

# Film Primer (Executive Summary)

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**McCAFFERTY**  
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# Executive Summary

## Film Industry

### Industry Statistics

<b>\$36.4bn</b> Global Box Office Sales (2014)	<b>1.3bn</b> US Ticket Attendance (2014)	<b>\$8.17</b> Average Ticket Price (2014)
<b>142k</b> Number of Global Film Screens (2014)	<b>707</b> Number of Films Released 2014)	<b>5.3</b> Number of Films Seen in a theater per person in US
<b>\$5.7mm Top Crowdfunding Film Campaign (Veronica Mars)</b>		

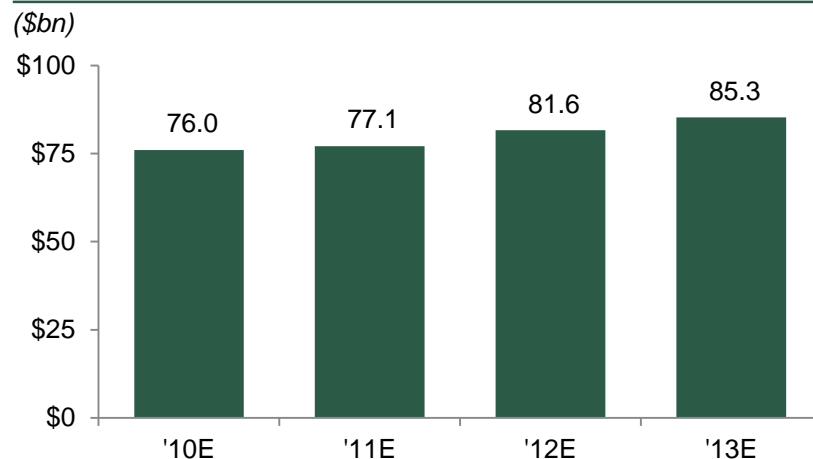
### Film Industry Participants

Producers	Distributors	Exhibitors
Studios and independent companies who acquire scripts, hire directors and actors, and secure financing to create a film production. <b>Fragmented industry</b>	Market films and determine the media by which a film is exhibited such as theatrical exhibition, home video, VOD, TV and OTT platforms. <b>Concentrated industry</b>	Responsible for the global release of film in theaters. <b>Concentrated industry</b>

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### US Film Industry Revenues



### Key Industry Themes

<b>Shift to Digital Distribution</b>	SVOD has emerged as the fastest growing film distribution channel and is challenging the traditional film distribution ecosystem
<b>Ticket Price Increases</b>	Theater attendance has fallen in recent years. Exhibitors have raised ticket prices to increase revenues
<b>Production Financing</b>	Film finance continues to evolve. Studios are increasingly cautious to enter large risky film projects and seek structures that mitigate risk
<b>Runaway Production</b>	Film production is no longer confined to Hollywood Studios or California. Producers are increasingly filming outside of California to take advantage of tax benefits offered in other jurisdictions

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### Film Finance

- ▶ Prior to production a financial structure must be determined. A variety of different structures exist that allow capital providers to manage risk and return

#### Types of Capital

Debt	Equity	Other
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#### Capital Sources and Structures

Studio	Independent	Slate
Co-Production	Product Placement	Crowdfunding

### Distribution Windows

- ▶ Film intellectual property owners maximize the value of content by distributing it through multiple channels over multiple time periods

#### Film Windows and Size 2014 (\$bn)

Theatrical	Pay Per View/Video on Demand	Home Entertainment
\$10.4	\$5.9	\$5.2
Digital Distribution	Pay TV	Free TV
\$7.5	\$1.8	\$3.5

### Film Production

- ▶ Film production companies appear in one of three basic types:

Studios	Major Independents	Small Independents
<ul style="list-style-type: none"> <li>▶ Sufficiently capitalized to take on large production projects</li> <li>▶ Possess own distribution arms to release films</li> </ul>	<ul style="list-style-type: none"> <li>▶ Produce fewer movies than major studios but can make some large budget films</li> <li>▶ May possess distribution arm to release films</li> </ul>	<ul style="list-style-type: none"> <li>▶ Willing to take on low cost risky or niche audience projects</li> <li>▶ Do not have internal film distribution arm</li> </ul>

### Mergers and Acquisitions<sup>(1)</sup>

#### Deal Activity (2000-2014)

Production	47 Acquisitions \$75.3 (bn) Disclosed Deal Value
Distribution	52 Acquisitions \$7.4 (bn) Disclosed Deal Value
Exhibition	102 Acquisitions \$23.6 (bn) Disclosed Deal Value

Sources: Bloomberg, SNL Kagan, Digital Entertainment Group

(1) Includes only transactions with disclosed deal values above \$10mm

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# McCAFFERTY & COMPANY

## Los Angeles

2029 Century Park East, Suite 1140

Los Angeles, CA 90067

Phone: 310-551-4040

Fax: 310-551-4041

[mccaffertyco.com](http://mccaffertyco.com)

