



**New Business Formation:  
Animation Feature Film Development  
& Production Company**

**December 11, 2014**

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# Executive Summary

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Barry Josephson is forming a company to develop & produce animated films

## New Venture Overview

- Form and fund Animation Feature Film Development & Production company (“Josephson Animated Company”)
- Attractive market – global box office for animated feature films growing at a 12.5% CAGR since 2008 and grossed ~\$5B in 2013
- Proposed deal structure: By contributing equity to the venture, equity investors will share in the profits of all the films funded under this venture *pari passu* and share in the copyright ownership of all underlying rights

## Capital Request

- With Josephson Animated Company self-funding the entire production cost, there is a request for **\$175mm in Equity** to launch development and production for the first three to four films, and associated overhead for the entity
- After a film is released, it will enter into a secured **\$150mm Debt Facility** which will finance the production and release of the future films, of which you will retain equity ownership and profit share

## Barry Josephson's Leadership

- Former President of Columbia / Sony Pictures
- 36-year career in film, TV, and music with extensive industry relationships
- Makes profitable feature films on-budget & on-time – superior business acumen combined with talent for assembling & managing high-performing teams
- Barry's impact: 15 films grossed over \$2.6B at WWBO / returned 3.1x budget
- Josephson Entertainment's box office production successes include:
  - *Enchanted*: \$340MM in WWBO / returned 4.0x budget with 93% RT
  - Other involved titles: *Wild Wild West*, *Men In Black*, *Air Force One*

# Executive Summary

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Barry Josephson is forming a company to develop & produce animated films

## Investment Highlights

Partnering with Josephson Entertainment offers investors an extraordinary opportunity to:

- Win big by participating in tremendous growth potential that exists for compelling family content and Animated feature films, with significant potential equity returns
  - Invest in a successful and proven Entertainment executive / entrepreneur
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## Investor Returns

Utilizing Base Case estimates for the films, equity investors can expect to see:

- **IRR of 15.4%**
- Invested capital **Payback within 7 years, or 3 years after the first film release**
- Subsequent equity returns after Payback point, as fund start-up and initial production/development costs have been recouped

Under an Upside Scenario, equity investors can expect to see:

- **IRR of 25.0%**
  - Invested capital **Payback within 6 years, or 2 years after the first film release**
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# Seeking \$175 Million to Develop, Produce & Market Initial Slate of Six Animated Feature Films

- Create self-sustaining, film production company to develop, produce and oversee marketing for its family-oriented animated features
- Equity will fund initial development and production costs of films, and fund overhead/administration costs of \$1.5M-\$2M a year, with future cash flows financing the operations/production of future slate films

<u>Sources</u>	<u>Amount (\$MM)</u>	<u>% Total</u>	<u>Uses</u>	<u>Amount (\$MM)</u>	<u>% Total</u>
Equity – Investor Capital	\$175.0	54%	Acquisition, Production and Release Expenses	\$315.0	97%
Debt – Secured Credit Facility	\$150.0	46%	Overhead/Administration	\$10.0	3%
<b>Total Sources</b>	<b>\$325.0</b>	<b>100%</b>	<b>Total Uses</b>	<b>\$325.0</b>	<b>100%</b>

<u>Representative Investment Per Film:</u>	
IP Acquisition	\$ 2.5MM
Film Production	50.0MM
Prints & Advertising	<u>40.0MM</u>
<b>Total Investment Per Film</b>	<b><u>\$92.5MM</u></b>

# Josephson Entertainment's Animation Business High-Level Approach

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## Josephson Entertainment Value Proposition

- Company is built off of Barry Josephson's keen eye and a focus towards properties with strong performance across multiple quadrants, franchise potential and ability to be exploited across multiple revenue streams (*Enchanted, Men in Black, Bones*)
- Strong track record of profitability and accountability with budgets and timing, which will minimize fund cash needs and expenditures, and generate and return cash flow quickly

## Development Philosophy

- Only select/acquire material it intends to produce and initiate development on one film per year with the intention of releasing one film per year
- Have three to four films in various stages of development, production and release at a time, utilizing all sources of capital to self-sustain and create cash flow generating assets

## Film Production

- Outsource to best-of-breed animation studios, reducing costly entity overhead needs

## Marketing Costs (████)

- Fund own █████ expenditures, greatly reducing shared economics with distributor to only a distribution fee, and exercising increased control over film marketing campaign and positioning
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# Fundamentals of Family Content Make it Very Valuable & Ultra Competitive Industry Segment

Family content continues to have value as other genres decline

## Highly Coveted Target Customer

- **Willingness to pay**
  - Parents as key customer will continue to purchase non-discretionary items related to animated films to make their kids happy
- **Repeat consumption**
  - Children watch their favorite stories over and over, thus strengthening the value of purchase

## International Growth

- **Foreign box office**
  - FBO for family films has grown at 7.4% CAGR since 2005 (vs. 1.0% for DBO)
  - Qualitatively, animated films are visually appealing and overcome language barriers
- **International TV markets**
  - “Disney Channel has become biggest franchise grower for the company worldwide” – Disney CFO Jay Rasulo

## Superior Monetization of Content

- **Licensing & merchandising potential**
  - Disney Pixar’s *Cars* generated estimated \$8B in merchandising revenue before release of *Cars 2*
- **Home video sales**
  - For given level of box office, animated films generate 15 – 20% more HV revenue than other genres

## Expanding Buyer Universe

- **Growing consumer demand**
  - Family WWBO has tripled in last 15 years
- **Powerful film & TV content buyers**
  - Increase in size & importance of major cable and pay TV networks benefits content owners
  - Netflix, Amazon, Hulu and Microsoft making presence felt(original & licensed content)

# Despite Higher Up-Front Capital & Longer Time Horizon, Animation Provides Unique Opportunity

## Animation thesis

### Favorable Supply / Demand Dynamics

- Heavy skew to live-action movies – only 19 animated films were released in 2013
- Higher barriers to entry – unique skill set & capital requirements

### Superior Operating Leverage

- Gross participations generally limited to producers; voice talent unlikely to command significant ownership share
- Voice talent does not drive WWBO – films that market stars perform no better than films that don't

### Reduced Execution Risk

- Combination of (i) limited supply of movies and (ii) children having less discriminating tastes
- A+ quality not always necessary – *Cars 2* received RT score of 39%, but still earned \$560MM at box office
- From 2005 to 2012, 50 movies with RT scores of 25% or less earned / returned:
  - (12) Animated: \$156.3 WWBO / 3.0x budget
  - (38) Live-Action: \$105.9 WWBO / 1.8x budget

### Superior Home Video & IP Monetization

- For a given box office result, HV for animated fare runs 15-20% higher than live-action
- Original characters can be exploited through licensing and merchandising
  - Disney Pixar's *Cars* generated estimated \$8B in merchandising revenue before release of *Cars 2*

# Josephson's Animated Family Films Would be in High Demand with Major Film Distributors (1 of 3)

Josephson will cover cost of Production as well as [REDACTED], greatly reducing anticipated fees it would pay a distributor in any output deal

## Film Distributor

## Distribution Activities



- Terminated its distribution deal with DreamWorks Animation at the end of 2013
- Development and production initiative in full swing on handful of new animated properties, such as *SpongeBob SquarePants* and *Monster Trucks*, to be released in 2015
- Key relationship with Nickelodeon to mine children's IP



- While Fox owns Blue Sky (*Ice Age* franchise, *Rio* franchise, *Epic*) and replaced Paramount as DreamWorks Animation's distributor, they are still in the market for other animated fare
- Recently released *The Book of Life* and scheduled *Peanuts* for 2015



- Created Warner Animation Group in 2013 with first release, *The LEGO Movie*, grossing \$468M worldwide
- Seeking to distribute non-Warner Bros. developed films



- Primary source of animation is through ownership interest in Illumination Entertainment (*Despicable Me* franchise, *The Lorax*, *Hop*)
- Ability to monetize successful animated fare across TV network portfolio and theme park capabilities

# Josephson's Animated Family Films Would be in High Demand with Major Film Distributors (2 of 3)

Josephson will cover cost of Production as well as [REDACTED], greatly reducing anticipated fees it would pay a distributor in any output deal

## Film Distributor

## Distribution Activities



- Sony has in-house studio, Sony Pictures Animation, which has averaged one film per year (*Cloudy with a Chance of Meatballs* franchise, *The Smurfs* franchise)
- Interested in working with other animation partners



- Signed distribution deal with Reel FX, the company behind 2013's *Free Birds* to take worldwide rights, but are looking for other options

## LIONSGATE

- Seeking powerhouse animated films to distribute and are rebooting *Power Rangers* franchise with Saban



THE WEINSTEIN COMPANY

- While producing animated films sporadically, such as *Hoodwinked!* and *Escape from Planet Earth*, the Weinsteins have also signed distribution deals for independently produced films
- Acquired Argentinian hit *Underdogs* for release in 2015

# Josephson's Animated Family Films Would be in High Demand with Major Film Distributors (3 of 3)

Josephson will cover cost of Production as well as [REDACTED], greatly reducing anticipated fees it would pay a distributor in any output deal

## Film Distributor

## Distribution Activities

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**F O C U S**  
F E A T U R E S

- Focus has extended a deal with LAIKA to distribute their films, such as *The Boxtrolls*, *ParaNorman* and *Coraline*, but have also distributed other specialized animated projects, such as *9*

**OPENROAD**

- Released *The Nut Job* in 2014, as the highest grossing independently produced animated film and have experience in releasing/servicing films with [REDACTED] financing attached

**STX**  
**ENTERTAINMENT**

- New studio headed by Bob Simonds and funded by TPG, Hony Capital and Gigi Pritzker.
- Seeking animation partner for anticipated 12 film slate with direct distribution to major exhibition chains.

