
PROJECT I SUBMISSION: MOVIE INDUSTRY

MAGALI SOLIMANO

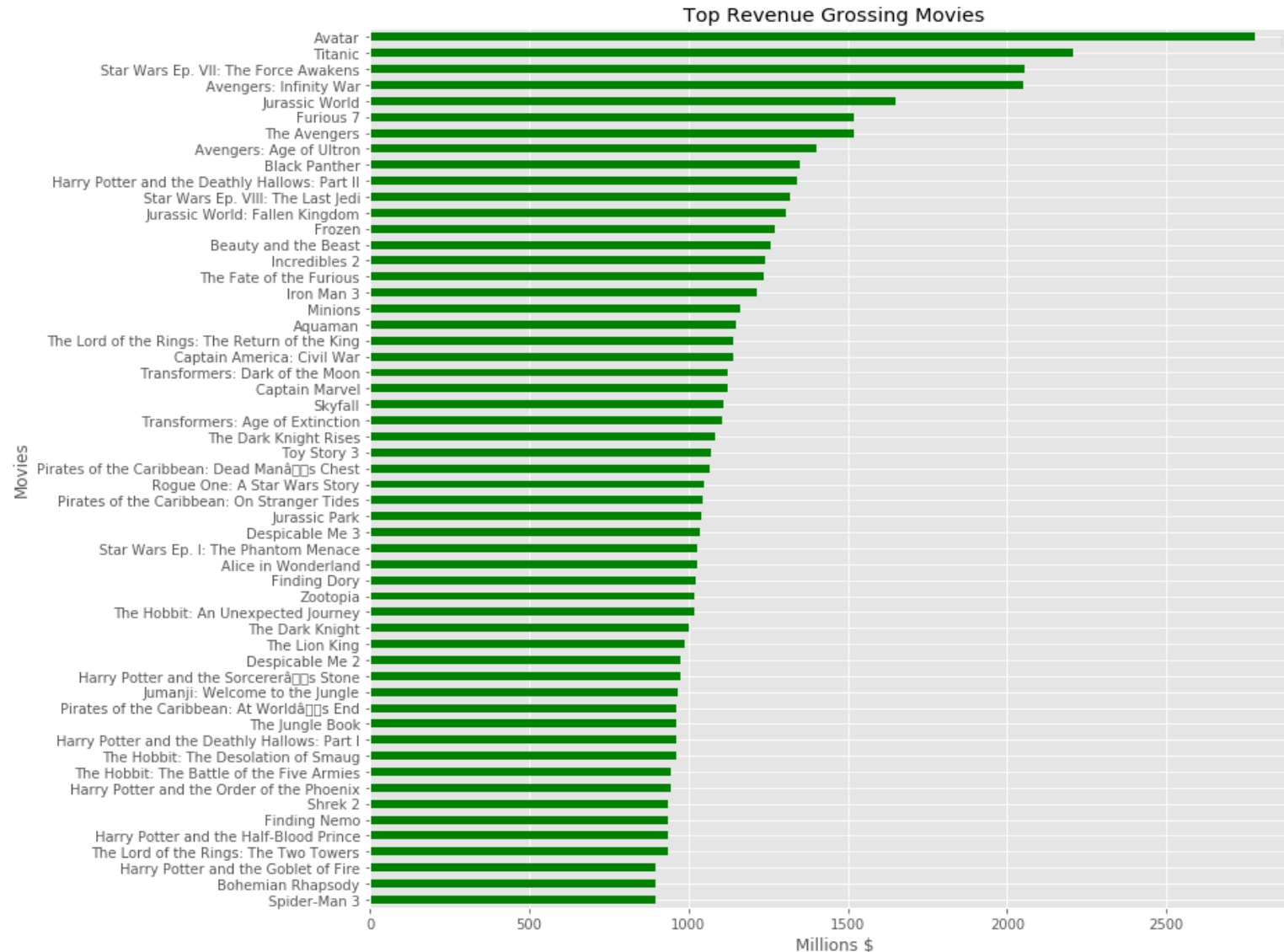
MAY 2021



KEY TAKEAWAYS

- Movie industry profitability has increased over last decade, but there are large outliers and only 75% of films are profitable.
- Blockbuster box office performance does not necessarily equate to higher ROI.
- Studios must spend between \$30M-\$35M per movie in order to generate decent returns. Cost control does matter.
- Six studios dominate the industry, accounting for 70% of worldwide gross revenue.
- Most popular genres are drama, comedy, action and adventure.
- The best time to release a movie is during summer and holiday months.

