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# The Mid-Budget Film Renaissance

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# Business Context

We have been hired by a PE that's interested in expanding into the film production space. Our task is to assess historical movie and box office data to identify opportunities for entry into this industry.

## Guiding Questions:

1. What studios perform best at the box office?
  2. Does seasonality affect box office success?
  3. What characteristics do successful studios embody?
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# Data

Incorporated IMDB, BoxofficeMojo, The Numbers databases to work from 2 larger dataframes

## IMDB Data:

- Genres
- Persons
- Average Rating
- Titles

## Financial Data (2011 – 2018):

- Titles
  - Box Office Revenue
  - Production Costs
  - Release Date
  - Studio
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# Industry Context and Key Assumptions

- Box office revenue is split between the production company and distributor (theater). In general, movie studios can expect to receive **40% - 60%** of box office revenue
- When releasing a film, studios incur additional costs like **print, advertising, and marketing** expenses that aren't included in the reported production budget
- Movies based on known IP require licensing fees or even acquisitions of studios (Disney acquired both Marvel Studios and LucasFilm for **~\$4 Billion each**)

## Marketing Budget Examples

- 10 **Mortal Engines - \$120 Million**
- 9 **Avengers: Endgame - \$200 Million**
- 8 **Mulan (2020) - \$100 Million**
- 7 **Top Gun: Maverick - \$125 Million**
- 6 **The Chronicles Of Narnia: Prince Caspian - \$175 Million**
- 5 **Avatar: The Way Of Water - \$200 Million**
- 4 **Battleship - \$100 Million**
- 3 **Joker - \$120 Million**
- 2 **Black Adam - \$80 Million**
- 1 **The Mummy (2017) - \$150 Million**