# Case Study Success: Illumination Entertainment

Illumination Entertainment demonstrates that strict cost control and hit animated movies are not mutually exclusive



## Critical Success Factors

- Very few management layers
- Clear decision-making
- Shorten development / production cycle
- Hire less star power – vocal talent, young animators, and first-time directors
- Keep investment in animation technology to a minimum
- Use licensing partners to help build awareness

Illumination Entertainment Animated Movie Releases					
Film Title	Year	WWBO	Budget	WWBO/ Budget	Rotten Tomatoes
<i>Despicable Me 2</i>	2013	\$971	\$76	12.8x	74%
<i>Dr. Seuss' The Lorax</i>	2012	349	70	5.0x	54%
<i>Hop</i>	2011	184	63	2.9x	25%
<i>Despicable Me</i>	2010	543	69	7.9x	81%
		\$2,047	\$278	7.4x	54%

"...I like being involved in all the facets of a movie, from the inception of the idea to the marketing of the movie and everything in between. It can start with what ideas we're going to explore as possible stories, to the hiring of the writers, to guiding the writing process, to choosing the directors. It's a very comprehensive approach to producing."

-- Illumination's CEO Chris Meledandri in *Dartmouth Now*

Source: [redacted]; [redacted]; *NY Times*, "For Illumination Entertainment, Animation Meets Economic Reality", 04/04/2011.

# Studios Must Decide Which Activities Will be Done In-House vs. Outsourced to Specialty Firms

Josephson Entertainment seeks to replicate Illumination’s success & early operating model by doing development & pre-production phases in-house

**High-Level Phases of Animated Film-Making**

	<u>Animation Studios</u>	<u>Development</u>	<u>Pre-Production</u>	<u>Production</u>	<u>Post-Production</u>	<u>Distribution</u>
1	Disney / Pixar					
2	Fox / Blue Sky Studios	<b>Fully-Integrated Studios</b>				
3	Sony Pictures Animation					
4	DreamWorks Animation					20 <sup>th</sup> Century Fox
5	Illumination Entertainment	<b>Illumination Entertainment's Early Operating Model</b>		Mac Guff (2011)	Mac Guff (2011)	Universal
6	<b>Josephson Entertainment</b>					
7	Warner Bros.					
8	Paramount Pictures					

“(Despicable Me 2) is going to end up being the single most profitable film in the 100 year history of Universal Studios...We love Illumination”, he added about the animation producer behind the hit franchise.  
 – NBCUniversal CEO Steve Burke in *Hollywood Reporter* (07/31/2013)

Source: [redacted]; Company Websites.

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# Executive Barry Josephson is a 36-Year Film, TV & Music Veteran with Impressive Credentials (1 of 2)

Mainstream success through many motion pictures, TV series and specials across genres, in roles ranging from film & TV producer to talent manager

## Barry Josephson's Entertainment Career Highlights



- Former President of Sony's Columbia Pictures, responsible for such hits as *Men In Black*, *Air Force One*, *In The Line Of Fire*, *The Fifth Element*, *Anaconda*, *Bad Boys*, *The Professional*, and *The Craft*

- Producer on Walt Disney Pictures' *Enchanted* (2007), an animated / live-action romantic comedy that grossed over \$340 million at the global box office and received three Academy Award Nomination for songs

- Josephson Entertainment's other box office production successes include:

- *Life as We Know It* from Warner Bros.
- *Hide and Seek* starring Robert De Niro from 20<sup>th</sup> Century Fox
- *Like Mike* from 20th Century Fox
- *The Ladykillers* written/directed by Coen Brothers / starring Tom Hanks from Disney
- *Wild Wild West* starring Will Smith from Warner Bros.

- Currently in pre-production on feature film projects, including Lionsgate's *Driving Dick Kelly*, 20<sup>th</sup> Century Fox & Lightstorm Entertainment's *The Dive*, Voltage's *Apex* and Focus's *Circle of Treason*

- Executive Producer on FOX Network hit TV series *Bones*, now in its 10th season

- Executive Producer on American Revolutionary War TV drama *Turn: Washington Spies*, for AMC in production for 2<sup>nd</sup> season

- Served as talent manager and has helped advance the careers of such stars as Whoopi Goldberg, Patti Labelle, the Pointer Sisters, and Paula Abdul

# Executive Barry Josephson is a 36-Year Film, TV & Music Veteran with Impressive Credentials (2 of 2)

Mainstream success through many motion pictures, TV series and specials across genres, in roles ranging from film & TV producer to talent manager

## Barry Josephson's Other Professional & Personal Interests



- Founding member of *Comic Relief*, the comedy concert series that raised millions of dollars to aid the plight of the homeless
- Active advocate of animal rights and sponsors *The Millan Foundation for Rescued Pets*
- Played pivotal role in *HBO Aspen Comedy Festival* and currently does so in:
  - *The Commitment to Life Benefit* (supporting AIDS Project Los Angeles)
  - *NHL Entertainment Board*
  - *Los Angeles Kings Advisory Board*
  - Founding member and current board member of 20-year running *Heart of Austin Film Festival* for screenwriters

- Graduated from American University and remains active member of its American University School of Communication Alumni program
- Honored by American University with a Lifetime Achievement Award and received the Daughters the Revolution Award and the Saturn Award
- Josephson lives in Pacific Palisades, CA with his wife Brooke and daughter Shira

# Barry Josephson is a Proven Filmmaker & Knows Animation, Producing 2007 Disney Hit *Enchanted*

Proved his mettle by purchasing original story, overcoming extended development process, and putting together pieces for highly successful film



**Barry Josephson's Role:** Producer

**Genre & Plot:** Animated / live-action romantic comedy – Giselle is a classic Disney Princess, who is forced from her traditional animated world of Andalasia into live-action world of NYC

**Cast:** Amy Adams, Patrick Dempsey, James Marsden, Timothy Spall, Idina Menzel, Rachel Covey, and Susan Sarandon

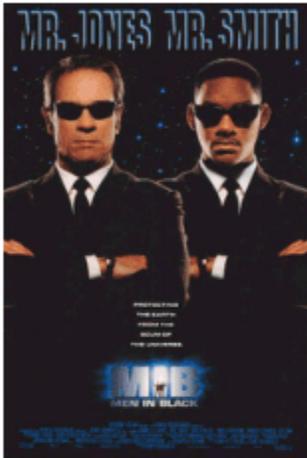
**Development, Production & Release:**

- Bill Kelly's script sold in 1997 to Disney & Sonnenfeld / Josephson Productions
- No support for R-rated movie – project languished after several rewrites & 3 directors
- In 2005, hired 4<sup>th</sup> Director Kevin Lima and Bill Kelly returned to write new version
- Renowned songwriting team of Alan Menken and Stephen Schwartz involved early in film
- November 2007 wide-release with 93% Rotten Tomatoes score
- Two Golden Globe nominations, four Critics' Choice Awards three Academy Award nominations, and won Critics' Choice Award for Best Family Film and Phoenix Film Critics Society Award for Best Live Action Family Film

**Financial:**

- \$340MM at global box office / returned 4.0x its \$85MM budget
- \$100MM in domestic DVD sales
- Licensing deals with Mattel and Nintendo

# Barry Josephson's Films also have Global Reach and Franchise Potential, like *Men in Black*



**Barry Josephson's Role:** Columbia Pictures' President of Production

**Genre & Plot:** Comic science fiction action spy film. Two agents of a secret organization called Men in Black supervise extraterrestrial life forms who live on Earth and hide their existence from ordinary humans

**Cast:** Tommy Lee Jones, Will Smith, Linda Fiorentino, Vincent ██████████, and Rip Torn

**Development, Production & Release:**

- Optioned in 1992, based on a small circulation graphic novel, *The Men in Black*
- Hired Ed Solomon for the original 1<sup>st</sup> draft
- Script problems – Tommy Lee Jones joined cast only after Steven Spielberg promised that the script would improve
- Delayed due to Barry Sonnenfeld's commitments around *Get Shorty* (1995)
- Original shoot locations ranged from Kansas, Washington ██████████, and Nevada, but Sonnenfeld opted for NYC where the city's structures resembled flying saucers and rockets
- July 1997 wide-release with 91% Rotten Tomatoes score

**Financial:**

- \$589MM at global box office / returned 6.6x its \$90MM budget (In the Top-100 all time grossing films)
- \$58MM in domestic DVD sales
- Sequels: *Men in Black II* (2002) and *Men in Black III* (2012) grossed \$442MM and \$624MM in WWBO, respectively
- WB Animated series based on film, titled *Men in Black: The Series*, ran from 1997 to 2001

# There is a Strong Talent Pool of Animation Studios with whom Josephson Entertainment can partner

International firms typically can offer local tax breaks & lower salaries



\*Mac Guff split into 2 separate companies, with Illumination Entertainment buying the animation department to form Illumination Mac Guff in 2011. Mac Guff Effects would like to establish itself in feature animation.

