

Breaking into showbusiness

Methodology and initial recommendations on where to start in making films

Net Gross or Return on Investment

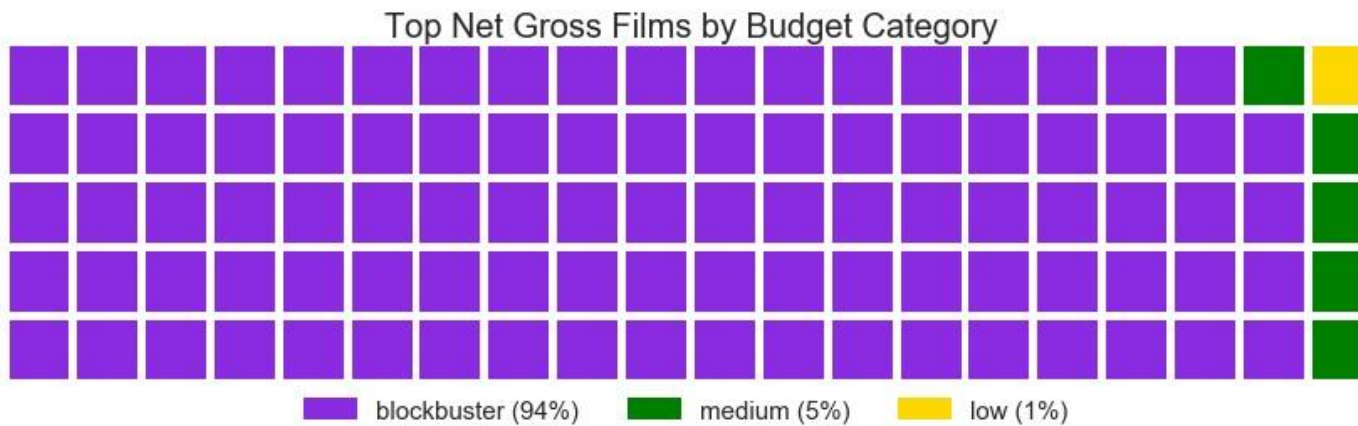
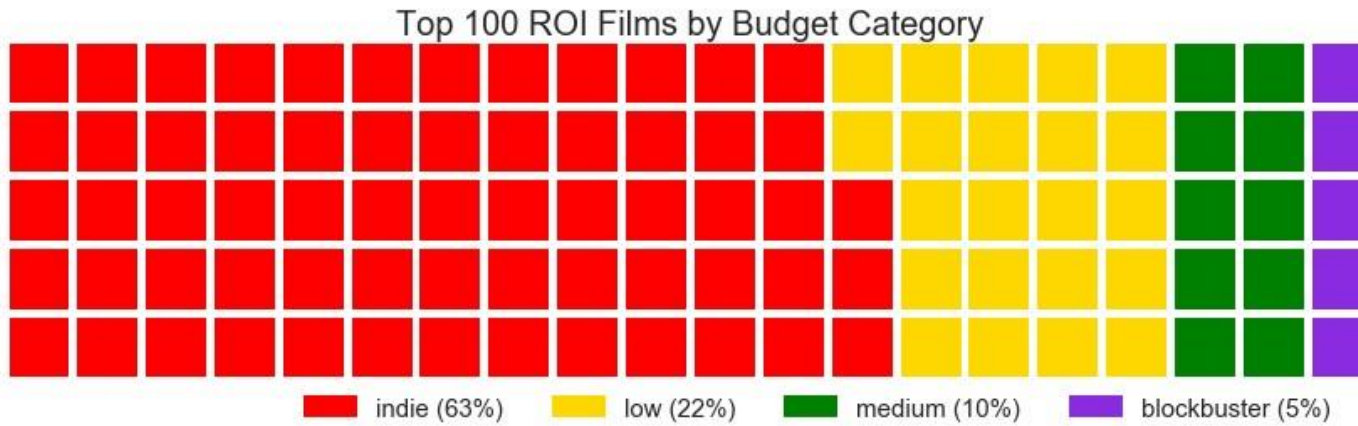
What are the benchmarks for financial success?