TOP GROSSING MOVIES – WORLDWIDE REVENUE

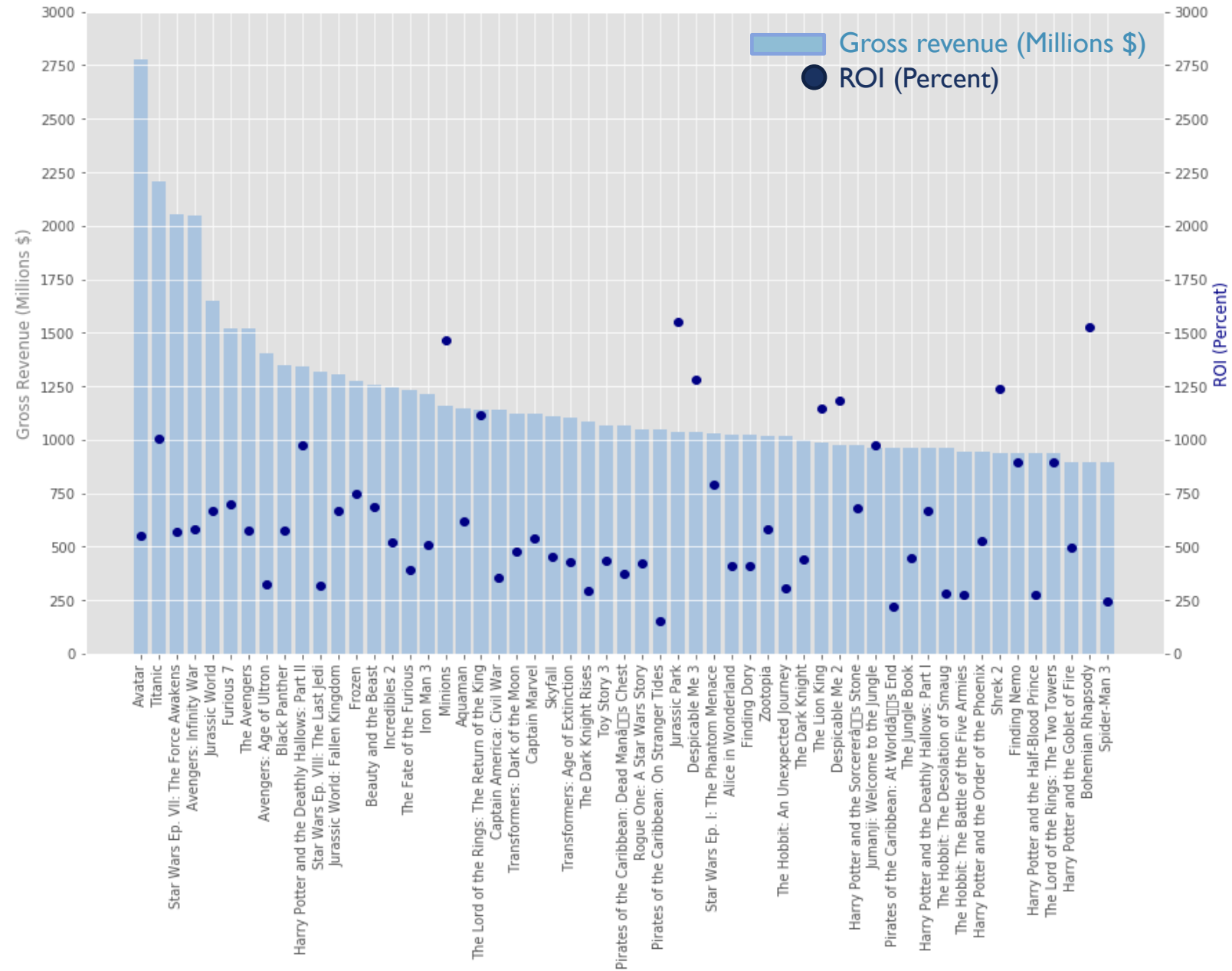


- Large outliers
- 55 movies are in 99th percentile (shown in graph)
- Top four movies each grossed revenue > \$2B, while median gross revenue is \$33M and mean gross revenue is \$98M

