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Will 'Ender's Game' Rescue the Struggling Visual Effects Industry?

MOVIES | By **Brent Lang** on October 29, 2013 @ 8:25 am

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Digital Domain is making a risky bet on the screen adventure that could lead to big profits

In "Ender's Game," the upcoming adaptation of Orson Scott Card's futuristic novel, the fate of the world rests on the shoulders of one teenage boy, and potentially the future of the visual effects industry, as well.

The big-budget film is being closely scrutinized, because "Ender's Game" marks one of the visual effects industry's most ambitious attempts to shake up a business model that has been hit hard by globalization and the vagaries of tax incentives. Digital Domain, the company responsible for crafting the futuristic world of "Ender's Game," is co-producing the film with OddLot Entertainment and Summit Entertainment.

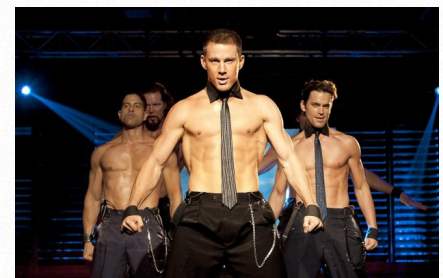
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"Ender's Game" hits theaters on Nov. 1, and with a \$100 million production budget, it represents a high-stakes gamble that Card's series of adventure books can become a young adult franchise to rival "The Hunger Games." If it pays off, Digital Domain hopes that it

will help the company diversify its business, at a time when many visual effects companies have closed up shop.

"It's a necessity," Digital Domain's Matthew Butler, the visual effects supervisor for the film, told

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TheWrap. “What used to be a niche market, where not many people had a particular skill, so you could be well-compensated, has changed. Now everybody and their grandmother is doing visual effects. And the onus now is on doing things cheaply. That makes the margins smaller, so the only way to make decent money is by taking risks and hopefully sharing in the rewards.”

Digital Domain isn't alone in exchanging upfront fees for a chance at future profits. Last summer, **TheWrap broke the news** that Prime Focus had come on board as an investor in “Sin City 2,” offering cash and effects work in a deal valued between \$16 million to \$19 million. Likewise, the boutique firm, Look FX, has also begun exploring co-production opportunities.

In the past, visual effects companies like Rhythm & Hues, have been co-producers on films like 2010's “Yogi Bear” with varying degrees of success.

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There's greater urgency now. In recent years, the viability of visual effects companies, particularly those operating in California, has been challenged. Asylum Visual Effects, Illusion Effects and CafeFX are among the half-dozen effects companies that have shut their doors. Others, including Rhythm & Hues and Digital Domain, have been forced into Chapter 11.

The culprit has been a mixture of lucrative foreign tax incentives that have lured business to places like London and Vancouver that boast post-production credits — something California has so far declined to match. It doesn't help that too many firms are competing for too little work, which leads them to underbid each other, often at the expense of their profit margins.

“Co-production offers an opportunity for a company to control its own destiny,” Eric Roth, executive director of the professional organization, the Visual Effects Society, said. “There are only a couple of dozen shops that are big enough and talented enough to become a player in co-production, but I imagine that all of them are having conversations about this or are at least looking closely at ‘Ender's Game’ to see how it works out.”

Digital Domain declined to offer specifics about its financial participation in the film, but in **an April 2012 call** with analysts, the company's former CEO John Textor said that Digital Domain had a 37.5 percent interest in the film, along with sequel and some gaming rights. To break even, he said the movie would have to gross more than \$80 million domestically.

In response, a spokeswoman for the company said, “Digital Domain will not endorse the speculative statements made by previous management 16 months ago.”

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Whatever its break even point may be, Digital Domain's involvement dates back to 2011, before it fell victim to the visual effects industry's financial challenges. At the time, the company's then-management was looking for opportunities to share in the financial rewards of the hit films it worked on, but had yet to find the right project. For its part, OddLot was faced with the daunting task of independently financing a costly science-fiction epic and needed to find equity partners.

“They knew the property and they loved the property,” Bill Lischak, co-president of OddLot, said. “They wanted something where they could have an ownership stake and invest, so our interests were aligned.”

The company's collaboration entailed a financial commitment in addition to the effects work. Unlike most effects projects, Digital Domain's participation started nearly from the beginning of the process, when the company was charged with creating a sizzle reel for OddLot to take to the 2011 Cannes film festival in order to drum up foreign pre-sales. The 50-second sequence of Ender, the film's protagonist, making his way through a zero gravity training room was sufficiently impressive that “Ender's Game” nearly sold out its foreign territories.

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There were other advantages besides fundraising. The company was so intimately involved that Lischak says they even shared office space with director Gavin Hood and other members of the film team. By coming on early, Butler says he and the 430 Digital Domain employees who worked on the film were able to keep costs down, while still delivering 941 visual effects shots.

“By making things more efficient, we got to put more content on the screen,” Butler said. “We didn't squander money or time frivolously.”

For his part, Lischak said that Digital Domain was able to keep its effect work on schedule despite

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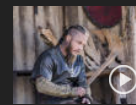
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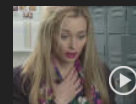
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the fact that during a significant chunk of the 27 months production, the company was in bankruptcy protections and underwent multiple changes in ownership.

"It was terrifying on some level, but the management involved always kept the talent calm and never missed a payroll," he said. "I have to hand it to them, they were always incredibly supportive of the film and always made it clear how important their investment was to them."

Digital Domain was ultimately acquired by the Hong Kong conglomerate Sun Innovation which paid \$50 million earlier this year for a controlling stake. The new ownership admits that "Ender's Game" was a major motivation for its purchase.

"We looked into many visual effects companies and Digital Domain was the most attractive, not just because of its legacy of 20 years of work, it was 'Ender's Game,'" Daniel Seah, chief executive of Digital Domain, said. "It was a fresh, new and beautiful movie."

Seah says that Digital Domain is well-capitalized thanks to its new parent company, and is determined to develop new revenue streams.

"There will be other co-productions going forward," Seah said. "We're having talks with different parties."

"We are all hoping ['Ender's Game'] goes well so we can start working on sequels," he added.

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