# Josephson Entertainment Can Leverage Strong Ties to Best Animation Directors & Writers (1 of 2)

<u>Name</u>	<u>Role</u>	<u>Film Credits</u>	<u>Recognition</u>
Kevin Lima	Director	<i>Enchanted, Tarzan</i>	
Roger Allers	Director	<i>The Lion King, Open Season</i>	Oscar Nominee
Rob Minkoff	Director	<i>The Lion King, Mr. Peabody &amp; Sherman</i>	
Mark Andrews	Director	<i>Brave</i>	Oscar Winner
Brenda Chapman	Director	<i>Brave, The Prince of Egypt</i>	Oscar Winner
Dan Jeup	Director	<i>Finding Nemo</i>	
Vicky Jenson	Director	<i>Shrek, Shark Tale</i>	
Ash Brannon	Director	<i>Toy Story 2, Surf's Up</i>	Oscar Nominee
Fabrice Joubert	Director	<i>Despicable Me</i>	Oscar Nominee
David Silverman	Director	<i>The Simpsons Movie, Monsters, Inc.</i>	Oscar Nominee
Mark Osborne	Director	<i>Kung Fu Panda, The Little Prince</i>	Oscar Nominee
John Stevenson	Director	<i>Kung Fu Panda</i>	Oscar Nominee
Eric Goldberg	Director	<i>Pocahontas, Fantasia 2000</i>	
Gary Trousdale	Director	<i>Beauty and the Beast, The Hunchback of Notre Dame</i>	
Kirk Wise	Director	<i>Beauty and the Beast, The Hunchback of Notre Dame</i>	

## Josephson Entertainment Can Leverage Strong Ties to Best Animation Directors & Writers (2 of 2)

<u>Name</u>	<u>Role</u>	<u>Film Credits</u>	<u>Recognition</u>
Steve Anderson	Director	<i>Meet the Robinsons, Winnie the Pooh</i>	
Mark Dindal	Director	<i>Chicken Little, The Emperor's New Groove</i>	
Chris Williams	Director	<i>Bolt</i>	Oscar Nominee
Ralph Eggleston	Director	<i>For the Birds</i>	Oscar Winner
John Kahrs	Director	<i>Paperman</i>	Oscar Winner
Chris Bailey	Director	<i>Runaway Brain</i>	Oscar Nominee
Mike Johnson	Director	<i>Corpse Bride</i>	Oscar Nominee
Minkyu Lee	Director	<i>Adam &amp; Dog</i>	Oscar Nominee
Teddy Newton	Director	<i>Day &amp; Night</i>	Oscar Nominee
Jim Capobianco	Writer	<i>Ratatouille</i>	Oscar Nominee
David Reynolds	Writer	<i>Finding Nemo, The Emperor's New Groove</i>	Oscar Nominee
The Hageman Bros.	Writers	<i>The LEGO Movie, Hotel Transylvania, Ninjago</i>	
Irene Mecchi	Writer	<i>Brave, The Lion King</i>	
Tab Murphy	Writer	<i>Tarzan, The Hunchback of Notre Dame</i>	Oscar Nominee

## Representative Sample of 15 Barry Josephson Films Grossing Almost \$2.7B in WWBO

No.	Film Title (Year)	BJ Role	DBO	FBO	WWBO	Budget	WWBO/Budget
1	<i>Life as We Know It</i> (2010)	Producer	\$53.4	\$52.3	\$105.6	\$38.0	2.8x
2	<i>Aliens in the Attic</i> (2009)	Producer	25.2	32.7	57.8	45.0	1.3x
3	<i>Enchanted</i> (2007)	Producer	127.8	212.7	340.5	85.0	4.0x
4	<i>Hide and Seek</i> (2005)	Producer	51.1	71.6	122.7	25.0	4.9x
5	<i>The Ladykillers</i> (2004)	Producer	39.8	36.9	76.7	35.0	2.2x
6	<i>Like Mike</i> (2002)	Producer	51.4	10.8	62.3	30.0	2.1x
7	<i>Wild Wild West</i> (1999)	Exec Producer	113.8	108.3	222.1	170.0	1.3x
8	<i>Men in Black</i> (1997)	Studio Exec	250.7	338.7	589.4	81.0	7.3x
9	<i>Air Force One</i> (1997)	Studio Exec	173.0	142.2	315.2	85.0	3.7x
10	<i>The Fifth Element</i> (1997)	Studio Exec	63.8	200.1	263.9	90.0	2.9x
11	<i>Anaconda</i> (1997)	Studio Exec	65.9	71.0	136.9	45.0	3.0x
12	<i>The Craft</i> (1996)	Studio Exec	24.8	30.9	55.7	15.0	3.7x
13	<i>Bad Boys</i> (1995)	Studio Exec	65.8	75.6	141.4	19.0	7.4x

Source: [REDACTED]

# Representative Sample of 15 Barry Josephson Films Grossing Almost \$2.7B in WWBO

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No.	Film Title (Year)	BJ Role	DBO	FBO	WWBO	Budget	WWBO/Budget
14	<i>Leon: The Professional</i> (1994)	Studio Exec	19.5	25.8	45.3	16.0	2.8x
15	<i>In The Line of Fire</i> (1993)	Studio Exec	<u>102.3</u>	<u>74.7</u>	<u>177.0</u>	<u>40.0</u>	<u>4.4x</u>
		Total	\$ 1,228.3	\$1,458.5	\$2,712.5	\$819.0	3.3x

Source: [REDACTED]

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# Investor Returns – Base Case

- Under its Base Case, the Josephson Animated Company will return a **Lifetime IRR on capital of 15.4%, with Payback within 7 years of funding and 3 years after the first release**
- Through strict cost control measures and low overhead, the equity investment will sustain the fund until films are seasoned into the debt facility and cash is received from the first titles

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Film Cash Flows</b>											
Total Film Revenue	\$ --	\$ --	\$ --	\$ --	\$150.5	\$241.8	\$339.0	\$152.2	\$364.9	\$371.1	\$219.6
Total Film Expenses	\$10.6	\$15.0	\$25.6	\$44.9	\$138.4	\$169.0	\$195.9	\$107.9	\$202.4	\$161.3	\$68.6
Net Profit (Loss)	(\$10.6)	(\$15.0)	(\$25.6)	(\$44.9)	\$12.1	\$72.8	\$143.1	\$44.3	\$162.4	\$209.8	\$151.0
<i>Cumulative Net Profit/(Loss) from Films</i>	<i>(\$10.6)</i>	<i>(\$25.6)</i>	<i>(\$51.3)</i>	<i>(\$96.1)</i>	<i>(\$84.0)</i>	<i>(\$11.2)</i>	\$131.9	\$176.2	\$338.6	\$548.4	\$699.5
Overhead/Administration	\$1.5	\$1.6	\$1.6	\$1.7	\$1.8	\$1.8	\$1.9	\$2.0	\$2.1	\$2.1	\$2.2
<b>Fund Net Profit/(Loss)</b>	<b>(\$12.1)</b>	<b>(\$16.6)</b>	<b>(\$27.2)</b>	<b>(\$46.6)</b>	<b>\$10.4</b>	<b>\$70.9</b>	<b>\$141.2</b>	<b>\$42.3</b>	<b>\$160.4</b>	<b>\$207.7</b>	<b>\$148.8</b>
<i>Cumulative Fund Net Profit/(Loss)</i>	<i>(\$12.1)</i>	<i>(\$28.7)</i>	<i>(\$55.9)</i>	<i>(\$102.5)</i>	<i>(\$92.1)</i>	<i>(\$21.2)</i>	\$120.0	\$162.4	\$322.7	\$530.4	\$679.3
<b>Discounted Cash Flow In/(Out) @ 8.0%</b>	<b>(\$11.2)</b>	<b>(\$14.2)</b>	<b>(\$21.6)</b>	<b>(\$34.2)</b>	<b>\$7.1</b>	<b>\$44.7</b>	<b>\$82.4</b>	<b>\$22.9</b>	<b>\$80.2</b>	<b>\$96.2</b>	<b>\$63.8</b>
<i>Cumulative Discounted Cash Flow In/(Out)</i>	<i>(\$11.2)</i>	<i>(\$25.4)</i>	<i>(\$47.1)</i>	<i>(\$81.3)</i>	<i>(\$74.2)</i>	<i>(\$29.5)</i>	\$52.9	\$75.8	\$156.0	\$252.2	\$316.0
<b>Financing Sources</b>											
Cash Balance	\$1.0	\$1.0	\$1.0	\$1.0	\$18.6	\$85.4	\$234.1	\$274.5	\$438.1	\$637.0	\$795.2
Debt Borrowing Availability	–	–	–	–	42.8	84.5	150.0	92.5	150.0	150.0	123.5
Equity Available	161.9	145.3	118.1	71.5	60.7	60.7	60.7	60.7	60.7	60.7	60.7
<i>Total Sources Available</i>	<i>\$162.9</i>	<i>\$146.3</i>	<i>\$119.1</i>	<i>\$72.5</i>	<i>\$122.1</i>	<i>\$230.6</i>	<i>\$444.7</i>	<i>\$427.6</i>	<i>\$648.8</i>	<i>\$847.7</i>	<i>\$979.4</i>
<b>NPV of Cash Flows @ 8.0%</b>	<b>\$357.3</b>										
<b>Lifetime IRR</b>	<b>15.4%</b>										
<b>First 10-Year IRR</b>	<b>14.3%</b>										