TOP GROSSING MOVIES

REVENUE AND ROI

- Top grossing movies are profitable
- But top grossing movies do not necessarily have highest ROI



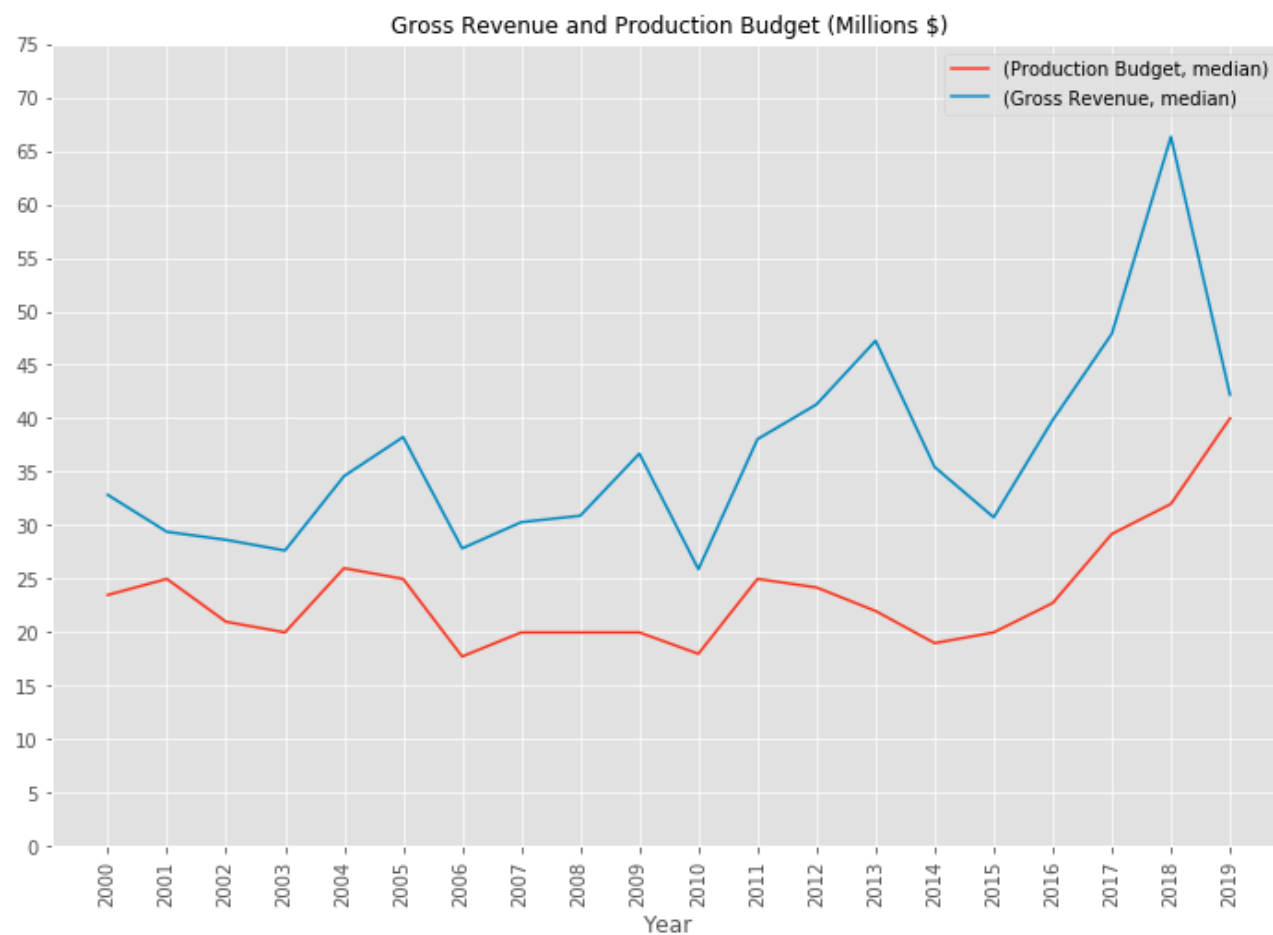
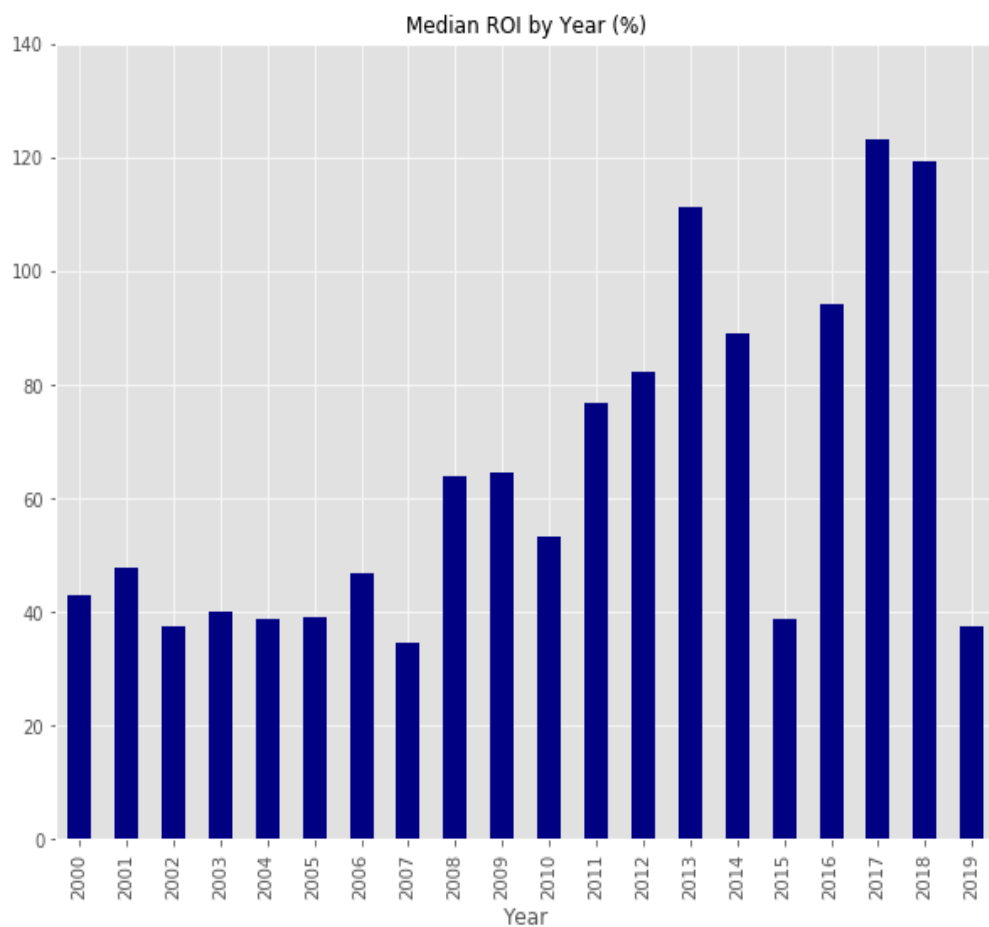
INDUSTRY PROFITABILITY TRENDS

