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## The Walt Disney Studios

Amid cheers from thousands of fans, many of whom had camped out for weeks to be a part of the experience, Hollywood's biggest stars and most powerful executives were arriving for what was billed as the entertainment event of the year—the world premiere of *Star Wars: The Force Awakens*. It was the early evening of December 14, 2015. Among those walking the red carpet—stretching out over four blocks of Hollywood Boulevard, which had been closed off for the occasion—was Alan Horn, chairman of The Walt Disney Studios ('Disney Studios'), the studio behind Lucasfilm's new film. He greeted Bob Iger, chairman and chief executive officer of parent company The Walt Disney Company (see Exhibit 1), who had just posed for some impromptu photos with several 'stormtroopers,' white-armored characters made famous by the *Star Wars* franchise, that were lined up alongside the red carpet.

The two men and their families would soon make their way to the Dolby Theatre, one of three neighboring theaters that served as the venues for the premiere. Once there, Iger would call Horn, Lucasfilm president and producer Kathleen Kennedy, director J.J. Abrams, and the main cast and crew members onto the stage to celebrate the film's first screening. The movie, made for more than \$200 million, would open for audiences across most of the world on December 16, 2015—and Iger and Horn would finally begin to find out whether their investment in the *Star Wars* franchise reboot was going to pay off.

*Star Wars: The Force Awakens* was only the latest in a string of big bets that Horn had overseen since arriving at the studio in 2012. In fact, Disney was primed to pursue what Horn called a "tentpole strategy" that revolved around at least eight big movies each year. Some came from Disney Live Action (known for *Pirates of the Caribbean*) and Disney Animation (which had scored a mega hit in 2013 with *Frozen*). But just as many big productions came from three studios that after multi-billion-dollar acquisitions now also operated under the Disney umbrella: Pixar (known for hits such as *Toy Story* and *Finding Nemo*), Marvel Studios (with its many superhero properties), and Lucasfilm (which gave Disney the rights to future *Star Wars* movies). In 2016, Disney planned to release twelve films, including four that had production budgets of around \$200 million—*Alice Through the Looking Glass*, *Captain America: Civil War*, *Finding Dory*, and *Rogue One: A Star Wars Story*—and another four with budgets of at least \$150 million.

There were significant risks involved in Disney's strategy. In a given year, Disney Studios produced nearly twice as many tentpole movies as any other major Hollywood film studio, but fewer movies overall than all but one of its rivals. Box-office failures could be extremely costly, especially because Disney—unlike its rivals—chose not to enlist the help of financing partners. "When they don't work, I have to wear that," said Horn. Also, finding the right balance between pursuing existing franchises and new original concepts was difficult but critical to the studio's long-term health. "Hollywood is littered with franchises that once seemed very promising but lost their appeal just as quickly," remarked Horn, as he looked out over a red carpet that was buzzing with excitement. Would Disney's tentpole strategy pay off—in the short and long run?

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## The Film Industry

In 2015, the motion picture industry generated around \$38 billion in theatrical revenues worldwide (see Exhibit 2 for film industry statistics).<sup>1</sup> "In the U.S., box office grosses are essentially flat," said Horn. "Domestic revenues have been between \$9 billion and \$11 billion annually for a decade, and are projected to remain in that range." Nearly 70% of Americans were moviegoers, and the average moviegoer attended five to six movies per year. "But internationally, we are seeing strong growth," Horn added. "China alone now has an annual box office of nearly \$7 billion, with annual growth projected to be 20%."

### *Film Studios*

Films were produced and distributed by both 'major' and 'independent' studios. The six major studios, each owned by large entertainment conglomerates, were 20<sup>th</sup> Century Fox (a subsidiary of 21<sup>st</sup> Century Fox), Paramount Pictures (owned by Viacom), Sony Pictures (a division within Sony), Universal Pictures (owned by NBCUniversal), Warner Bros. Entertainment (a subsidiary of Time Warner)—and Disney Studios. Hundreds of independent studios, lacking access to the vast production and distribution resources that characterized the majors, also produced films. A select few smaller studios had evolved to become 'mini-majors,' including Lionsgate Films and The Weinstein Company, and made films that could rival the major studios' output in their production values and audience appeal. Nevertheless, in 2015, the 'mini-majors' and 'indies' together accounted for 85% of the films produced, but only around 20% of the box office grosses (see Exhibit 3 for box-office data for selected films in 2014 and 2015).<sup>2</sup> "In any given calendar year, upwards of 600 films are being released in the U.S. and Canada," said Horn. "But you've never heard of 400 of them because a release could mean it appears in one theater, one city, for one week."

### *Theatrical Exhibition and Other Forms of Distribution*

Films were made available to consumers through a series of 'release windows,' the first typically being the domestic theatrical window in which audiences could see the film in movie theaters across America. The three largest U.S. theater chains, Regal Entertainment Group, AMC Entertainment, and Cinemark USA, together accounted for nearly 40% of the 43,000 movie screens in the country.<sup>3</sup> "The studios negotiate with the exhibitors to determine when their films make their debut in theaters, how long they stay in, and how much each party takes from each box-office dollar that is generated," said Dave Hollis, Disney Studios' executive vice president of theatrical distribution.

Studios and exhibitors employed various models to determine how to split revenues, explained Hollis: "Sometimes, we get higher percentages in the early weeks of a movie's run in the theater, and lower percentages in later weeks. In other instances, the share that we take and the share that the exhibitor takes changes each time box-office grosses exceed certain thresholds." Hollis estimated that major studios typically kept more than half of box-office receipts in the domestic market. He added: "We negotiate two-to-four-year deals with individual theater chains, staggering when those deals start and end. We make sure they know our movie slate and why we have the expectations that we have. Each film also has a separate licensing agreement that states the conditions under which they can show the movie."

Films were usually released theatrically in international markets around the same time. China, Brazil, and other Asian and Latin American countries had emerged strongly in recent years. "As the middle classes in those countries expand, movie-going is becoming a part of the culture, but most of those markets are still under-screened," noted Hollis. Horn agreed that there was significant room for more growth: "They are building over 20 screens a day, but there are still only around 33,000 screens in China for 1.3 billion people." He added: "In China, the government will not allow the release of more than 34 films each year that are not produced in partnership with or fully owned by a Chinese company. So they don't care about a film like *McFarland, USA* —they want to see Marvel's *Captain America*." In international markets, 3D technology was important. "In a handful of markets, especially

in Asia, a lot of our business is done in 3D,” said Hollis, “and from a story-telling perspective, it acts as a differentiator from what consumers can experience at home.”

After playing in theaters, films were typically released on at-home-viewing platforms, including television, DVD and Blu-ray, video on demand, online streaming, and online downloads. In 2014, consumers spent \$17.8 billion across these platforms. DVD and Blu-ray sales accounted for \$6.9 billion in revenues, down from a peak of \$21 billion in 2004. Electronic sell-through (which included downloads on platforms such as Apple iTunes) and subscription streaming (on sites such as Netflix) reached \$1.5 billion and \$4 billion in revenues, respectively, in 2014.<sup>4</sup> Consumer products such as toys and games could be another source of ancillary revenues—characters made popular by films were a key category of licensed merchandise sold worldwide.<sup>5</sup>

## The Walt Disney Company

Led by chief executive officer Bob Iger, The Walt Disney Company was the world’s largest entertainment conglomerate, headquartered in Burbank, California. It employed 185,000 people across four business segments (also see Exhibit 1):

- **Media networks** covered cable and broadcast television networks (such as ABC, one of America’s major broadcast networks, and ESPN, the top-rated sports network), television production operations, radio networks, and radio and television stations.
- **Parks and resorts** included several theme parks that Disney owned and operated in the US, such as the Walt Disney World Resort in Florida and the Disneyland Resort in California, and around the world in Hong Kong, Paris, Shanghai, and Tokyo, as well as Disney Cruise Line.
- **Studio entertainment** produced and acquired films and direct-to-video content (through Disney Studios), musical recordings (through Disney Music Group), and live stage plays (through Disney Theatrical Group).
- **Consumer products and interactive** engaged with licensees, publishers and retailers to design, develop, and market a variety of consumer products based on Disney’s characters and stories, and produced content for games, mobile devices, websites, and other interactive media platforms.

## The Walt Disney Studios

Established as an animation studio in 1923 by Walt Disney—who created the iconic character Mickey Mouse—and his brother Roy, Disney Studios released the first ever full-length animated feature film, *Snow White and the Seven Dwarfs*, in 1937. It became the highest-grossing film at the time, and earned Walt Disney an Academy Honorary Award for “a significant screen innovation,” which “pioneered a great new entertainment field,” as the Academy of Motion Picture Arts and Sciences put it.<sup>6</sup> “Everyone at Disney is proud to be a part of the heritage of Walt Disney,” said John Lasseter, the chief creative officer of Pixar and Disney Animation. “A lot of us do what we do for a living because of the way he entertained us.” In 1950, Disney Studios first ventured into live-action films.

By 2015, Disney Studios employed about 6,500 employees, and spent close to \$2 billion producing films annually and hundreds of millions of dollars more distributing and marketing them (see Exhibit 4 for its output in 2014). The studio was led by industry veteran Alan Horn, until 2011 the president and chief operating officer at rival studio Warner Bros., who joined Disney in June 2012.

