



THE FILM ENTREPRENEUR:

A Newsletter for Independent Filmmakers and Investors



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INDIES STILL DELIVER DESPITE DOWNTURN FOR YEAR

Domestic independent film revenues were \$3.0 billion in 2015, a 12 percent drop compared to \$3.4 billion in 2014. The total number of indie films is the same for both years — 579 — with only films earning at least \$1,000 being included. The total North American box office set a record \$11 billion, up seven percent over last year with the help of that juggernaut — *Star Wars: The Force Awakens* — which sucked all the oxygen out of the last two weeks of December. Even without that film, however, the indie movies still have been only moderately successful in bringing in the audience despite critical praise and being overwhelmingly favored for awards by various nominating organizations. Nevertheless, I don't feel, as some might say, that the sky is falling.

Looking at the indie segment strictly from the viewpoint of total revenues, three revenue groups that often have a heavy impact on the total are almost even in their variance from 2014. Those groups are films with grosses of \$50 and \$99 million (minus 14 percent), films earning \$20-\$49 million (minus 11 percent) and film earning \$10 to \$19 million (minus 9 percent). The least significant change was for films grossing over \$100M which was only 3 percent less with five films in each year. While films earning less than \$10 million at the box office were down 36 percent compared to last year, their dollars have less of an impact on the total.

Every year we comment that too many films are released in the last quarter of the year with many crowded into December. *Shakespeare In Love* which won the Best Picture Oscar for 1998 and its producer Harvey Weinstein (who also complained this year about the yearend crunch of films) often are given credit for this phenomenon. It may or may not be true that your film has a better chance of Oscar notice due to an end of the year release, but it does not necessarily result in better revenues than a summer or earlier release.

My biggest concern is that several of the studios have given up their declaration made earlier in this decade that "We're only going to make blockbusters." Realizing there is gold in smaller films, they have re-entered that market and are co-financing with independent companies. Since

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our definition of an independent film always has been one for which creative control remains with the filmmakers and more than 50 percent of the financing has to come from sources other than the major studios, this change has affected *TFE*'s database. For example, Blumhouse Productions made a 10-year deal with Universal which took *The Purge* out of the indie lineup. In addition, the company's *Paranormal Activity: The Ghost Dimension* was financed by Paramount. Cross Creek Pictures' *Magic Mike XXL* was co-financed by Warner Bros, and Cross Creek now has a deal with Sony. Gold Circle Films' *Pitch Perfect 2* was co-financed by Universal. (Note: Companies like Blumhouse still will totally finance some films. Whenever there is a gray area about financing and control, however, *TFE* puts a film in the studio category.) As always there are new companies like STX Entertainment and Broad Green Pictures starting to distribute independently. We hope will have the same success that the companies named above have had as Indies.

Another factor this year was the ongoing bankruptcy of Relativity Media. Three of the Relativity films that would have been released in 2015 are now scheduled for 2016. *Jane Got a Gun* is scheduled for release by The Weinstein Company in January and *The Bronze* by Sony Pictures Classics in March. Relativity let both go shortly before filing. And, after much negotiation with creditors following the filing, *Collide* is scheduled to be released by Open Road in April. (An update on Relativity follows this article.)

Streaming services like Netflix and Amazon still have not had a noticeable effect on the box office. In terms of making a film, these services seem to resemble studios, except there are no backend payments.

At this point, I am not going to make any predictions about 2016. We will have to wait and see. One thing I am sure about is that neither indie film nor theatrical releases are going away. 🍷

Quotable

“With the Netflixes and the Amazons and the Apples coming into it, I think there's actually a lot of potential for getting these more artistic films made. Because the beauty of those companies is that they don't really care how many people go and see them. I mean, Amazon makes movies to sell shoes.” — Working Title's Co-chairman Tim Bevan in an interview with screendaily.com

SPEAKING OF THE RELATIVITY ...