Net Gross

- ▶ Derived from Worldwide Gross minus Production Budget.
- ▶ A benchmark of success in dollars of how much profit is accrued to a film.
- ▶ Does not take into account opportunity cost or funding costs.

Return on Investment (ROI)

- ▶ Derived from Worldwide Gross divided by Production Budget.
- ▶ A benchmark of success in percentage terms of a film's profitability.
- ▶ Can be used to compare against opportunity costs or funding costs to check if film is actually profitable.



Top 100 ROI vs Top 100 Net Gross by Budget Category

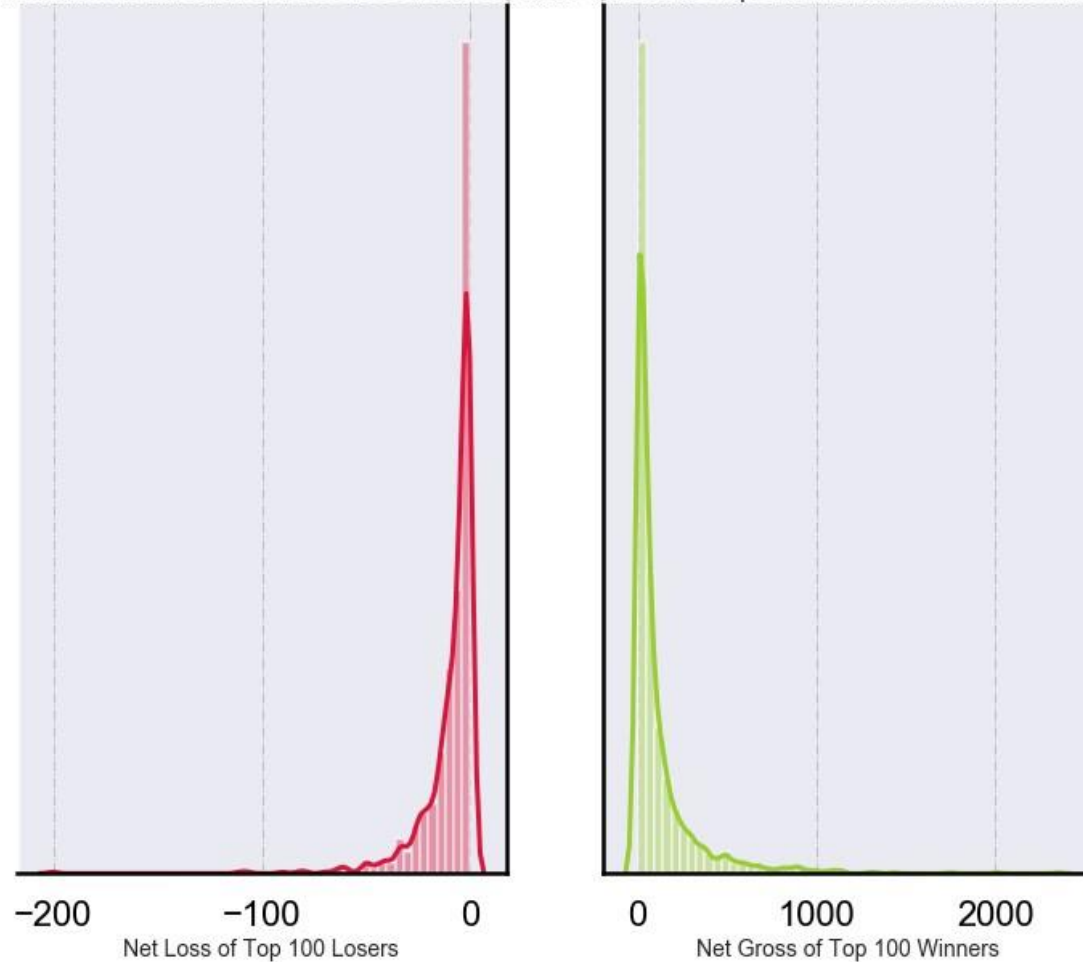
Films in the top 100 by ROI are dominated by independent productions.

