

Microsoft Film Studios...

The future for Microsoft in Film



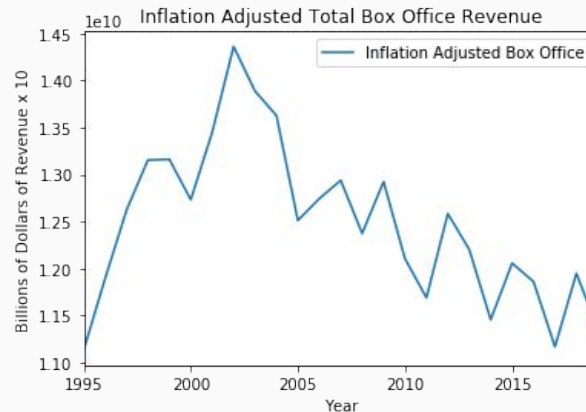
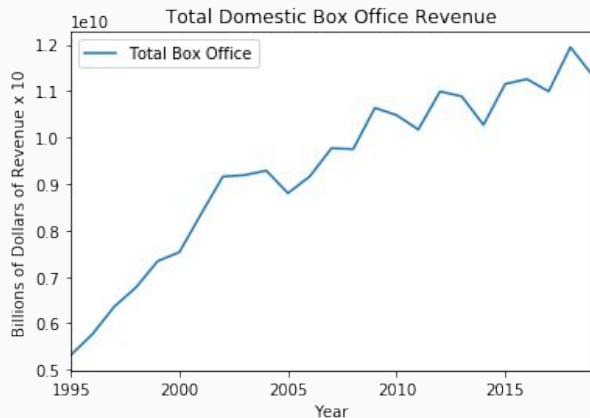
Key Questions about the film industry:

1. Where should Microsoft enter the film market?
2. At what financial level should Microsoft enter the market?
3. What kind of films should Microsoft make?

Current State of the Movie Industry

A cursory look at box office totals paints a picture of an industry on the rise.

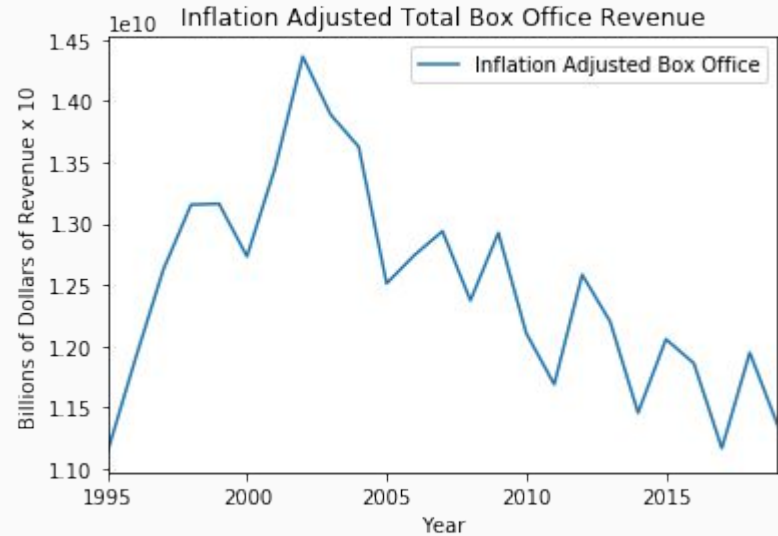
However, looking at inflation adjusted box office paints a less rosy picture.



Key Question #1:

Where should Microsoft enter the film market?

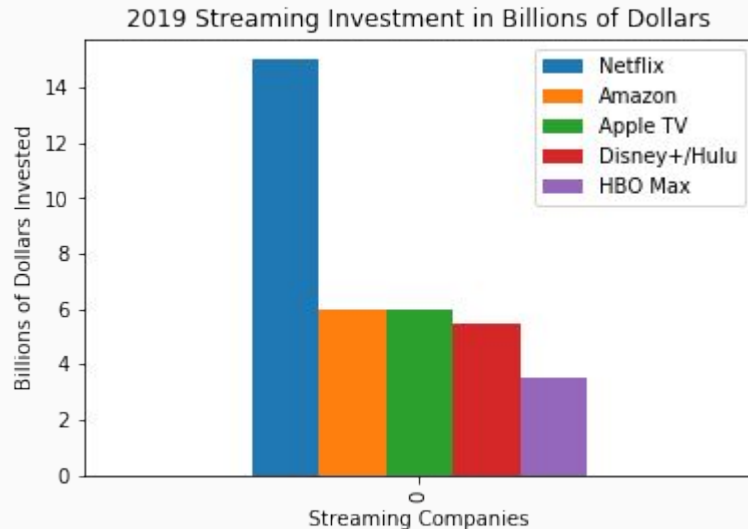
- Seeing the steady decline in box office revenue is certainly a red flag
- The top 5 studios now make over $\frac{2}{3}$ of all box office revenue (the-numbers.com)
- This would be a costly and uncertain area of the market for Microsoft to make a first entry into film



