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Assumptions and Financial Analysis for *TCG World: A Tale of Two Lands*

The attached analysis was prepared by 848 Washington Media LLC. It shows the estimated results for the film project, *TCG World: A Tale of Two Lands* (the "Film"). The projections assume that the Film will be distributed through all media in the US through an independent distribution company or "mini-major" and sold in international territories for upfront minimum guarantees by a foreign sales agent. It was assumed that the Film would cost $150 million to produce.

Under the Split-rights scenario, the film is assumed to be financed through a loan collateralized by presales and tax credits with the remainder funded through equity.

The assumptions used in the analysis are based on a database of the results of comparable films and 848's proprietary software model that is used to estimate revenue and cost through all media, based on the expected box office performance. All of the relationships between the different revenue and cost windows are predicated upon the budget level, genre and the worldwide distribution process. The revenue and cost figures presented are assumed to be earned through the film's "first cycle" of 7-10 years. Thereafter, the film still has value as a catalog title, but to be conservative, this library value has not been factored into the analysis.

1. <u>US Box Office</u> – The US Box Office to Production Cost ratio (the "Index") is widely used to estimate a film project's box office. Using data from films released between 2017 and 2022, box office projections for the film were established. An analysis of comparable films with an estimated production cost of $100 - $195 million was conducted. This dataset was not limited by genre but consisted primarily of action films' additionally, *Jumanji: Welcome to the Jungle* was included despite having a production budget of $90 million. The dataset of 66 titles was divided into three categories (terciles) of 22 titles each, sorted by domestic box office performance. For each tercile, the Index was calculated. The bottom third had an Index of 0.40x, the middle third 0.94x and the top third 2.30x.

2. The US Box Office in the Base Case was projected by multiplying the derived Index for the second tercile of the dataset of 0.94x by the assumed production cost of $150mm to arrive at an estimated US box office of $141mm. The US Box Office in the Upside Case is assumed to be $345mm which is projected using the Index for the top 33% of the films in the dataset of 2.30x. The US Box Office in the Low Case is assumed to be $60mm which is projected using the Index for the bottom 33% of the films in the dataset of 0.40x.

3. Theatrical Revenue - Theatrical Revenue is calculated as the box office multiplied by the retention rate. It is the percentage of ticket sales retained by the US distributor and is based on the rates normally earned for comparable titles. The US retention rate is estimated at 50-52%.

4. Prints & Advertising ("P&A") – P&A, or Prints and Advertising, is the industry term for theatrical releasing costs, which as the name suggests represents amounts spent on the prints and trailers run in movie theaters, as well as the advertising on various media platforms. The bulk of the P&A is assumed to be spent on creative advertising (e.g., trailers, posters, websites, TV ads and billboards), hard media costs (the expense of buying time on television, social media sites, print campaigns and the radio) and publicity and promotions (e.g., having stars speak to the press in various forums).

5. Non-theatrical Revenue – This is the distributor's share of the expected revenue from airlines and screenings at non-theatrical settings such as universities, prisons, oil rigs, military bases and cruise ships.

6. Home Video – Home video revenue reflects the distributor's wholesale price in the "sell through" of physical discs and digital downloads, as well as digital rentals also known as transactional video-on-demand (TVOD). It also includes the distributor's share of consumer rental revenue of physical discs from retailers such as Redbox. The ratio of US Home Video revenue to US Box Office is based on the actual performance of comparable titles, as well as the expected performance of similar titles released currently as estimated by a proprietary software model. Home video costs include a certain level of fixed costs (e.g., package artwork, mastering, DVD authoring) and variable costs such as manufacturing, shipping and packaging.

7. TV, SVOD, and AVOD – This revenue reflects the estimated amount of revenue earned from three separate windows: Pay TV/SVOD: sale to a subscription pay channel or streamer (HBO, Netflix and Starz in the US - about 12 months after release); Free TV/SVOD: initial sale to a cable station or streamer in the US (USA, TNT, Hulu, TBS, FX - about 24 months after release); and Syndication/AVOD (sales to individual TV stations throughout the US) or a re-sale to cable, advertisement based streamer or pay TV thereafter.

8. Distribution Fees – The distribution fees are assumed to be 15% of US revenue.

9. Residuals and Misc. Costs – The residuals are amounts that are due to the people involved in the Film's production based on collective bargaining agreements. They are a percentage of US video royalties and TV revenue and/or the streaming license price. Misc. costs include MPAA dues and certain television costs.

10. US Overages - From 100% of its "at source" gross receipts collected, the US distributor is assumed to deduct distribution fees, its theatrical and video releasing expenses and other miscellaneous costs.

11. Distributor Share of US Overages – The production company is assumed to retain 100% of the film's US overages.

12. International MGs – Int'l minimum guarantees ("MG's) for films with comparable production budgets range from 45% in the Low Case to 67% in the Upside Case as a proportion of the production budget.

13. International Overages – Similar to the US, sub-distributors in each sales agency territory recoups its fees, costs and the MG paid and pays the remaining receipts as overages. The performance levels in the analysis produce overages only in the Upside case.

14. Int'l Sales Agent Fees and Costs – It is assumed that a foreign sales agent charges a 5% fee on all MGs and overages. In addition, the projections assume marketing, collection account fees and withholding taxes total 1.0% of international MGs and overages.

15. Int'l Residuals - The projections assume that international residuals equal 9% of int'l MGs and overages.

16. Tax Credit – Tax incentives are projected to equal $22.5 million (15% of the production cost). This amount is typically used as collateral for a loan to finance the Film's production cost, as mentioned above.

The profit waterfall assumes that available cash flow first goes to repay the tax credit and presales loans. Next, equity investors recoup the equity investment, up to 120%. Thereafter, profits are split 50% to the equity investors and 50% to producers and talent.

Focus Advisory Services is not legally guaranteeing the specific results of any transaction or film. The variables included in the financial analyses represent average results for a variety of films and are not necessarily an indicator of actual results for future films. The projections reflect various assumptions concerning anticipated results, which assumptions may be incomplete or inaccurate and may be affected by the occurrence of unanticipated events and circumstances. Consequently, actual results achieved may vary materially and adversely from those projected.