Films in the top 100 by Net Gross are dominated by blockbusters.

When things go wrong....

How much money is at risk making films

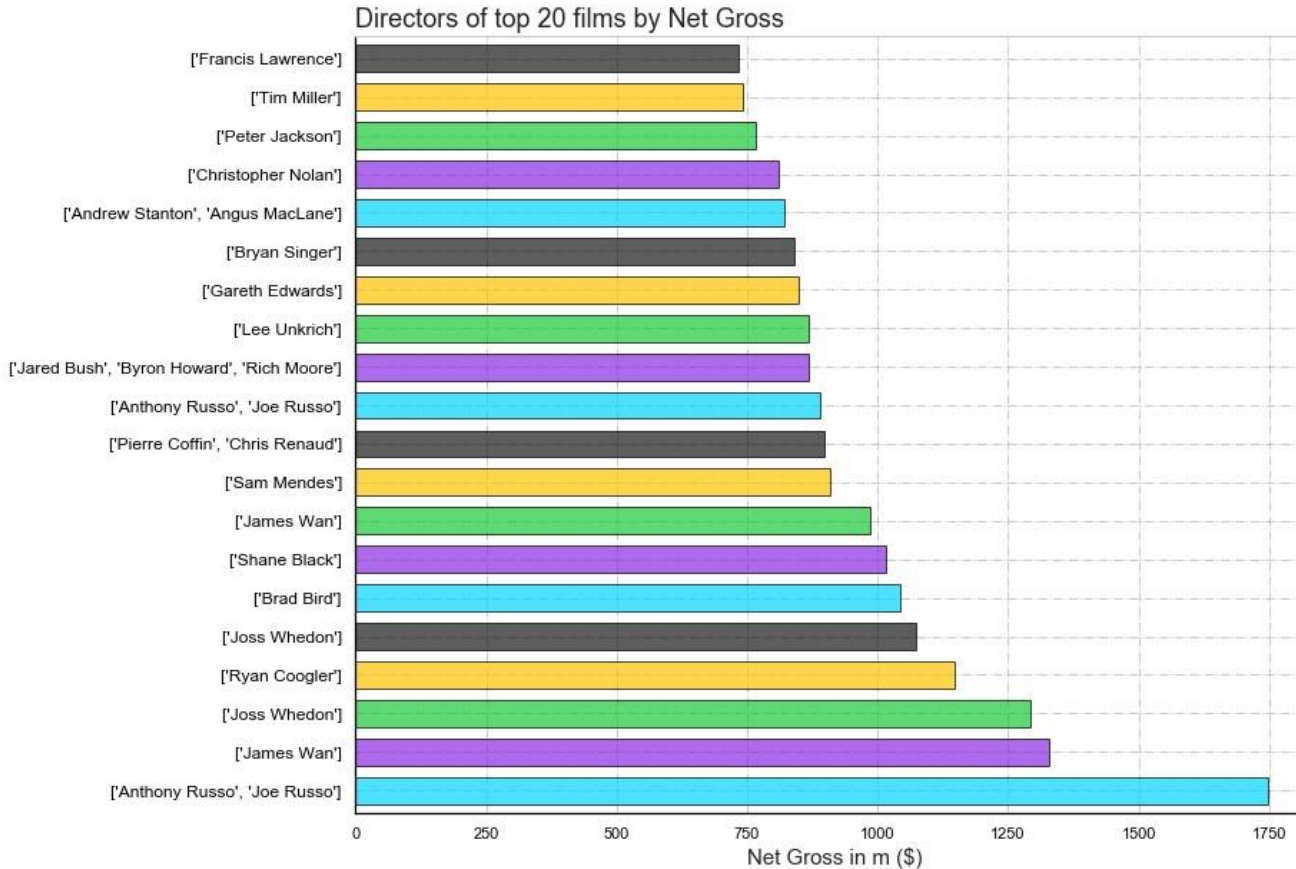
Relative distribution of Net Gross between films that make a profit and films that make a loss



