

Greater Montréal's Booming VFX Industry

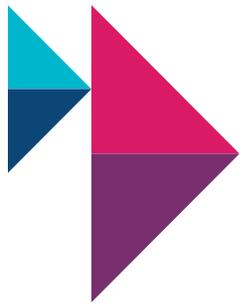


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Content



01

A Leading Edge
Ecosystem

02

A Very Creative
Workforce

03

Attractive Operating Costs
and Incentives

04

Montréal International's
Personalized, Free and
Confidential Services

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: *1917*, 2020 Oscar winner for best visual effects; *Blade Runner 2049*, 2018 Oscar winner for best visual effects; *X-Men Apocalypse*; *Arrival*; *Star Wars – The Force Awakens*; *Game of Thrones*



A very specialized workforce

- Nearly 6,000 2D/3D animation and VFX specialists in the audiovisual sector
- Nearly 17,000 university students in IT related programs and close to 2,300 in arts and cinema
- Close to 3,500 college students in arts and cinema related programs



Competitive costs & tailored made incentives

- 29% cost advantage compared to the average of the 20 largest metropolitan areas in Canada and the U.S. for IT
- Competitive employee salaries paired with an affordable cost of living
- Up to 43% tax incentives for film production services

01

A Leading Edge Ecosystem





Blade Runner 2049 © 2017 Alcon Entertainment, LLC., Warner Bros. Entertainment Inc. and Columbia Pictures Industries, Inc. All rights reserved

Montréal's VFX industry

Key metrics



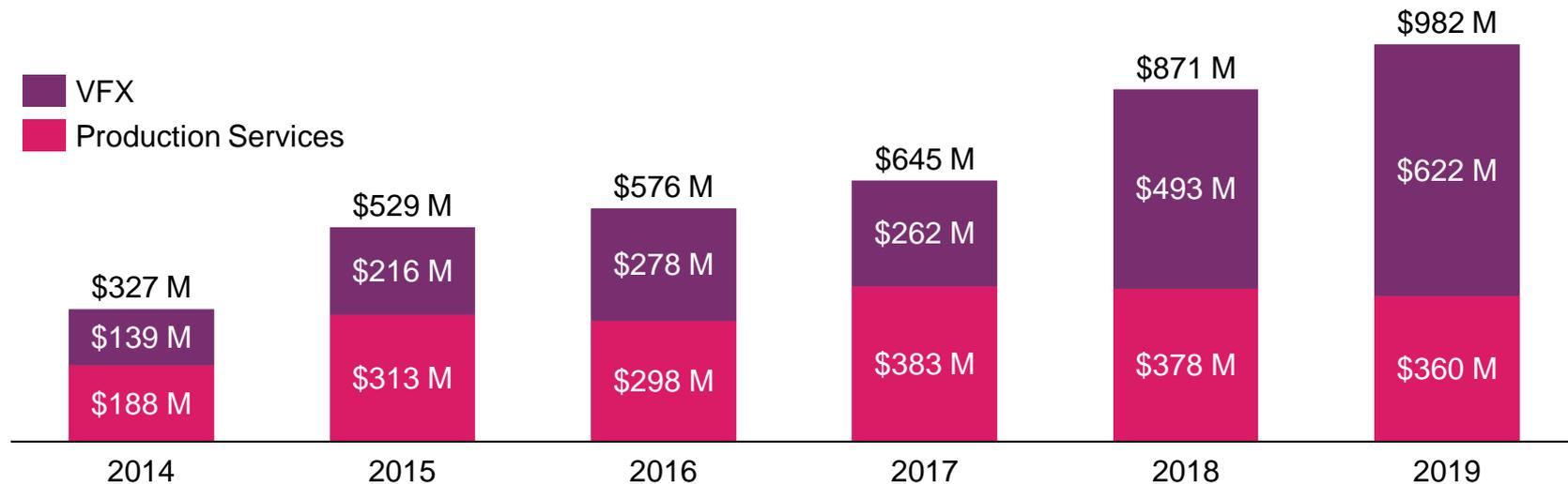
1st city

in Canada and a world leader
in VFX & animation

- Nearly **6,000 2D/3D animation and VFX specialists**
- **35 animation and VFX studios** in Montréal
- More than **225 projects** done in Québec in 2019
- **Global success of VFX made in Montréal:**
 - *1917*
2020 Oscar winner for best visual effects
 - *Blade Runner 2049*,
2018 Oscar winner for best visual effects
 - *X-Men: Apocalypse*
 - *Arrival*
 - *Star Wars - The Force Awakens*
 - *Game of Thrones*
- **Winner of the Gaming and Visual Effects Specialism Award**
from the *Financial Times' fDi Strategy Awards 2019*

