

Greenlight Model:

Gucci

FNCE 3456: Entertainment Finance

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Similar Films

Defining Features of *Gucci*: Crime drama, based on a true story, produced and / or distributed by MGM

	Title	Release Date	Similarity	Domestic BO	International BO	Total BO	Inflation Adj. Total BO
1	<i>Gucci</i>	2021	Crime Drama, True Story, MGM	\$ -	\$ -	\$ -	\$ -
2	<i>Knives Out</i>	2019	Crime Drama	165M	146M	311M	324M
3	<i>Fighting with my Family</i>	2019	True Story, MGM	23M	18M	41M	42M
4	<i>The Addams Family</i>	2019	MGM	101M	103M	204M	212M
5	<i>The Hustle</i>	2019	MGM	35M	60M	95M	99M
6	<i>The Girl in the Spider's Web</i>	2018	Crime Drama, True Story	15M	20M	35M	40M
7	<i>A Star is Born</i>	2018	MGM	215M	221M	436M	492M
8	<i>Creed II</i>	2018	MGM	116M	99M	214M	242M
9	<i>Death Wish</i>	2018	Crime Drama, MGM	34M	16M	50M	56M
10	<i>Every Day</i>	2018	MGM	6M	4M	10M	12M
11	<i>Overboard</i>	2018	MGM	50M	41M	91M	103M
12	<i>Tomb Raider</i>	2018	MGM	58M	216M	275M	310M
13	<i>Green Book</i>	2018	True Story	85M	237M	322M	363M
14	<i>Molly's Game</i>	2017	True Story	29M	31M	59M	75M
15	<i>Detroit</i>	2017	Crime Drama, True Story	17M	7M	23M	30M
16	<i>Everything, Everything</i>	2017	MGM	34M	28M	62M	78M
17	<i>The Belko Experiment</i>	2017	MGM	10M	1M	11M	14M
18	<i>Alien: Covenant</i>	2017	Ridley Scott	74M	167M	241M	304M
19	<i>All the Money in the World</i>	2017	True Story, Ridley Scott	25M	32M	57M	72M
20	<i>Darkest Hour</i>	2017	True Story	56M	94M	151M	191M
21	<i>The Post</i>	2017	True Story	82M	98M	180M	227M
22	<i>Three Billboards Outside Ebbing</i>	2017	True Story	55M	106M	160M	202M
23	<i>Hell or High Water</i>	2016	Crime Drama	27M	11M	38M	56M
24	<i>Jack Reacher: Never Go Back</i>	2016	Crime Drama	59M	103M	162M	239M
25	<i>The Infiltrator</i>	2016	Crime Drama, True Story	15M	6M	21M	31M
26	<i>Barbershop: The Next Cut</i>	2016	MGM	54M	1M	55M	81M
27	<i>Ben-Hur</i>	2016	MGM	26M	68M	94M	139M
28	<i>Me Before You</i>	2016	MGM	56M	152M	208M	307M
29	<i>The Magnificent Seven</i>	2016	MGM	93M	69M	162M	239M
30	<i>Hacksaw Ridge</i>	2016	True Story	67M	113M	180M	266M
31	<i>Lion</i>	2016	True Story	52M	89M	140M	207M
32	<i>Snowden</i>	2016	True Story	22M	16M	37M	55M

Projections:

(Average of similar films)

57M 76M 133M 165M

Key:

