MSFT Cinema Ventures

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1. Assumptions and Data

Microsoft

Assumptions and Data

Assumptions:

- Microsoft will pursue a budget of at least $30 million
- Microsoft is interested in maximizing profit the company's possible movie business as a standalone entity

Box Office Mojo

Rotten Tomatoes

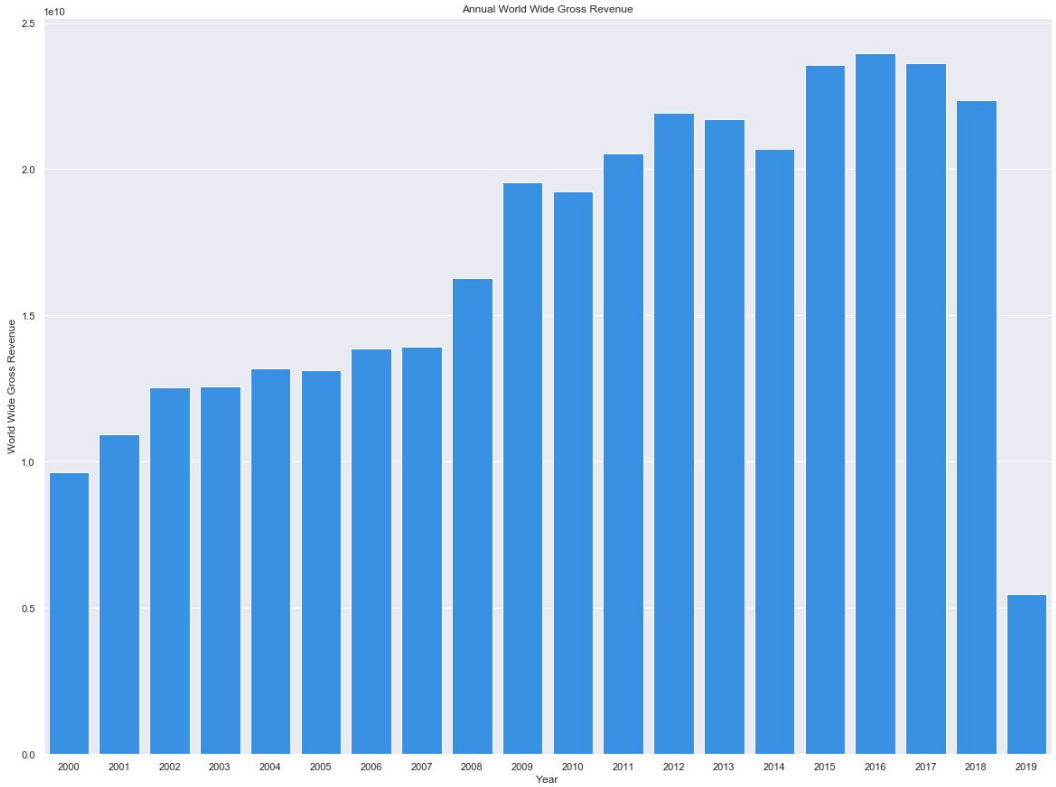
The Numbers

2. Insights and Recommendations

What are our findings?