# Slate Summary – Base Case

Summary Representation of economics for films produced in the entity in a Base Case scenario

	Animated Film 1	Animated Film 2	Animated Film 3	Animated Film 4	Animated Film 5	Animated Film 6
Release Date	Jan-19	Mar-20	May-21	Nov-22	Jul-23	Aug-24
<b>Ultimate (\$M)</b>						
<b>Domestic Box Office</b>	\$50.0	\$90.0	\$125.0	\$100.0	\$125.0	\$75.0
<b>Foreign Box Office</b>	75.0	103.5	162.5	125.0	187.5	112.5
<b>Worldwide Box Office</b>	<b>\$125.0</b>	<b>\$193.5</b>	<b>\$287.5</b>	<b>\$225.0</b>	<b>\$312.5</b>	<b>\$187.5</b>
<b>Revenue</b>						
Total Domestic Revenue	\$82.3	\$142.2	\$195.0	\$156.0	\$195.0	\$118.5
Total Foreign Revenue	123.4	163.5	253.5	195.0	243.8	148.1
<b>Total Revenue</b>	<b>\$205.6</b>	<b>\$305.7</b>	<b>\$448.5</b>	<b>\$351.0</b>	<b>\$438.8</b>	<b>\$266.6</b>
<b>Expenses</b>						
Production Cost	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0
Production Subsidy	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)
Net Production Cost	\$42.5	\$42.5	\$42.5	\$42.5	\$42.5	\$42.5
Domestic Distribution Fee	\$10.3	\$17.8	\$24.4	\$19.5	\$24.4	\$14.8
Domestic ██████	40.0	40.0	40.0	40.0	40.0	40.0
Domestic Non-█████ Expenses	10.6	18.4	24.2	19.3	24.2	15.3
Total Domestic Distribution Expenses	\$60.9	\$76.2	\$88.5	\$78.8	\$88.5	\$70.1
Foreign Distribution Fee	\$15.4	\$20.4	\$31.7	\$24.4	\$30.5	\$18.5
Foreign Distribution Expenses	24.7	32.7	50.7	39.0	48.8	29.6
Total Foreign Distribution Expenses	\$40.1	\$53.1	\$82.4	\$63.4	\$79.2	\$48.1
Total Participations & Residuals	10.3	15.3	22.4	17.6	21.9	13.3
<b>Total Expenses</b>	<b>\$153.8</b>	<b>\$187.1</b>	<b>\$235.9</b>	<b>\$202.3</b>	<b>\$232.2</b>	<b>\$174.1</b>
<b>Net Profit (Loss)</b>	<b>\$51.9</b>	<b>\$118.6</b>	<b>\$212.6</b>	<b>\$148.7</b>	<b>\$206.6</b>	<b>\$92.5</b>

## Investor Returns – Upside Case

- Under its Upside Case, the Josephson Animated Company will return a **Lifetime IRR on capital of 25.0%, with Payback within 6 years of funding and 2 years after the first release**
- Similar to the base case in how the equity investment will sustain the fund through the initial years. In an upside situation, there is significant opportunity for animated films to outperform and deliver significant equity returns

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Film Cash Flows</b>											
Total Film Revenue	\$ --	\$ --	\$ --	\$ --	\$216.8	\$351.5	\$594.9	\$252.1	\$568.8	\$581.2	\$336.6
Total Film Expenses	\$10.6	\$15.0	\$25.6	\$45.1	\$169.5	\$218.3	\$305.4	\$145.5	\$289.9	\$251.5	\$117.9
Net Profit (Loss)	(\$10.6)	(\$15.0)	(\$25.6)	(\$45.1)	\$47.4	\$133.2	\$289.6	\$106.6	\$278.9	\$329.7	\$218.7
<i>Cumulative Net Profit/(Loss) from Films</i>	<i>(\$10.6)</i>	<i>(\$25.6)</i>	<i>(\$51.3)</i>	<i>(\$96.4)</i>	<i>(\$49.0)</i>	\$84.2	\$373.8	\$480.4	\$759.3	\$1,088.9	\$1,307.6
Overhead/Administration	\$1.5	\$1.6	\$1.6	\$1.7	\$1.8	\$1.8	\$1.9	\$2.0	\$2.1	\$2.1	\$2.2
<b>Fund Net Profit/(Loss)</b>	<b>(\$12.1)</b>	<b>(\$16.6)</b>	<b>(\$27.2)</b>	<b>(\$46.8)</b>	<b>\$45.6</b>	<b>\$131.4</b>	<b>\$287.7</b>	<b>\$104.6</b>	<b>\$276.8</b>	<b>\$327.5</b>	<b>\$216.5</b>
<i>Cumulative Fund Net Profit/(Loss)</i>	<i>(\$12.1)</i>	<i>(\$28.7)</i>	<i>(\$55.9)</i>	<i>(\$102.7)</i>	<i>(\$57.1)</i>	\$74.3	\$361.9	\$466.5	\$743.4	\$1,070.9	\$1,287.4
<b>Discounted Cash Flow In/(Out) @ 8.0%</b>	<b>(\$11.2)</b>	<b>(\$14.2)</b>	<b>(\$21.6)</b>	<b>(\$34.4)</b>	<b>\$31.0</b>	<b>\$82.8</b>	<b>\$167.9</b>	<b>\$56.5</b>	<b>\$138.5</b>	<b>\$151.7</b>	<b>\$92.8</b>
<i>Cumulative Discounted Cash Flow In/(Out)</i>	<i>(\$11.2)</i>	<i>(\$25.4)</i>	<i>(\$47.1)</i>	<i>(\$81.5)</i>	<i>(\$50.4)</i>	\$32.4	\$200.2	\$256.7	\$395.2	\$547.0	\$639.8
<b>Financing Sources</b>											
Cash Balance	\$1.0	\$1.0	\$1.0	\$1.0	\$46.9	\$169.3	\$469.5	\$561.4	\$852.5	\$1,166.7	\$1,398.3
Debt Borrowing Availability	–	–	–	–	57.1	120.2	150.0	148.9	150.0	150.0	150.0
Equity Available	161.9	145.3	118.1	71.3	67.0	67.0	67.0	67.0	67.0	67.0	67.0
<i>Total Sources Available</i>	<i>\$162.9</i>	<i>\$146.3</i>	<i>\$119.1</i>	<i>\$72.3</i>	<i>\$171.0</i>	<i>\$356.5</i>	<i>\$686.5</i>	<i>\$777.4</i>	<i>\$1,069.5</i>	<i>\$1,383.7</i>	<i>\$1,615.3</i>
<b>NPV of Cash Flows @ 8.0%</b>	<b>\$704.3</b>										
<b>Lifetime IRR</b>	<b>25.0%</b>										
<b>First 10-Year IRR</b>	<b>24.2%</b>										

# Slate Summary – Upside Case

Summary Representation of economics for films produced in the entity in an Upside Case scenario