ENTERTAINMENT / TV SHOWS / FILM

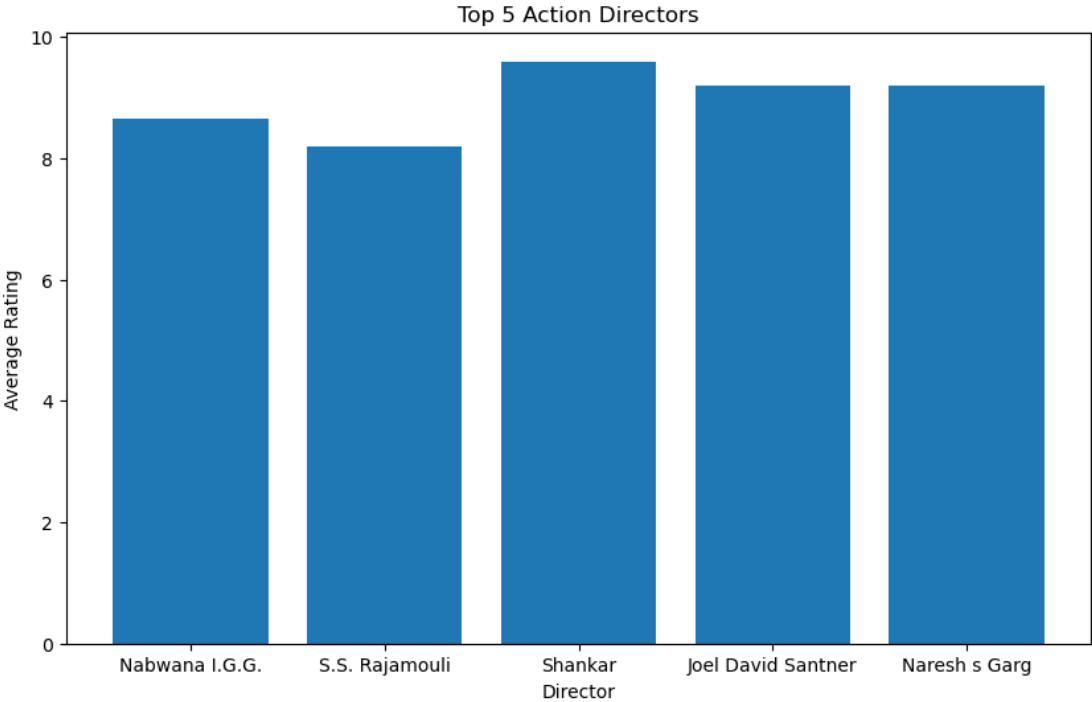
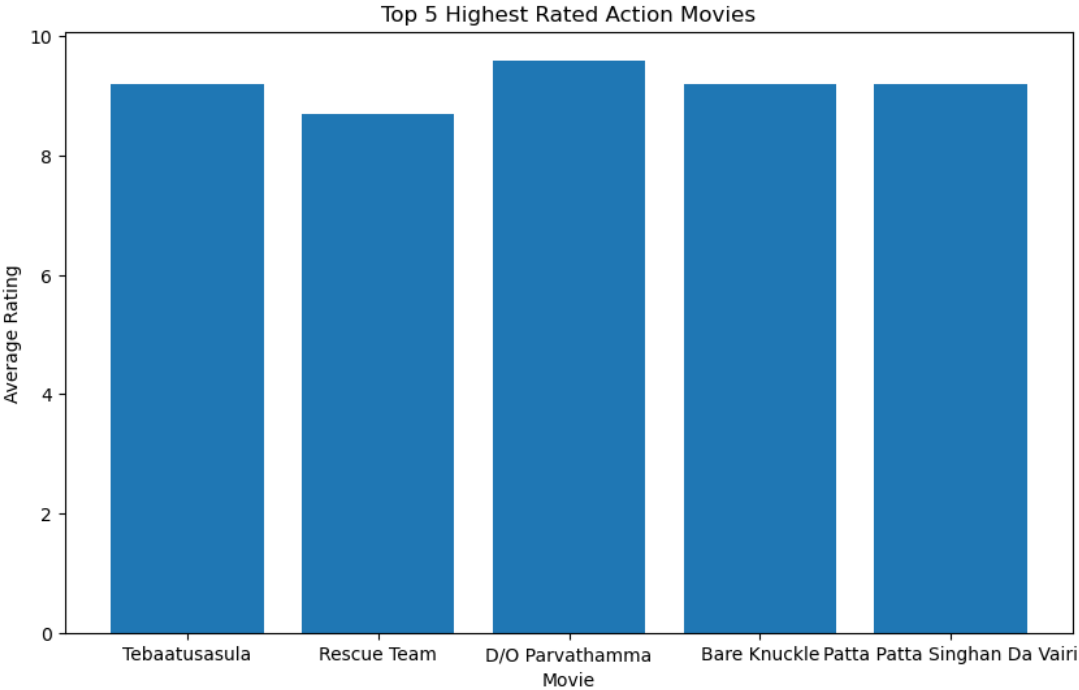
### NBCUniversal gets exclusive TV rights to Harry Potter films until 2025

WSJ reports that the deal could be worth as much as \$250 million; NBCU told WSJ it's the largest movie acquisition in the company's history. The terms of the deal will take effect in July 2018.

to the growth. “Movies” in total outperformed the market in 2015, growing by 9.4 percent. With the early release of Star Wars toys on Force Friday, Star Wars managed to become the number-one property for the year, with over \$700 million in sales. It also brought in more sales and contributed more growth than Jurassic World, Minions, and Avengers combined.