Microsoft

The Opportunity



Gross Revenue is in $10 billions

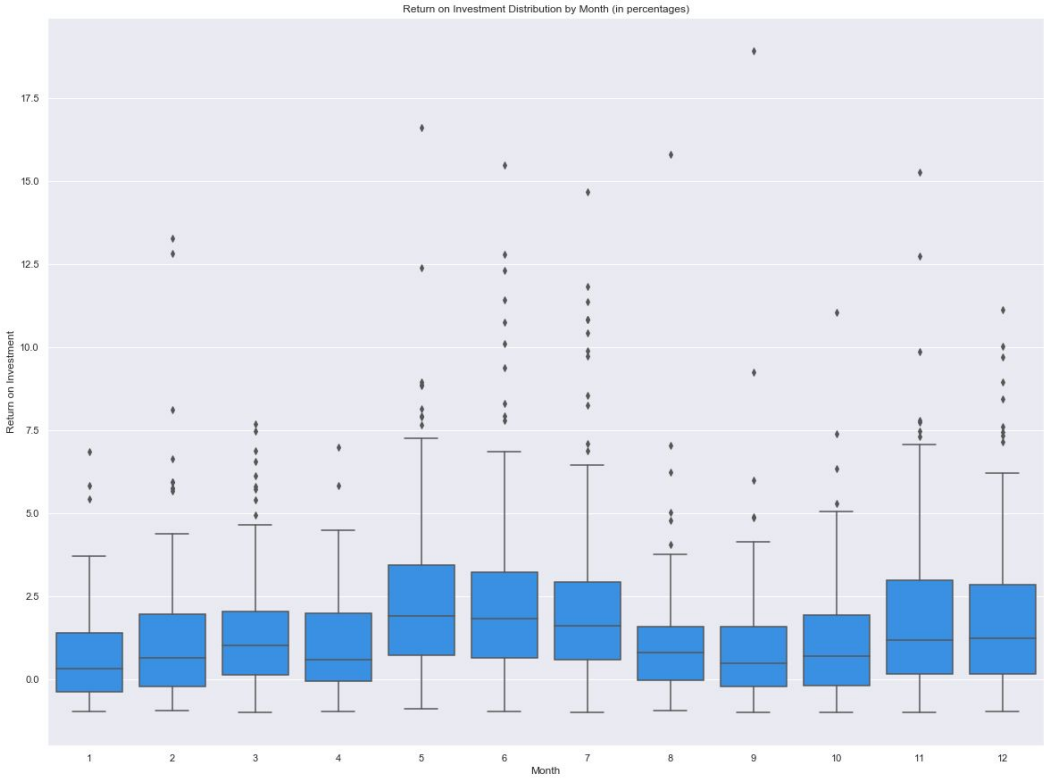
Annual global revenue has a compound annual growth rate of 4.8% between 2000 and 2018.

Notes:

- Data is not complete for 2019
- Removed movie projects with budgets below $30 million

Microsoft

Seasonality



Return on investment is in percentages (ie 2 = 200% or 2x investment)

Graph depicts the seasonal nature of return on investment in the movie business

Insights/Recommendations

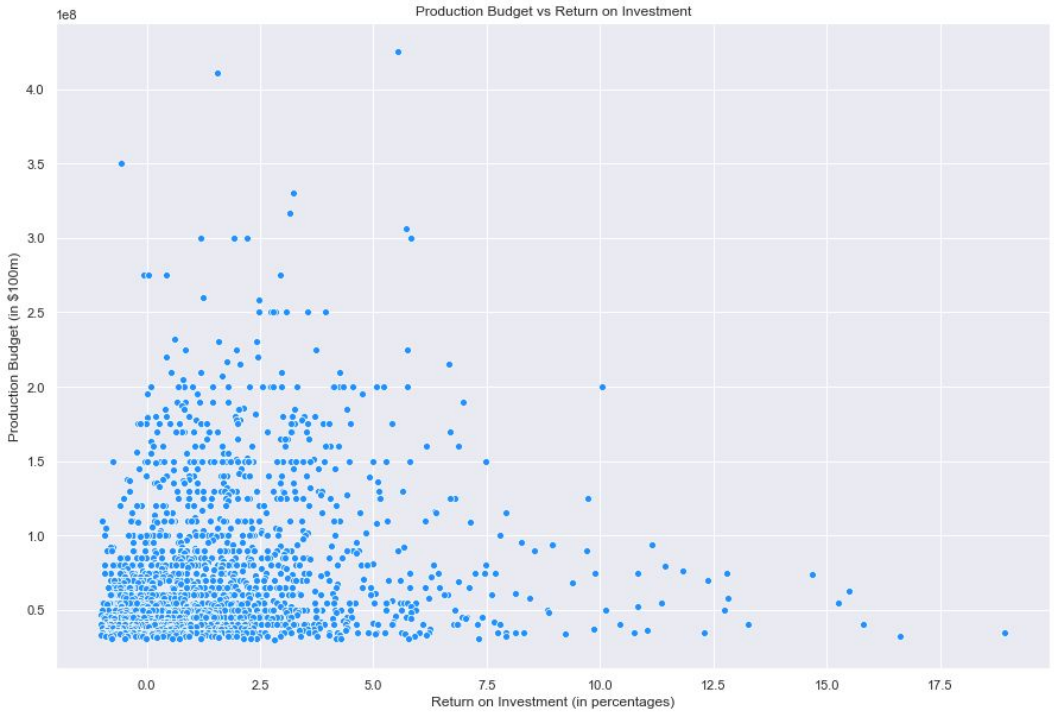
- The second and fourth quarter appear to have the highest median return on investments
- The first quarter is not an optimal time to release a movie historically