Production volume in Québec has seen phenomenal growth in the last few years

Québec industry turnover:
Production services and VFX from 2014 to 2019 (CA\$)



The VFX services turnover almost quintupled from 2014 to 2019, going from \$139M to \$622M

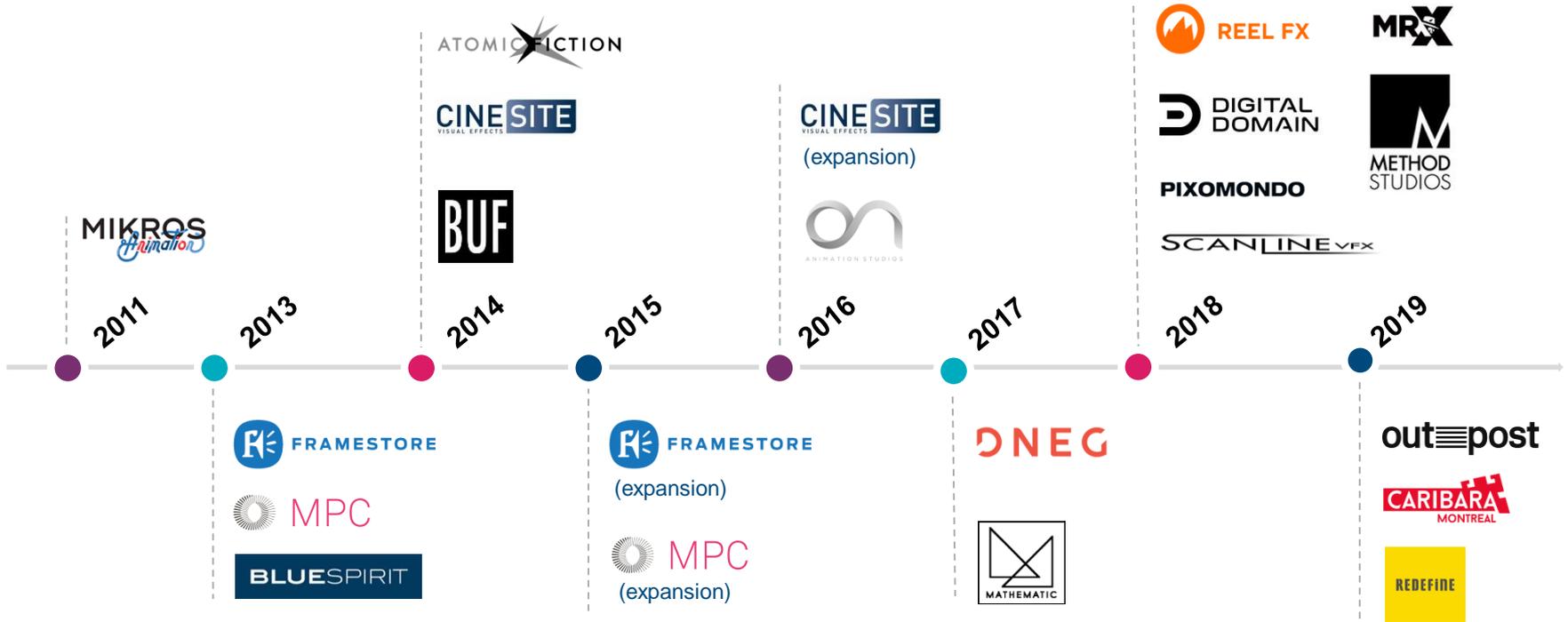
Birth and growth of the VFX industry in Montréal

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



Montréal's industry has experienced **phenomenal growth** in recent years, through both the expansion and setting up of international subsidiaries. Especially in 2018 and 2019, a total of **9 new VFX and animation studios** decided to settle in Montréal