- ▶ Comparing net loss of top 100 loss making films by Net Gross with top 100 profit making films by Net Gross.
- ▶ Losses are on a completely different scale to profits.
- ▶ Entire distribution of net loss of Top 100 Losers is nearly under \$100m.
- ▶ Entire distribution of is under \$1000m.
- ▶ Upside of a commercially successful film outstrips the downside risks.
- ▶ **But** downside risks are considerable - recall 38% of films make a loss.

Who makes popular films?

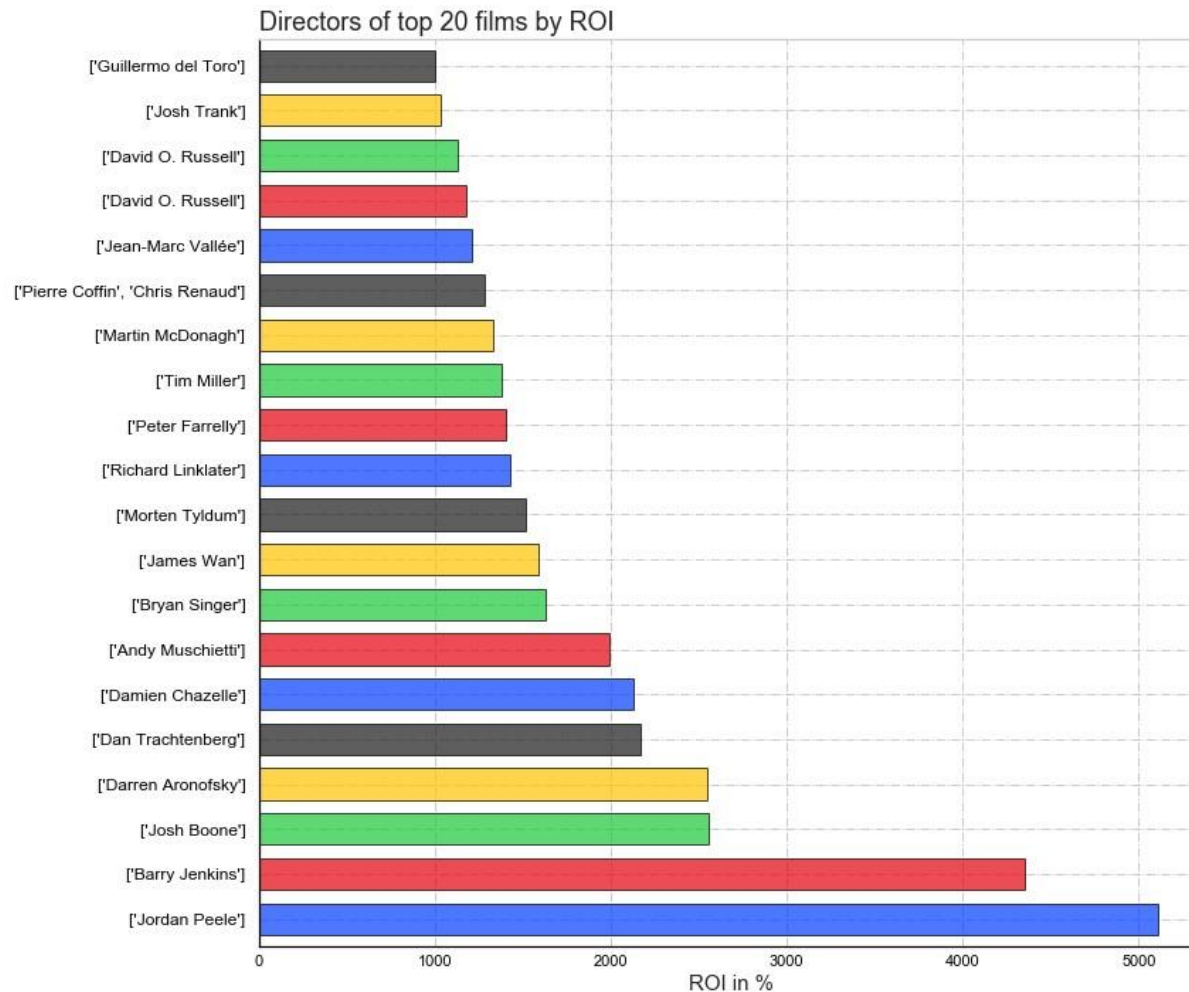
Popular films which are top 20 by a Net Gross measure



