

<http://www.variety.com/article/VR1118011613.html?categoryid=3820&cs=1>

Posted: Thurs., Nov. 19, 2009, 2:46pm PT

Ryan Kavanaugh's balancing act

Producer/mogul takes on film, finance, fashion

By DIANE GARRETT

Ryan Kavanaugh never expected to go into the movie business, let alone become a producer whose films have generated more than a billion dollars at the box office. His rapid ascent in showbiz began after his most humbling setback: the failure of his investment fund after the stock market drop earlier this decade. As a favor, he began advising cash-hungry producers on ways to secure Wall Street coin; by 2003 he was in business as a showbiz financier, operating out of a modest office on Beverly Boulevard. Soon, he was co-financing studio lineups, but he didn't stop at that: He expanded into hands-on producing a few years ago and has continued to branch out into new areas at a rapid clip.

Relativity Media now provides slate financing for two majors; operates Rogue Pictures, a genre film label purchased from Universal earlier this year; and fully funds a growing lineup of pics developed inhouse. In April, Relativity inked a movie distribution deal with Lionsgate, which previously released "3:10 to Yuma" and "The Bank Job" for the company.

And that's just on the film side: Relativity also has a TV and music arm, and a social-media website is in the early launch phase. An apparel partnership is also in the works; last month he secured an additional \$300 million in revolving credit.

Kavanaugh, who sees opportunities everywhere, is on the hunt for more assets -- no time like a down market to buy! -- and more investments to make. His goal, quite simply, is to build Relativity into a large media company.

"What we do is build content and structures around content that help make the media business more profitable," he says, sitting in the same office in which he started the company six years ago.

Kavanaugh almost bought MGM a few months ago and is on the prowl for libraries and ways to improve digital distribution and video-on-demand services.

"All of it drives the other, one building on the next," Kavanaugh says. "That's why I do it."

The 34-year-old entrepreneur would be the first to admit he benefited from being in the right place at the right time: He had access to Wall Street money at a time when other Hollywood funding had dried up.

But business partners point out that he's taken advantages of opportunities and continued to grow where others have faded away.

"I don't remember the last time a person has come along who believes in the business and has the knowledge and resources Ryan has," says Universal prexy- chief operating officer Ron Meyer, who presented Kavanaugh with a producing kudo at the Hollywood Film Fest last month. "He's really changed the game."

U has done several slate deals with Relativity; last year, the company inked a deal to co-finance 75% of the studio's movies through 2015. Relativity bought Rogue from the studio in January for a reported \$150 million; Kavanaugh is in the process of repositioning the genre label as a lifestyle brand.

"His success is no accident, and he knows exactly what he's doing," Meyer adds.

Yet naysayers have persistently suggested that his finances aren't what they're cracked up to be. The gossip exasperates his backers, who vouch for his business acumen and tremendous ability to focus when needed.

"He emerged when there was money to be had on Wall Street, and he was able to get two sides together," says Sony president of digital production-COO Bob Osher, who negotiated the studio's slate deals with Kavanaugh. "It isn't that he has done anything new -- it's that he's been able to bridge gaps."

And, Osher adds, he makes the process fun. "There's a little bit of showman in Ryan -- it would be hard to deny that."

Kavanaugh, generally a sunny person, says the negative gossip is the one thing about showbiz he doesn't like. He speculates why he might be a target -- the failed investment fund, drunk-driving incidents and tendency to play as hard as he works -- but maintains he's proved himself as a serious businessman in the past six years. "I get more and more thick-skinned," Kavanaugh says. "But it's hard for me. I think, 'What is it that I've done?' "

Nor does it help that these anonymous doubting Thomases never "sit with me and tell me to my face," Kavanaugh says. Maybe if they did, Kavanaugh could better understand their insinuations.

Producer Charles Roven says a better way to gauge Kavanaugh's business savvy is to look at the number of people who do repeat deals with him. "He's a very smart, ambitious businessman," observes the producer, who has a six-picture deal with Relativity. "If he weren't delivering, you wouldn't have people coming back."

Indeed, producer Mark Canton, one of the investors in Kavanaugh's hedge fund, was one of the first to introduce him to various Hollywood players. The former Sony studio chief is now producing Relativity's biggest-budget production yet, the \$110 million "War of Gods," and is also developing "Tunnels" and "Den of Thieves." "We're going to do as many projects as possible with him," says Canton.

The biggest question surrounding Kavanaugh is how much he can do. Will he overextend himself?

Ask anyone about it -- Kavanaugh included -- and the person will take

a deep breath before answering. "Honestly, I don't know what his capacity is," Roven says.

Kavanaugh, Roven points out, has the strong backing of Elliott Management: The New York hedge fund invested in Kavanaugh's Gun Hill Road hedge fund three years ago and has since become a large shareholder in Relativity.

As for Kavanaugh's considerable drive? "I don't think he'll run out of energy," Osher says. "He's incredibly enthusiastic."

Kavanaugh says he's always careful to take a day off whenever work starts to get to him. "Because I like what I do, my social life and business life and personal life all intermingle," he says. "Also, I have a great team -- that's how I get it all done."

The company's single-picture business -- which Kavanaugh now prefers to refer to as fully financed films -- is especially near and dear to his heart. He personally cuts all the trailers and has spent years convincing the creative community about the merits of his business model: In exchange for a greater role in the creative process, the talent pool gets a percentage of each particular film's ownership.

James Cameron, Steven Soderbergh and "Brothers" helmer Jim Sheridan are among the filmmakers who have signed on to make movies with Relativity. According to Kavanaugh, Relativity has a movie coming out pretty much every month from now to almost the end of next year in that part of his business, which production prexy Tucker Tooley oversees.

Budgets are capped at \$100 million with the exception of "War of Gods," a story of war-torn ancient Greece. (It's being made by the same producing team behind the greenscreen hit "300.")

"This is the type of movie we hope every teenage boy goes back to see five times," Kavanaugh says as to why he went beyond his restriction.

Growing up, Kavanaugh was no film nerd, but he did watch videos by the score, racking up late fee charges as high as \$2,000. "My favorite thing about movies is they allow you to escape from everyday life," he says.

But in making movies, he never loses sight of his responsibility to investors. "That's the thing," Kavanaugh says. "I have to balance art and profit, at all times."