	Animated Film 1	Animated Film 2	Animated Film 3	Animated Film 4	Animated Film 5	Animated Film 6
Release Date	Jan-19	Mar-20	May-21	Nov-22	Jul-23	Aug-24
<b>Ultimate (\$M)</b>						
<b>Domestic Box Office</b>	\$75.0	\$135.0	\$225.0	\$150.0	\$200.0	\$112.5
<b>Foreign Box Office</b>	112.5	155.3	292.5	187.5	300.0	168.8
<b>Worldwide Box Office</b>	<b>\$187.5</b>	<b>\$290.3</b>	<b>\$517.5</b>	<b>\$337.5</b>	<b>\$500.0</b>	<b>\$281.3</b>
<b>Revenue</b>						
Total Domestic Revenue	\$118.5	\$210.6	\$351.0	\$234.0	\$312.0	\$175.5
Total Foreign Revenue	177.8	242.2	456.3	292.5	390.0	219.4
<b>Total Revenue</b>	<b>\$296.3</b>	<b>\$452.8</b>	<b>\$807.3</b>	<b>\$526.5</b>	<b>\$702.0</b>	<b>\$394.9</b>
<b>Expenses</b>						
Production Cost	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0
Production Subsidy	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)
Net Production Cost	\$42.5	\$42.5	\$42.5	\$42.5	\$42.5	\$42.5
Domestic Distribution Fee	\$14.8	\$26.3	\$43.9	\$29.3	\$39.0	\$21.9
Domestic ██████	40.0	40.0	40.0	40.0	40.0	40.0
Domestic Non-█████ Expenses	15.3	26.1	43.5	29.0	38.7	21.8
Total Domestic Distribution Expenses	\$70.1	\$92.4	\$127.4	\$98.3	\$117.7	\$83.7
Foreign Distribution Fee	\$22.2	\$30.3	\$57.0	\$36.6	\$48.8	\$27.4
Foreign Distribution Expenses	35.6	48.4	91.3	58.5	78.0	43.9
Total Foreign Distribution Expenses	\$57.8	\$78.7	\$148.3	\$95.1	\$126.8	\$71.3
Total Participations & Residuals	23.7	36.2	64.6	42.1	56.2	31.6
<b>Total Expenses</b>	<b>\$194.1</b>	<b>\$249.9</b>	<b>\$382.8</b>	<b>\$277.9</b>	<b>\$343.1</b>	<b>\$229.1</b>
<b>Net Profit (Loss)</b>	<b>\$102.1</b>	<b>\$202.9</b>	<b>\$424.5</b>	<b>\$248.6</b>	<b>\$358.9</b>	<b>\$165.8</b>

# Representative Film Distribution Agreement

**Territory:** Worldwide

**Rights:** All rights

**Term:** 25 years, after which distribution rights revert back to Producer

**Distribution Fee:** 12.5% on all windows inclusive of all sub-distribution fees

**Commitment:** Distributor has option to commit up to \$10M, which will be recouped in the waterfall below

**Waterfall:** Distributor recoups off of all gross receipts:

- (i) Distribution Fee
- (ii) Third-Party Payments (participations and residuals) and all other overhead expenses Distributor is advancing for Producer
- (iii) Any Distributor Commitment and Distribution Expenses
- (iv) Balance to Producer per Distribution Agreement

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## **Slate Details by Film – Base Case**

# Animated Film 1 – Financial Detail – Base

Animated Film 1	
Release Date	Jan-19
<b>Ultimate (\$M)</b>	
<b>Domestic Box Office</b>	\$50.0
<b>Foreign Box Office</b>	75.0
<b>Worldwide Box Office</b>	<b>\$125.0</b>
<b>Revenue</b>	
<b>Domestic</b>	
Domestic Theatrical	\$21.0
Domestic Home Video	25.0
Domestic VOD/EST	14.0
Domestic Pay TV	10.5
Domestic Network TV	8.0
Domestic Licensing/Merchandise	3.8
<b>Total Domestic Revenue</b>	<b>\$82.3</b>
<b>Foreign</b>	
Foreign Theatrical	\$31.5
Foreign Home Video	37.5
Foreign VOD/EST	21.0
Foreign Pay TV	15.8
Foreign Network TV	12.0
Foreign Licensing/Merchandise	5.6
<b>Total Foreign Revenue</b>	<b>\$123.4</b>
<b>Total Revenue</b>	<b>\$205.6</b>
<b>Expenses</b>	
<b>Production</b>	
Production Cost	\$50.0
Production Subsidy	(7.5)
<b>Net Production Cost</b>	<b>\$42.5</b>
<b>Domestic</b>	
Domestic Distribution Fee	\$10.3
Domestic ██████	40.0
Domestic Non-█████ Expenses	10.6
<b>Total Domestic Distribution Expenses</b>	<b>\$60.9</b>
<b>Foreign</b>	
Foreign Distribution Fee	\$15.4
Foreign Distribution Expenses	24.7
<b>Total Foreign Distribution Expenses</b>	<b>\$40.1</b>
<b>Total Participations &amp; Residuals</b>	<b>\$10.3</b>
<b>Total Expenses</b>	<b>\$153.8</b>
<b>Net Profit (Loss)</b>	<b>\$51.9</b>
NPV @ 8.0%	\$21.8

## Animated Film 2 – Financial Detail – Base

Animated Film 2	
Release Date	Mar-20
<b>Ultimate (\$M)</b>	
<b>Domestic Box Office</b>	\$90.0
<b>Foreign Box Office</b>	103.5
<b>Worldwide Box Office</b>	<b>\$193.5</b>
<b>Revenue</b>	
<b>Domestic</b>	
Domestic Theatrical	\$36.0
Domestic Home Video	43.2
Domestic VOD/EST	24.3
Domestic Pay TV	14.4
Domestic Network TV	15.3
Domestic Licensing/Merchandise	9.0
<b>Total Domestic Revenue</b>	<b>\$142.2</b>
<b>Foreign</b>	
Foreign Theatrical	\$41.4
Foreign Home Video	49.7
Foreign VOD/EST	27.9
Foreign Pay TV	16.6
Foreign Network TV	17.6
Foreign Licensing/Merchandise	10.4
<b>Total Foreign Revenue</b>	<b>\$163.5</b>
<b>Total Revenue</b>	<b>\$305.7</b>
<b>Expenses</b>	
<b>Production</b>	
Production Cost	\$50.0
Production Subsidy	(7.5)
<b>Net Production Cost</b>	<b>\$42.5</b>
<b>Domestic</b>	
Domestic Distribution Fee	\$17.8
Domestic ██████	40.0
Domestic Non-█████ Expenses	18.4
<b>Total Domestic Distribution Expenses</b>	<b>\$76.2</b>
<b>Foreign</b>	
Foreign Distribution Fee	\$20.4
Foreign Distribution Expenses	32.7
<b>Total Foreign Distribution Expenses</b>	<b>\$53.1</b>
<b>Total Participations &amp; Residuals</b>	<b>\$15.3</b>
<b>Total Expenses</b>	<b>\$187.1</b>
<b>Net Profit (Loss)</b>	<b>\$118.6</b>
NPV @ 8.0%	\$62.7

## Animated Film 3 – Financial Detail – Base

Animated Film 3	
Release Date	May-21
<b>Ultimate (\$M)</b>	
<b>Domestic Box Office</b>	\$125.0
<b>Foreign Box Office</b>	162.5
<b>Worldwide Box Office</b>	<b>\$287.5</b>
<b>Revenue</b>	
<b>Domestic</b>	
Domestic Theatrical	\$47.5
Domestic Home Video	56.3
Domestic VOD/EST	32.5
Domestic Pay TV	17.5
Domestic Network TV	22.5
Domestic Licensing/Merchandise	18.8
<b>Total Domestic Revenue</b>	<b>\$195.0</b>
<b>Foreign</b>	
Foreign Theatrical	\$61.8
Foreign Home Video	73.1
Foreign VOD/EST	42.3
Foreign Pay TV	22.8
Foreign Network TV	29.3
Foreign Licensing/Merchandise	24.4
<b>Total Foreign Revenue</b>	<b>\$253.5</b>
<b>Total Revenue</b>	<b>\$448.5</b>
<b>Expenses</b>	
<b>Production</b>	
Production Cost	\$50.0
Production Subsidy	(7.5)
<b>Net Production Cost</b>	<b>\$42.5</b>
<b>Domestic</b>	
Domestic Distribution Fee	\$24.4
Domestic ██████	40.0
Domestic Non-█████ Expenses	24.2
<b>Total Domestic Distribution Expenses</b>	<b>\$88.5</b>
<b>Foreign</b>	
Foreign Distribution Fee	\$31.7
Foreign Distribution Expenses	50.7
<b>Total Foreign Distribution Expenses</b>	<b>\$82.4</b>
<b>Total Participations &amp; Residuals</b>	<b>\$22.4</b>
<b>Total Expenses</b>	<b>\$235.9</b>
<b>Net Profit (Loss)</b>	<b>\$212.6</b>
NPV @ 8.0%	\$120.1