- ▶ These are the directors, or the directing teams who have helmed the top 20 films by Net Gross in our subset of popular films.
- ▶ The directorial team of Anthony and Joe Russo features more than once.
- ▶ Christopher Nolan features only once, but it is worth noting that he has directed more films than anybody else in our subset of popular films.
- ▶ **Recommendation:** to achieve a high Net Gross, target Joss Whedon and the Russo brothers.

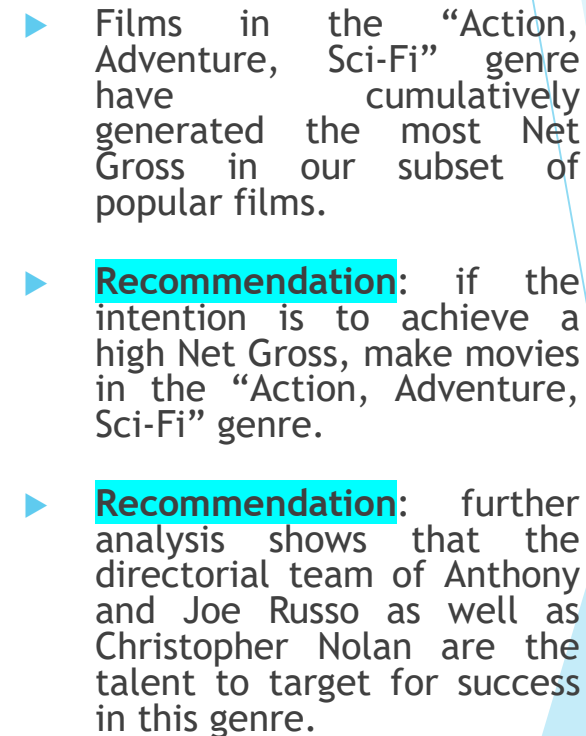
Who makes popular films?