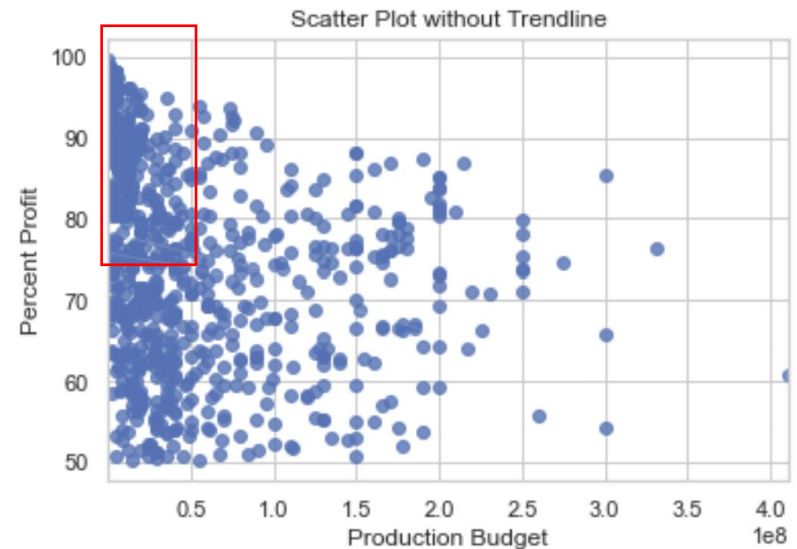
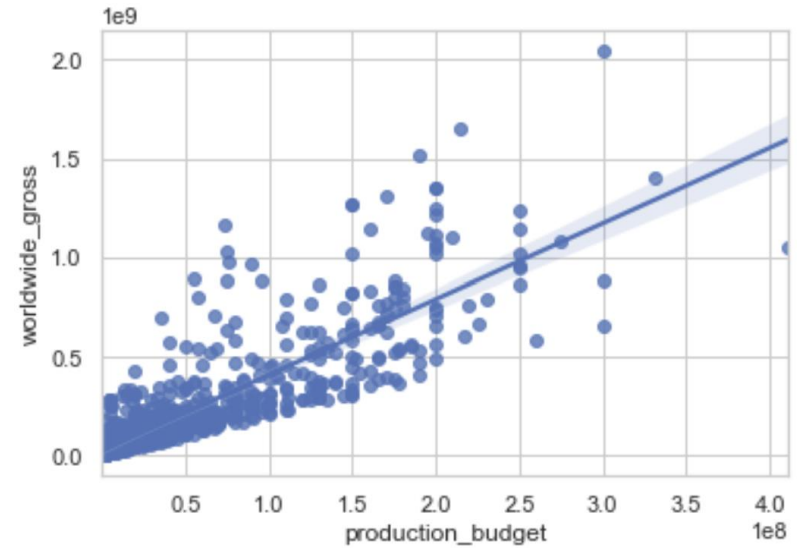
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# Top 5 Rated Movies and Directors by Genre (Action)

