

TFE THE FILM ENTREPRENEUR:

A Newsletter for Independent Filmmakers and Investors



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INDIE FILMS END FIRST QUARTER ON A HIGH NOTE

The numbers are good, but the way we got to them thwarts any useful analysis of what it all means going forward. Keep reading anyway!

With \$982 million gross revenue for the first quarter, the North American independent segment of the box office is 35 percent of the total and on a par with 2016's \$988 million which was 18 percent higher than the same three months in 2015. How we got there was different than most years. For purposes of general analysis and comparison to the previous year, we always divide the films into four earning groups: (1) \$100 million or more; (2) \$50 to \$99 million; (3) \$20 to 49 million; and (4) \$10 to \$19 million. In both years, there was only one film that earned more than \$100 million. The four films earning a combined \$261 million in the second group compared to only one film in 2016 with a total of \$57 million. On the other hand, the revenue totals for both groups 3 and 4 were 50 and 76 percent less respectively than last year. Nevertheless, the total all four groups was the same —\$541.5 million.

We also don't know the affect of Netflix and Amazon going forward. In terms of the domestic box office this year, Netflix is still not a game changer. Their strategy does not include theatrical. Amazon, on the other hand, continues to commit to theatrical releases for most films. Amazon Studio's Head of Motion Picture Production Ted Hope, speaking at Variety's "MASSIVE: The Entertainment Marketing Summit" in March, said, "Our customers want movies that are movies — they're in theaters, they help to support the box office. That's a huge differential." Bob Berney, Chief of Movie Marketing for the company, added, "The idea is to have theatrical on every movie. I think it's really important in terms of the filmmaking word-of-mouth to have theatrical release." That helps the total box office, but what does it really mean for indie filmmakers and their investors making the films those two companies may acquire?

Forecasts require more data than just box office and budget. Amazon is paying some royalties with their new “Film Festival Stars” (FFS) initiative on the company’s Streaming Video On Demand (SVOD) through Amazon Video Direct. Those are a very limited number of films, though, and they are competing with the rest of Amazon’s portfolio. (A good explanation of the FFS program can be found at: <https://consequenceofsound.net/2017/03/the-future-of-indie-filmmaking-could-happen-on-amazon-prime/>)

Other questions remain to be answered, also. What is the affect of the rapid coming and going of new distribution companies? Then there is China. Lower-budget Indies may not fit the country’s quota system, but they seem to fit its investment criteria. Stay tuned. 📌

QUOTABLE

“Movies are like a cereal box - at the bottom there is the promise of a toy. *Gravity* was that cereal box and I got that little toy, which usually leads to a bigger film with more production, with more stars. But I decided to return to Mexico City to make [*Roma*] with the resources I had always dreamed about.” — Alfonso Cuarón at press conference in Mexico City. 📌

CINEMA CON 2017: MANY DISRUPTORS AFFECTING THE BOX OFFICE

As he does every year, National Association of Theater Owners CEO John Fithian opened with the first day of Cinemacon 2017 with a pep talk. “First, let’s celebrate the strong state of our industry.” He continued with a version of the William Goldman quote from *Adventures in the Screen Trade*, “No one knows anything until tickets go on sale, and our guests begin to speak with their wallets.” After pointing out the obvious — passionate theater operators, terrific box office returns and superior customer service, he expanded with these specifics:

- 1) Since 2001, the total domestic box office has increased 40 percent from \$8.11 billion to \$11.37 billion. In 2001, domestic box office totaled \$8.11 billion. “This performance was not only a rebuke to the idea of disruption – it was in the face of two recessions, 10% unemployment and a U.S. median income that is only now returning to the levels last seen 17 years ago.
- 2) “[A] common misconception . . . is that millennials aren’t going to the movies... According to data from comScore’s PostTrak in theater polling, 55% of frequent moviegoers... fall into the 18-34 age range. The MPAA [Motion Picture Association of America] defines frequent moviegoing as once a month or more, and according to their annual report 15.2 million millennials showed that level of attendance in 2016.”
- 3) “Hispanics constitute the most frequent moviegoers in most years.” In 2016 Hispanics made up more than 21% of the domestic moviegoing audience even though they were less than 18% of the population. In addition, the Asian American per capita movie attendance grew

from 4.9 to 6.1 times a year, as did the African American audience who grew from 3.5 to 4.2 times a year.

