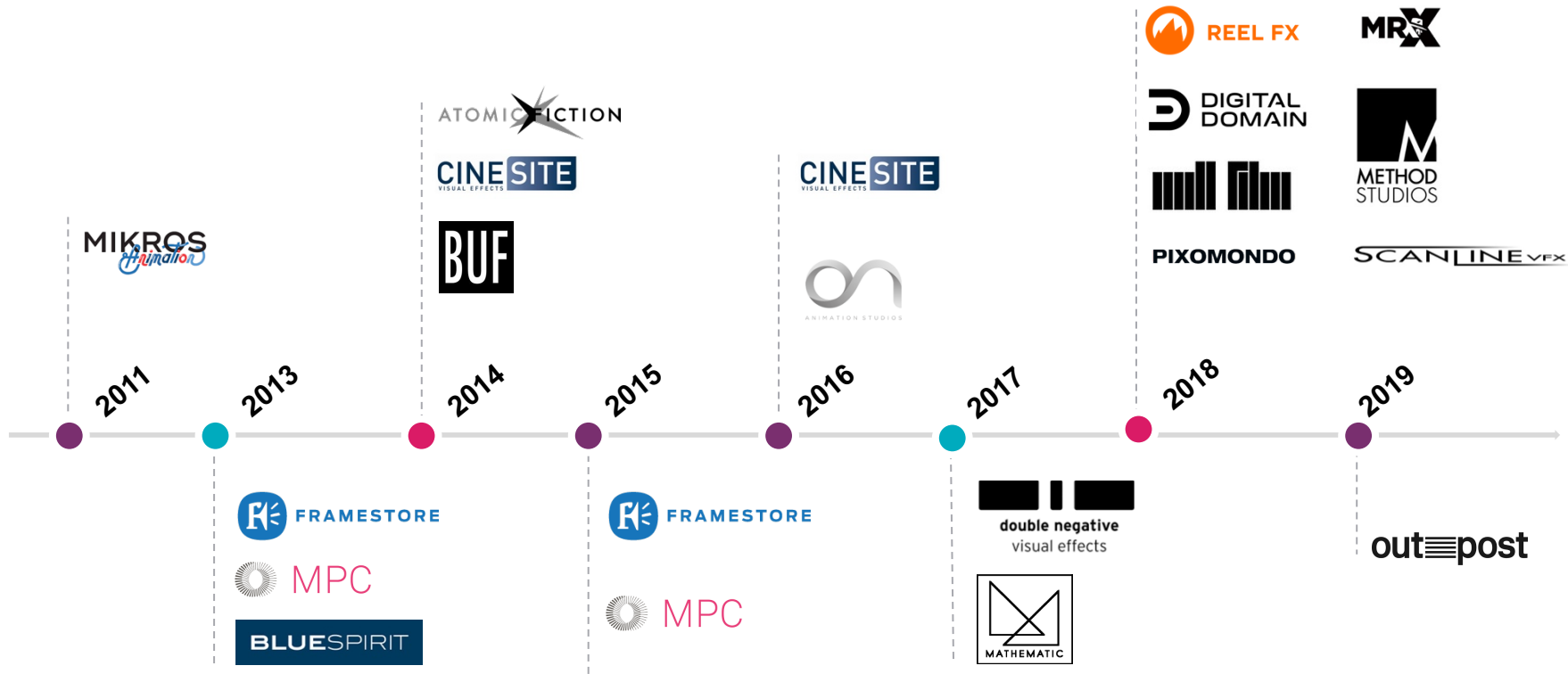
Birth and growth of the VFX industry in Montréal

Over the past 25 years, Montréal has become Canada's most important video game, VFX and 3D animation hub.



The Montréal region now represents **half the country's** 3D animation, VFX and video game **industry**

Spectacular growth in foreign investment into Montréal's VFX and animation industries



Well positioned to become a global leader in new tools for VFX

Montréal provides more and more examples of companies active in industries such as Artificial Intelligence (AI), Virtual and Augmented Reality (VR/AR) and Entertainment.