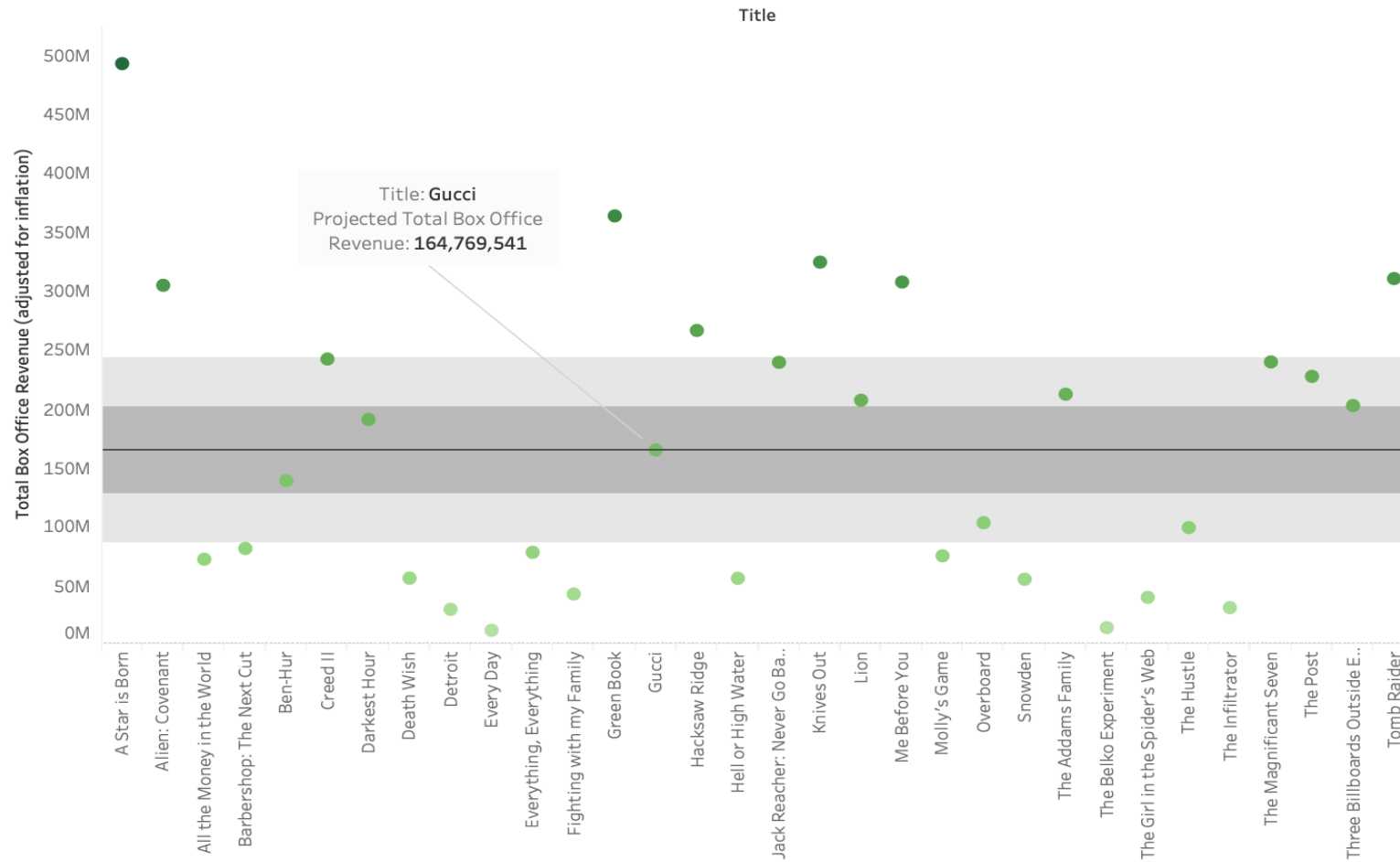
BO: Box Office

All information from *Box Office Mojo* :

https://www.boxofficemojo.com/?ref=bo_nb_se_mojologo

Error Check:	
<i>Snowden</i> Total BOR:	37M
Compound Inflation Rate for 2016:	8.07%
Years since <i>Snowden</i> 's Release:	5
$PV * ((1 + i)^n)$	55M
Does this figure match Total BOR (adjusted for inflation?)	Y

Range of Likely: *Total Box Office Revenues*



Dark grey variance: +/- 20%
 Light grey variance: +/- 50%

Budgets

Production Budget	Cost
Screenplay Cost	1.70M
Director's Fee	2.84M
Producer	1.13M
Cast	5.67M
Story Rights	0.28M
Total Above the Line	11.63M
Development	0.50M
Pre-Production	1.42M
Production	8.51M
Post-Production	3.97M
Total Below the Line	14.39M
Overhead	2.16M
Contingency	1.44M
Insurance	1.30M
Total Other	4.90M
Interest	5.57M
Total Production Budget:	36.48M