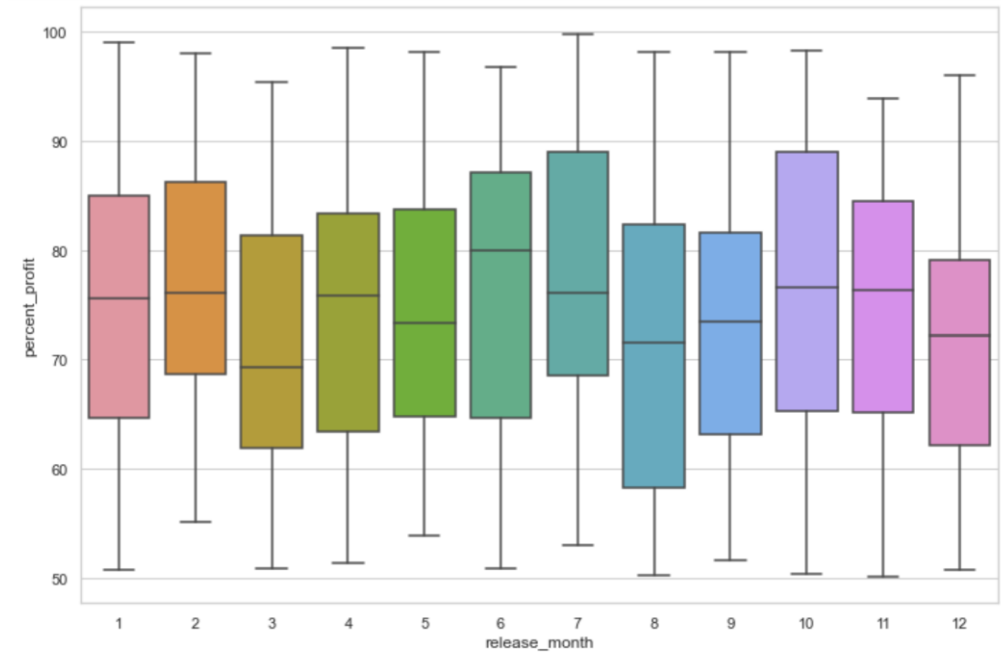
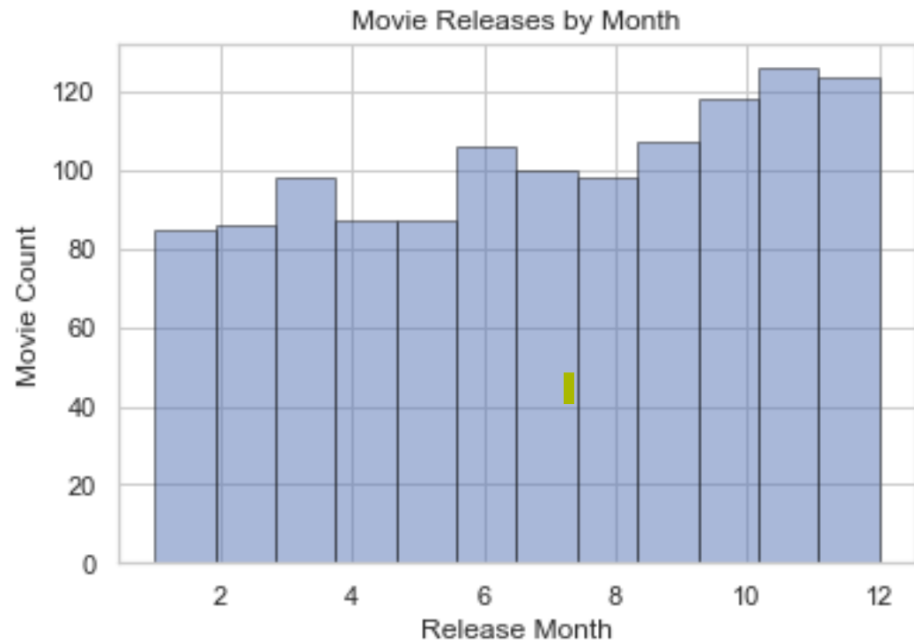


# Production Budget Trends

While there seems to be a clear positive correlation between production budget and worldwide gross, there is no clear relationship (if not slightly negative) between production budget and profitability



# Quantity and Performance by Month



While the number of movies released increases from August to the end of the year, profitability is generally highest in June and July and noticeably high in October