- There are profits to be made, but it can be a difficult industry
 - 40% of movies generate >100% ROI
- Low ROIs are prevalent
 - One-fourth of movies generate <100% ROI
- And positive returns not guaranteed
 - One-third of movies are not profitable

INDUSTRY PROFITABILITY TRENDS

ROI AND PRODUCTION BUDGET

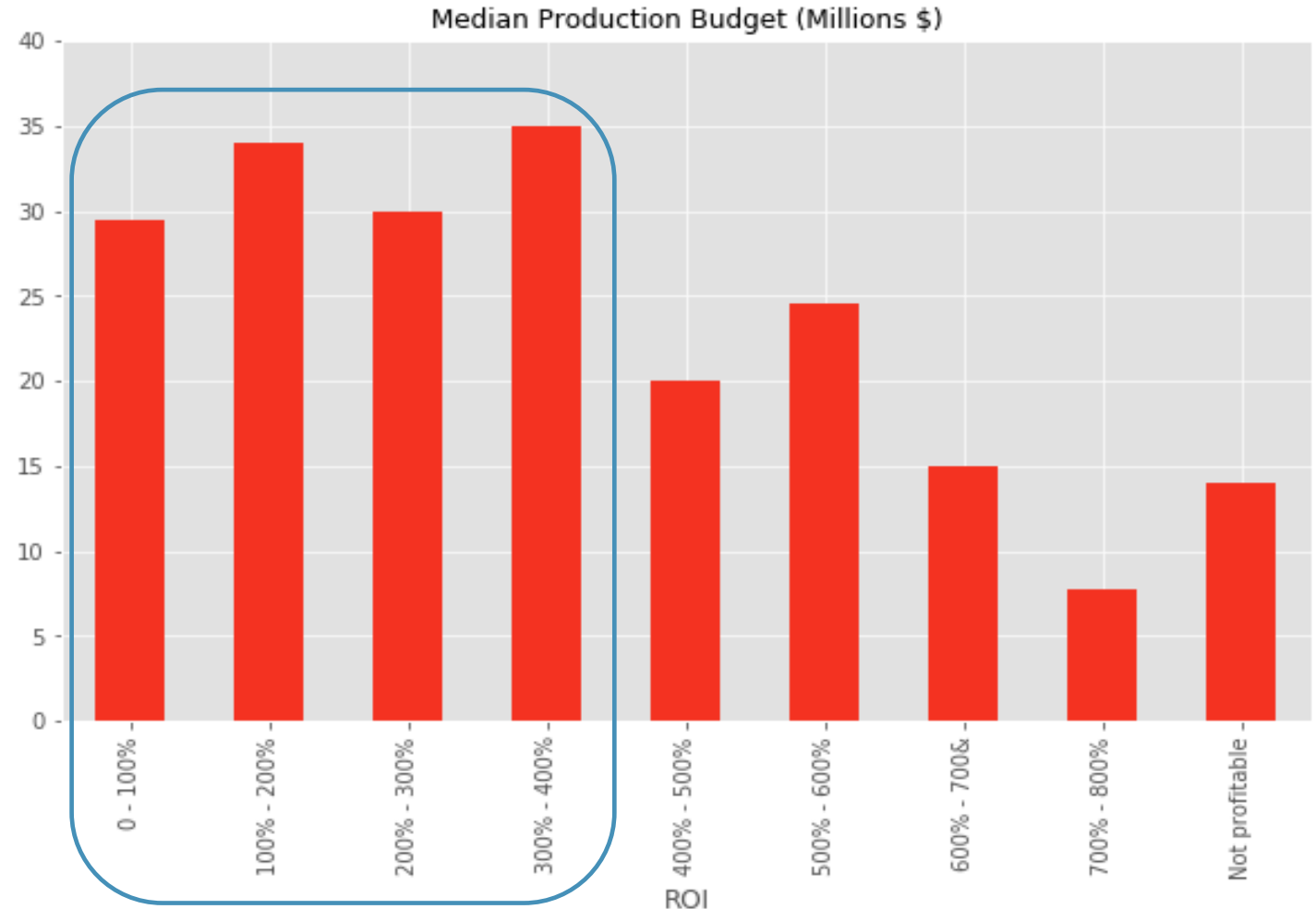
- Median ROI has increased above 60% since 2007, driven by revenue growth and contained production budget
- Lower median ROI years are common (2010, 2015, 2019), mostly attributed to large declines in revenue