P&A Budget	Cost
Indirect Expenses	3.97M
Direct Expenses	28.35M
Marketing Overhead	1.98M
Total P&A Budget:	34.31M

Grand Total: 70.8M

Key:

P&A: Prints & Advertising, a term for Domestic Marketing

*See breakdown of Cost percentages on *Budget Assumptions* page

10 Year Revenue Forecast

Domestic

Expected Revenue from PDBO, Y1-Y5	Y6-Y10		Pre-Release	Y1				Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Distributor's Total	Our Total		
				Q1	Q2	Q3	Q4													
19.09%	2.0%	Projected Domestic Box Office		24.4M													24.4M	15.9M		
13.25%				Electronic Sell-Through	4.7M														4.7M	3.0M
20.34%				DVD, Blu-Ray	2.7M	0.5M													3.2M	2.1M
19.28%				VOD / Pay per view		3.2M	1.7M												5.0M	3.2M
9.98%				0.5%	Pay TV (cable) / SVOD					4.7M				0.5M	0.5M				4.7M	3.1M
		Free TV (and AVOD)						1.2M	0.7M	0.5M			0.12M	0.12M	0.12M	2.4M	1.6M			
Grand Total:																44.4M	28.8M			

International

Expected Revenue from PIBO, Y1-Y5	Y6-Y10		Pre-Release	Y1				Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Distributor's Total	Our Total		
				Q1	Q2	Q3	Q4													
3%	2.0%	Projected International Box Office	0.8M														-	0.8M		
18.00%				Advance Payment	25.2M														25.2M	15.6M
8.00%				Electronic Sell-Through	4.5M														4.5M	2.8M
22.00%				DVD, Blu-Ray	1.5M	0.5M													2.0M	1.3M
7.00%				0.5%	VOD, Pay per view				4.2M	1.4M									5.5M	3.4M
4.00%		Pay TV (cable), SVOD					1.8M				0.5M	0.5M				1.8M	1.1M			
		Free TV, AVOD						1.0M	1.0M	1.0M			0.13M	0.13M	0.13M	3.0M	1.9M			
Total:																42.1M	26.9M			
Additional <i>Physical Media</i> Royalty							2.1M										-	2.1M		
Grand Total:																		29.0M		

Key:

International projections are based on the International Distribution agreement.

* See further analysis on the *Assumptions* page under the 3rd Goal

VOD: Video on Demand

SVOD: Subscription Video on Demand

AVOD: Advertisement-based Video on Demand

Error Check:

International Distributor's Total:	42.1M
Our agreed % of the international distributor's total:	62%
$(63.8M * 62%) + 1.1M$	26.9M
Does this match the sum of <i>Our Total</i> International column?	Y