## Animated Film 4 – Financial Detail – Base

Animated Film 4	
Release Date	Nov-22
<b>Ultimate (\$M)</b>	
<b>Domestic Box Office</b>	\$100.0
<b>Foreign Box Office</b>	125.0
<b>Worldwide Box Office</b>	<b>\$225.0</b>
<b>Revenue</b>	
<b>Domestic</b>	
Domestic Theatrical	\$38.0
Domestic Home Video	45.0
Domestic VOD/EST	26.0
Domestic Pay TV	14.0
Domestic Network TV	18.0
Domestic Licensing/Merchandise	15.0
<b>Total Domestic Revenue</b>	<b>\$156.0</b>
<b>Foreign</b>	
Foreign Theatrical	\$47.5
Foreign Home Video	56.3
Foreign VOD/EST	32.5
Foreign Pay TV	17.5
Foreign Network TV	22.5
Foreign Licensing/Merchandise	18.8
<b>Total Foreign Revenue</b>	<b>\$195.0</b>
<b>Total Revenue</b>	<b>\$351.0</b>
<b>Expenses</b>	
<b>Production</b>	
Production Cost	\$50.0
Production Subsidy	(7.5)
<b>Net Production Cost</b>	<b>\$42.5</b>
<b>Domestic</b>	
Domestic Distribution Fee	\$19.5
Domestic ██████	40.0
Domestic Non-█████ Expenses	19.3
<b>Total Domestic Distribution Expenses</b>	<b>\$78.8</b>
<b>Foreign</b>	
Foreign Distribution Fee	\$24.4
Foreign Distribution Expenses	39.0
<b>Total Foreign Distribution Expenses</b>	<b>\$63.4</b>
<b>Total Participations &amp; Residuals</b>	<b>\$17.6</b>
<b>Total Expenses</b>	<b>\$202.3</b>
<b>Net Profit (Loss)</b>	<b>\$148.7</b>
NPV @ 8.0%	\$80.9

## Animated Film 5 – Financial Detail – Base

Animated Film 5	
Release Date	Jul-23
<b>Ultimate (\$M)</b>	
<b>Domestic Box Office</b>	\$125.0
<b>Foreign Box Office</b>	187.5
<b>Worldwide Box Office</b>	<b>\$312.5</b>
<b>Revenue</b>	
<b>Domestic</b>	
Domestic Theatrical	\$47.5
Domestic Home Video	56.3
Domestic VOD/EST	32.5
Domestic Pay TV	17.5
Domestic Network TV	22.5
Domestic Licensing/Merchandise	18.8
<b>Total Domestic Revenue</b>	<b>\$195.0</b>
<b>Foreign</b>	
Foreign Theatrical	\$59.4
Foreign Home Video	70.3
Foreign VOD/EST	40.6
Foreign Pay TV	21.9
Foreign Network TV	28.1
Foreign Licensing/Merchandise	23.4
<b>Total Foreign Revenue</b>	<b>\$243.8</b>
<b>Total Revenue</b>	<b>\$438.8</b>
<b>Expenses</b>	
<b>Production</b>	
Production Cost	\$50.0
Production Subsidy	(7.5)
<b>Net Production Cost</b>	<b>\$42.5</b>
<b>Domestic</b>	
Domestic Distribution Fee	\$24.4
Domestic ██████	40.0
Domestic Non-█████ Expenses	24.2
<b>Total Domestic Distribution Expenses</b>	<b>\$88.5</b>
<b>Foreign</b>	
Foreign Distribution Fee	\$30.5
Foreign Distribution Expenses	48.8
<b>Total Foreign Distribution Expenses</b>	<b>\$79.2</b>
<b>Total Participations &amp; Residuals</b>	<b>\$21.9</b>
<b>Total Expenses</b>	<b>\$232.2</b>
<b>Net Profit (Loss)</b>	<b>\$206.6</b>
NPV @ 8.0%	\$116.4

## Animated Film 6 – Financial Detail – Base

Animated Film 6	
Release Date	Aug-24
<b>Ultimate (\$M)</b>	
<b>Domestic Box Office</b>	\$75.0
<b>Foreign Box Office</b>	112.5
<b>Worldwide Box Office</b>	<b>\$187.5</b>
<b>Revenue</b>	
<b>Domestic</b>	
Domestic Theatrical	\$30.0
Domestic Home Video	36.0
Domestic VOD/EST	20.3
Domestic Pay TV	12.0
Domestic Network TV	12.8
Domestic Licensing/Merchandise	7.5
<b>Total Domestic Revenue</b>	<b>\$118.5</b>
<b>Foreign</b>	
Foreign Theatrical	\$37.5
Foreign Home Video	45.0
Foreign VOD/EST	25.3
Foreign Pay TV	15.0
Foreign Network TV	15.9
Foreign Licensing/Merchandise	9.4
<b>Total Foreign Revenue</b>	<b>\$148.1</b>
<b>Total Revenue</b>	<b>\$266.6</b>
<b>Expenses</b>	
<b>Production</b>	
Production Cost	\$50.0
Production Subsidy	(7.5)
<b>Net Production Cost</b>	<b>\$42.5</b>
<b>Domestic</b>	
Domestic Distribution Fee	\$14.8
Domestic ██████	40.0
Domestic Non-█████ Expenses	15.3
<b>Total Domestic Distribution Expenses</b>	<b>\$70.1</b>
<b>Foreign</b>	
Foreign Distribution Fee	\$18.5
Foreign Distribution Expenses	29.6
<b>Total Foreign Distribution Expenses</b>	<b>\$48.1</b>
<b>Total Participations &amp; Residuals</b>	<b>\$13.3</b>
<b>Total Expenses</b>	<b>\$174.1</b>
<b>Net Profit (Loss)</b>	<b>\$92.5</b>
NPV @ 8.0%	\$46.7

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## **Slate Details by Film – Upside Case**

# Animated Film 1 – Financial Detail – Upside

Animated Film 1	
Release Date	Jan-19
<b>Ultimate (\$M)</b>	
<b>Domestic Box Office</b>	\$75.0
<b>Foreign Box Office</b>	112.5
<b>Worldwide Box Office</b>	<b>\$187.5</b>
<b>Revenue</b>	
<b>Domestic</b>	
Domestic Theatrical	\$30.0
Domestic Home Video	36.0
Domestic VOD/EST	20.3
Domestic Pay TV	12.0
Domestic Network TV	12.8
Domestic Licensing/Merchandise	7.5
<b>Total Domestic Revenue</b>	<b>\$118.5</b>
<b>Foreign</b>	
Foreign Theatrical	\$45.0
Foreign Home Video	54.0
Foreign VOD/EST	30.4
Foreign Pay TV	18.0
Foreign Network TV	19.1
Foreign Licensing/Merchandise	11.3
<b>Total Foreign Revenue</b>	<b>\$177.8</b>
<b>Total Revenue</b>	<b>\$296.3</b>
<b>Expenses</b>	
<b>Production</b>	
Production Cost	\$50.0
Production Subsidy	(7.5)
<b>Net Production Cost</b>	<b>\$42.5</b>
<b>Domestic</b>	
Domestic Distribution Fee	\$14.8
Domestic ██████	40.0
Domestic Non-█████ Expenses	15.3
<b>Total Domestic Distribution Expenses</b>	<b>\$70.1</b>
<b>Foreign</b>	
Foreign Distribution Fee	\$22.2
Foreign Distribution Expenses	35.6
<b>Total Foreign Distribution Expenses</b>	<b>\$57.8</b>
<b>Total Participations &amp; Residuals</b>	<b>\$23.7</b>
<b>Total Expenses</b>	<b>\$194.1</b>
<b>Net Profit (Loss)</b>	<b>\$102.1</b>
NPV @ 8.0%	\$52.4

## Animated Film 2 – Financial Detail – Upside

Animated Film 2	
Release Date	Mar-20
<b>Ultimate (\$M)</b>	
<b>Domestic Box Office</b>	\$135.0
<b>Foreign Box Office</b>	155.3
<b>Worldwide Box Office</b>	<b>\$290.3</b>
<b>Revenue</b>	
<b>Domestic</b>	
Domestic Theatrical	\$51.3
Domestic Home Video	60.8
Domestic VOD/EST	35.1
Domestic Pay TV	18.9
Domestic Network TV	24.3
Domestic Licensing/Merchandise	20.3
<b>Total Domestic Revenue</b>	<b>\$210.6</b>
<b>Foreign</b>	
Foreign Theatrical	\$59.0
Foreign Home Video	69.9
Foreign VOD/EST	40.4
Foreign Pay TV	21.7
Foreign Network TV	27.9
Foreign Licensing/Merchandise	23.3
<b>Total Foreign Revenue</b>	<b>\$242.2</b>
<b>Total Revenue</b>	<b>\$452.8</b>
<b>Expenses</b>	
<b>Production</b>	
Production Cost	\$50.0
Production Subsidy	(7.5)
<b>Net Production Cost</b>	<b>\$42.5</b>
<b>Domestic</b>	
Domestic Distribution Fee	\$26.3
Domestic ██████	40.0
Domestic Non-█████ Expenses	26.1
<b>Total Domestic Distribution Expenses</b>	<b>\$92.4</b>
<b>Foreign</b>	
Foreign Distribution Fee	\$30.3
Foreign Distribution Expenses	48.4
<b>Total Foreign Distribution Expenses</b>	<b>\$78.7</b>
<b>Total Participations &amp; Residuals</b>	<b>\$36.2</b>
<b>Total Expenses</b>	<b>\$249.9</b>
<b>Net Profit (Loss)</b>	<b>\$202.9</b>
NPV @ 8.0%	\$114.2