INDUSTRY PROFITABILITY TRENDS

ROI AND PRODUCTION BUDGET

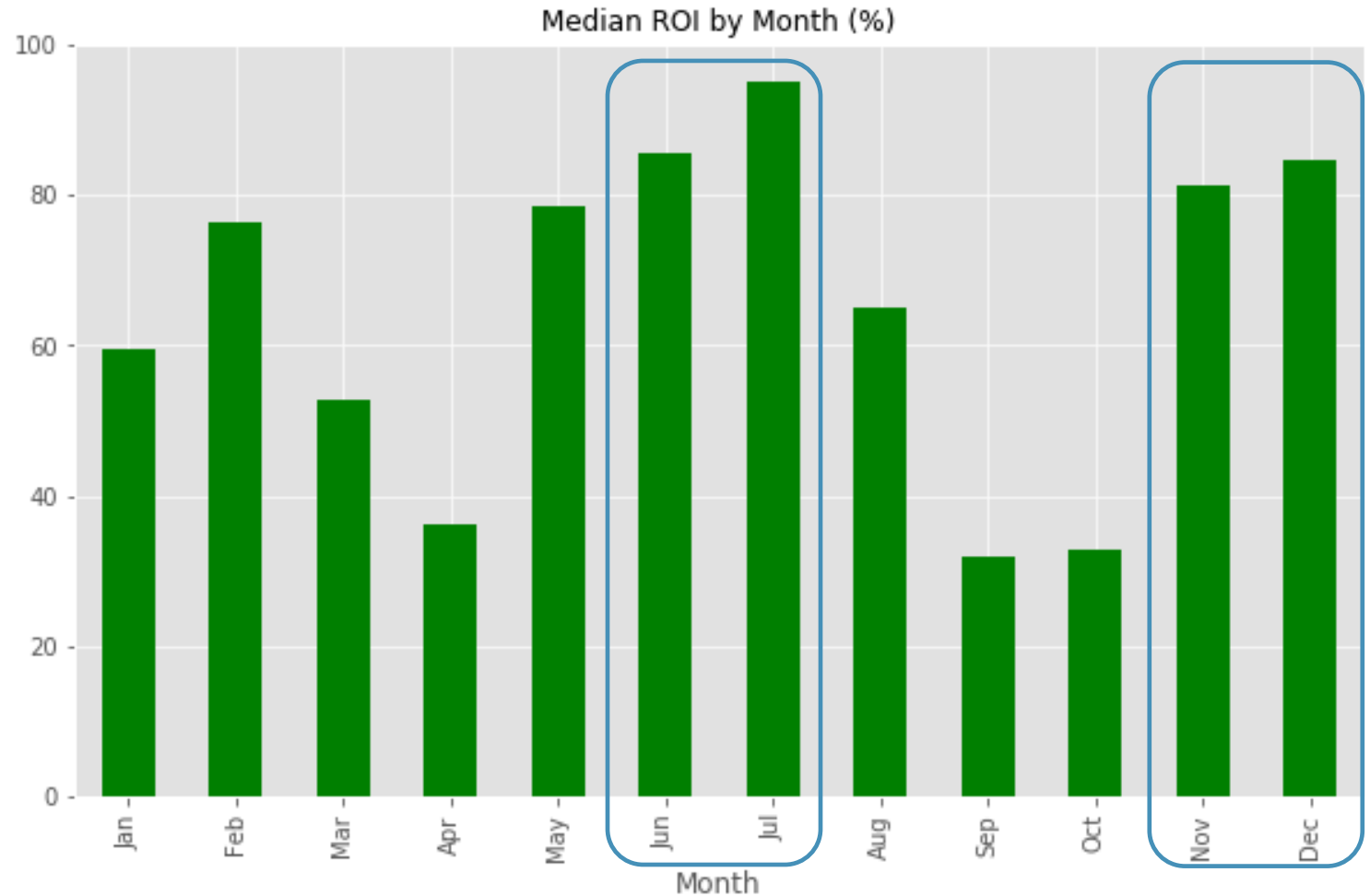
- Studios must spend in order to generate ROI
 - \$30M - \$35M median production budget for films that generate up to 400% ROI.
 - Unprofitable films have median production budget of just \$15M.
- But lower production budget does pay off
 - Especially for films that generate > 400% ROI



INDUSTRY PROFITABILITY TRENDS

ROI SEASONALITY

- Best time to release a film is during summer and winter holiday months
 - Median ROI > 80% in June, July, November, December
- April, September, October are months to avoid



TOP PRODUCTION STUDIOS

STUDIO REVENUES

- Six studios dominate the film industry
 - 70% of worldwide gross revenue
- Shift in market share
 - Universal gaining market share



TOP STUDIOS' BUSINESS MODELS – GENRES AND RUNTIME

- Top studios mainly produce drama, comedy, and action and adventure genre films
- Films tend to run between 100 minutes to 120 minutes.