Sample of global leaders

- **AI:** Unity 3D, Ubisoft, XR:MTL (Ubisoft and Concordia University)
- **VR/AR:** TORUK, Cirque du Soleil / Avatar, Framestore VR, Félix & Paul
- **Entertainment:** Moment Factory, Fifth Wall, Réalisations Montréal



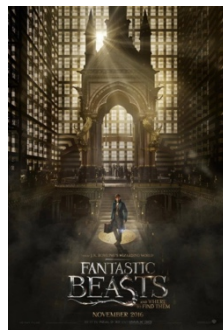
FRAMESTORE VR STUDIO

5thWall



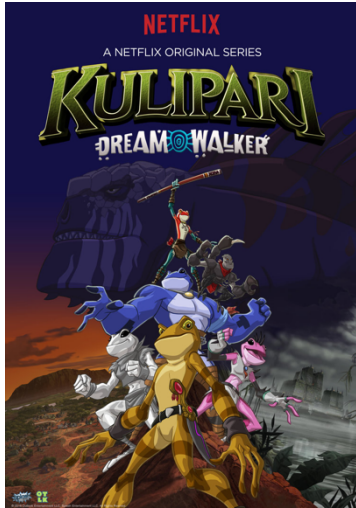
RÉALISATIONS
MONTRÉAL

Sample of VFX produced in Montréal



Sample of animation produced in Montréal

Greater Montréal also stands out with the production of animation productions



Animation Studio: Oasis Animation
Year: 2018



Animation Studio: ON Animation Studios
Year: 2015

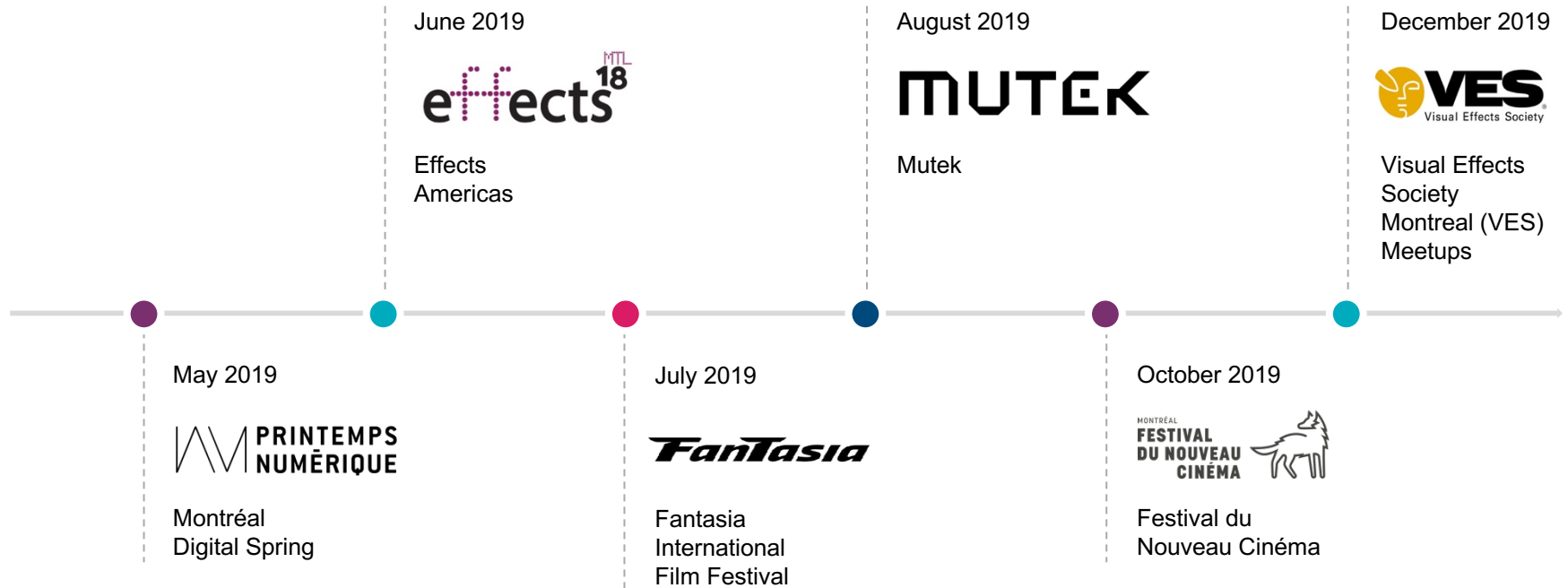


Animation Studio: L'Atelier Animation
Year: 2016



Animation Studio: Digital Dimension
Year: 2018

Sample of upcoming VFX related events in Montréal in 2019



02

A Very Creative Workforce



Montréal, where creativity and technical expertise meet

Greater Montréal counts
21,000 2D/3D experts:

4,000 +

**VFX and animation
specialists**

15,000

**3D specialists active
in video games**

2,000

**VR/AR experts,
which represents half the
Canadian total**

These numbers are increasing fast, thanks to the large number of graduates the region's colleges and universities provide every year combining expertise in the digital arts and tech.