Horn oversaw five studio ‘labels’ that together made up Disney Studios. Two, The Walt Disney Studios Motion Pictures (‘Disney Live Action’) and Walt Disney Animation Studios (‘Disney Animation’), draw lineage from Walt Disney’s original studio and produced live-action and animated feature films, respectively. Three others were acquisitions made during Bob Iger’s tenure as chief executive officer of The Walt Disney Company: computer animation studio Pixar purchased for \$7.4 billion in 2006; Marvel Entertainment, which had its roots in comic books, for \$4 billion in 2009; and legendary filmmaker George Lucas’ Lucasfilm for \$4.05 billion in 2012 (see Exhibit 5 for each label’s

film output). "Bob Iger wasn't afraid to bet heavily on great stories, great characters and great content producers," said Lasseter. "When his tenure is over, people will point to Marvel, Pixar, and Lucasfilm as great acquisitions. Those three assets have everything to do with the creative content that powers this company." Horn agreed: "What Bob has done required both vision and courage. I am very fortunate I get to work with these brands and develop movies with them. Collectively, those assets enable us to realize our tentpole strategy."

### *Disney Live Action*

Since the 1950s, Disney Live Action had produced countless hit films. Recent successes included the *Pirates of the Caribbean* films (of which there had been four to date), Tim Burton's *Alice in Wonderland*, and most recently a live adaptation of *Cinderella*, as well as a range of smaller, critically acclaimed films such as *Saving Mr. Banks* (starring Tom Hanks as Walt Disney), *Into the Woods* (featuring Meryl Streep, who was nominated for an Academy Award for her role as The Witch), and *McFarland, USA* (starring Kevin Costner as a cross-country coach at a small-town Latino high school) (also see Exhibit 5a).

The Disney brand ruled out some films, explained Sean Bailey, president of Disney Live Action: "We speak to a family audience. We aren't going to make horror films, and we aren't going to make R-rated comedies." He added: "There are many movies that I would love to make that could never be Disney films. They simply do not fit our strategy." Horn agreed: "We have a covenant with the audience. We don't allow sex, violence, or smoking in our movies. When you see the castle with our logo come up right before the movie starts, you may not know what you are going to see but you do know what you are *not* going to see."

"One question we often ask ourselves, after noting that something *can* be a Disney movie, is whether it *should* be a Disney movie—whether it adds something," said Bailey. "We are well aware that our brand gives us an advantage with consumers. Most movies that studios like Warner Bros. and Universal make could have very easily been made by another studio. But when you say, 'Disney's *Beauty and the Beast*,' you know what you are going to get." Disney Studios' other labels had come to affect Disney Live Action's output. "We will no longer consider a movie that has an alter ego with a cape. That is Marvel's domain now. And we may have made science-fiction films in the past, but I doubt we would consider, say, a space opera now, as Lucasfilm is making *Star Wars* films and Marvel has *Guardians of the Galaxy*," said Bailey. "We have to work together to effectively share resources."

### *Pixar Animation Studios*

The animation studio Pixar had a long history with Disney. A production partnership between the two companies led to Pixar's first full-length animated movie, *Toy Story*, released in 1995. A film about toys coming alive when humans leave the room, it went on to earn three Academy Award nominations and became the highest-grossing movie of the year. In 1997, the companies amended their agreement, turning it into a ten-year, five-picture deal that specified that both parties would equally share the costs and profits from Pixar's films—a significant improvement over the earlier deal, which gave Pixar only 10% to 15% of the profits. Each of the five pictures made during the partnership, *A Bug's Life* in 1998, *Monsters, Inc.* in 2001, *Finding Nemo* in 2003, *The Incredibles* in 2004, and *Cars* in 2006, was a box-office success. *Finding Nemo*, which revolved around a clownfish named Marlin who, along with a blue tang named Dory, searches for his son Nemo in the waters off Sydney, Australia, was the biggest hit, earning nearly \$940 million at the box office globally.

"We chose to pursue stories that lend themselves well to the state of the technology at any given time," said Lasseter, who not only served as Pixar's chief creative officer but also directed several movies. His long-time collaborator Ed Catmull, president of Walt Disney and Pixar Animation Studios, had pioneered much of the technology used in creating the animated films with 3D graphics that Pixar had become known for. Lasseter explained: "When we made *Toy Story*, computer rendering was still simplistic and resulted in graphics that looked plastic-like—toys were a perfect fit for that time. And we could only animate on flat surfaces, which matched the kids' rooms where you find toys. We needed our technology to evolve before we could make *A Bug's Life*, where the main characters are ants who

walk on an organic surface." He added: "When I first heard the idea for *Finding Nemo*, I said, 'You had me at fish.' My brain immediately went to the 3D dimensions, light, shadows, and reflections that we would need, and those lent themselves beautifully to what we could do with our computers by then."

Disney acquired Pixar when the agreement ended in 2006. "Pixar was really firing on all cylinders at the time," said Horn. "John Lasseter and Ed Catmull have built a highly respected studio—they are solid gold." Lasseter recalled the deal: "We had made only six films at the time, and yet Bob Iger was willing to pay \$7 billion for us. They were successful films, but that's a lot of money. It showed that he believed in our stories and characters, and trusted us to keep it going." Catmull added: "Iger assured us that he would not try to interfere with our culture, which was important to us. And our people could stay where they were, in Emeryville close to San Francisco, and we could continue to operate as we did before, relatively separate from Disney."

Pixar had produced nine more films since the acquisition. One recent movie was *Inside Out*, set in the mind of a young girl who has five personified emotions—Joy, Sadness, Fear, Anger, and Disgust—guiding her through life. "It is incredibly creative," noted Horn. "Audiences had never seen anything like it." Lasseter explained this film, too, contained a new animation challenge: "The emotions aren't made of anything solid—they are energy. With Joy in particular, we had the idea of making her out of glowing particles, and making that believable." Pixar's most recent film, *The Good Dinosaur*, released in November 2015, was on track to generate \$400 million at the box office. "Pixar has such a high bar—these guys have had fifteen hits in a row—that any film that generates less than half a billion at the box office is somehow seen as less than a hit by some people in our industry," noted Horn. "But we love the movie."

Reflecting on Pixar's philosophy, Lasseter said: "We are a filmmaker-driven studio. We bet on talented storytellers. And we want to show audiences something that on one level is familiar but show it to them in a way that they have never seen before." As of December 2015, Pixar had collected 52 Academy Award nominations and 14 wins, including seven awards for 'Best Animated Feature Film' since the award's inception in 2001.

### Walt Disney Animation Studios

When they became a part of Disney with the acquisition of Pixar, Lasseter and Catmull were asked to "resuscitate Disney Animation," as Alan Bergman, president of Disney Studios put it. "Disney Animation was not in a good place, even though the company as a whole was founded on animation," he added. Horn chimed in: "If you walk down the halls at Disney, you see posters of Snow White, Bambi, Mickey Mouse, and Dumbo. Animation is in the company's DNA. In the 1990s, Disney Animation had a string of successful films like *The Lion King*. But after that they had a series of pictures that did not work—they fell into a slump." Movies like *Treasure Planet*, *Home on the Range*, and *Meet the Robinsons* were both critical and commercial disappointments. Horn continued: "With Ed and John, we added creative energy, taste, and quality."

There was some discussion about closing Disney Animation when Disney bought Pixar, recalled Lasseter. "But I fundamentally believe that a Disney Animation film and a Pixar film are different." Catmull added: "We had both grown up with Walt Disney films, so there was also an emotional component to saving Disney Animation." The two studios remained separate entities. "The first thing a company typically does when it acquires another company is to consolidate duplicative activities. But we decided not to do so," stated Catmull. "We also implemented a rule that we can share ideas and technology, but we cannot do production work for each other." He recalled one example: "The first film being made at Disney Animation after we came on board was *Bolt*. They were on a tight schedule and had trouble finishing the film, while Pixar had a bit of a lull. Their free people could have helped, but we said 'no,' because we felt it was important for the studio to say they did it themselves, without someone bailing them out." Lasseter and Catmull had offices both at Disney Animation in Burbank in the Los Angeles area and at Pixar in Emeryville. "We have been commuting every week for 10 years," said Catmull. "We fly down to Burbank Monday morning and later in the week we will fly back to be at Pixar."

The first films released by Disney Animation under Lasseter and Catmull's leadership were *Bolt* in 2008 and *The Princess and the Frog* in 2009. "Both had been well reviewed by critics, but they were not huge commercial successes," said Catmull. "We knew that if we could just get one hit, it would snowball," said Bergman. "That happened with *Tangled*, released in 2010. That was a stunning film, of a much higher level than what Disney Animation was putting out before." The studio built on that success with *Wreck-It Ralph* in 2012—and even more so with *Frozen* in 2013.

Inspired by Hans Christian Andersen's fairy tale *The Snow Queen*, *Frozen* told the story of a fearless princess who ventures into a mountainous landscape to find her estranged sister, after her powers have trapped their kingdom in an eternal winter. Grossing nearly \$1.3 billion at the box office, it became not only the most successful film in Disney Animation's history, but also the top-grossing animated film of all time and one of the top ten highest-grossing movies ever. It won two Academy Awards, for Best Animated Feature—Disney Animation's first ever win within that category—and Best Original Song (for *Let It Go*). Development of a sequel and even a Broadway musical adaptation were underway, and *Frozen* merchandising continued to see strong sales. "It's hard to believe that two years ago *Frozen* wasn't out there in the world—it is such a foundation for this company now," said Lasseter.

### Marvel Studios

When Disney bought Marvel Entertainment in 2009, its film studio Marvel Studios had generated a string of successes in Hollywood. Known for the large collection of superheroes and other characters from its comic books, Marvel started licensing those characters to major studios in the late 1990s. Sony held the rights to produce and distribute movies that featured *Spider-Man*, one of Marvel's best-known superheroes, in perpetuity, while 20<sup>th</sup> Century Fox had a long-term license to make movies starring the *X-Men* and *Fantastic Four*. Each had spawned multiple films: three *Spider-Man* and two *The Amazing Spider-Man* films alone, released between 2002 and 2014, had grossed close to \$4 billion at the worldwide box office.