## Animated Film 3 – Financial Detail – Upside

Animated Film 3	
Release Date	May-21
<b>Ultimate (\$M)</b>	
<b>Domestic Box Office</b>	\$225.0
<b>Foreign Box Office</b>	292.5
<b>Worldwide Box Office</b>	<b>\$517.5</b>
<b>Revenue</b>	
<b>Domestic</b>	
Domestic Theatrical	\$85.5
Domestic Home Video	101.3
Domestic VOD/EST	58.5
Domestic Pay TV	31.5
Domestic Network TV	40.5
Domestic Licensing/Merchandise	33.8
<b>Total Domestic Revenue</b>	<b>\$351.0</b>
<b>Foreign</b>	
Foreign Theatrical	\$111.2
Foreign Home Video	131.6
Foreign VOD/EST	76.1
Foreign Pay TV	41.0
Foreign Network TV	52.7
Foreign Licensing/Merchandise	43.9
<b>Total Foreign Revenue</b>	<b>\$456.3</b>
<b>Total Revenue</b>	<b>\$807.3</b>
<b>Expenses</b>	
<b>Production</b>	
Production Cost	\$50.0
Production Subsidy	(7.5)
<b>Net Production Cost</b>	<b>\$42.5</b>
<b>Domestic</b>	
Domestic Distribution Fee	\$43.9
Domestic [REDACTED]	40.0
Domestic Non-[REDACTED] Expenses	43.5
<b>Total Domestic Distribution Expenses</b>	<b>\$127.4</b>
<b>Foreign</b>	
Foreign Distribution Fee	\$57.0
Foreign Distribution Expenses	91.3
<b>Total Foreign Distribution Expenses</b>	<b>\$148.3</b>
<b>Total Participations &amp; Residuals</b>	<b>\$64.6</b>
<b>Total Expenses</b>	<b>\$382.8</b>
<b>Net Profit (Loss)</b>	<b>\$424.5</b>
NPV @ 8.0%	\$250.2

## Animated Film 4 – Financial Detail – Upside

Animated Film 4	
Release Date	Nov-22
<b>Ultimate (\$M)</b>	
<b>Domestic Box Office</b>	\$150.0
<b>Foreign Box Office</b>	187.5
<b>Worldwide Box Office</b>	<b>\$337.5</b>
<b>Revenue</b>	
<b>Domestic</b>	
Domestic Theatrical	\$57.0
Domestic Home Video	67.5
Domestic VOD/EST	39.0
Domestic Pay TV	21.0
Domestic Network TV	27.0
Domestic Licensing/Merchandise	22.5
<b>Total Domestic Revenue</b>	<b>\$234.0</b>
<b>Foreign</b>	
Foreign Theatrical	\$71.3
Foreign Home Video	84.4
Foreign VOD/EST	48.8
Foreign Pay TV	26.3
Foreign Network TV	33.8
Foreign Licensing/Merchandise	28.1
<b>Total Foreign Revenue</b>	<b>\$292.5</b>
<b>Total Revenue</b>	<b>\$526.5</b>
<b>Expenses</b>	
<b>Production</b>	
Production Cost	\$50.0
Production Subsidy	(7.5)
<b>Net Production Cost</b>	<b>\$42.5</b>
<b>Domestic</b>	
Domestic Distribution Fee	\$29.3
Domestic ██████	40.0
Domestic Non-█████ Expenses	29.0
<b>Total Domestic Distribution Expenses</b>	<b>\$98.3</b>
<b>Foreign</b>	
Foreign Distribution Fee	\$36.6
Foreign Distribution Expenses	58.5
<b>Total Foreign Distribution Expenses</b>	<b>\$95.1</b>
<b>Total Participations &amp; Residuals</b>	<b>\$42.1</b>
<b>Total Expenses</b>	<b>\$277.9</b>
<b>Net Profit (Loss)</b>	<b>\$248.6</b>
NPV @ 8.0%	\$142.2

# Animated Film 5 – Financial Detail – Upside

Animated Film 5	
Release Date	Jul-23
<b>Ultimate (\$M)</b>	
<b>Domestic Box Office</b>	\$200.0
<b>Foreign Box Office</b>	300.0
<b>Worldwide Box Office</b>	<b>\$500.0</b>
<b>Revenue</b>	
<b>Domestic</b>	
Domestic Theatrical	\$76.0
Domestic Home Video	90.0
Domestic VOD/EST	52.0
Domestic Pay TV	28.0
Domestic Network TV	36.0
Domestic Licensing/Merchandise	30.0
<b>Total Domestic Revenue</b>	<b>\$312.0</b>
<b>Foreign</b>	
Foreign Theatrical	\$95.0
Foreign Home Video	112.5
Foreign VOD/EST	65.0
Foreign Pay TV	35.0
Foreign Network TV	45.0
Foreign Licensing/Merchandise	37.5
<b>Total Foreign Revenue</b>	<b>\$390.0</b>
<b>Total Revenue</b>	<b>\$702.0</b>
<b>Expenses</b>	
<b>Production</b>	
Production Cost	\$50.0
Production Subsidy	(7.5)
<b>Net Production Cost</b>	<b>\$42.5</b>
<b>Domestic</b>	
Domestic Distribution Fee	\$39.0
Domestic ██████	40.0
Domestic Non-█████ Expenses	38.7
<b>Total Domestic Distribution Expenses</b>	<b>\$117.7</b>
<b>Foreign</b>	
Foreign Distribution Fee	\$48.8
Foreign Distribution Expenses	78.0
<b>Total Foreign Distribution Expenses</b>	<b>\$126.8</b>
<b>Total Participations &amp; Residuals</b>	<b>\$56.2</b>
<b>Total Expenses</b>	<b>\$343.1</b>
<b>Net Profit (Loss)</b>	<b>\$358.9</b>
NPV @ 8.0%	\$210.0