Source: Québec Film and Television Council, 2019; LinkedIn, Talent Insights, March 13, 2019; Alliance numérique, 2018; Québec Film and Television Council, 2016.



Fantastic Beasts: The Crimes of Grindelwald © Framestore

State-of-the-art programs for VFX

Greater Montréal offers both technical and higher education degrees



A rich pool of technical college students with specific expertise in VFX

Technical college programs related to animation and arts	Students enrolled in 2016-2017
Animation 2D/3D and Game Design	1,870
Visual Arts	1,111
Graphic Arts	1,056
Total	4,037

Technical college programs related to film production	Students enrolled in 2016-2017
Film Production	105
Sound and Audio Studies	31
Total	138

Greater Montréal boasts **4,000+ college students** enrolled in technical programs related to visual effects, animation and film production

The depth of Montréal's talent pool has allowed the region to remain at the avant-garde in the VFX industry, including in new trends such as virtual and augmented reality

A rich pool of university students that combines creativity and technical knowledge

Greater Montréal boasts close to
2,600 university students in arts
and cinema related programs

As well as close to
14,000 university students
enrolled in IT related programs

A large contingent of new university
graduates in arts and IT joins this
growing visual effects and
animation workforce every year

University programs related to arts and cinema	Students enrolled in 2016-2017
Cinema	1,287
Fine Arts	727
Plastic Arts	260
Graphic Arts	187
Arts (pluridisciplinary)	113
Total	2,574

University programs related to IT	Students enrolled in 2016-2017
Computer sciences	7,100
Electric and electronic engineering	3,279
Computer engineering and computer science	1,866
Mathematics	1,411
Probabilities and statistics	183
Applied mathematics	134
Total	13,973

Simple and fast immigration procedures in Canada

Canada's immigration policies are straight-forward, predictable and rapid, making it easy to bring in the best talent from around the world: the number of work permits are not capped and subject to a lottery.

Immigration program types	1 - Obtain a LMIA* and CAQ**	Processing time	2 – Submit work permit application	Processing time
Intra-company transfer	N/A.	N/A.	Have worked at least one year for the company before the transfer, be an executive or have exclusive knowledge.	0 to 2 weeks
NAFTA	N/A.	N/A.	Belong to one of the 60 professions recognized under NAFTA	0 to 2 weeks
International Experience Canada	N/A.	N/A.	To be 18 to 35 years old (depending on country of citizenship) and coming from one of the 30 countries having an agreement with Canada. 3 types of permits according to country agreements: Working Holiday, Young Professional and International Co-op Internship	8 weeks
Global Talent Stream	Exemption from the requirement to demonstrate that efforts to hire locally were unsuccessful + belong to one of the 13 professions on the list	2 weeks	Same conditions as above	0 to 2 weeks
QC Simplified Process	Process offered exclusively to businesses in Quebec. Exemption from the requirement to demonstrate that efforts to hire locally were unsuccessful. About 60 professions on the facilitated process list	Approx. 15 weeks	Same conditions as above	0 to 10 weeks
Regular process	Demonstrate that reasonable efforts have been made to hire locally	Approx. 15 weeks	Must be done at the Canadian visa office outside Canada or at Canadian customs if the applicant is exempt from entry visa requirements	0 to 10 weeks

Notes:

*LMIA: Labour Market Impact Assessment.

** CAQ: Québec Acceptance Certificate; The deadlines for obtaining a work permit vary according to the country of nationality of the applicant.

“Cinesite Montréal’s success has exceeded all our expectations. And five years later, the things that make Montréal so great are still there. The city’s got talent, creative potential and a vibrant tech culture. Add to that business cost competitiveness and Montréal International’s constant support and you’ve got a perfect ecosystem for innovative businesses like ours.”

– François Sansregret, COO, Cinesite



“After a year of planning and coordination, we’re very proud to finally have a studio in Montréal, a city known worldwide for its unique culture. We considered other cities before choosing Montréal, where we received a welcome second to none and where we already have a number of friends.”

– Steve O’Brien, President and CEO of Reel FX



“Montréal is fueled by creativity and innovation, and was an obvious choice for the next studio location for Digital Domain. Given the strong animation and visual effects talent pool in Montréal, we are stacking the deck to make this studio location an attractive offering to partners, molding the future of Digital Domain.”