Keen to finance and produce its own movies starring some of its yet-unlicensed characters and keep a greater share of the profits, Marvel took out a half-a-billion-dollar credit facility in 2005 and signed a distribution agreement with Paramount Pictures. In the next few years, that partnership resulted in *Iron Man* and *Iron Man 2* (both starring Robert Downey Jr. as Tony Stark, and both grossing well over \$500 million at the box office), *Thor*, and *Captain America*.

When Disney bought Marvel, it had to honor the studio's ongoing contracts with Sony and 20<sup>th</sup> Century Fox. However, it soon bought Paramount out of the final two films of its distribution deal. Those films, distributed by Disney, ended up being huge hits: *Iron Man 3* and *The Avengers* collected \$1.2 billion and \$1.5 billion in worldwide revenues. Other, newer films also performed well: *Guardians of the Galaxy*, for instance, was the third-highest-grossing film in the U.S. in 2014. "Instead of labeling us as the 'Iron Man studio' and asking us for *Iron Man 4*, 5 and 6, Disney has embraced what's new and what's next, whether it is *Guardians of the Galaxy*, *Ant-Man*, or *Doctor Strange*," said Kevin Feige, Marvel Studios' president. "I had been pitching *Guardians* for years. People would just look at me blank-faced. But Disney totally got it—they believed in this big space movie. It was a huge leap of faith." Feige recalled meeting with Lasseter before deciding on the Disney acquisition offer. "That was at Bob Iger's urging," Feige said. "John was very clear. He said 'Here are all the things Bob promised when we did the Pixar deal, and he has kept every single one of those promises.'"

Marvel's films took place in what Feige termed the 'Marvel Cinematic Universe': "Our characters exist in a shared universe," he said. "You can be reading an *Iron Man* comic and *Captain America* can show up. Now that we have so many of our characters' rights, we can make that possible in movies, too." In February 2015, Marvel partnered with Sony to relaunch the *Spider-Man* franchise. "*Spider-Man* is a Sony movie—they pay for it, distribute it, market it, and keep all the profits," explained Feige. "But we will be the creative producers. In exchange for that, we can include *Spider-Man* in our universe. And Disney now holds the merchandising rights to the character."

Since joining Disney, Marvel had released ten films that had generated \$8.2 billion at the global box office, and it had another thirteen films planned for release through 2020. "People over the years have

asked me, 'How long is this going to last, this fad of comic book movies?'" said Feige. "But never once have I heard anyone say, 'How long are they going to make these movies based on novels?'" He added: "Our movies are very different from each other. If you were to just look at the *Captain America* franchise, you will realize there have been three very different movies. We don't want the audience saying, 'I've seen this before.'"

### Lucasfilm

Lucasfilm, founded in 1971 by George Lucas, was responsible for two of the most successful film franchises of all time — *Star Wars* and *Indiana Jones* — and housed leading visual-effects studio Industrial Light & Magic. The first *Star Wars* film (later renamed *Star Wars: Episode IV – A New Hope*), a space saga with groundbreaking visual effects that told the story of Luke Skywalker, Princess Leia, and Han Solo's fight against the Galactic Empire, was released in 1977. The film went on to become the highest-grossing film at the time, earned \$775 million in worldwide box-office grosses, and received six Academy Awards. When working out a deal with 20<sup>th</sup> Century Fox to help finance the production of *Star Wars* and arrange distribution for it, Lucas famously accepted a lower salary in exchange for full merchandising rights. At the time, it seemed a risky move on his part — merchandising had never made much of an impact on a film's bottom line. *Star Wars* changed all of that, making Lucas a wealthy man, and enabling him to take greater control over subsequent films. Five other films were made between 1980 and 2005, bringing the total box-office receipts to \$4.3 billion.

The *Indiana Jones* franchise, starring Harrison Ford (also known for his role as Han Solo in *Star Wars*) as an archeologist-turned-action-hero, saw its first film in 1981, with *Raiders of the Lost Ark*. Lucasfilm released three more films in 1984, 1989, and 2008. Like the *Star Wars* franchise, *Indiana Jones* had a significant impact on popular culture, making its main character one of the most revered in movie history.

By the time Disney acquired Lucasfilm in 2012, Kathleen Kennedy had been appointed co-chair of Lucasfilm alongside Lucas himself. She stayed on to lead Lucasfilm as its president under Disney's ownership. Re-launching the *Star Wars* franchise was her highest priority, Kennedy explained: "We are having conversations about where we go with *Indiana Jones* and when it might be the right time for us to create some original intellectual property. But for the moment, all our resources are focused on *Star Wars*."

The plan was to release a new trilogy — *Episodes VII, VIII and IX* of the *Star Wars* franchise — of which *The Force Awakens* would be the first to make it into theaters. Kennedy and her team were also working on a number of standalone *Star Wars* films. "Star Wars is a place — it is a universe. We work inside the mythology that George has created. I think of *Rogue One*, which is the next film that we are doing, as a period piece inside the *Star Wars* universe. We can dip into the history and the future, however we want." She added: "I think *Rogue One* will make the audience go, 'Whoa, this is a very different *Star Wars* story.'" Meanwhile, Disney was also preparing to build *Star Wars* lands at its theme parks.

## Making and Releasing Movies

All five studios now operated under the umbrella of Disney Studios, explained Horn: "Where the entities come together is in the greenlight decision with the approvals of budgets, in distribution, and in marketing. All that happens centrally, at my level as chairman and at that of Alan Bergman, the president of Disney Studios." Bergman added: "Alan [Horn] knows everything about the business side, but he is also very focused on the creative materials. You can have the best studio structure and the best distribution and marketing, but if the movies are not great then all of that does not matter."

### Developing and Producing Movies

**Live Action.** When it came to producing live-action movies, "all the major studios structure the process in roughly the same way," noted Horn: "It starts with an idea. Each studio has a development

department that finds ideas: they find original screenplays, they buy books or other materials that could be the basis for a film, or they have screenplays written on their own original properties." He continued: "Out of the funnel of ideas comes a series of potential projects that are brought to either a greenlight committee or one person that has the greenlight authority—they have the right to say 'Yes, we are making this movie' or 'No, we are not.' Usually it comes with certain conditions—that we will make the movie if we can do it for a certain budget, for instance, or that we only make it if it stars a certain actor."

Creative executives invested a lot of time in projects before they brought them to Horn for a decision, explained Bailey. "Yesterday a writer who worked on *Cinderella* for us came in and pitched a *Pinocchio* movie. If we buy his idea, we would work very closely with him to get a script we feel comfortable with." This would involve Disney's creative team giving the writer extensive 'notes' outlining their reactions and possible solutions to issues they encountered while reading different iterations of the script. "Along the way we might have exploratory conversations with actors and directors, but normally we like to get a draft in hand that we feel great about before we talk about what filmmaker would be most appropriate," Bailey said. He added: "One thing we do that is different from other studios is that we have a long conversation with the director about our filmmaking process. We are Disney—they have to understand that this movie will be made differently than it would elsewhere." Once there was a plan in place and a proposed budget for the film, Bailey and his team took it to Horn. "He controls the greenlight, but that is a bit of an antiquated term," said Bailey. "We do so much work with him before we get to the greenlight moment that we get a 'Yes' most of the time."

Horn recalled an instance in which he pushed for a *higher* budget. "When we discussed *Cinderella*, Sean Bailey and his team came in and said, 'We can do this movie for \$60 million,' thinking I would like that," he recalled. "But I said, 'This might surprise you but I don't want the \$60-million version of *Cinderella*—I want the \$100-million version. This is Walt Disney's *Cinderella*.' I told them that I wanted to see her come to the ball and walk down the stairs in that blue dress and I wanted it to be magical." Horn also had made his own suggestions on great ideas to pursue. "I have always loved Kipling's *The Jungle Book*—the original collection of stories—and I don't think audiences have seen the best way to bring those to the big screen yet. And this studio is a perfect fit for it. So shortly after I started at Disney, I proposed the idea to Sean. 'Alan will never force us to make a movie that we don't like,' said Bailey. 'We loved the idea, too.' *The Jungle Book* was scheduled for release in April 2016.

Marvel's development process was slightly different. "We use five-year plans that describe what movies we plan to release and why we put them in a particular order," explained Feige. "For each individual film, we prepare a story document of 15-20 pages that contains the main story lines and the characters and the art work—basically everything except the lines and dialogue." He added: "Given our collaborative nature, the greenlight process has never been very formal—for our process, it would be more about getting a red light, but we have not had one so far." Lucasfilm's Kennedy also appreciated the relatively high level of autonomy. "Creativity is driven by a point of view. If you make decisions by committee, you often get diluted outcomes." But that did not mean that Horn and others did not weigh in on movies in development. "It is very helpful to us to have fresh eyes," said Feige. "When someone like Alan who lives outside of the Marvel mythology reads a script, he can be tremendously beneficial. When he goes 'What the heck does that mean?' and I will go, 'Don't you remember in the sixth movie, that one guy said...' and I will stop half way through and go 'Oh, I got it.'"

Once a film had been given the green light, it was taken into production. "That is when we lose some of our control over the process," said Horn. "Think of it as a ship being built. We at the studio have a lot to say as the ship is being built and prepared for launch, but once the ship is out to sea with the cast and director we are relatively out of it." Shooting a tentpole movie could take anywhere between 75 and 125 days. Horn and other studio executives received the unedited footage shot each day, known as the 'dailies.' "The people in physical production are assessing if we got the shots we wanted for the money we spent, while the creative executives are looking at the performances—they



ask themselves whether we cast the movie well, and whether we are shooting the script as it read," said Bailey.