In a surprise decision, Ryan Kavanaugh acquired appointed Kevin Spacey's Trigger Street Productions and installed him as Chairman of Relativity Studios. In addition, Dana Brunetti, Trigger Street's President of Production, will have the same position at Relativity. Among the productions with which they previously were involved are *The Social Network*, *Captain Phillips*, *Fifty Shades of Grey* and *21*. This step is one more toward stabilizing the company and having the court approve the bankruptcy reorganization plan. Another move in clearing a path for the company to emerge from bankruptcy was the decision in December by the Creditors Committee of the unsecured creditors to throw their support behind Kavanaugh. He had hoped for a finalized reorganization plan by January 31, as trailers needed to be shown ahead of time for

films to be released in March; however, nothing can be scheduled until after the next hearing which is scheduled for February. The company has a planned release of 14 films through 2017. Among the first films for release are: *Kidnap* (5/16), *Masterminds* (9/16), *The Crow* (2/17), *Hunter Killer* (4/17), *Immortals* (11/17) and *Secret Scripture* (12/17). ■

HOME ENTERTAINMENT GROWTH


The home entertainment sector was up almost 1 percent which brings it back to \$18 billion in 2015 compared to \$17.8 billion in 2014, according to the Digital Entertainment Group. This reverses a downward trend over the last three years. Although total disc sales fell 12 percent during 2015 to come in at \$6.1 billion, Blu-ray disc sales were up 8 percent in the three-month period between Oct. 1 and Dec. 31, 2015. Among other highlights are:

- Electronic sellthrough, generated \$1.9 billion in consumer spending, up 18.1 percent from the \$1.6 billion
- Total consumer spending on digital — streaming, sales and video-on-demand (VOD) — came in at an estimated \$8.9 billion, a 16.4 percent increase from 2014. This number is driven by Netflix and SVOD, which some analysts feel should be considered separately.
- Subscription streaming of movies and TV shows generated consumer spending of more than \$5 billion, a 25 percent gain from 2014. *Home Media Magazine* adds that tech publications and websites have said that in addition to playing high-definition discs, Blu-ray Disc players double as the best streaming devices.
- Consumer sales of 4K Ultra HD TVs increased a dramatic 287 percent in the fourth quarter of 2015. Household penetration is now at more than 5 million U.S. households. ■

SECTION 181 RECEIVES A LAST MINUTE RENEWAL

The update for 181 is included in the lengthy “Consolidated Appropriations Act of 2016 and the Protecting Americans from Tax Hikes Act of 2015 (<https://www.congress.gov/114/bills/hr2029/BILLS-114hr2029enr.pdf>) that President Obama signed into law in December. The change allows the federal credit to be used until December 31, 2016 and is retroactive to January 2015. This change expands the credit to cover theatrical producers and their works; otherwise, it primarily changes the dates and not other specifics signed into law in 2014. Although it does not specify between direct and indirect investors, there are previous IRS rules for passive investors. For that reason, anyone using the federal credit needs to consult a tax expert experienced with the various forms of entertainment investment vehicles. For a longer discussion, go to Schuyler Moore’s analysis in Forbes: <http://www.forbes.com/sites/schuylermoore/2015/12/18/goodies-for-hollywood-in-congress-tax-and-budget-deal/> ■


DREAMWORKS IS AMBLIN ONCE AGAIN

With original production partners gone but an original back still there, Steven Spielberg has renamed his company **Amblin Partners** and signed a five-year deal with Universal Pictures to distribute its movies. Participant Media is the new venture's biggest financial backer, putting in about \$200 million. Another \$100 million comes from India's Reliance Entertainment (the major backer of the company's last incarnation) and distributor Entertainment One. In addition, J. P. Morgan Chase arranged a \$500 million debt facility for the venture, which will aim to produce between four and seven movies a year, along with television shows and digital content. Amblin Partners will release family friendly movies with the Amblin brand, adult fare under the DreamWorks label and films with a social-justice element under the Participant label. 

5 REASONS WHY IT'S GOOD TO STUDY DOCUMENTARY FILMMAKING

Whether you go to school or work for other productions, I believe that learning how to make a film is as important as the creative story being made. Below are short quotes from a list compiled by British director Col Spector, who teaches a **Documentary Foundation Certificate** for Raindance in London.

- 1. A violinist needs to study violin playing:** You don't just go out and buy a violin, and then get a booking to perform the Bruch concerto at the Royal Albert Hall.
- 2. To make films that an audience would pay money to see:** Anyone can pick up a camera, shoot something and then upload it to Vimeo - however can you make a film that an audience would pay money to watch?
- 3. To feel less alone:** If you're not getting your films exhibited at the places that you want them shown then perhaps it's time to get a bit of training.
- 4. You might blow it otherwise:** I've seen too many potentially great films fail because of basic flaws in their conception and/or execution.
- 5. It's a good investment:** If you do your research and find the right short course you might not only . . . become a better filmmaker but you could save yourself a ton of money in the long run.