Daniel Seah, Executive Director and CEO, Digital Domain



“We’re very excited to be setting up our new studio in Montréal. There is an amazing creative and technical community in this city, and the quality of the work that is being created here is on a par with the work we are seeing coming out of London, Vancouver and LA. Our new Montréal studio will work closely with our other international locations on our biggest film projects, and will provide a cutting-edge working environment for our staff.”

– Ellen Walder, COO, Double Negative



“Having a studio in Greater Montréal means we can reach a larger market, especially movie production houses in North America, and grow our international customer base, which currently accounts for about 30% of our business.”

– Guillaume Marien, Founder and Executive Producer, Mathematic Studio



“Montréal has a lot of visual effects artists and technological architects with unprecedented talent.”

– Thilo Kuther, founder and CEO, Pixomondo

“We can only applaud the governments’ efforts and support to encourage foreign investors, while providing VFX film tax credits and incentives for companies like Pixomondo... The decision to enter the Montréal market was a no-brainer for us.”

- Sara Mustafa , COO, Pixomondo



03

Attractive Operating Costs and Incentives



Competitive salaries

Median annual salaries * (US\$) for 8 typical professions in VFX in 3 North American hubs

	Montréal**	Vancouver	Los Angeles
Animator 3D	\$55,234	\$58,383	\$88,488
Compositor	\$31,318	\$34,076	\$41,351
VFX Producer***	\$63,750	\$112,500	\$150,000
Illustrator	\$43,416	\$46,102	\$66,006
Art Director	\$67,744	\$71,251	\$119,343
3D Motion Designer	\$53,694	\$56,790	\$81,146
Software Developer	\$69,881	\$73,468	\$108,086
UX Designer	\$56,199	\$59,583	\$82,477

*Base salaries based on 5 years of experience.

**Before tax credit.

Currency exchange based on the monthly average of January 2019: C\$1.00 = US\$0.75 - US\$1.00 = €1.14 - US\$1.00 = £0.77.

Code 5415.

Source: Economic Research Institute Inc., January, 2019, ***Glassdoor, January 2019.

Very attractive operating costs

Greater Montreal has

2nd
lowest
operating
costs

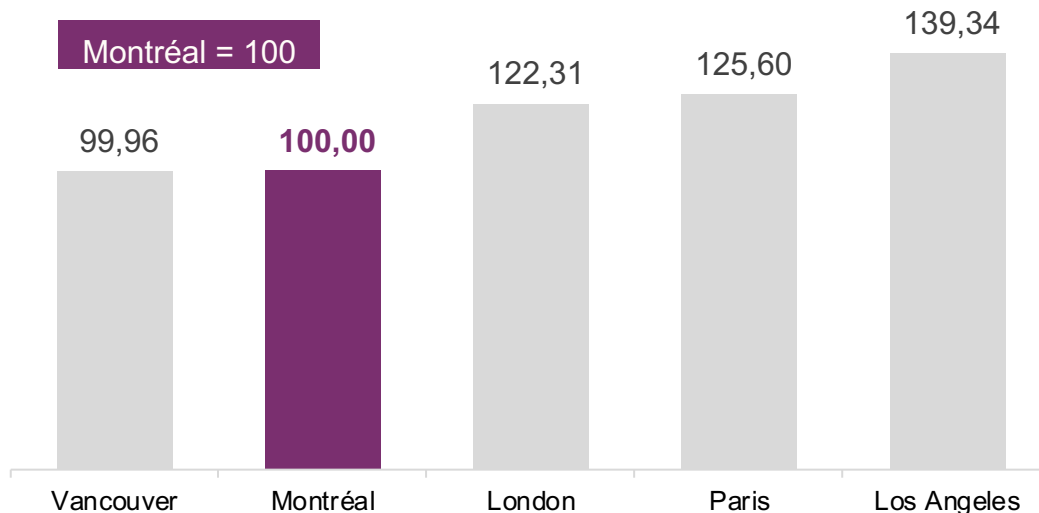
of the 5 VFX hubs
for the IT sector

15%
cost
advantage

compared to the
study average

The **greatest cost advantage** when
factoring the **tax credits**

Annual operating cost calculations
based on labour and property costs in US\$



Generous government support for film production services

Québec offers some of the most advantageous cash rebates available: up to 43%.

Companies are eligible to 2 tax credits for Film Production Services (at the provincial and federal levels).

Please refer to the next page for a simulation.