After filming was complete, the director edited the footage to produce a first cut. "The Directors Guild mandates that you are not allowed to interfere with them for at least ten weeks," explained Bailey. "Then there is a big moment when the director shows you his or her cut of the movie. This is our first real opportunity to weigh in." The creative executives provided the filmmaker with another set of notes. "Sometimes, when you and the director see things similarly, it is really easy," said Bailey. In some cases, reshoots were necessary. "The worst is when you watch a movie and you can't see a way out—it is just broken. That is not a fun day," said Bailey. "The process of creativity is inherently subjective," remarked Horn. "You might find yourself in a discussion about what a character would or wouldn't do, and not come to any agreement."

Iger sometimes participated in the notes-giving process. "He viewed the *Star Wars* dailies," recalled Horn. "But he did not watch those of *The Jungle Book*, which is also a very expensive movie—the first he saw of that film was the second cut." Kennedy added: "Bob would usually be the first to call me to give his comments on the *Star Wars* dailies. Both Bob and Alan were very hands on with all the creative materials we've developed. Sometimes we would pull them in on our conversations with J.J. Abrams—those exchanges took place throughout the filming."

The entire production process, from pursuing an idea to having a finished movie ready for release, could take several years. Taking into account a 'post production' stage that was especially important for films with extensive special effects, Horn estimated that live-action movies usually took two to three years to produce (see Exhibit 6 for an overview).

**Animation.** The process of making animated movies could take four to six years. "It all starts with the filmmaker," explained Catmull. "We first pick the person we think can direct an animated movie. We ask that director to come up with three ideas, and develop those ideas for up to a year before pitching them to us." He added: "They usually plaster their artwork all along the walls—just from seeing how much space each idea takes up, you usually know which of the three movies we are going to be making."

Lasseter approved each idea before it could move forward. Horn described his greenlight decision for Pixar in particular as "more of a formality," pointing out that "they have been so iconoclastic, so brilliant, and so creative, that they have earned the right to decide what their next project is going to be." Horn continued: "If they had come to me with *Ratatouille*, I could imagine my executive self saying 'A rat in a French kitchen? I don't know about this.' Or if they had brought us *Up* and said that they wanted the main character to be an 80-year-old man, I can imagine I would have asked 'Can't he be 60?' But they have had it right every time."

"Every movie has had hours and hours of research. We encourage our filmmakers to not even think about the story and the characters until they have done exhaustive amounts of research," explained Lasseter. "They have to go outside," agreed Catmull. "For *Ratatouille*, the team went into the best restaurants in France and did work in their kitchens." After those research trips, the filmmakers started to "lay out the arc of the story," as Catmull put it. "We bring in screenwriters to help the director create a script. When we get to about the fourth draft, we start to release ideas for production, and bring in the artists who can figure out how the characters are going to be animated and what the look of the film will be." Using special software, animators then created scenes by manipulating three-dimensional models of characters, props and sets, and adjusting lighting and camera angles (also see Exhibit 6)—a stage of the process that usually took at least 18 months.

Lasseter and Catmull looked at each film in production every twelve weeks. "At Pixar, we have a peer group called the creative 'brain trust'. At Disney Animation, it is called the 'story trust.' These are made up of directors, heads of story, writers, and others involved in the creation of our films—we are members of that team, too. We get together as a group to look at each film," said Lasseter. "Sometimes we rip things apart and start over completely." Catmull gave an example of how the groups were helpful: "We were working on *Inside Out*, and found that there was something wrong with the tone of

the movie. The main character, Joy, appeared to be selfish. We couldn't get our heads around what to do. We showed the movie to the story trust and they found the fundamental flaw. So we went back to the drawing board late in the process and made some small changes which dramatically affected the tone of the film."

Lasseter and Catmull had, at both Pixar and Disney Animation, sought to foster a culture in which "there was no hierarchy and there were no mandatory notes," as Lasseter described it: "We don't want layers of executives giving notes that filmmakers have to address. And if I say something that a filmmaker doesn't like, they should feel empowered to say something back." At the same time, Lasseter made sure that Iger and Horn were involved throughout the process. "They don't see every single screening because I want to use them as fresh eyes. But they have had a profound effect on every movie." He added: "A lot of what Bob has to do on a daily basis in his role as chief executive officer can't be fun. I imagine that seeing how our movies come together and providing notes on them is the highlight of his day. I love him staying involved."

Over the years, the costs involved in making animated movies had gone up substantially. "We made *Toy Story* in the 1990s with 120 people and it cost \$30 million to make. *The Good Dinosaur*, Pixar's latest movie, was made with 300 people and had a production budget of \$200 million," said Lasseter. "We work very hard to stay within budget. But sometimes a story is not working and you have to start over. It will add to the budget but it is worth it—the movie has to be good."

### *Distributing and Marketing Movies*

Disney Studios' distribution division worked with exhibitors ahead of a movie's release to secure screens in theaters (see Exhibit 7 for an example of the domestic theatrical run for one of Disney Studios' recent tentpoles, *Maleficent*). "We are a sales organization that puts movies into theaters in more than seventy countries," said Hollis. "Bob Iger has assembled a group of companies that allowed us to build the best slate of upcoming film content in the history of the movie business—that helps us," he said. "International exhibitors are big fans of each of our brands because they have pull in the marketplace. In that respect, Disney has an overwhelming advantage relative to other studios." Upcoming movie releases were closely watched, Hollis said: "There are a variety of stakeholders, be they executives of the company, the filmmakers, the theater community, and the press, who want to know what to expect about the movies as we launch them. What will we open to? And what does an opening weekend mean for the projected run?"

Marketing movies was expensive. "On average, studios spend around \$70 million to market their tentpole releases domestically," said Ricky Strauss, Disney Studios' president of marketing. "We are not only spending money on television, radio, and outdoor, but also online. No one wants to leave any stone unturned." He added: "A year out we release a teaser trailer.<sup>7</sup> Ten months out we might do a big creative stunt or go to one of the big conventions, like Comic-Con. And we run trailers on other Disney Studios' films—across 2D and 3D, the exhibitors allow us to place trailers on each of our films playing in theaters. But half of a movie's advertising budget is spent in the last two weeks before its release date. We have to create noise, so we go into a full assault leading up to a release."

"We can use Disney's platforms to offset some of those costs," said Strauss. "If we want support from, say, ESPN or the ABC network to promote a film, we can rope them in." Horn added: "Bob Iger can walk into his weekly Monday lunch with the heads of all the other divisions, and say 'I want every division to do its best to maximize the potential of *Star Wars*'—that is very effective." Strauss also often looked to engage promotional partners. "They don't pay us—it is in-kind promotion. But they will run advertising, sometimes to the tune of tens of millions of dollars, to promote the film on a global scale. And they will work with us to make sure that nothing is off-brand."

## Disney Studios' Tentpole Strategy

When it came to deciding which movies to make and how, Horn employed a 'tentpole strategy' to which each of the five studio labels contributed, in which Disney Studios accepted no co-financing for its movies, and in which it mixed existing and new properties.

### *A Focus on Tentpole Movies*

More so than any of its rival studios, Disney Studios was focused on producing and marketing big-budget movies. "We can distinguish ourselves from the sea of other studios by producing movies that are big, that have global appeal, and that other studios will get out of the way of," said Horn. "A \$200-million movie is more likely than a \$20-million movie to have elements that appeal to moviegoers – to have special value for them." Each year, he expected each of the five studio brands under the Disney Studios umbrella to deliver at least one tentpole film. "Going forward, in a typical year, we have one from Pixar, one from Disney Animation, one from Lucasfilm, two from Marvel, and three from Disney Live Action," said Horn. "That is eight tentpoles in total." There was room to produce even more, noted Feige: "If we have films ready to go at Marvel, we know we can go up to more than two a year – we don't have to hold them back. But at no point has anyone ever told us, 'Wow, you are doing awesome, make three movies now,' or 'Make four movies now.'"

Among the movies set to be released in 2016, four had production budgets of at least \$200 million (*Alice Through the Looking Glass*, *Captain America: Civil War*, *Finding Dory*, and *Rogue One: A Star Wars Story*), and another four had budgets of at least \$150 million (*Doctor Strange*, *Moana*, *The Jungle Book*, and *Zootopia*). "Before we say 'yes' to one of those big-budget movies, we think of an audience who asks, 'Do I have to see it now?' and 'Do I have to see it on the big screen?'" He added: "If the answer to both of those is 'no,' we need to rethink the decision."

Bailey gave an example for how a film might acquire tentpole status: "Take *Alice in Wonderland*, which we launched in 2010 to much success, and are now following up with *Alice Through the Looking Glass*. When you think about the subject matter, you think possibly a big title, with the potential for a visual spectacle. Then you hear it is Tim Burton's *Alice in Wonderland*, and you think, 'Wow, that is starting to feel event-like.' Now throw in Johnny Depp as the Mad Hatter, and that elevates it even more." He continued: "So we ask ourselves, what are the demands to deliver the picture at that level, to create a world that is fantastical and never seen before? We knew then that the film would be very expensive."

In addition to its three tentpoles, Disney Live Action was tasked with producing another three to four smaller movies, bringing Disney Studios' total annual target to eleven to twelve films (see Exhibit 8 for sample economics for films with smaller and larger budgets). "There are two reasons why we make these films," said Horn. "First, if we can make these movies compelling enough to make people go see them, we might be surprised and have a movie that really performs in the marketplace. They usually skew a little older. And second, we think of them as brand deposits. *McFarland, USA*, which cost roughly \$30 million, is an example. We are proud to have made that film. But we do have shareholders, and if those movies lose significant amounts of money, we can't make them."

Disney Studios' target of eleven to twelve movies (see Exhibit 9 for its upcoming releases) was significantly lower than that of all but one of the other major studios. "Our competitors can release two or three movies in a month. That is their strategy – it is not ours," said Bergman.