- 4) “A global world allow for freer movement of goods. For exhibition this means lower costs on items key to the movie going experience.” Cinépolis, a Mexican-based company, buys popcorn from Iowa and Indiana and cheese for their nachos from Wisconsin. If free trade policies change, CEO Alejandro Ramirez Magaña said his company probably would have to buy those products from other countries.

For the full talk, go to: <http://www.natoonline.org/wp-content/uploads/2017/03/Fithian-CinemaCon-Speech-2017.pdf>.

While films sold and people ate a lot of free popcorn and candy on the convention floor, panels and individual speakers covered many of the same topics as last year. The second sentence of the Goldman quote really applies here. “Not one person in the entire motion picture field knows for a certainty what's going to work”

Here we come back to Amazon and Netflix. Amazon Studios’ V. P. Of Worldwide Motion Picture Jason Ropell began his presentation to the attendees noting that his 2016 Cinemacon talk referenced only one movie while the studio now has released 15 titles. “Last year we promised to be one of your key suppliers, and we stayed true. . . Our Amazon Prime customers want to see great movies, and great movies play in theaters.” That brought a round of applause as some studios want to shorten the theatrical window in order to increase digital revenues. Theater owners and film companies, however, are not as happy that Amazon and Netflix, have been raising the price in bidding wars for films at Sundance and other festivals.

No one from Netflix appeared at Cinemacon. In 2015 at Cannes, Chief Content Officer Ted Sarandos had clarified in a keynote speech that there would be no domestic theatrical releases. In addition, he said, “All the films we do at Netflix will be profitable to the producer, there will be a premium to the budget. . . There is no backend because there is no incremental revenue we are earning off that.” Going forward that stand was changed a bit with the suggestion that Netflix might be willing to do a different day-and-date (streaming and theatrical at the same time). Exhibitors don’t like that idea, as they fear the amount it will cut into their box office revenue.

Tim League, CEO of DraftHouse, said in an Indiewire guest editorial, “Like Netflix, Amazon does not have to make a profit. For them it’s all their valuation. . . which comes from. . . subscriber growth. . . This is how Amazon drove every bookstore out of existence. Netflix wants to destroy the theatrical ecosystem. . . from a business school standpoint it’s true disruption. But, long term, the art will suffer.” <http://www.indiewire.com/2017/03/tim-league-netflix-reed-hastings-response-1201795232/>

On the subject of shorter windows, director Christopher Nolan said, during his presentation of footage from *Dunkirk*, “The only platform I’m interested in talking about is theatrical exhibition. He also said that his upcoming World War II epic, which he said would be available on IMAX, 70mm and 35mm screens. All of the reporting on the convention came from exhibitors, majors and independents with higher budget product. Although many small films may become profitable only with the addition of ancillary revenue, the theatrical window still is of prime importance. ■

MPAA THEATRICAL STATISTICS 2016

The Motion Picture Association released their annual report “**Theatrical Market Statistics 2016**” on March 22nd. Speaking during a conference call with reporters as he introduced the report, MPAA Chairman and Chief Executive Officer Christopher Dodd declined to comment on ongoing talks between studios and exhibitors to shorten release windows, and said his no-show at next week’s CinemaCon was due to a prior family event and that he looked forward to attending in 2018. After several questions on China, he said “Historically we welcome foreign investment in the US. We have benefited from it over the years with sovereign investment funds.” In his official press statement, he repeated some of the stats mentioned in the previous article. He also emphasized that tech-savvy audiences are also the people who go to movies in theaters most frequently. In 2016, 79 percent of all frequent moviegoers owned at least four different types of key technology products, compared to 60 percent of the total adult population.”

Important to the marketing section for your business plans are the audience measurements from the report. More than two-thirds (71%) of the U.S./Canada population aged two or older, or 246 million people, went to a movie at the cinema at least once in 2016 (“moviegoer”), a two percent increase in the number of moviegoers from 2015. The typical moviegoer bought 5.3 tickets over the course of the year, down from 5.6 tickets in 2015. In 2016, the 18-24 age group was the most overrepresented age group in terms of tickets sold, accounting for 10 percent of the population, and 16 percent of tickets sold. To lesser extent, the 12-17 and 25-39 age groups are also overrepresented for tickets sold (13% and 24%) relative to their share of the population (8% and 21%). Although Caucasians make up the majority of the population (62%) and moviegoers (59%), they represented a smaller share of 2016 ticket sales (51%), similar to previous years. In 2016, the Asian/Other category overrepresented the most of any group in share of movie tickets purchased (14%) relative to their share of the population (8%). The gender composition of moviegoers in 2016 skewed slightly towards women (52%), similar to the composition of the overall population. As in previous years, tickets sold continued to be split evenly among genders.