For the complete list, go to <http://www.raindance.org/5-reasons-why-its-good-to-study-documentary-filmmaking/>. 

NUMBERS! NUMBERS! NUMBERS!

LOW-BUDGET INDEPENDENT FILMS (\$9.0 M and under)

FILM	DISTRIBUTOR	REVENUE	COST
		thous. \$	thous. \$
<i>99 Homes</i>	Broad Green	1,1412	8,000
<i>Amy</i> *	A24	8,408	3,000
<i>Black or White</i>	Relativity Media	21,571	9,000
<i>Dope (1)</i>	Open Road	17,506	700
<i>DUFF, The</i>	Lionsgate Films	34,030	8,500
<i>Gift, The</i>	STX Entertainment	43,787	5,000
<i>Goodbye, Mr. Loser</i> *	China Lion	1,292	800
<i>Grandma</i> *	Sony Pictures Classics	6,923	600
<i>Green Inferno, The</i>	High Top Releasing	7,193	6,000
<i>Lazarus Effect, The</i>	Relativity Media	25,801	5,000
<i>Nightcrawler</i>	Open Road Films	32,381	8,000
<i>No Escape</i>	Lionsgate	27,289	5,000
<i>Sinister 2</i>	Gramercy	27,741	9,000
<i>Tangerine</i>	Goldwyn	684	100
<i>Truth</i> *	Sony Pictures Classics	2,515	8,100
<i>Unfriended</i>	Universal	32,482	1,000
<i>Un Gallo con Muchos Huevos</i>	Lionsgate	9,081	5,300
<i>Walk in the Woods, A</i>	Broad Green Pictures	29,504	8,000
<i>War Room</i>	Sony Pictures Releasing	67,790	3,000

*Still in North American distribution as of December 31, 2015. Revenues are from boxoffice.com and boxofficemojo.com. Negative costs (production prior to prints and ads) are approximate, based either on industry estimates, published interviews with filmmakers or personal conversations with filmmakers.

(1) Revised budget. Press had picked up the \$7M paid by Open Road for the right to distribute as the budget.

MORE NUMBERS! NUMBERS! NUMBERS!
HIGH-BUDGET INDEPENDENT FILMS (Over \$9.0M)

FILM	DISTRIBUTOR	REV.	COST
		thous. \$	thous.
<i>33, The*</i>	Warners Bros./Alcon	11,945	26,000
<i>Age of Adaline, The</i>	Lionsgate	42,630	25,000
<i>Big Short, The*</i>	Paramount	23,979	28,000
<i>Black Mass</i>	Warner Bros.	62,853	53,000
<i>Bridge of Spies*</i>	Buena Vista	70,287	40,000
<i>Brooklyn*</i>	Fox Searchlight	19,560	10,000
<i>Burnt*</i>	The Weinstein Co.	5,002	20,000
<i>Carol*</i>	The Weinstein Co.	3,800	11,800
<i>Danish Girl, The*</i>	Focus Features	4,497	15,000
<i>Everest</i>	Universal	43,482	65,000
<i>Hateful Eight, The*</i>	The Weinstein Co.	13,338	44,000
<i>Home</i>	20 th Century Fox	177,397	135,000
<i>Hunger Games, The: Mockingjay-Part 2*</i>	Lionsgate/Summit	269,598	160,000
<i>Last Witch Hunter, The*</i>	Lionsgate/Summit	27,369	10,000
<i>Mad Max: Fury Road</i>	Warner Bros.	153,636	150,000
<i>Secret in Their Eyes, The*</i>	STX Entertainment	20,071	19,500
<i>Sicario*</i>	Lionsgate Premiere	46,771	30,000
<i>Southpaw</i>	The Weinstein Co.	52,422	30,000
<i>Spotlight*</i>	Open Road Films	25,924	20,000
<i>Transporter Refueled, The*</i>	Europacorp-Red	16,030	22,000
<i>Trumbo*</i>	Bleeker Street	6,710	15,000
<i>Woodlawn*</i>	Pure Flix	14,372	25,000