Participation & Residual Payments

Arguments defined on next page

		< argument > (or null) argument				Y1				Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Total:	
						Q1	Q2	Q3	Q4											
DGA	Electronic Sell-Through	1.80%	3.25%	of	20%	=		16.8K	16.3K											33.1K
	DVD, Blu-Ray	1.50%	1.80%	of	20%	=		8.2K	6.0K	1.5K										15.7K
	VOD / Pay per view	1.20%	-	of	100%	=			38.7K	70.8K	16.6K									126.1K
	Pay TV (cable) / SVOD	1.20%	-	of	100%	=					77.6K				11.9K	11.9K				101.4K
	Free TV (and AVOD)	1.20%	-	of	100%	=						26.7K	20.9K	17.9K			3.0K	3.0K	3.0K	74.5K
WGA	Electronic Sell-Through	1.80%	3.25%	of	20%	=		16.8K	16.3K											33.1K
	DVD, Blu-Ray	1.50%	1.80%	of	20%	=		8.2K	6.0K	1.5K										15.7K
	VOD / Pay per view	1.20%	-	of	100%	=			38.7K	70.8K	16.6K									126.1K
	Pay TV (cable) / SVOD	1.20%	-	of	100%	=					77.6K				11.9K	11.9K				101.4K
	Free TV (and AVOD)	1.20%	-	of	100%	=						26.7K	20.9K	17.9K			3.0K	3.0K	3.0K	74.5K
SAG-AFTRA	Electronic Sell-Through	5.40%	9.75%	of	20%	=		50.3K	49.0K											99.3K
	DVD, Blu-Ray	4.50%	5.4	of	20%	=		24.7K	18.0K	4.5K										47.2K
	VOD / Pay per view	3.60%	-	of	100%	=			116.0K	212.3K	49.9K									378.3K
	Pay TV (cable) / SVOD	3.60%	-	of	100%	=					232.8K				35.7K	35.7K				304.2K
	Free TV (and AVOD)	3.60%	-	of	100%	=						80.1K	62.6K	53.8K			8.9K	8.9K	8.9K	223.4K
IATSE	Electronic Sell-Through	8.10%	14.63%	of	20%	=		75.4K	73.5K											148.9K
	DVD, Blu-Ray	6.75%	8.10%	of	20%	=		37.1K	27.0K	6.8K										70.9K
	VOD / Pay per view	5.40%	-	of	100%	=			174.1K	318.4K	74.9K									567.4K
	Pay TV (cable) / SVOD	5.40%	-	of	100%	=					349.2K				53.6K	53.6K				456.3K
	Free TV (and AVOD)	5.40%	-	of	100%	=						120.2K	93.9K	80.8K			13.4K	13.4K	13.4K	335.1K
AFM	Electronic Sell-Through	1.00%	1.80%	of	20%	=		9.3K	9.1K											18.4K
	DVD, Blu-Ray	1.00%	-	of	20%	=		5.5K	4.0K	1.0K										10.5K
	VOD / Pay per view	1.00%	-	of	100%	=			32.2K	59.0K	13.9K									105.1K
	Pay TV (cable) / SVOD	1.00%	-	of	100%	=					64.7K				9.9K	9.9K				84.5K
	Free TV (and AVOD)	1.00%	-	of	100%	=						22.3K	17.4K	15.0K			2.5K	2.5K	2.5K	62.0K
Participations																				0.0K

Grand Total:

252.3K 625.0K 746.6K 973.8K 276.0K 215.6K 185.5K 123.0K 123.0K 30.8K 30.8K 30.8K **3.6M**

Key:

- DGA: Director's Guild of America
- WGA: Writer's Guild of America
- SAG-AFTRA: Screen Actor's Guild - American Federation of Television & Radio Artists
- IATSE: International Alliance of Theatrical Stage Employees
- AFM: American Federation of Musicians

Error Check:

Q2 EST Total Revenue:	4.7M
DGA Residual %:	1.80%
% of Revenue:	20%
$Q2\ EST\ Total\ Revenue * Residual\ \% * Revenue\ \%$	16.8K
Does this match stated Q2 EST payment for DGA?	Y

Residual Rates

Type	DGA, WGA	SAG-AFTRA	IATSE	AFM
VOD, SVOD, Pay TV, Free TV, Ad-Supported Streaming	1.2% of 100%	3.6% of 100%	5.4% of 100%	1% of 100%
Physical Media (DVD, Blu-Ray)	[1.5% of first \$1million, 1.8% thereafter] of 20%	[4.5% of first \$1million, 5.4% thereafter] of 20%	[6.75% of first \$1million, 8.1% thereafter] of 20%	1% of 20%
Electronic Sell-Through	[First 50,000 downloads 1.8%, thereafter 3.25%] of 20%	[First 50,000 downloads 5.4%, thereafter 9.75%] of 20%	[First 50,000 downloads 8.1%, thereafter 14.625%] of 20%	[First 50,000 downloads 1%, thereafter 1.8%] of 20%