Examples of Montréal-based companies

R O D E O
Visual Effects Company

Rodeo FX: full-service, award-winning visual effects studio



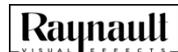
Felix & Paul: Emmy Award-winning immersive entertainment studio, creating VR, AR and mixed experiences

MELS

Mels: Canada's largest provider of services to the film and television industry with 18 purpose built stages, visual effects, video and audio post-production, etc



Digital Dimension: animation studio specialized in creating and delivering content from the very start of designs to storyboards to animatics through full 3D production & animation



Raynault FX: VFX services such as CG environments, Concept Art, Compositing, Digital Matte Painting, FX, VFX, CG Crowd, CG Asset Creation

L'ATELIER
ANIMATION

L'Atelier Animation: studio specialized in series and feature-length 3D animation



Folks VFX: high-end visual effects studios offering full spectrum of VFX services for films and TV Series

**MOMENT
FACTORY**

Moment Factory: multimedia entertainment studio specializing in the conception and production of immersive environments combining video, lighting, architecture, sound and special effects

SQUEEZE

Squeeze Studio Animation: 3D animation services for creators and producers of animated films, TV series, commercials and video games (cinematics, trailers, in-game scripted scenes)

**REALBY
FAKE**

Real by Fake: cinematic production company offering an integrated workflow of digital invisible VFX and post-production worldwide services for films and series

Montréal is reinventing VFX, thanks to its expertise in AI and gaming

Examples of tech tool developers based in Montréal



A leading software development company specialized in 3D design software and technology. HQ of Autodesk's media & entertainment division is based in Montréal



Widely-used real-time 3D development platform. Montréal office is at the core of Unity's animation systems and emerging AI technology



Advanced real-time 3D creation platform for photoreal visuals and immersive experiences created by Epic Games and used in real-time in-camera VFX for next-gen filmmaking



2D animation & storyboarding software for creatives and professionals

Greater Montréal is among the world leaders in AI and in the top five largest video game development hubs in the world



1st

concentration of deep learning researchers in the world
Close to 19,000 AI workers