The focus on tentpoles had one important downside, said Horn: "When our movies don't work, they are high-profile failures." Industry insiders estimated that Disney lost \$120 million to \$140 million on *Tomorrowland*, which was adapted from a popular Disney theme park ride, produced at the tune of \$190 million, and starred George Clooney.<sup>8</sup> "I have to own the failures," Horn said. "The press writes about these movies, the board of directors asks about them... everybody has an opinion." The company earlier projected a loss of \$160 million to \$190 million on *The Lone Ranger* (which cost \$215 million to produce, starred Johnny Depp and was released in 2013) and took a write-down of approximately \$200 million on *John Carter* (which cost over \$250 million to produce, starred Taylor Kitsch, and was released

in 2012). Both films were greenlit before Horn joined Disney. Bergman pointed to another problem: "At a certain point, air traffic control around tentpoles gets very complicated. We are competing for bandwidth and focus with ourselves and with the other major studios making these big-budget films." Kennedy agreed: "Take the issue of choosing release dates for tentpoles. In the past, we always targeted the period of May to the July Fourth weekend. Now, that has become a very crowded space. And if you can't count on releasing a movie and having some ability to capture audiences over at least a three-to-four-week period, you wonder if you are going to make back your investment."

### *No Co-Financing*

In 2015, more than 140 companies owned by investors, producers, directors and actors had agreements with studios.<sup>9</sup> Unlike other major studios, Disney Studios did not enlist partners to co-finance its films. "When I worked at Warner Bros., we had partnerships on the lion's share of our films with companies who paid a part of the production budget—usually half—in exchange for a share of the profits," said Horn. "When I first came to Disney, I asked Bob whether he'd like to have partners for our big bets. He responded that he would rather have all of the upside and said, 'Let's bet on ourselves.' That of course means we also have all of the downside when a film does not work."

He added: "What we do for the Chinese market is a separate discussion. If you have a partner in China, you get 40% of each dollar earned at the box office instead of 25%, and you can get around China's cap of 34 foreign movies a year. With our annual output of eight tentpole movies, we have to ask ourselves whether that is worthwhile."

Deals with actors, directors, and other creative talents were also much rarer at Disney Studios than they were elsewhere. Sony, for instance, had 30 'first-look deals' that paid the talent an annual fee, often in the millions of dollars, and provided it with office space or other amenities in return for the studio's right of first refusal to finance, produce, or distribute any of their projects. Warner Bros. topped the list with 37 'pacts,' as Hollywood often referred to them, including with stars such as Leonardo DiCaprio, Robert Downey Jr. and Morgan Freeman. Disney had a deal with actor Johnny Depp's production company Infinitum Nihil, but few others. "At Warner Bros. it is in their DNA to have people like Ben Affleck and Clint Eastwood make the studio their home. We have a greater challenge doing that because filmmakers want to explore different things that go off our strategy," explained Bailey. "We can't encompass everything that they want to do in their careers."

### *A Mix of Existing and New Properties*

Horn was keen to find a balance between pursuing new and existing properties. "There is a danger in sticking to only films that are based on known properties within Disney," he said. "Eventually, the lifeblood of any company is fresh intellectual property." Bergman elaborated, "*Alice in Wonderland* worked, *Cinderella* worked, and if *Beauty and the Beast* and *The Jungle Book* also work, how do we not just say 'Let's grab them all and make them'? How do you not get creatively complacent, but instead stay passionate, hungry, and inspired when a franchise starts to prove itself?" At Marvel, Feige was explicit about his model: "Since 2014, each year, we try to do something that is a continuation of our existing cinematic universe and something that is new. This year, we had *Avengers: Age of Ultron*, a big franchise of ours, and *Ant-Man*, a character that had been around for over fifty years but was a bit of an odd duck."

"A lot of studios think they have captured lightning in a bottle with a hit, and then go on to produce sequel after sequel, reproducing the same thing," said Lasseter. "After a while, audiences know what to expect. That wears out." Pixar let directors decide when they were prepared to go for a sequel, he said. "We wait until they are ready with a good idea. In the end, quality is the best business plan." That approach could lead to long lag times between originals and their sequels: for instance, *Finding Dory* would be released thirteen years after its predecessor, *Finding Nemo*.

Meanwhile, rival studios were closing in on Disney's favorite genres. Helped by the fact that no studio could copyright classic fairy tales, several other studios were planning such films. Tellingly, Warner Bros. planned to release its own version of *The Jungle Book* in 2017. Marvel faced competition

in the superhero genre from DC Comics, owned by Warner Bros., which was planning to release ten such films through 2020. "A question that comes up here often is what we do if there is a glut of superhero movies or a glut of fairy tales," said Horn. "How do we stay fresh?"

## The Force Awakens

Back at the *Star Wars: The Force Awakens* world premiere, Horn, standing next to Iger, looked to his right at the film's main cast and crew who had joined the two men on stage. Among the actors were Harrison Ford, Mark Hamill and Carrie Fisher, who had reprised their roles as Han Solo, Luke Skywalker, and former-princess-turned-general Leia Organa, as well as Daisy Ridley, John Boyega, Oscar Isaac and Adam Driver, playing the new characters Rey, Finn, Poe Dameron, and Kylo Ren.



Source: Disney Studios.

Expectations for the film were extremely high. "I've never seen anything like this in my nearly 30 years in Hollywood," said Strauss, whose team devised an elaborate marketing plan for the \$200-million movie (see Exhibit 10 for an overview of marketing activities). "We had to be careful not to saturate the market," he said. "The publicity around the film has been very strong. There are people reporting on box-office predictions that normally never do so. And we have news media everywhere in the country showing fans waiting in line. You don't usually get this level of engagement with a December release." Horn said: "The audience has tremendous affection for the *Star Wars* universe. When we bought Lucasfilm and announced this new film, some audiences feared we were going to 'mouse-ify' the movie. But I am very proud of what we did—I think the film gives audiences what they have been hoping for."

Kennedy took her seat behind director J.J. Abrams, close to George Lucas. "I can't think of anything that puts your emotions on the line the way the opening of a movie that you've made does," said Kennedy. "We haven't previewed the movie at all, so this is really nerve wracking." As the lights dimmed and the movie started playing, Horn, seated a few seats away from Kennedy, wondered how their latest tentpole bet would play out. "You need three things for a tentpole strategy," he said. "You need to have the intellectual property, you need to be able to afford to do it, and you need to have the courage to do it."

Would *Star Wars* turn out to be a worthy bet for Disney Studios? Was the studio pursuing the right number of tentpoles as well as the right mix of new versus existing properties, under the right financing structure? And would the tentpole strategy pay off—in the short and long run?

**Exhibit 1 The Walt Disney Company: Financial Information (in \$ millions)**

	2014 (Year Ended September 27, 2014)	2015 (Year Ended October 3, 2015)
<b>The Walt Disney Company</b>		
<b>Revenues</b>		
Media networks	21,152	23,264
Parks and resorts	15,099	16,162
Studio entertainment	7,278	7,366
Consumer products	3,985	4,499
Interactive <sup>a</sup>	1,299	1,174
	<u>48,813</u>	<u>52,465</u>
<b>Operating income</b>		
Media networks	7,321	7,793
Parks and resorts	2,663	3,031
Studio entertainment	1,549	1,973
Consumer products	1,356	1,752
Interactive	116	132
	<u>13,005</u>	<u>14,681</u>
<b>Net income</b>	<b>7,501</b>	<b>8,382</b>
<b>Diluted earnings per share</b>	<b>4.26</b>	<b>4.90</b>
<b>Studio Entertainment</b>		
<b>Revenues</b>		
Theatrical distribution	2,431	2,321
Home entertainment	2,094	1,799
Television, SVOD distribution, and other	2,753	3,246
	<u>7,278</u>	<u>7,366</u>
<b>Operating expenses</b>	<b>3,137</b>	<b>3,050</b>
<b>Selling, general, administrative and other</b>	<b>2,456</b>	<b>2,204</b>
<b>Depreciation and amortization</b>	<b>136</b>	<b>139</b>
<b>Operating income</b>	<b>1,549</b>	<b>1,973</b>

Source: The Walt Disney Company

<sup>a</sup> Consumer products' and 'Interactive' merged in June 2015.

Exhibit 2a The Film Industry: Key Statistics (2001-2015)

Year	Screens in US	Movies Released in US	Tickets Sold in US (millions)	Revenues in US (billions)	Screens Worldwide	3D Screens Worldwide	Revenues Worldwide (billions)
2001	35,500	482	1,487	\$8.4	--	--	\$17.0
2002	35,700	479	1,576	\$9.2	--	--	\$19.8
2003	35,700	506	1,532	\$9.2	--	--	\$20.4
2004	36,400	551	1,511	\$9.4	--	--	\$25.2
2005	37,700	547	1,379	\$8.8	--	--	\$23.3
2006	38,400	608	1,406	\$9.2	--	300	\$25.8
2007	38,800	631	1,405	\$9.7	--	1,300	\$26.3
2008	38,800	608	1,341	\$9.6	--	2,500	\$27.8
2009	39,200	521	1,413	\$10.6	--	9,000	\$29.4
2010	39,500	536	1,339	\$10.6	--	22,400	\$31.6
2011	42,400	602	1,283	\$10.2	81,400	36,300	\$32.6
2012	42,800	667	1,362	\$10.8	87,100	45,600	\$34.7
2013	42,800	688	1,344	\$10.9	91,800	53,100	\$35.9
2014	43,300	702	1,268	\$10.4	99,000	64,900	\$36.4
2015E	43,300	690	1,334	\$11.1	105,000	70,000	\$38.0

Source: Motion Picture Association of America (MPAA), National Association of Theater Owners (NATO), Variety, and case writer's estimates.