What's the alternative?

Because traditional domestic box office is on the decline, what else is there?

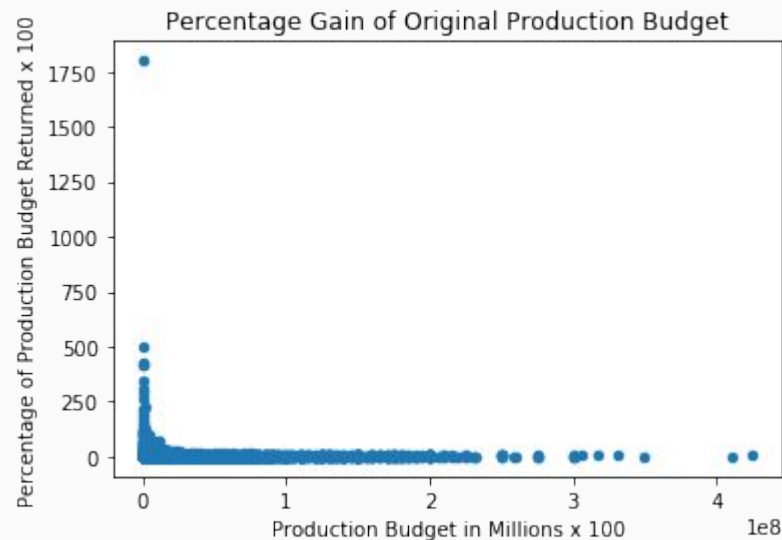
Streaming!



- Netflix, Amazon, Apple and Disney (Hulu included) have been spending big in this arena.
- Streaming allows content to be delivered to customers all over the world as well as localized for specific audiences
- Microsoft is well positioned to enter this space with the already existing xbox store and millions of windows PC's around the world

Key Question #2:
At what financial level should Microsoft enter the market?

- Film budgets vary drastically \$8,000 - \$450,000,000
- Highest production budgets do not seem to correlate with higher **percentage gain**
- It's difficult to decide on investment when looking at the whole field of possible investment
- Let's zoom in on a better range of budgets that are more realistic for Microsoft



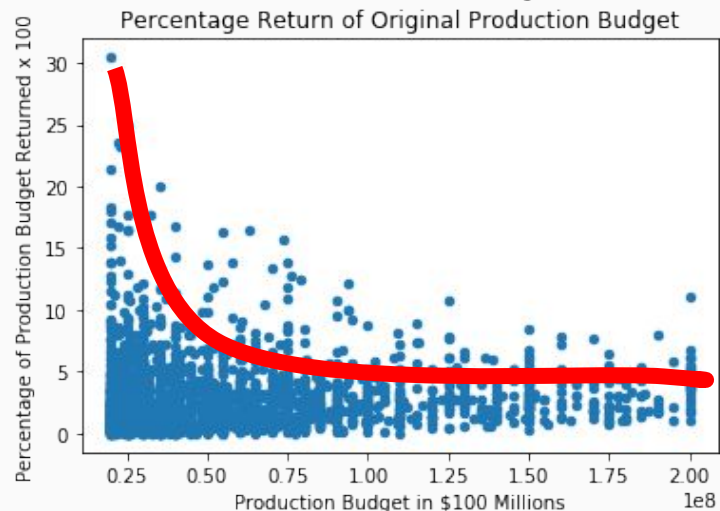
Is more investment
in production
budget
worthwhile?

Does bigger risk

=

bigger reward?