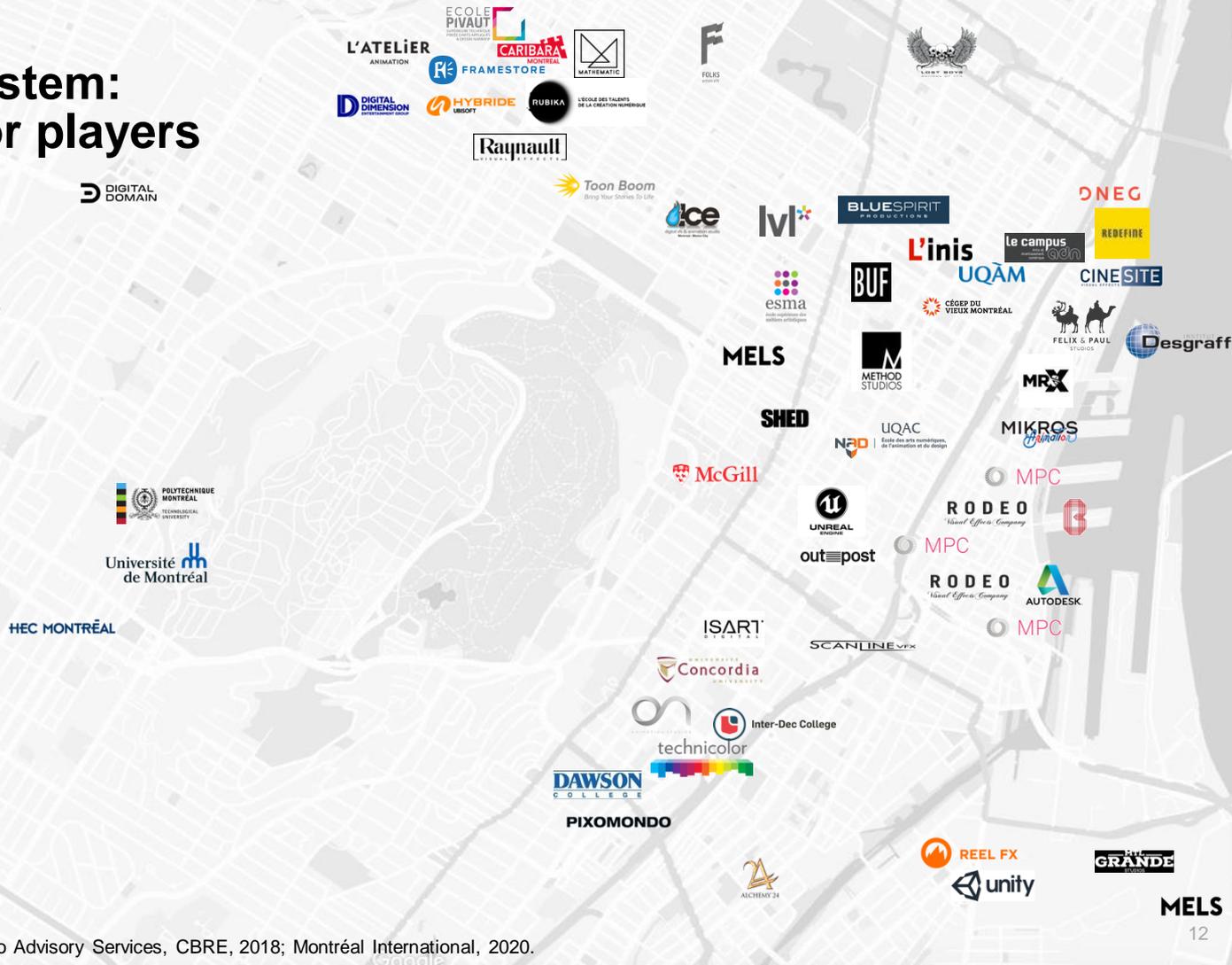


Top 5

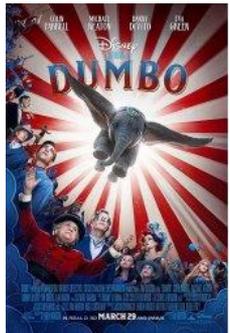
video game development hub in the world
140+ studios, 15,000 workers

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.



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:
Mikros
Year: 2020



Animation Studio:
Reel FX
Year: 2020



Animation Studio:
Cinesite
Year: 2019



Animation Studio:
Digital Dimension
Year: 2018





A collaborative VFX ecosystem



Organization contributing to the development of Québec'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)



Initiative of the Québec Ministry of Education and Higher Education to support the growth and training of cutting-edge expertise in the digital creation sector and to create better synergy between the various players

Montréal welcomes three major events focused on the VFX and multimedia industry



May and October

Montreal Digital Spring is an international event showcasing the digital arts sector and Montréal's creativity



June

Effects Montréal is the biggest international conference for the VFX & animation industries on the North American East Coast



November

HUB Montréal is an international business accelerator event for creative industries in the entertainment, cultural and experiential marketing sectors



Montréal Digital Spring

02

A Very Creative Workforce



Montréal, where creativity and technical expertise meet

Greater Montréal counts
23,000 2D/3D experts:

6,000

**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.



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 2018-2019	Students graduates in 2017
Animation 2D/3D and Game Design	1,008	403
Visual Arts	1,145	278
Graphic Arts	1,219	259
Total	3,372	940

Technical college programs related to film production	Students enrolled in 2018-2019
Film Production	77
Sound and Audio Studies	22
Total	99

Greater Montréal boasts **close to 3,500 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 more than

2,300 university students in arts and cinema related programs

As well as close to

17,000 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 2018-2019	University graduates in 2018
Cinema	1,390	318
Fine Arts	923	157
Plastic Arts	566	150
Graphic Arts	710	118
Arts (pluridisciplinary)	135	46
Total	2,334	471

University programs related to IT	Students enrolled in 2018-2019	University graduates in 2018
Computer Sciences	9,381	1,719
Electric and Electronic Engineering	3,374	759
Computer Engineering and Computer Science	2,193	460
Mathematics	1,427	286
Applied Mathematics	132	31
Probabilities and Statistics	195	42
Total	16,703	3,297

Multiple international mobility programs to attract the best international talents