Exhibit 2b Major Studios and their Output (2010-2015)

	Number of Films Released   Worldwide Box Office Grosses (millions)											
	2010		2011		2012		2013		2014		2015 <sup>a</sup>	
Disney	14	\$4,167	14	\$3,140	13	\$3,587	10	\$5,043	13	\$3,917	10	\$4,901
20 <sup>th</sup> Cent. Fox	25	\$2,965	27	\$2,838	22	\$3,350	22	\$3,231	25	\$5,796	22	\$3,554
Paramount	10	\$2,079	12	\$3,122	11	\$1,271	9	\$2,429	12	\$3,248	10	\$1,793
Sony	18	\$2,770	22	\$2,841	19	\$4,807	15	\$2,627	18	\$2,702	15	\$2,425
Universal	15	\$1,902	15	\$2,229	16	\$3,262	16	\$3,490	14	\$2,110	20	\$6,509
Warner Bros.	21	\$4,381	22	\$4,528	17	\$4,027	16	\$4,671	21	\$4,430	25	\$2,667

Source: Adapted from Box Office Mojo.

<sup>a</sup> Data reported for 2015 are from January 1, 2015 to December 17, 2015.

Exhibit 3 Box Office Grosses for Selected Movies in 2014 and 2015 (amounts in millions)

Title <sup>a</sup>	Studio	Release Date	Production Budget	U.S. B.O.	Foreign B.O.	Global B.O.
<i>Avengers: Age of Ultron</i>	Disney	5/1/15	\$250	\$459	\$946	\$1,405
<i>The Hobbit: The Battle of the (...)</i>	Warner Bros.	12/17/14	\$250	\$255	\$700	\$955
<i>Tomorrowland</i>	Disney	5/22/15	\$190	\$93	\$116	\$209
<i>Furious 7</i>	Universal	4/3/15	\$190	\$353	\$1,162	\$1,515
<i>Jupiter Ascending</i>	Warner Bros.	2/6/15	\$176	\$47	\$137	\$184
<i>Inside Out</i>	Disney	6/19/15	\$175	\$357	\$500	\$856
<i>Big Hero 6</i>	Disney	11/7/14	\$165	\$223	\$435	\$658
<i>Interstellar</i>	Paramount	11/5/14	\$165	\$188	\$485	\$673
<i>Terminator: Genisys</i>	Paramount	7/1/15	\$155	\$90	\$351	\$441
<i>Mission: Impossible - Rogue (...)</i>	Paramount	7/31/15	\$150	\$195	\$487	\$682
<i>Jurassic World</i>	Universal	6/12/15	\$150	\$652	\$1,017	\$1,669
<i>Mad Max: Fury Road</i>	Warner Bros.	5/15/15	\$150	\$154	\$222	\$376
<i>Exodus: Gods and Kings</i>	20 <sup>th</sup> Century Fox	12/12/14	\$140	\$65	\$203	\$268
<i>Home</i>	20 <sup>th</sup> Century Fox	3/27/15	\$135	\$177	\$209	\$386
<i>Penguins of Madagascar</i>	20 <sup>th</sup> Century Fox	11/26/14	\$132	\$83	\$290	\$374
<i>Ant-Man</i>	Disney	7/17/15	\$130	\$180	\$339	\$519
<i>Night at the Museum: Secret (...)</i>	20 <sup>th</sup> Century Fox	12/19/14	\$127	\$114	\$247	\$360
<i>The Hunger Games: (...)</i>	Lionsgate	11/21/14	\$125	\$337	\$418	\$755
<i>Fantastic Four</i>	20 <sup>th</sup> Century Fox	8/7/15	\$120	\$56	\$112	\$168
<i>San Andreas</i>	Warner Bros.	5/29/15	\$110	\$155	\$319	\$474
<i>The Divergent Series: Insurgent</i>	Lionsgate	3/20/15	\$110	\$130	\$167	\$297
<i>Cinderella</i>	Disney	3/13/15	\$100	\$201	\$342	\$543
<i>Seventh Son</i>	Universal	2/6/15	\$95	\$17	\$97	\$114
<i>Pixels</i>	Sony	7/24/15	\$88	\$79	\$165	\$244
<i>Kingsman: The Secret Service</i>	20 <sup>th</sup> Century Fox	2/13/15	\$81	\$128	\$286	\$414
<i>The Man From U.N.C.L.E.</i>	Warner Bros.	8/14/15	\$75	\$45	\$64	\$110
<i>Minions</i>	Universal	7/10/15	\$74	\$336	\$821	\$1,157
<i>The SpongeBob Movie: (...)</i>	Paramount	2/6/15	\$74	\$163	\$160	\$323
<i>Blackhat</i>	Universal	1/16/15	\$70	\$8	\$12	\$20
<i>Dracula Untold</i>	Universal	10/10/14	\$70	\$56	\$159	\$216
<i>Ted 2</i>	Universal	6/26/15	\$68	\$82	\$134	\$216
<i>Fury</i>	Sony	10/17/14	\$68	\$86	\$126	\$212
<i>Spy</i>	20 <sup>th</sup> Century Fox	6/5/15	\$65	\$111	\$125	\$236
<i>Unbroken</i>	Universal	12/25/14	\$65	\$116	\$46	\$162
<i>Annie</i>	Sony	12/19/14	\$65	\$86	\$48	\$134
<i>Gone Girl</i>	20 <sup>th</sup> Century Fox	10/3/14	\$61	\$168	\$200	\$368
<i>Mortdecai</i>	Lionsgate	1/23/15	\$60	\$8	\$40	\$47
<i>The Boxtrolls</i>	Focus Features	9/26/14	\$60	\$51	\$58	\$109
<i>Winter's Tale</i>	Warner Bros.	9/19/14	\$60	\$13	\$18	\$31
<i>American Sniper</i>	Warner Bros.	12/25/14	\$59	\$350	\$197	\$547
<i>The Equalizer</i>	Sony	9/26/14	\$55	\$102	\$91	\$192
<i>Focus</i>	Warner Bros.	2/27/15	\$50	\$54	\$105	\$159
<i>Child 44</i>	Lionsgate	4/17/15	\$50	\$1	\$12	\$13
<i>Run All Night</i>	Warner Bros.	3/13/15	\$50	\$27	\$45	\$72
<i>Into the Woods</i>	Disney	12/25/14	\$50	\$128	\$85	\$213
<i>The Book of Life</i>	20 <sup>th</sup> Century Fox	10/17/14	\$50	\$50	\$47	\$97
<i>The Judge</i>	Warner Bros.	10/10/14	\$50	\$47	\$37	\$84
<i>Chappie</i>	Sony	3/6/15	\$49	\$32	\$71	\$102