Notes:

- Removed outliers to include 95% of the data
- Assumed MSFT will pursue project with budget above $30 million

Microsoft

Is There an Optimal Budget?



Production Budget in $100 millions
Return on investment is in percentages (ie 2 = 200% or 2x investment)

Graph depicts the relationship between the project budget and return on investment (ROI).

Insights/Recommendations

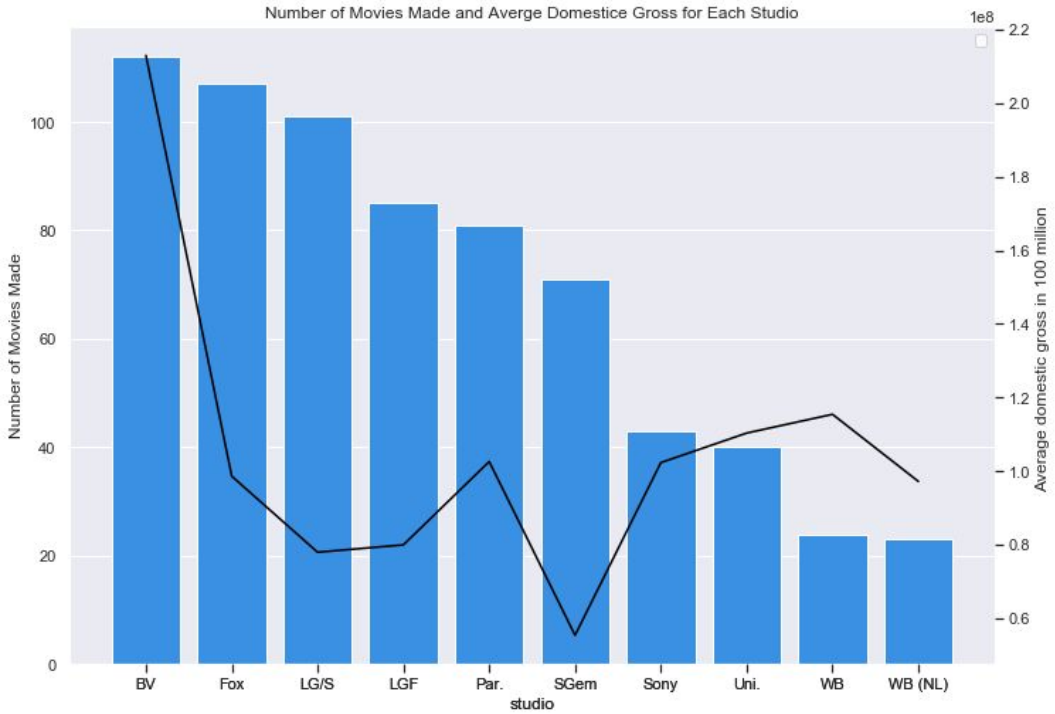
- There does not appear to be a discernible relationship between production budget and ROI
- The correlation between the two variables is 0.12. Slightly positive yet too small to draw any conclusions

Notes:

- Removed outliers to include 95% of the data (Two standard deviations from the median)
- Assumed MSFT will pursue project with budget above $30 million

Microsoft

Studio Performance



Bars = Numbers of movies made
Line graph = Average domestic gross
Average domestic gross is to the power of 8
(ie 1 = 100,000,000

Graph depicts the relationship between the amount of movies a studio makes and there their average gross per movie.