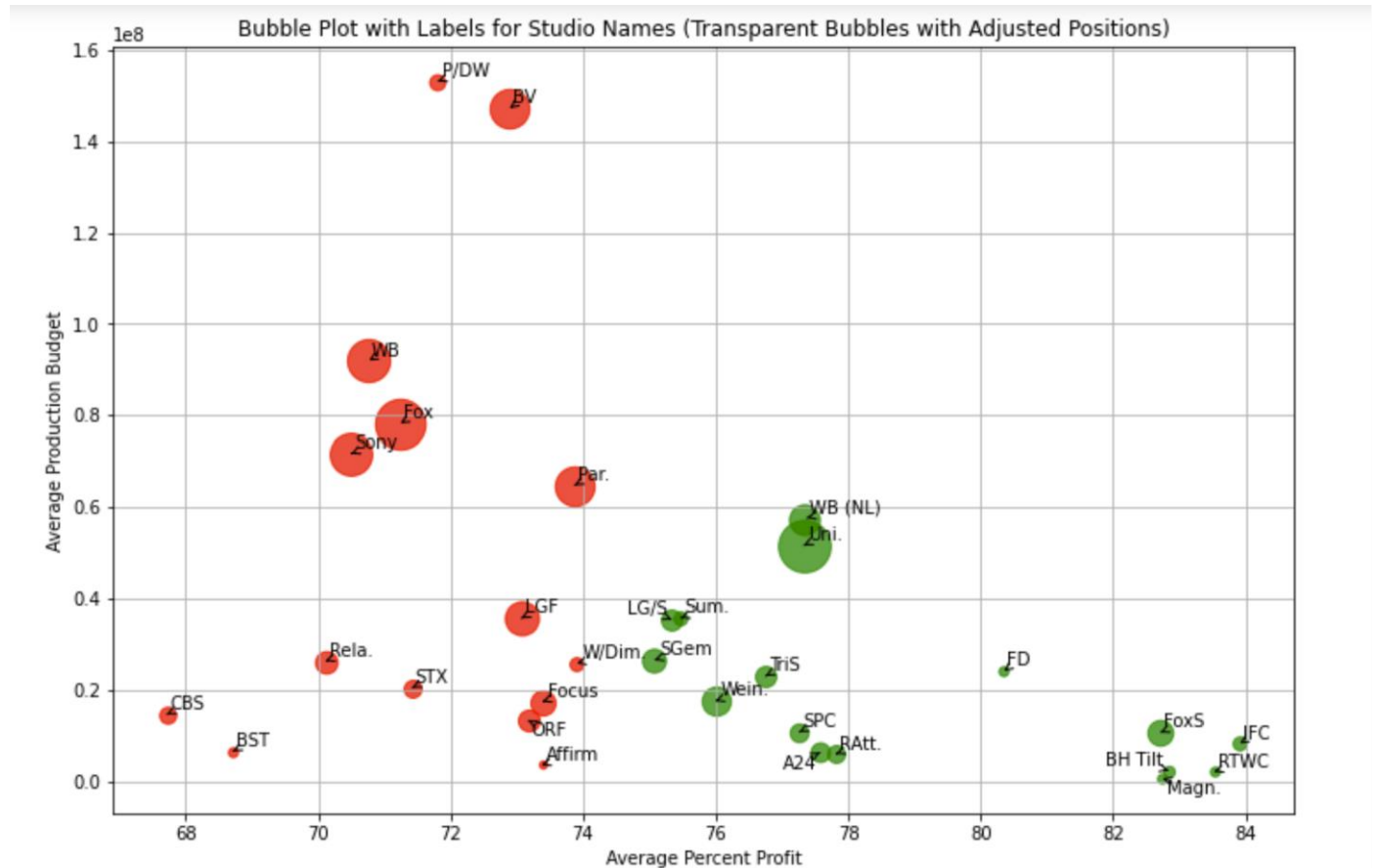


# Highly Profitable Studios

Green bubbles indicate studios that released movies with an average percent profit greater than 75%.