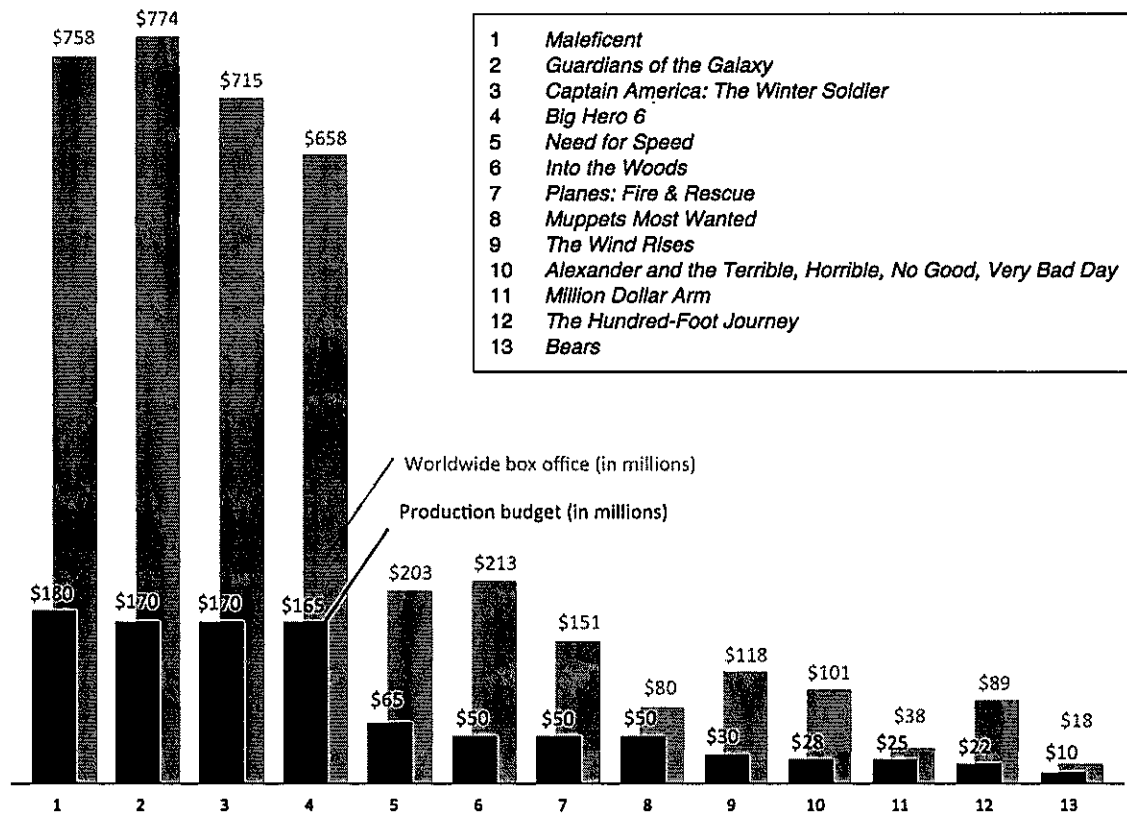


## Exhibit 3 (Continued)

Title	Studio	Release Date	Production Budget	U.S. B.O.	Foreign B.O.	Global B.O.
<i>Taken 3</i>	20 <sup>th</sup> Century Fox	1/9/15	\$48	\$89	\$237	\$327
<i>The Interview</i>	Sony	12/25/14	\$44	\$6	\$5	\$11
<i>Horrible Bosses 2</i>	Warner Bros.	11/26/14	\$42	\$54	\$52	\$107
<i>Get Hard</i>	Warner Bros.	3/27/15	\$40	\$90	\$21	\$112
<i>The Gunman</i>	Open Road Films	3/20/15	\$40	\$11	\$0	\$11
<i>Fifty Shades of Grey</i>	Universal	2/13/15	\$40	\$166	\$404	\$571
<i>Dumb and Dumber To</i>	Universal	11/14/14	\$40	\$86	\$84	\$170
<i>Aloha</i>	Sony	5/29/15	\$37	\$21	\$5	\$26
<i>Dolphin Tale 2</i>	Warner Bros.	9/12/14	\$36	\$42	\$10	\$52
<i>Hitman: Agent 47</i>	20 <sup>th</sup> Century Fox	8/21/15	\$35	\$23	\$60	\$82
<i>Trainwreck</i>	Universal	7/17/15	\$35	\$110	\$29	\$140
<i>Poltergeist</i>	20 <sup>th</sup> Century Fox	5/22/15	\$35	\$47	\$48	\$95
<i>Hot Pursuit</i>	Warner Bros.	5/8/15	\$35	\$35	\$17	\$52
<i>Unfinished Business</i>	20 <sup>th</sup> Century Fox	3/6/15	\$35	\$10	\$4	\$14
<i>The Longest Ride</i>	20 <sup>th</sup> Century Fox	4/10/15	\$34	\$37	\$26	\$63
<i>The Maze Runner</i>	20 <sup>th</sup> Century Fox	9/19/14	\$34	\$102	\$238	\$341
<i>The Young &amp; Prodigious T.S. (...)</i>	Weinstein	7/31/15	\$33	\$0	\$9	\$9
<i>Vacation</i>	Warner Bros.	7/29/15	\$31	\$59	\$46	\$105
<i>Southpaw</i>	Weinstein	7/24/15	\$30	\$52	\$39	\$92
<i>Entourage</i>	Warner Bros.	6/3/15	\$30	\$32	\$17	\$49
<i>Paul Blart: Mall Cop 2</i>	Sony	4/17/15	\$30	\$71	\$37	\$108
<i>Pitch Perfect 2</i>	Universal	5/15/15	\$29	\$184	\$103	\$287
<i>American Ultra</i>	Lionsgate	8/21/15	\$28	\$14	\$1	\$15
<i>Straight Outta Compton</i>	Universal	8/14/15	\$28	\$161	\$39	\$200
<i>McFarland, USA</i>	Disney	2/20/15	\$28	\$45	\$1	\$46
<i>Alexander and the Terrible, (...)</i>	Disney	10/10/14	\$28	\$67	\$34	\$101
<i>A Walk Among the Tombstones</i>	Universal	9/19/14	\$28	\$26	\$27	\$53
<i>Self/less</i>	Focus Features	7/10/15	\$26	\$12	\$0	\$12
<i>The Best of Me</i>	Relativity	10/17/14	\$26	\$27	\$9	\$36
<i>The Age of Adaline</i>	Lionsgate	4/24/15	\$25	\$43	\$0	\$43
<i>The Gambler</i>	Paramount	12/25/14	\$25	\$34	\$6	\$39
<i>The Wedding Ringer</i>	Sony	1/16/15	\$23	\$65	\$15	\$80
<i>The Water Diviner</i>	Warner Bros.	4/24/15	\$23	\$4	\$11	\$16
<i>Max</i>	Warner Bros.	6/26/15	\$20	\$43	\$1	\$44
<i>Little Boy</i>	Open Road Films	4/24/15	\$20	\$7	\$0	\$7
<i>Selma</i>	Paramount	12/25/14	\$20	\$52	\$15	\$67
<i>Inherent Vice</i>	Warner Bros.	12/12/14	\$20	\$8	\$3	\$11
<i>John Wick</i>	Lionsgate	10/24/14	\$20	\$43	\$43	\$86
<i>The Good Lie</i>	Warner Bros.	10/3/14	\$20	\$3	\$0	\$3
<i>This is Where I Leave You</i>	Warner Bros.	9/19/14	\$20	\$34	\$7	\$41
<i>Ricki and the Flash</i>	Sony	8/7/15	\$18	\$27	\$13	\$40
<i>Birdman</i>	20 <sup>th</sup> Century Fox	10/17/14	\$18	\$42	\$61	\$103
<i>Men, Women &amp; Children</i>	Paramount	10/3/14	\$16	\$1	\$2	\$2
<i>Wild</i>	20 <sup>th</sup> Century Fox	12/3/14	\$15	\$38	\$15	\$53
<i>The Theory of Everything</i>	Focus Features	11/7/14	\$15	\$36	\$88	\$124

Source: Adapted from Box Office Mojo (boxofficemojo.com), The Numbers (the-numbers.com), and case writer's estimates.

<sup>a</sup> Includes movies released between September 1, 2014 and August 31, 2015 with a production budget of at least \$15 million.

**Exhibit 4** Disney Studios: Production Budgets and Box Office Grosses for Films Released in 2014

Source: Adapted from Box Office Mojo (boxofficemojo.com), The Numbers (the-numbers.com), and case writer's estimates.

<sup>a</sup> *Need for Speed* and *The Hundred-Foot Journey* were produced by DreamWorks Studios and *The Wind Rises* was produced by Studio Ghibli; the three films were released by Disney Studios as part of its distribution deals with those studios. *Bears* is a Disneynature film.

Exhibit 5a Selected Films Produced by Disney Live Action (amounts in millions)

#	Title	Release Date	Budget	US Box Office	Foreign Box Office	Total Box Office
1	<i>Alice in Wonderland</i>	March 5, 2010	\$200	\$334	\$691	\$1,025
2	<i>Prince of Persia: Sands of Time</i>	May 28, 2010	\$200	\$91	\$246	\$337
3	<i>The Sorcerer's Apprentice</i>	July 14, 2010	\$150	\$63	\$152	\$215
4	<i>Secretariat</i>	October 8, 2010	\$35	\$60	\$1	\$61
5	<i>Tron: Legacy</i>	December 17, 2010	\$170	\$172	\$228	\$400
6	<i>Pirates of the Caribbean (...)</i>	May 20, 2011	\$250	\$241	\$805	\$1,046
7	<i>The Muppets</i>	November 23, 2011	\$45	\$89	\$77	\$166
8	<i>John Carter</i>	March 9, 2012	\$250	\$73	\$211	\$284
9	<i>The Odd Life of Timothy Green</i>	August 15, 2012	\$40	\$52	\$0	\$52
10	<i>Oz the Great and Powerful</i>	March 8, 2013	\$215	\$235	\$258	\$493
11	<i>The Lone Ranger</i>	July 3, 2013	\$215	\$89	\$171	\$260
12	<i>Saving Mr. Banks</i>	December 13, 2013	\$35	\$83	\$35	\$118
13	<i>Muppets Most Wanted</i>	March 21, 2014	\$50	\$51	\$29	\$80
14	<i>Million Dollar Arm</i>	May 16, 2014	\$25	\$37	\$3	\$40
15	<i>Maleficent</i>	May 30, 2014	\$180	\$241	\$517	\$758
16	<i>Alexander and the Terrible (...)</i>	October 10, 2014	\$28	\$67	\$34	\$101
17	<i>Into the Woods</i>	December 25, 2014	\$50	\$128	\$85	\$213
18	<i>McFarland, USA</i>	February 20, 2015	\$28	\$45	\$1	\$46
19	<i>Cinderella</i>	March 13, 2015	\$100	\$201	\$342	\$543
20	<i>Tomorrowland</i>	May 22, 2015	\$190	\$94	\$116	\$210

Source: Box Office Mojo (boxofficemojo.com) and case writer's estimates.

Exhibit 5b Films Produced by Pixar (amounts in millions)

#	Title	Release Date	Budget	US Box Office	Foreign Box Office	Total Box Office
1	<i>Toy Story</i>	November 22, 1995	\$30	\$192	\$170	\$362
2	<i>A Bug's Life</i>	November 20, 1998	\$120	\$163	\$201	\$364
3	<i>Toy Story 2</i>	November 19, 1999	\$90	\$246	\$239	\$485
4	<i>Monsters, Inc.</i>	November 2, 2001	\$115	\$290	\$273	\$563
5	<i>Finding Nemo</i>	May 30, 2003	\$94	\$381	\$556	\$937
6	<i>The Incredibles</i>	November 5, 2004	\$92	\$261	\$370	\$631
7	<i>Cars</i>	June 9, 2006	\$120	\$244	\$218	\$462
8	<i>Ratatouille</i>	June 29, 2007	\$150	\$206	\$417	\$623
9	<i>WALL-E</i>	June 27, 2008	\$180	\$224	\$298	\$522
10	<i>Up</i>	May 29, 2009	\$175	\$293	\$438	\$731
11	<i>Toy Story 3</i>	June 18, 2010	\$200	\$415	\$648	\$1,063
12	<i>Cars 2</i>	June 24, 2011	\$200	\$193	\$368	\$561
13	<i>Brave</i>	June 22, 2012	\$185	\$237	\$302	\$539
14	<i>Monsters University</i>	June 21, 2013	\$200	\$269	\$475	\$744
15	<i>Inside Out</i>	June 19, 2015	\$175	\$356	\$495	\$851
16	<i>The Good Dinosaur</i>	November 25, 2015	\$200	\$115	\$129	\$244

Source: Box Office Mojo (boxofficemojo.com) and case writer's estimates.