Assumptions

Goal	Task	Assumption	Reasoning	Tab	Sensitivity Analysis	Complete
Create a Dataset of 30 Comparable Films	Determine similarities between <i>Gucci</i> and other films released within the past 5 years	<i>Gucci</i> is a crime drama	IMDb states its genre as a Crime Drama https://www.imdb.com/title/tt11214590/	Similar Films Database	N	Y
		<i>Gucci</i> is based on a true story	Many movie-goers prefer movies based on a true-story; IMDb		N	Y
		<i>Gucci</i> is directed by Ridley Scott	Ridley Scott has a directing career of 44 years, including several extremely successful and various mediocre movies; IMDb		N	Y
		MGM is a distributor and / or producer of the film	Large distributors tend to be selective with movies and only choose titles they think will be successful; IMDb		N	Y
		I am omitting films with \$0 in international box office revenue	<i>Gucci</i> will be released internationally, and will thus earn more revenue than films only released domestically; IMDb		N	Y
	Define how Covid-19 should impact this model	Covid-19 does not exist	Covid-19 has such a colossal impact on the entertainment industry that it would negate the purpose of this model		N	Y
Determine appropriate inflation rates to normalize historical cash flows of similar films	I will use a compound interest rate from the release year of each individual film to 2021	Inflation rates pulled from OfficialData.org https://www.officialdata.org/us/inflation/2016?amount=1000000	PCE Inflation Rate	N	Y	
Forecast Box Office revenue for <i>Gucci</i> based on the "Similar Films" Dataset	<i>Gucci</i> will likely make the average of its 30+ comparable films' Box Office Revenue	This is an educated guess as Box Office Revenue is notoriously difficult to predict. I will make a range of likely outcomes based on this figure	Gucci Revenue Forecast	Y	Y	
Graph a range of likely revenue streams based on the "Similar Films" forecast	The film will most likely be in a range of + - 15%, but I will graph the possibilities of + - 50% to account for extremities	This is another educated guess based on the 30 comparable films released prior to <i>Gucci</i>	Revenue Range Graph	Y	N	
Create a Financial Model for <i>Gucci's</i> Budget	Project Budgets for Production and Domestic Marketing	Individual item estimations will be broken down in the <i>Budgets Assumption</i> tab	Estimations will be based on figures given in class	Budget Assumptions	N	Y
		The functionality of the financial model is more important than budget accuracy	Film budgets are not public information, and they may be met or exceeded regardless		N	Y
Create an Estimate of All Revenues out to 5 years	Interpret contract specifications between our studio and Draper Worldwide Distribution	3% of Projected International BO will be received as payment for delivery of <i>Gucci</i> to Draper	As defined in Section 3A of the International Distribution contract		N	Y
		A royalty of 62% received by Draper and affiliates will be paid to our studio	As defined in Section 3B of the International Distribution contract		N	Y

		All payments will be received within 90 days of the end of each calendar month	As defined in Section 4 of the International Distribution contract		N	Y
	Domestic Theatrical Revenue	43% of Projected Domestic BO will become revenue to our studio (retention rate)	Studios get only a portion of BO after taxes, distribution, and exhibition fees	Revenue Streams Forecast	N	Y
	Domestic Non-Theatrical Revenue	Non-Theatrical revenue will be based on the average % of non-theatrical revenues of similar films	These are some of the most speculative assumptions in the model, but they are based on similar genres	Historical Film Revenues	N	Y
		For revenues lasting more than 1 quarter, I will weight the earlier time periods heavier	Revenue streams have life spans that wane as consumer excitement decreases		N	Y
	International Theatrical Revenue	33% of Projected International BO will be revenue to Draper, of which our studio will receive 62%	55% is projected revenue after-fees, and since Draper is our international distributor, we will receive 62% of this as defined in Section 3B	Revenue Streams Forecast	N	Y
	International Non-Theatrical Revenue	The reachable international market is projected as 1.3x larger than the domestic market, and we will receive 62% as revenue	According to projections on the <i>Similar Films Database</i> , the international market is 76M and the domestic market is 57M	Similar Films Database	N	Y
	Additional Physical Media Royalty	A royalty equal to the greater of (1) 50% of gross receipts of physical media or (2) \$3.00 for every unit of physical media sold	As defined in Section 3C of the International Distribution Contract			
		I am assuming 500,000 pieces of physical media will be sold				
	Years 6-10	AVOD will cease to contract limits, SVOD will continue for years 6-7, then AVOD will continue thereafter				
Project Participation & Residual Payments						