For more detail of the North American and worldwide information you need for a plan, go to: <http://www.mpa.org/wp-content/uploads/2017/03/MPAA-Theatrical-Market-Statistics-2016-Final-1.pdf>. ■

SOUTH BY SOUTHWEST FILM FESTIVAL

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The 24th edition of the South By Southwest Festival (SXSW) ran March 10th-19th in Austin, Texas. Film began the three-pronged event which also included interactive and music sections. Feature films in the lineup screen were in 12 sections: Narrative Feature Competition, Documentary Feature Competition, Headliners, Narrative Spotlight, Documentary Spotlight, Visions, Midnighters, Episodic, 24 Beats Per Second, Global, Festival Favorites, and Special Events. The festival received 2,432 feature-length submissions and 4,975 short films submission. A total of 125 features were shown, with 51 from first-time filmmakers, 85 world premieres, 11 North American premieres and five U.S. premieres. There were a total of 128 short films selected. The fest also included the newly launched Virtual Reality section, which had 38 projects that “emphasize storytelling, ingenuity and also showcase how other industries are embracing this new medium.”

AND THE SXSW PRIZE GOES TO ...


AWARD	FILM	FILMMAKER
Narrative Grand Jury	<i>Most Beautiful Island</i>	Ana Asensio
Narrative Special Jury, Breakthrough Performance	<i>The Strange Ones</i>	James Freedson-Jackson
Narrative Special Jury, Best Ensemble	<i>A Bad Idea Gone Wrong</i>	Matt Jones, Eleanore Pienta, Will Rogers
Documentary Grand Jury	<i>The Work</i>	Jarius McLeary, Gethin Aldous
Special Jury, Excellence in Documentary Storytelling	<i>I Am Another You</i>	Nanfu Wang
Special Jury, Excellence in Observational Cinema	<i>Mainland</i>	Miao Wang
SHORT FILMS		
Narrative Winner	<i>Forever Now</i>	Kristian Håskjold
Narrative Special Jury, Acting	<i>DeKalb Elementary</i>	Tarra Riggs
Narrative Special Jury, Recognition	<i>Laps</i>	Charlotte Wells
Documentary Winner	<i>Little Potato</i>	Wes Hurley, Nathan M. Miller
Midnight Winner	<i>The Suplex Duplex Complex</i>	Todd Rohal

Animated Winner	<i>Wednesday With Goddard</i>	Nicolas Menard
Animated Special Jury	<i>Pussy</i>	Renata Gasiorowska
Music Video Winner	<i>Leon Bridge: River</i>	Miles Jay
Music Video Special Jury	<i>Tame Impala: The Less I Know the Better</i>	Canada
Texas Shorts		
Winner	<i>The Rabbit Hunt</i>	Patrick Bresnan
High School Winner	<i>Better Late Than Never</i>	Atheena Frizzell
Special Jury	<i>Darcy's Quinceanera</i>	Sam Cooper
SXSW POSTER DESIGN		
Winner	<i>Fry Day</i>	Caspar Newbolt
Special Jury	<i>Like Me</i>	Jeremy Enecio
SPECIAL JURY, TITLE DESIGN	<i>Into the Current</i>	Chris R. Moberg, Jared Young
SXSW SPECIAL AWARDS		
LUNA® Chicken & Egg	<i>I am Another You</i>	Nanfu Wang
LUNA® Game Changer	<i>Inflame</i>	Ceylan Ozgun Ozcelik
Louis Black "Lone Star"	<i>Mr. Roosevelt</i>	Noel Wells
Karen Schemer Film Editing Fellowship	—	Leigh Johnson
Adam Yauch Hörnblowér	<i>Assholes</i>	Peter Vack
AUDIENCE		
Narrative Feature	<i>The Light of the Moon</i>	Jessica M. Thompson
Documentary Feature	<i>Dealt</i>	Luke Korem
Headliners	<i>Baby Driver</i>	Edgar Wright
Narrative Spotlight	<i>Mr. Roosevelt</i>	Noel Wells