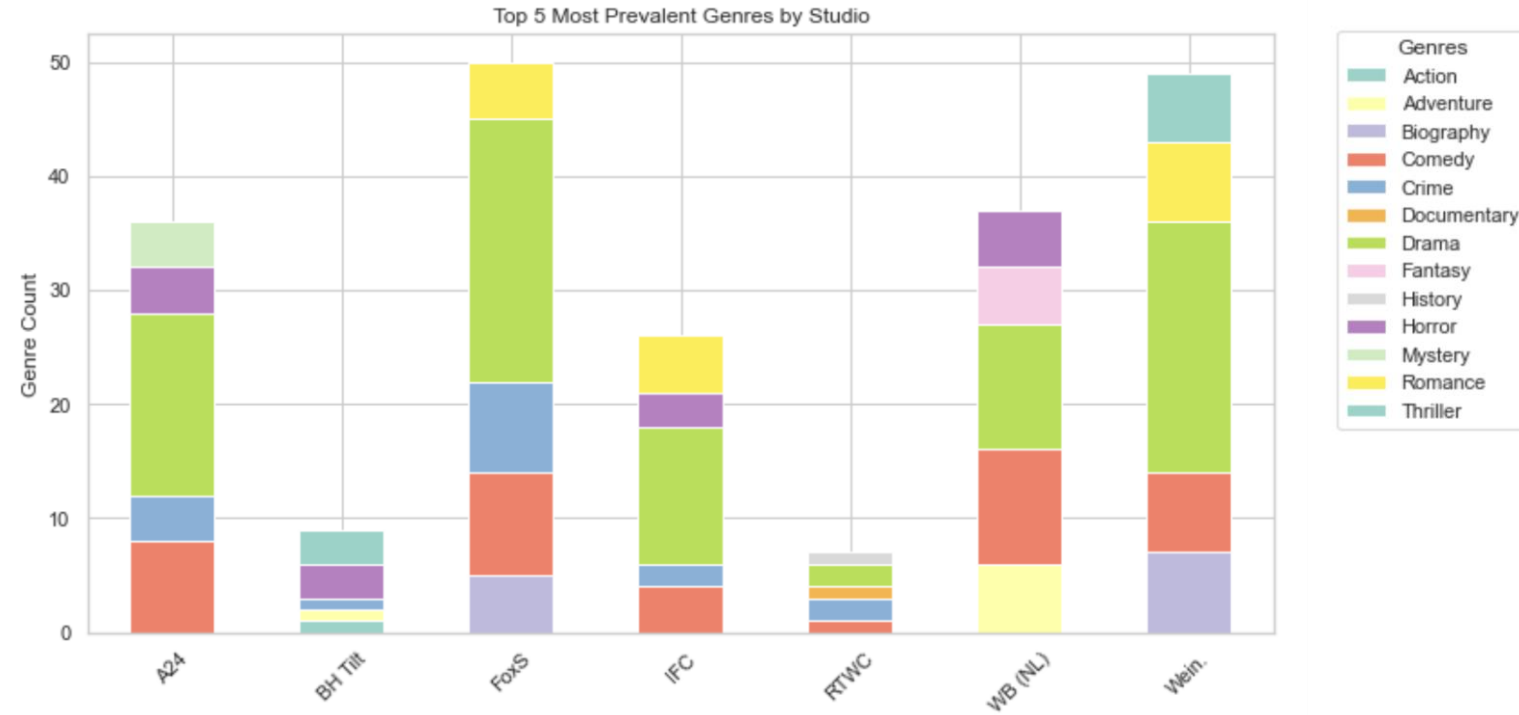
The average production budgets for these releases were no more than \$60MM (New Line Cinema)

Studios of interest: IFC, Radius/TWC, Blumhouse, Fox Searchlight, New Line Cinema, Universal, A24