Popular films which are top 20 by an ROI measure



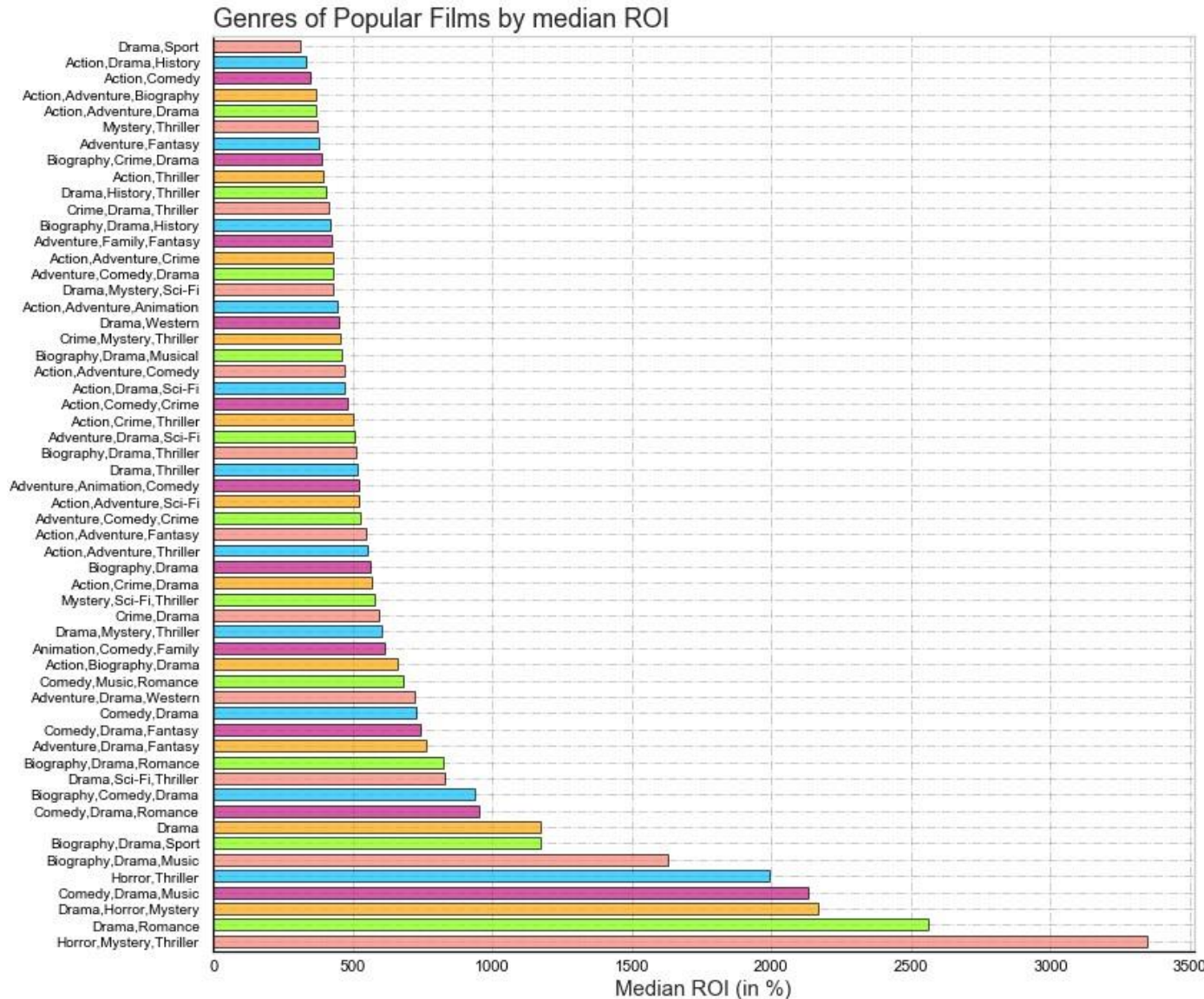
- ▶ These are the directors, or the directing teams who have helmed the top 20 films by ROI in our subset of popular films.
- ▶ David O. Russell features twice in this list.
- ▶ James Wan has worked on films that have featured both in both the top 20 films by ROI and the top 20 films by Net Gross.
- ▶ Jordan Peele's ROI of more than 5000% is particularly eye-catching.
- ▶ **Recommendation:** to achieve a high ROI, target James Wan and Jordan Peele.

Popular films by genre by cumulative Net Gross



Which genre of films are financially successful?