*Same reference as Low-Budget Table

LARGE FORMAT FILMS

FILM	DISTRIBUTION	REV.	COST
		thous. \$	thous. \$
<i>Air Racers 3D</i>	3D Entertainment	1,310	5,000
<i>Apollo 13: The Imax Experience</i>	IMAX	1,737	n/a
<i>Born To Be Wild 3D*</i>	Warner Bros./IMAX	24,420	n/a
<i>Bugs!</i>	SK Films, Inc.	18,114	9,000
<i>Deep Sea 3D</i>	Warner Bros.	46,097	1,000
<i>Galapagos: The Enchanted Voyage*</i>	IMAX	18,352	7,000
<i>Ghosts of the Abyss</i>	Buena Vista	17,041	13,000
<i>Haunted Castle</i>	nWave	13,652	n/a
<i>Hubble 3D*</i>	Warner Bros.	50,734	n/a
<i>Island of Lemurs: Madagascar*</i>	Warner Bros.	10,467	n/a
<i>James Cameron's Deepsea Challenge</i>	DisruptiveLA	236	n/a
<i>Jerusalem 3D</i>	National Geographic	7,880	n/a
<i>Journey to the South Pacific*</i>	IMAX/MacGillivray	7,084	n/a
<i>Magnificent Desolation</i>	IMAX	34,109	3,000
<i>NASCAR 3D</i>	Warner Bros./IMAX	21,337	10,000
<i>Ocean Wonderland 3D</i>	3D Entertainment	11,035	3,000
<i>Roving Mars</i>	Buena Vista	10,408	1,000
<i>Sea Monsters 3D: A Prehistoric</i>	National Geographic	23,746	n/a
<i>Sea Rex: Journey to a Prehistoric</i>	3D Entertainment	6,097	n/a
<i>Space Station 3D</i>	IMAX	93,134	1,000
<i>Thrill Ride</i>	Sony Classics	18,795	9,000
<i>To the Arctic 3D*</i>	Warner Bros.	14,401	n/a
<i>T-Rex: Back to the Cretaceous</i>	IMAX	53,347	14,500
<i>U2 3D</i>	National Geographic	10,362	13,000
<i>Under the Sea 3D*</i>	Warner Bros.	34,791	n/a
<i>Wildest Dream: Conquest of Everest</i>	National Geographic	898	n/a
<i>Wild Parrots of Telegraph Hill</i>	Shadow	3,058	n/a
<i>Wild Safari 3D</i>	nWave	16,621	4,500

* Same references as Low-Budget table ■

NEED MONEY FOR A MOVIE? DON'T GO IN EMPTY-HANDED. HAVE A BUSINESS PLAN.

The benefit of using a reliable business plan to raise financing for a film is that it allows the investors and the filmmaker to gauge the potential success of a film. A polished business plan with projections based on the worldwide results of other films and with clear explanations about the industry, markets and production personnel attached to the film is far more effective than an incomplete document that leaves prospective investors wanting more information. Contact Louise Levison at louisel@earthlink.net to find out how you can put her 27 years of experience as a Film Business Consultant to work creating a business plan for your film.

Levison, the President of Business Strategies, is a highly respected financial consultant in the entertainment industry, specializing in creation of film business plans. Her clients have raised money for low-budget films including *The Blair Witch Project*, the most profitable independent film in history, and for companies raising as much as \$300 million. She is the author of *Filmmakers & Financing: Business Plans for Independents*, currently in its revised and expanded seventh edition (Focal Press, 2013). The sixth edition of the book continues to be available in Mandarin from www.hindabook.com in Beijing, China. Levison also is editor of the online newsletter *The Film Entrepreneur: A Newsletter for the Independent Filmmaker and Investor*. Among other clients' projects are Kahlil Gibran's *The Prophet, Unlimited* (Nathan Frankowski), *The Redemption of Henry Miller, Emoticon ;*), *Moving Midway, Redemption Road, Haunted* (2012), *The First of May, The Open Road, Aluna, Yak: The Giant King, Visual Acoustics: The Modernism of Julius Shulman, My Father and the Man in Black* and *Michael Winslow Live*. Among her corporate clients are Danny Glover's Louverture Films (2008 nominee for Best Documentary Academy Award *Trouble the Water*), The Pamplin Film Company (*Hoover*), Hurricane Film Partners, LLC and Tokuma International Ltd (*Shall We Dance, Princess Mononoke*). Levison is an Instructor in the Extension Program at UCLA. She also has been a Visiting Professor at the Taipei (Taiwan) National University of the Arts, Chapman University (Orange County, CA) and the University of Montana (Missoula). Levison has presented seminars and/or been on panels at festivals and markets around the world. (Additional information is available at <http://www.moviemoney.com>).

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