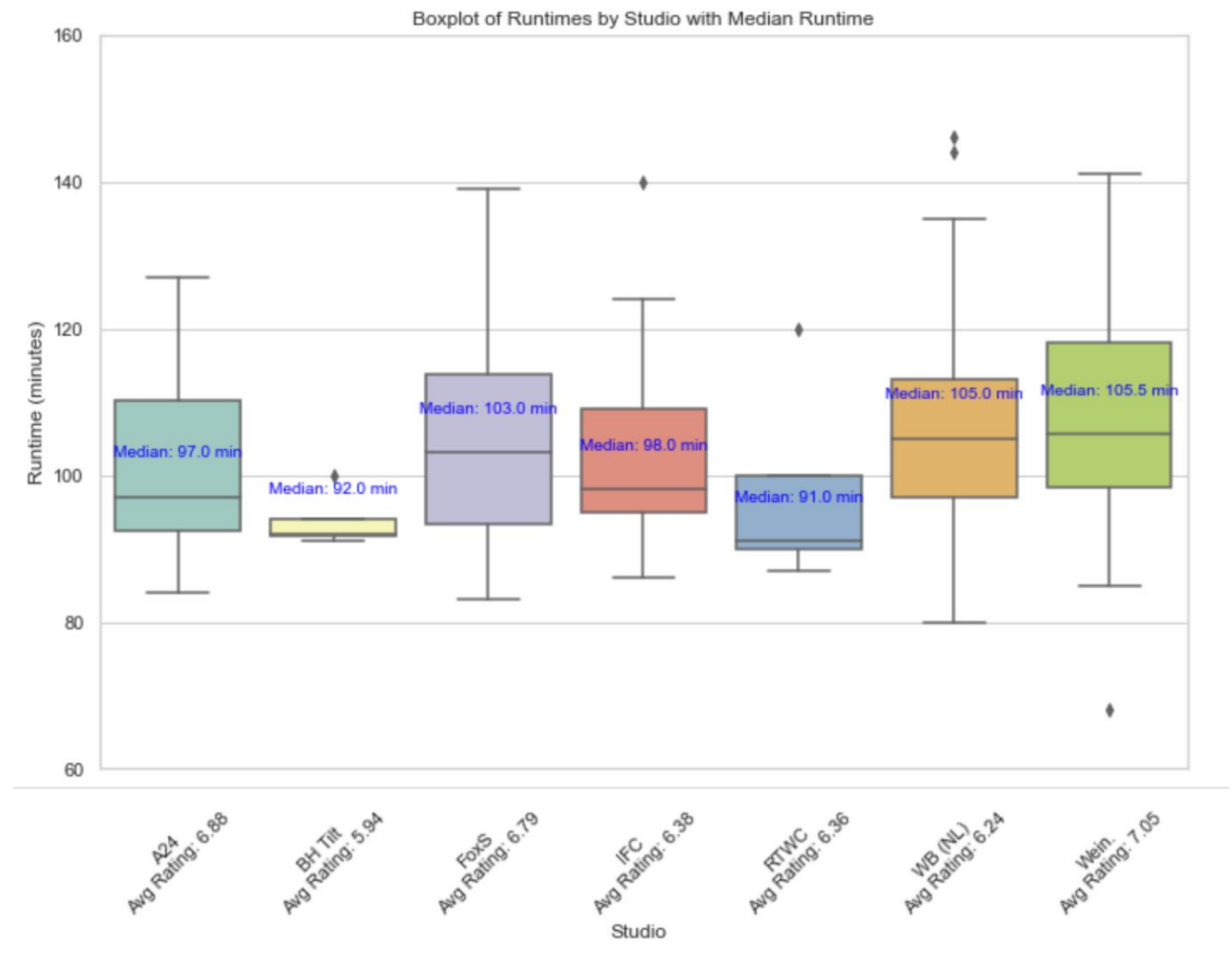
# Genre Blueprints of Model Studios

- The most prevalent genres for these 7 studios is **Drama** and **Comedy**
- Smaller budget studios like Blumhouse, IFC, and A24 incorporate **Horror**
- Larger budget, like Weinstein and Fox Searchlight incorporate **Romance**, **Adventure**, and **Biography**



# Runtimes and Average Ratings of Model Studios

- The range of median runtime for our 7 model studios is **92 – 106** minutes
- Average ratings ranged from 5.94 – 7.05 (higher ratings for larger budget studios)



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# Recommendations and Next Steps

## Recommendations:

- Model the creative structure of the studio on A24, IFC, and Blumhouse Tilt (<\$10MM budgets)
- Focus on lower budget films with a runtime between 92 – 106 minutes
- Focus on Drama, Comedy, and Horror genres that release in mid-summer or early fall
- Partner with smaller, independent theaters and to negotiate better box office cuts
- Hire smaller, social-media focused marketing agencies to leverage virality to minimize marketing costs

## Next Steps:

- Incorporate further windowing data like VOD, television, and streaming revenue
  - Investigate and incorporate retail and merchandising data to assess opportunities for future cash flow
  - Look for creatives who work in the style of highest rated writers and filmmakers identified
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Questions?

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