Immigration programs	1 - Obtain a LMIA* and CAQ**	Processing time***	2 – Work permit application	Processing time***
Intra-company transfer	These procedures are not applicable in this case	.	Have worked at least one year for the company before the transfer, be an executive or have specialized and proprietary knowledge	0 to 2 weeks****
CUSMA	These procedures are not applicable in this case	.	Belong to one of the 60 professions recognized under CUSMA	0 to 2 weeks****
International Experience Canada	These procedures are not applicable in this case	.	Be 18 to 35 years old (may vary according to the country of citizenship) and coming from one of the 35 countries and territories having signed an agreement with Canada. 3 categories according to country agreements: Working Holiday, Young Professionals and International Co-op Internship	Up to 8 weeks
Global Talent Stream	Exemption from the obligation to make efforts to hire and recruit locally. 12 professions are on the list of professions eligible for this program	Approx. 2 weeks	Submit the application to the visa office outside Canada or to Canada customs if the applicant is exempt from the entry visa requirements	0 to 2 weeks
Québec Simplified Process	Process offered exclusively to businesses in Quebec. Exemption from the requirement to demonstrate that efforts to hire locally were unsuccessful. More than 200 professions are on the list of professions eligible for simplified processing	Approx. 12 weeks	Submit the application to the visa office outside Canada or to Canada customs if the applicant is exempt from the entry visa requirements	Canadian Visa Office (BVC) timelines
Regular process	Demonstrate that reasonable efforts have been made to hire locally	Approx. 15 weeks	Submit the application to the visa office outside Canada or to Canada customs if the applicant is exempt from the entry visa requirements	Canadian Visa Office (BVC) timelines

*LMIA: Labour Market Impact Assessment

**CAQ: Québec Acceptance Certificate

***Pre-COVID-19 deadlines. During the pandemic, with some exceptions, work permit applications must be submitted online to the visa office abroad and it is impossible to assess processing times

****Priority processing within 14 days (in 80% of cases) only for a qualified position at level 0 or A according to the National Occupational Classification

“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, Pixomodo

“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



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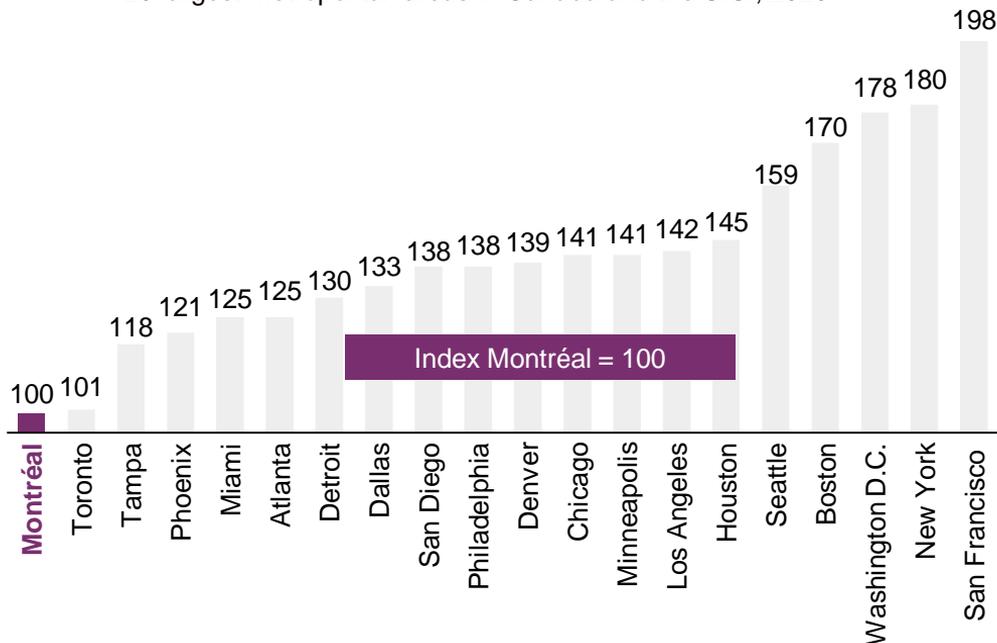
Attractive Operating Costs and Incentives



Operating a business costs less in Greater Montréal than in any other major metropolitan area in Canada and the U.S.