Budget Assumptions	
Screenplay Cost	3% of PDBO
Director's Fee	5% of PDBO
Producer	2% of PDBO
Cast	10% of PDBO
Story Rights	0.5% of PDBO
Development	\$500,000
Pre-Production	2.50% of PDBO
Production	15% of PDBO
Post-Production	7% of PDBO
Overhead	15% of BTL
Contingency	10% of BTL
Insurance	5% of BTL + ATL
Interest	18% of TPB per year
Indirect Expenses	7% of PDBO
Direct Expenses	50% of PDBO
Marketing Overhead	3.50% of PDBO

Error Check	
Projected Domestic Box Office:	57M
"Screenplay Cost" Assumption:	3%
PDBO * Screenplay Cost Assumption:	1.70M
Does this match the "Screenplay Cost" figure on the <i>Budgets</i> page?	Y

Key:

PDBO: Projected Domestic Box Office

BTL: Below the Line

ATL: Above the Line

TPB: Total Production Budget

Table 1: Personal Consumption Expenditures (PCE) Inflation		
Year	Inflation Rate %	Compunded Inflation Rate %
2016	1.94%	8.07%
2017	1.82%	6.02%
2018	2.08%	4.12%
2019	2.00%	2.00%
2020	0.00%	0.00%

*Source: Federal Reserve Bank of Dallas, Trimmed Mean PCE Inflation Rate

Historical Film Revenues

Genre: Drama (Inflation Adjusted)

Year	Theatrical	DVD	EST	Pay TV	VOD	Free TV
2018	3.74	1.47	0.70	2.45	2.67	0.50
2017	6.36	1.57	1.44	2.43	3.15	0.83
2018	3.88	1.97	3.38	3.35	2.32	0.48
2017	5.65	0.78	5.05	2.94	0.28	0.91
2017	6.28	2.21	10.36	4.71	8.75	0.32
2016	13.18	5.80	5.07	5.75	3.92	0.09
2019	14.71	4.75	4.55	3.73	5.11	2.79
2017	31.79	14.32	0.46	4.52	11.07	2.48
2019	31.44	13.32	4.83	8.51	10.31	0.59
2016	46.28	18.40	27.28	19.73	10.03	2.86
2018	23.91	18.17	5.63	6.81	29.16	2.46
2019	61.82	1.80	33.46	5.02	19.31	1.57
2019	29.90	32.70	5.28	16.07	7.34	11.01
2019	65.49	12.70	1.28	40.34	6.28	8.68
2017	65.60	24.33	18.13	2.29	11.31	3.19
2016	97.28	28.78	11.60	40.61	26.40	20.38
2017	99.01	23.21	14.08	8.52	29.13	7.28
2017	67.89	22.33	7.48	49.13	15.71	2.66
2016	117.34	20.84	38.13	6.21	5.85	11.74
2017	88.78	1.33	29.26	7.16	13.70	4.12
2019	129.85	7.04	18.38	29.51	19.38	1.31
2016	116.21	11.15	1.15	27.08	50.99	23.12
2018	129.51	9.89	21.52	19.98	14.85	12.14
2018	192.33	17.22	10.89	17.34	16.64	4.24
2018	168.60	12.01	1.55	71.67	32.06	13.34
2019	189.80	18.45	42.14	21.33	19.64	25.65
2017	218.91	9.50	42.26	47.94	19.56	15.04
2016	159.93	27.25	34.91	26.61	40.79	11.38
2018	282.17	48.87	8.62	5.34	71.70	45.94
2019	390.88	7.34	131.73	50.80	60.32	10.95
2018	550.80	25.98	46.27	132.44	102.27	94.12
2016	353.96	56.60	43.70	143.63	54.46	57.03
2016	359.57	56.08	52.17	1.71	56.00	9.86
2016	358.78	35.76	172.63	28.23	130.93	38.31
Average:	131.81	17.5	25.2	25.4	26.8	13.2
% of Theatrical:		13.25%	19.09%	19.28%	20.34%	9.98%

This tables presents ultimate domestic revenues earned or expected to be earned by the producer for films released in the past five years. Revenues are monies received from the distributor after the distributor recoups its fees and expenses, except Theatrical, which is the total box office gross. All values are in millions of dollars (US).