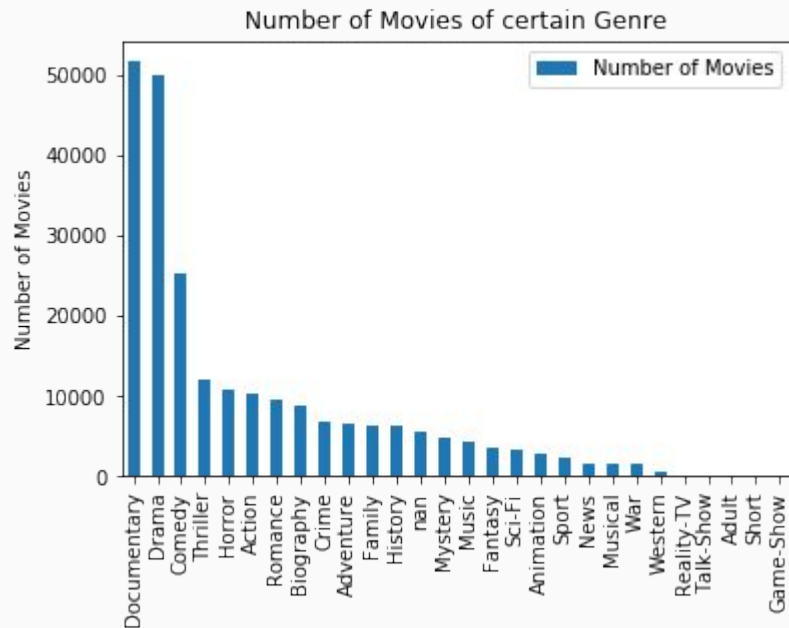
Not really...



- Zooming in on production budgets from \$20 - \$200 million
- The curve seems to actually disincentivize investment after \$50 million
- Cheaper movies will allow Microsoft to make more content as well as expand content to different places worldwide.

Key Question #3: What genre of features should Microsoft make in \$20-\$50 million range?

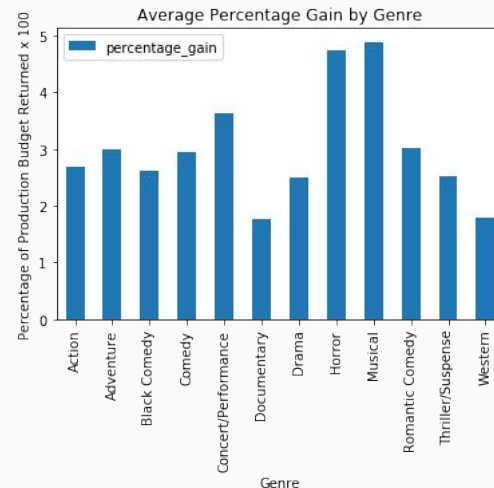
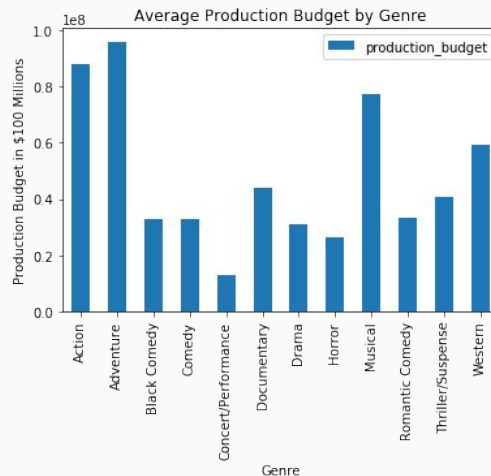
- Documentaries are the most common movie genre
- Drama is a close second, but Drama is a broad category
- While it's nice to know what is made the most, what we want is to know what makes the most money...



Short Answer: Horror

What genres make the most money?

...with the least investment



- Horror movies have the second highest percentage gain and the second lowest average budget
- Concert/Performance have the third highest percentage gain and by far the least production budget
- Comedy and Romantic Comedy round out the top 3 being tied for 4th highest percentage gain and 3rd lowest average budget

Conclusion

1. Microsoft should focus on the streaming and international market
2. Microsoft should focus on pictures between \$20-50 million to produce
3. Microsoft should initially create features in the Horror, Concert/Performance and Comedy genres



Thanks!

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Data Sources:

The-Numbers.com
Observer.com
IMDB.com