Visions	<i>Becoming Bond</i>	Josh Greenbaum
Midnighters	<i>68 Kill</i>	Trent Haaga
Episodic	<i>Dear White People</i>	Justin Simien
24 Beats Per Second	<i>May It Last: A Portrait of the Avett Brothers</i>	Judd Apatow, Michael Bonfiglio
Global	<i>Divine Divas</i>	Leandra Leal
Festival Favorite	<i>The Big Sick</i>	Michael Showalter
VIRTUAL REALITY		
Jury Winner Room – Scale	<i>After Solitary</i>	Cassandra Herrman, Lauren Mucciolo
Special Jury Room-Scale: Innovative Use Reality Technology:Health	<i>Reinvent</i>	Ian Forester, Sook-iei Liew, Phd
Jury Winner 360° Video	<i>Behind the Fence</i>	Lindsay Branham, Jonathan Olinger
Special Jury 360° Video, Technical Excellence	<i>Dreams of “O”</i>	Félix Lajeunesse, Paul Raphaël



TRIBECA FILM FESTIVAL

The Tribeca Film Festival will open its 16th edition with the world premiere of the feature-length documentary *Clive Davis: The Soundtrack of Our Lives* at Radio City Music Hall on April 19. The premiere will be followed by a special concert that features performances by superstars including Aretha Franklin, Jennifer Hudson, Earth, Wind & Fire and more. The full festival runs until April 30th. Cara Cusumano, the new Director of Programming, Artistic Director Frédéric Boyer and the rest of the programmers deliberately cut down selections by 20 percent in order to present a stronger selection. For the film guide go to <https://tribecafilm.com/filmguide>. 

NUMBERS! NUMBERS! NUMBERS!

LOW-BUDGET INDEPENDENT FILMS (\$10.0 M and under)

FILM	DISTRIBUTOR	REVENUE	COST
		thous. \$	thous. \$
<i>20th Century Women</i>	A24	5,622	7,000
<i>Before I Fall*</i>	Open Road	12,010	5,000
<i>Belko Experiment, The*</i>	BH Tilt	8,462	5000
<i>Bye, Bye Man, The</i>	STX Entertainment	22,395	7,400
<i>Collide</i>	Open Road Films	2,280	800
<i>Don't Breathe</i>	Screen Gems	89,218	9,900
<i>Edge of Seventeen, The</i>	STX Entertainment	14,433	9,000
<i>Elle*</i>	Sony Pictures Classics	2,327	9,100
<i>Founder, The*</i>	The Weinstein Co.	12,730	7,000
<i>I Am Not Your Negro*</i>	Magnolia	6,702	1,000
<i>Jackie*</i>	Fox Searchlight	13,953	9,000
<i>Love and Friendship</i>	Amazon/Roadside Att.	14,017	3,000
<i>Manchester by the Sea*</i>	Roadside Attractions	47,673	8,500
<i>Middle School: The Worst Years of My Life</i>	Lionsgate	20,007	8,500
<i>Moonlight*</i>	A24	27,727	1,500
<i>Race</i>	Sony Pictures Releasing	19,115	5,000
<i>War Room</i>	Sony Pictures Releasing	67,790	3,000

*Still in North American distribution as of March 31, 2017. Revenues are from boxoffice.com and boxofficemojo.com. Negative costs (production prior to prints and ads) are approximate, based either on industry estimates, and published interviews with filmmakers or personal conversations with filmmakers.

MORE NUMBERS! NUMBERS! NUMBERS!
HIGH-BUDGET INDEPENDENT FILMS (Over \$10.0M)

FILM	DISTRIBUTOR	REV.	COST
		thous. \$	thous.
<i>Arrival*</i>	Paramount	100,546	47,000
<i>Assassin's Creed*</i>	20 th Century Fox	54,648	125,000
<i>Bad Moms</i>	STX Entertainment	113,257	20,000
<i>Collateral Beauty</i>	Warner Bros.	31,016	36,000
<i>Dangal</i>	UTV	12,392	11,200
<i>Dog's Purpose, A*</i>	Universal	63,569	22,000
<i>Fences*</i>	Paramount	57,683	24,000
<i>Florence Foster Jenkins</i>	Paramount	27,384	29,000
<i>Girl on the Train, The</i>	Universal	75,395	40,000
<i>Great Wall, The*</i>	Universal	45,059	150,000
<i>Hacksaw Ridge</i>	Lionsgate	67,210	53,000
<i>Hell or High Water</i>	Lionsgate	27,008	12,000
<i>John Wick: Chapter Two*</i>	Lionsgate/Summit	91,131	40,000
<i>Kubo and the Two Strings</i>	Focus Features	48,023	60,000
<i>La La Land*</i>	Lionsgate/Summit	150,369	30,000
<i>Lion*</i>	The Weinstein Co.	50,981	12,000
<i>Patriot's Day</i>	Lionsgate	31,886	40,000
<i>Power Rangers (2017)*</i>	Lionsgate	54,582	100,000
<i>Shack, The*</i>	Lionsgate/Summit	51,546	20,000
<i>Sleepless</i>	Open Road	20,784	30,000
<i>Trolls*</i>	20 th Century Fox	153,707	125,000
<i>Underworld: Blood Wars</i>	Screen Gems	30,348	25,000