Québec
Level (provincial)

- 20% All spend (total of the qualified labor cost and the cost of qualified properties);
- 16% labor-based computer-aided special effects and animation & shooting of scenes in front of a chroma-key screen activities¹;
- No minimum spend, no caps.



Canada
Level (federal)

- Additional 16% refundable tax credits for eligible labour costs from the government of Canada.²

Financial requirements:

While it is true that there is no cap, there is a minimum total worldwide budget amount:

- **Québec** : CA\$250,000;

- **Canada** :
 - Film: CA\$1,000,000;
 - Series : Over CA\$100,000 per episode (less than 30 minutes);
 - Series: Over CA\$200,000 per episode (exceeding 30 minutes).

Note:

1: For the purposes of calculating the combined rate of the credit, the tax credit from the government of Québec is applied against the federal tax credit.

2: Labor expenses must be paid to persons who were resident in Canada at the time the payments were made in order to be eligible for tax credit purposes.

Source: Raymond Chabot Grant Thornton, 2019.

Comparison Montréal, Toronto & Vancouver – tax credits

Live action production with bonification (VFX, Green screen or animation)

Case 1

Production services tax credits analysis example

	Montréal	Toronto	Vancouver
Cost of contract	\$1,000,000	\$1,000,000	\$1,000,000
Labour included in the contract	\$650,000	\$650,000	\$650,000
Labour related to VFX/Animation	\$650,000	\$650,000	\$650,000
Provincial tax credit	(\$360,000)	(\$332,000)	(\$286,000)
Federal tax credit	(\$66,560)	(\$62,920)	(\$58,240)
Total tax credit	\$426,560	\$394,920	\$344,240
Effective total tax credit rate	42.66%	39.49%	34.42%

Case 1 is the most used by VFX companies:

Up to
43%
tax credit

Comparison Montréal, Toronto & Vancouver – tax credits

Live action production with bonification (VFX, Green screen or animation)

Case 2

Production services tax credits analysis example

	Montréal	Toronto	Vancouver
Cost of contract	\$1,000,000	\$1,000,000	\$1,000,000
Labour included in the contract	\$650,000	\$650,000	\$650,000
Labour related to VFX/Animation	\$650,000	\$650,000	\$650,000
Provincial tax credit	(\$234,000)	(\$256,750)	(\$286,000)
Federal tax credit	(\$66,560)	(\$62,920)	(\$58,240)
Total tax credit	\$300,560	\$319,670	\$344,240
Effective total tax credit rate	30.06%	31.97%	34.42%

Case 2 is only used by **animation studios** when they settle in **Greater Montréal**

An easy access to highly advantageous Incentives

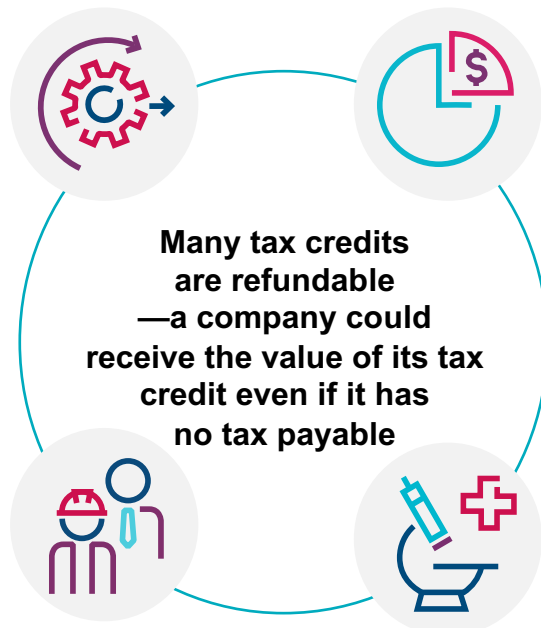
Major projects and innovations

Grants and interest-free loans
such as **ESSOR** and **Canada Economic Development** Programs

Labour development

Grants such as:

- **25% of costs** to implement training programs
- **50% of costs** to create a HR department



Sector tax credits

Such as:

- **Up to 37.5%** for multimedia production
- **Up to 36%** for film coproduction
- **Up to 35%** for dubbing

Research and development

- **Up to 30%** tax credit on R&D

04

Montréal International's Personalized, Free and Confidential Services



Montréal international, a single point of access to a series of personalized, free and confidential services



**Long-term
strategic support**



**Economic data
and communication
services**



**Government
relations facilitation**



**Incentive programs
assistance**



**Foreign workers
immigration
assistance**



**International
recruiting missions**



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