Operating costs index for software development

20 largest metropolitan areas in Canada and the U.S., 2020



29% cost advantage

compared to the average 20 largest metropolitan areas in Canada and the U.S.

Competitive salaries

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

	Montréal**	Vancouver	Los Angeles
Animator 3D	\$54,838	\$57,515	\$91,805
Composer	\$31,508	\$33,946	\$42,845
VFX Producer***	\$68,802	\$111,803	\$76,621
Illustrator	\$42,953	\$45,316	\$68,607
Art Director	\$71,035	\$73,992	\$129,503
3D Motion Designer	\$52,022	\$54,633	\$83,485
UX Designer	\$53,846	\$56,573	\$83,478
VFX Supervisor***	\$111,087	-	\$192,008

*Base salaries based on 5 years of experience.

**Before tax credit.

Currency exchange based on the monthly average of March 2020: US\$1.00 = CA\$1.3953; US\$ = 0.87€; US\$ = 0.76£.

Computer systems design and related services (NAICS 541510)

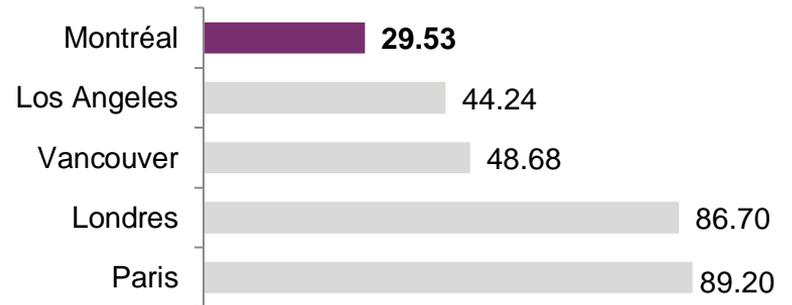
Source: Economic Research Institute Inc., April 2020, ***Glassdoor, 2020.



Affordable office rent

Office spaces are available at highly competitive rates compared to almost all other large cities in North America and Western Europe.

Average asking rent CBD
(all classes - USD/sq.ft/yr)



Average asking rent (all classes) in downtown Montréal is US\$ 29.53 and US\$ 44.81/sq.ft/yr for a Class-A office building.

Note : Exchange rate: 1.00 \$ US = 1.3087 \$ CA.
Source: Cushman & Wakefield Office, Office Snapshot, 2019.

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).



- 20% of qualified expenditures (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 spending, no caps.



- 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%

* Assumption that 100% of the labour is related to VFX/Animation.
Source: Raymond Chabot Grant Thornton, 2019.

Case 1 - Producer is incorporated in Québec and claims the tax credit:

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 – Producer is not incorporated in Québec so the tax credit is claimed by the VFX/animation studio

* Assumption that 100% of the labour is related to VFX/Animation.
Source: Raymond Chabot Grant Thornton, 2019.

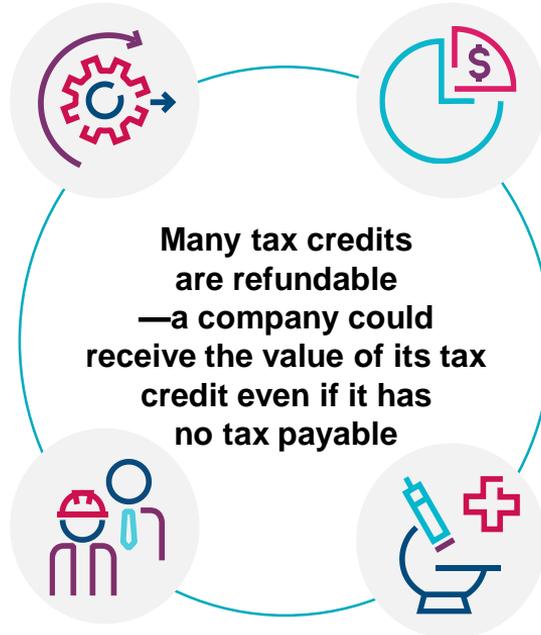
An easy access to highly advantageous Incentives

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 32% of eligible labor costs** and an effective rate of 16% of total eligible production costs for co-production

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 solutions**



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