Popular films by genre by ROI

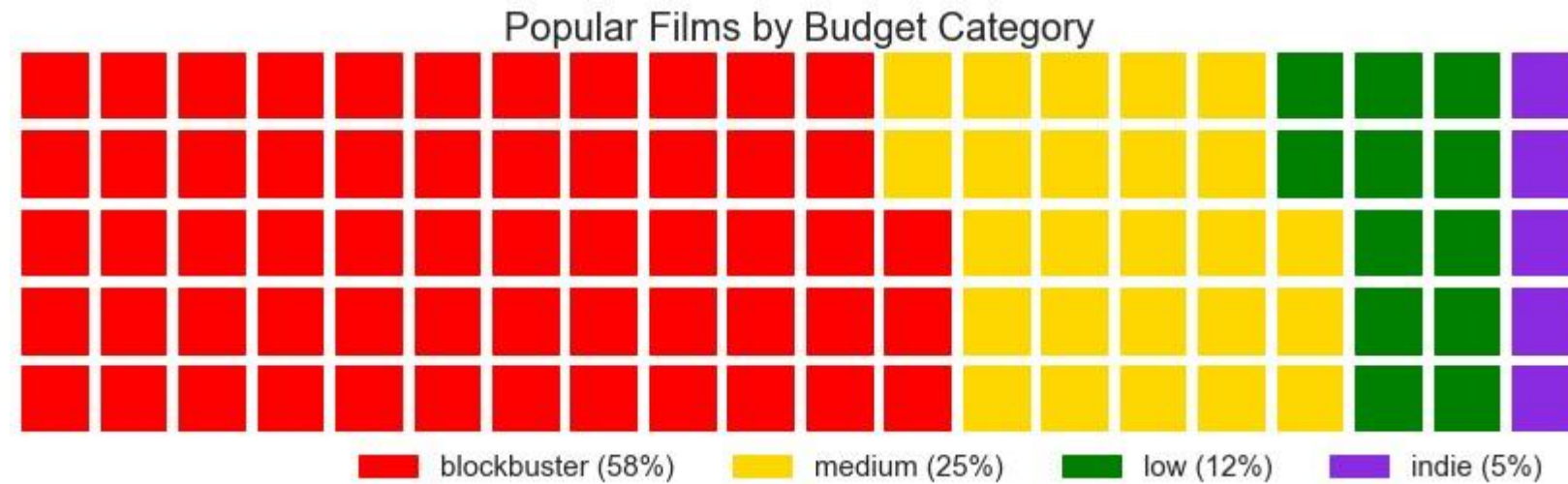


► Films in the “Horror, Mystery, Thriller” genre have performed the best by ROI in our subset of popular films.

► **Recommendation:** if the intention is to achieve a high ROI, make movies in the “Horror, Mystery, Thriller” genre.

► **Recommendation:** further analysis reinforces the earlier suggestion that James Wan and Jordan Peele is the directorial talent to target for success in this genre.

► **Recommendation:** the outperformance of the “Horror, Mystery, Thriller” films is down to the success of only 2 films - it might be worthwhile therefore also to consider films in the “Drama, Romance” category.



The right mix of films to make - a starting point

The composition (by budget category) of a random sample of 100 films from our subset of popular films.

Summary

- ▶ There are 2 measures by which a movie can be financially successful; such success can be judged by its Net Gross or its ROI.
- ▶ **Recommendation:** Aim to make hit movies, hit movies tend to be financially successful.
- ▶ The median Net Gross of profit making films is **\$48m**, the median ROI of profit making films is **304.29%**.
- ▶ Filmmaking is a risky business - nearly **38%** of films did not recover their production budget.
- ▶ Despite that risk, the rewards are considerable - the upside of a commercially successful movie far outstrips the downside risks of a film which does badly at the box office.
- ▶ Films in the top 100 by ROI are characterised by relatively low production budgets but very high percentage return.
- ▶ Films in the top 100 by Net Gross are characterised by relatively high production budgets and even higher worldwide gross.
- ▶ **Recommendation:** If high Net Gross is desired, make films in the "**Action, Adventure, Sci-Fi**" genre. They have **cumulatively** grossed nearly **\$12.5b**.
- ▶ **Recommendation:** If high ROI is desired, make films in the "**Horror, Mystery, Thriller**" genre because they have the top median ROI. Films from the "**Drama, Romance**" category are worth also considering with this goal in mind.
- ▶ **Recommendation:** Produce a mix of films instead of just blockbusters. We suggest the new studio should target making **58%** blockbusters, **25%** medium budget films, **12%** low budget films and **5%** indie movies.

For further investigation

- ▶ Do movies have to be in English? The performance of foreign language movies.
- ▶ We know who the directors and writers to target - which actors should we target for success?
- ▶ Do film ratings influence the commercial success of movies?

Thank You