# Animated Film 6 – Financial Detail – Upside

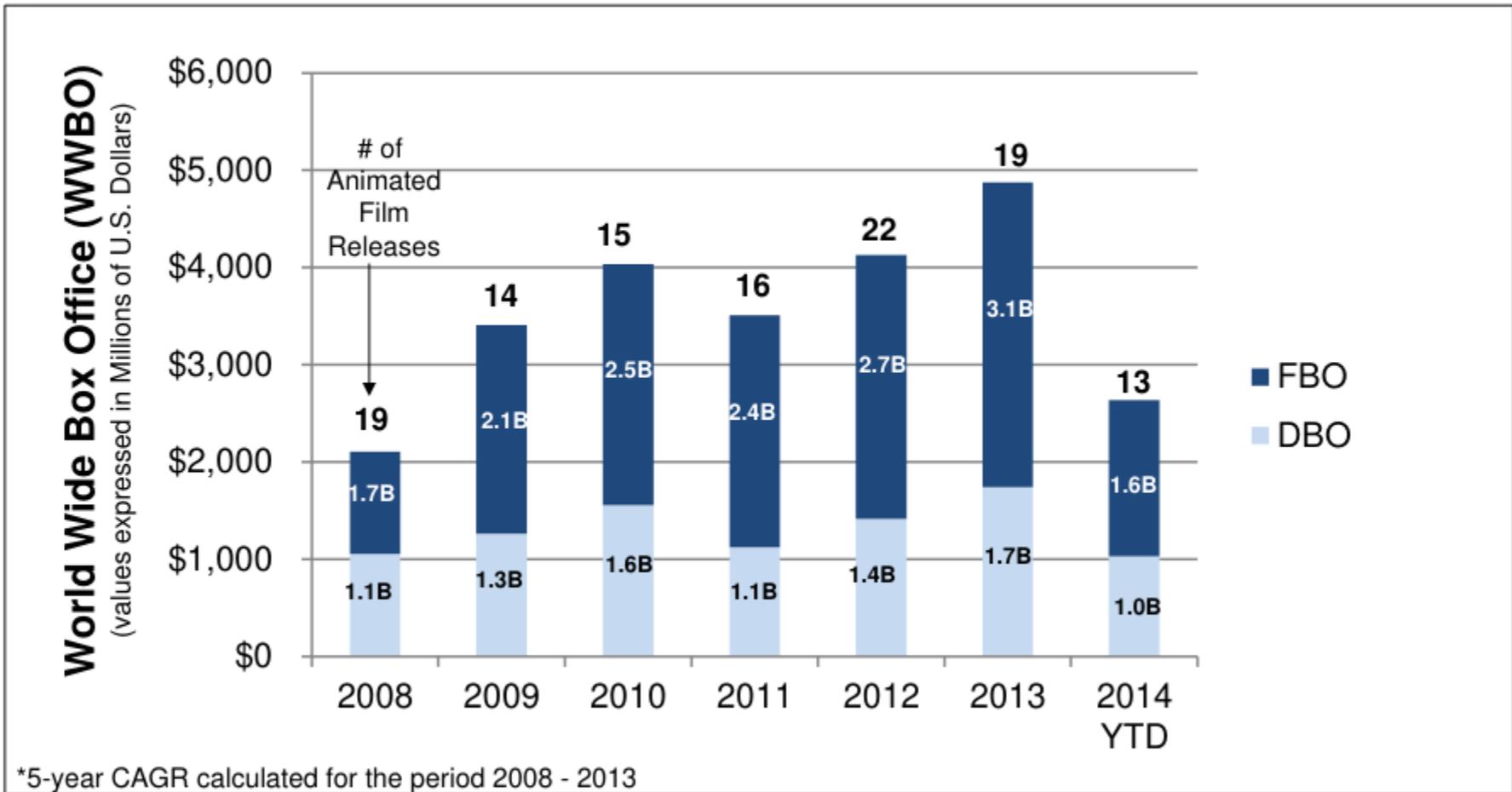
Animated Film 6	
Release Date	Aug-24
<b>Ultimate (\$M)</b>	
<b>Domestic Box Office</b>	\$112.5
<b>Foreign Box Office</b>	168.8
<b>Worldwide Box Office</b>	<b>\$281.3</b>
<b>Revenue</b>	
<b>Domestic</b>	
Domestic Theatrical	\$42.8
Domestic Home Video	50.6
Domestic VOD/EST	29.3
Domestic Pay TV	15.8
Domestic Network TV	20.3
Domestic Licensing/Merchandise	16.9
<b>Total Domestic Revenue</b>	<b>\$175.5</b>
<b>Foreign</b>	
Foreign Theatrical	\$53.4
Foreign Home Video	63.3
Foreign VOD/EST	36.6
Foreign Pay TV	19.7
Foreign Network TV	25.3
Foreign Licensing/Merchandise	21.1
<b>Total Foreign Revenue</b>	<b>\$219.4</b>
<b>Total Revenue</b>	<b>\$394.9</b>
<b>Expenses</b>	
<b>Production</b>	
Production Cost	\$50.0
Production Subsidy	(7.5)
<b>Net Production Cost</b>	<b>\$42.5</b>
<b>Domestic</b>	
Domestic Distribution Fee	\$21.9
Domestic ██████	40.0
Domestic Non-█████ Expenses	21.8
<b>Total Domestic Distribution Expenses</b>	<b>\$83.7</b>
<b>Foreign</b>	
Foreign Distribution Fee	\$27.4
Foreign Distribution Expenses	43.9
<b>Total Foreign Distribution Expenses</b>	<b>\$71.3</b>
<b>Total Participations &amp; Residuals</b>	<b>\$31.6</b>
<b>Total Expenses</b>	<b>\$229.1</b>
<b>Net Profit (Loss)</b>	<b>\$165.8</b>
NPV @ 8.0%	\$91.4

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# WWBO for Animated Films Growing at 12.5%\* CAGR in Past 5 Years & Hit Record \$4.9B in 2013



*Over the past 5 years, foreign box office for animated films has increased at a 13.6%\* CAGR and now contributes 64% of annual global box office receipts.*

Source: [redacted] through November 21, 2014

# Animated Feature Films are a Proven Genre & Growth Driver within the Motion Picture Industry

In 2013, animated films accounted for over 13% of \$35.9B global box office and 4 animated films ranked among the 11 highest grossing movies

2013 Film Releases (World wide box office (WWBO) receipts expressed in Millions of U.S. Dollars)				
1		<b>Frozen</b>		<b>\$1,268</b>
2		<b>Iron Man 3</b>		<b>\$1,215</b>
3		<b>Despicable Me 2</b>		<b>\$971</b>
4		<b>The Hobbit: The Desolation of Smaug</b>		<b>\$953</b>
5		<b>The Hunger Games: Catching Fire</b>		<b>\$865</b>
6		<b>Fast &amp; Furious 6</b>		<b>\$789</b>
7		<b>Monsters University</b>		<b>\$744</b>
8		<b>Gravity</b>		<b>\$716</b>
9		<b>Man of Steel</b>		<b>\$668</b>
10		<b>Thor: The Dark World</b>		<b>\$645</b>
11		<b>The Croods</b>		<b>\$587</b>
<b>Top 11 Films – Total 2013 Global Box Office</b>				<b>\$9,421</b>

Through mid-November 2014, animated films *How to Train Your Dragon 2*, *Rio 2* and *The LEGO Movie* are in the Top 11 of worldwide box office grosses, each over \$467 million

Source: [redacted]; Motion Picture Association of America, Inc.'s "Theatrical Market Statistics 2013".

# Family Motion Pictures: How Animation Compares to Live-Action

	<u>Animated Films</u>	<u>Live-Action Films</u>			
<b>Time to Produce:</b>	3 – 4 years	12 – 18 months			
<b>Production Cost:</b>	More expensive	Less expensive			
<b>Best Source for Content:</b>	Original stories	Strong intellectual property <ul style="list-style-type: none"> <li>• children’s books</li> <li>• sequels</li> </ul>			
<b>Releases:</b>	Average of 17 annual releases from 2005 to 2012	93% of all releases from 2005 to 2012			
<b>Movies with Rotten Tomatoes Scores of 25% or Less (2005 – 2012)</b>	<u>Film Type</u>	<u># of Films</u>	<u>WWBO</u>	<u>Budget</u>	<u>WWBO / Budget</u>
	Animated	12	\$156.3	\$52.2	3.0x
	Live-Action	38	105.9	59.1	1.8x
<b>Box Office Performance:</b>	Better, especially on poorly reviewed movies with Rotten Tomatoes scores of 25% or lower	Worse, especially on poorly reviewed movies with Rotten Tomatoes scores of 25% or lower			

# “Strong” Intellectual Property Seen as Insurance Against Box Office Failures, But not Always True

“Strong” IP refers to any IP asset that drives box office performance in itself

IP Source	Box Office Successes	Box Office Disappointments	Take-Away
TV Adaptation	<ul style="list-style-type: none"> <li>• <i>High School Musical 3</i></li> <li>• <i>Smurfs</i></li> <li>• <i>The Simpsons Movie</i></li> <li>• <i>Alvin and the Chipmunks</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Fat Albert</i></li> <li>• <i>Land of the Lost</i></li> <li>• <i>My Favorite Martian</i></li> <li>• <i>The Adventures of Rocky and Bullwinkle</i></li> </ul>	<ul style="list-style-type: none"> <li>• Children animation shows perform best</li> <li>• Unless TV series is iconic, adaptations of old shows do not perform</li> </ul>
Children’s Books	<ul style="list-style-type: none"> <li>• <i>Harry Potter</i></li> <li>• <i>Alice in Wonderland</i></li> <li>• <i>The Chronicles of Narnia</i></li> <li>• <i>Dr. Seuss’ The Lorax</i></li> <li>• <i>Enchanted</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Where the Wild Things Are</i></li> <li>• <i>Hugo</i></li> <li>• <i>Curious George</i></li> </ul>	<ul style="list-style-type: none"> <li>• IP from even popular children’s books does not reliably drive box office performance</li> <li>• “High-quality” misses: <i>Where the Wild Things Are</i> and <i>Hugo</i></li> </ul>
Comics / Shorts	<ul style="list-style-type: none"> <li>• <i>The Adventures of Tintin</i></li> <li>• <i>TMNT</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Speed Racer</i></li> </ul>	<ul style="list-style-type: none"> <li>• Modestly successful and weak category performance</li> </ul>
Literature / Fairy Tale	<ul style="list-style-type: none"> <li>• <i>Chicken Little</i></li> <li>• <i>Gulliver’s Travels</i></li> </ul>		<ul style="list-style-type: none"> <li>• Modestly successful and weak category performance</li> </ul>
Toys / Games	<ul style="list-style-type: none"> <li>• <i>Transformers</i></li> <li>• <i>The Lego Movie</i></li> </ul>		<ul style="list-style-type: none"> <li>• Top performers in 2014</li> </ul>

Television adaptations have provided best risk-adjusted returns – *The Smurfs* and *Alvin & the Chipmunks* did a combined \$925MM at global box office with average RT scores of just 24%.