*Same references as Low-Budget Table

LARGE FORMAT FILMS

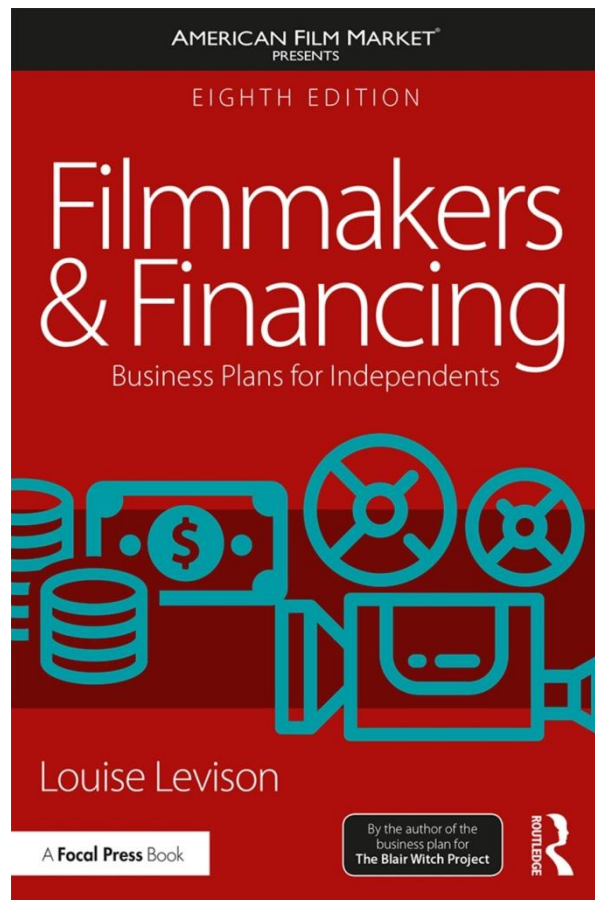
FILM	DISTRIBUTION	REV.	COST
		thous. \$	thous. \$
<i>Apollo 13: The Imax Experience</i>	IMAX	1,737	n/a
<i>Beautiful Planet, A*</i>	IMAX	9,697	n/a
<i>Born To Be Wild 3D*</i>	Warner Bros./IMAX	25,266	n/a
<i>Bugs!</i>	SK Films, Inc.	18,114	9,000
<i>Deep Sea 3D</i>	Warner Bros.	46,235	1,000
<i>Galapagos: The Enchanted Voyage</i>	IMAX	18,572	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.	51,811	n/a
<i>Island of Lemurs: Madagascar*</i>	Warner Bros.	10,710	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	7,217	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 3D: Journey to a Prehistoric</i>	3D Entertainment	6,097	n/a
<i>Space Station 3D</i>	IMAX	93,267	1,000
<i>Thrill Ride</i>	Sony Classics	18,795	9,000
<i>To the Arctic 3D*</i>	Warner Bros.	14,492	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.	35,318	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. ■

NEW EDITION!

Filmmakers and Financing: Business Plans for Independents

By Louise Levison



<https://www.routledge.com/Filmmakers-and-Financing-Business-Plans-for-Independents/Levison/p/book/9781138947443>

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

(Speaking of 21st Century technology, check out the updated moviemoney.com site)

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 28 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 eighth edition (A Routledge/Taylor&Francis book, 2016). The sixth edition of the book was published in Mandarin. Levison also is editor of the online newsletter *The Film Entrepreneur: A Newsletter for the Independent Filmmaker and Investor*. Among other clients' projects are *The Prophet* (Kahlil Gibran's), *Unlimited* (Nathan Frankowski), *Burning Bodhi, Greater, 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*), Pamplin Film Company (*Hoover*), Hurricane Film Partners, LLC and Tokuma International Ltd (*Shall We Dance, Princess Mononoke*). Levison was an Instructor in the Extension Program at UCLA for 22 years before moving to Florida. 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.

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