Insights/Recommendations

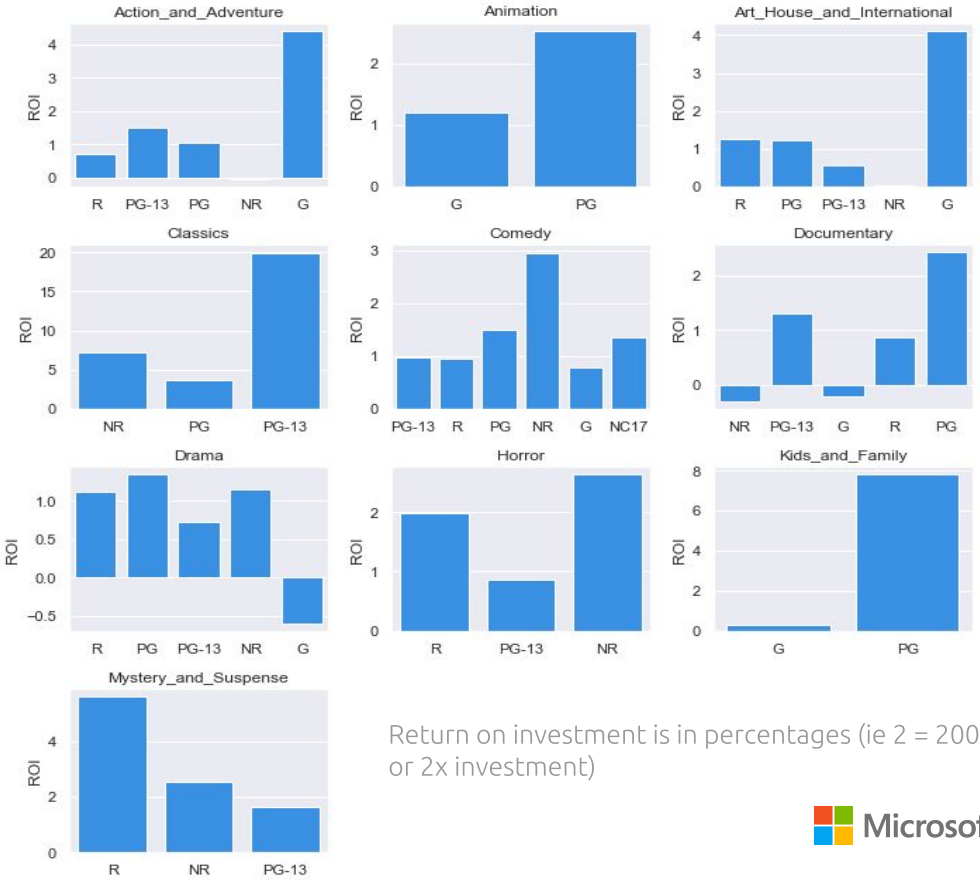
- Despite the highest indexing studio number of movies made is not a depiction of studio performance
- Central limit theorem implies the more movies a studio makes the more likely their average gross will approach the mean average (~100 million)

Notes:

- Data was cut off to only show the top 10 companies based on number of movies made
- Assumed MSFT will opt to contract their movies to a studio with an established brand

Microsoft

ROI per Movie Rating in Each Genre



Return on investment is in percentages (ie 2 = 200% or 2x investment)

Microsoft

Graph depicts the relationship of the movies rating and return of investment for each movie genre

Insights/Recommendations

- Movie genres typically have a targeted audience for optimal revenue
- The comedy genre had the highest number of movies present while PG-13 had the highest average ROI

Notes:

- Data was calculated using median ROI to compensate for outliers
- Movies were reduced to only one genre category to avoid permutation of data

3. Further Analysis Required

We list a few topics which should be explored.

Further Analysis Required

ROI per Producer/Director

Producers and Directors control the purse strings, which ones are most efficient

Predictive Analysis

Determine factors that lead to success using more advanced data science techniques

Competitive Analysis

Assess the film industry strategy of Amazon, Apple and Netflix using SWAT analysis

ROI per Actor

Which actors provide the best return on investment

Franchises

Should Microsoft pursue a big budget Halo movie franchise. Assess franchise ROI .

Stock Price Impact

How did the market react when Amazon announced it was to produce movies?

Thanks!

Does anyone have any questions?