**Exhibit 5c** Selected Films Produced by Disney Animation (amounts in millions)

#	Title	Release Date	Budget	US Box Office	Foreign Box Office	Total Box Office
1	<i>The Little Mermaid</i>	November 14, 1989	\$40	\$112	\$100	\$212
2	<i>Beauty and the Beast</i>	November 22, 1991	\$25	\$219	\$206	\$425
3	<i>Aladdin</i>	November 25, 1992	\$28	\$217	\$287	\$504
4	<i>The Lion King</i>	June 15, 1994	\$45	\$423	\$565	\$988
5	<i>Pocahontas</i>	June 16, 1995	\$55	\$142	\$205	\$347
6	<i>The Hunchback of Notre Dame</i>	June 19, 1996	\$100	\$100	\$225	\$325
7	<i>Hercules</i>	June 14, 1997	\$85	\$99	\$154	\$253
8	<i>Mulan</i>	June 5, 1998	\$70	\$121	\$184	\$305
9	<i>Tarzan</i>	June 12, 1999	\$130	\$171	\$277	\$448
10	<i>Dinosaur</i>	May 19, 2000	\$127.5	\$138	\$212	\$350
11	<i>The Emperor's New Groove</i>	December 10, 2000	\$100	\$89	\$80	\$169
12	<i>Atlantis: The Lost Empire</i>	June 3, 2001	\$120	\$84	\$102	\$186
13	<i>Lilo &amp; Stitch</i>	June 16, 2002	\$80	\$146	\$127	\$273
14	<i>Treasure Planet</i>	November 17, 2002	\$140	\$38	\$71	\$109
15	<i>Brother Bear</i>	October 20, 2003	\$128	\$85	\$165	\$250
16	<i>Home on the Range</i>	March 21, 2004	\$110	\$50	\$54	\$104
17	<i>Chicken Little</i>	October 30, 2005	\$150	\$135	\$179	\$314
18	<i>Meet the Robinsons</i>	March 30, 2007	\$195	\$98	\$72	\$170
19	<i>Bolt</i>	November 21, 2008	\$150	\$114	\$196	\$310
20	<i>The Princess and the Frog</i>	November 25, 2009	\$105	\$104	\$163	\$267
21	<i>Tangled</i>	November 24, 2010	\$260	\$201	\$391	\$593
22	<i>Wreck-It Ralph</i>	November 2, 2012	\$165	\$189	\$282	\$471
23	<i>Frozen</i>	November 27, 2013	\$150	\$401	\$876	\$1,277
24	<i>Big Hero 6</i>	November 7, 2014	\$165	\$223	\$435	\$658

Source: Box Office Mojo (boxofficemojo.com) and case writer's estimates.

**Exhibit 5d** Films Produced by Marvel Studios (amounts in millions)

#	Title	Release Date	Budget	US Box Office	Foreign Box Office	Total Box Office
1	<i>Iron Man</i>	May 2, 2008	\$140	\$318	\$267	\$585
2	<i>The Incredible Hulk</i>	June 13, 2008	\$150	\$135	\$129	\$264
3	<i>Iron Man 2</i>	May 7, 2010	\$200	\$312	\$312	\$624
4	<i>Thor</i>	May 6, 2011	\$150	\$181	\$268	\$449
5	<i>Captain America: The First Avenger</i>	July 22, 2011	\$140	\$178	\$194	\$372
6	<i>The Avengers</i>	May 4, 2012	\$220	\$623	\$895	\$1,518
7	<i>Iron Man 3</i>	May 3, 2013	\$200	\$409	\$806	\$1,215
8	<i>Thor: The Dark World</i>	November 8, 2013	\$170	\$206	\$438	\$644
9	<i>Captain America: The Winter Soldier</i>	April 4, 2014	\$170	\$260	\$455	\$715
10	<i>Guardians of the Galaxy</i>	August 1, 2014	\$170	\$333	\$441	\$774
11	<i>Avengers: Age of Ultron</i>	May 1, 2015	\$250	\$495	\$946	\$1,441
12	<i>Ant-Man</i>	July 17, 2015	\$130	\$180	\$338	\$518

Source: Box Office Mojo (boxofficemojo.com) and case writer's estimates.

## Exhibit 5e Films Produced by Lucasfilm (amounts in millions)

#	Title	Release Date	Budget	US Box Office	Foreign Box Office	Total Box Office
1	<i>American Graffiti</i>	August 1, 1973	\$0.8	\$115	\$0	\$115
2	<i>Star Wars</i>	May 25, 1977	\$11	\$461	\$314	\$775
3	<i>The Empire Strikes Back</i>	May 21, 1980	\$18	\$291	\$248	\$539
4	<i>Raiders of the Lost Ark</i>	June 12, 1981	\$18	\$248	\$142	\$390
5	<i>Return of the Jedi</i>	May 25, 1983	\$33	\$309	\$166	\$475
6	<i>Indiana Jones and the Temple (...)</i>	May 23, 1984	\$28	\$180	\$153	\$333
7	<i>Labyrinth</i>	June 27, 1986	--	\$13	\$0	\$13
8	<i>Howard the Duck</i>	August 1, 1986	\$37	\$16	\$22	\$38
9	<i>Willow</i>	May 20, 1988	--	\$57	\$0	\$57
10	<i>Tucker: The Man and His Dream</i>	August 12, 1988	--	\$20	\$0	\$20
11	<i>The Land Before Time</i>	November 18, 1988	\$12	\$48	\$36	\$84
12	<i>Indiana Jones and the Last (...)</i>	May 24, 1989	\$48	\$197	\$277	\$474
13	<i>Radioland Murders</i>	October 21, 1994	--	\$1	\$0	\$1
14	<i>Star Wars Episode I: (...)</i>	May 19, 1999	\$115	\$475	\$553	\$1,028
15	<i>Star Wars Episode II: (...)</i>	May 16, 2002	\$115	\$311	\$339	\$650
16	<i>Star Wars Episode III: (...)</i>	May 19, 2005	\$113	\$380	\$469	\$849
17	<i>Indiana Jones and the Kingdom (...)</i>	May 22, 2008	\$185	\$317	\$470	\$787
18	<i>Star Wars: The Clone Wars</i>	August 15, 2008	\$9	\$35	\$33	\$68
19	<i>Red Tails</i>	January 20, 2012	\$58	\$50	\$1	\$51

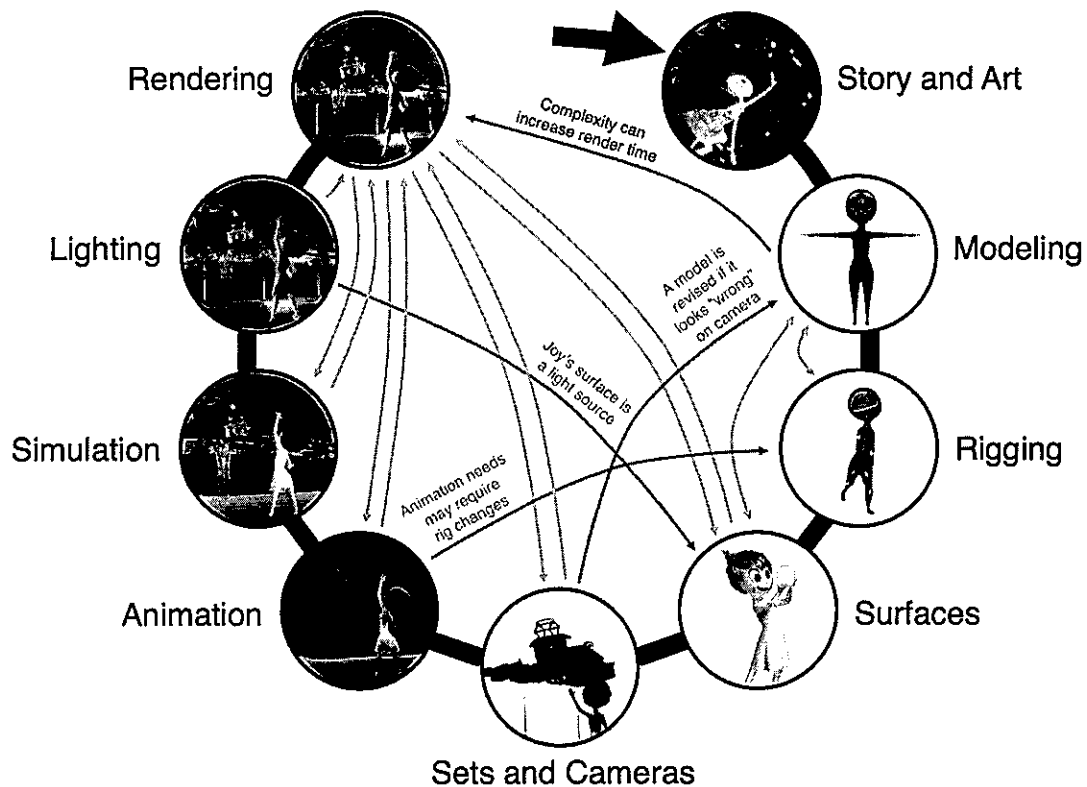
Source: Box Office Mojo (boxofficemojo.com) and case writer's estimates.

## Exhibit 6a The Development and Production Process for Live-Action Movies

Phase	Description	Average Duration	
Early Development	• Activate IP, meet with writers	3-6 months	Often takes several rounds, with the same or a different writer (to polish or start over); can last more than 2 years
	• Formalize writer deal	1 month	
Active Development	• Writer delivers first draft	10-12 weeks	
	• Studio reviews script, provides notes	1 week	
	• Writer revises screenplay	8 weeks	
Packaging the Project	• Attach director and stars	3-6 months	
----- Greenlight -----			
Pre Production	• Finish casting, find locations, build sets	3-6 months	
Production		40-120 working days	
Post Production	• Mandatory period for director's cut	10 weeks	
	• First recruited audience preview	4-8 weeks	
	• Additional editorial	4-8 weeks	
	• Finishing	8-12 weeks	

Source: Disney Studios

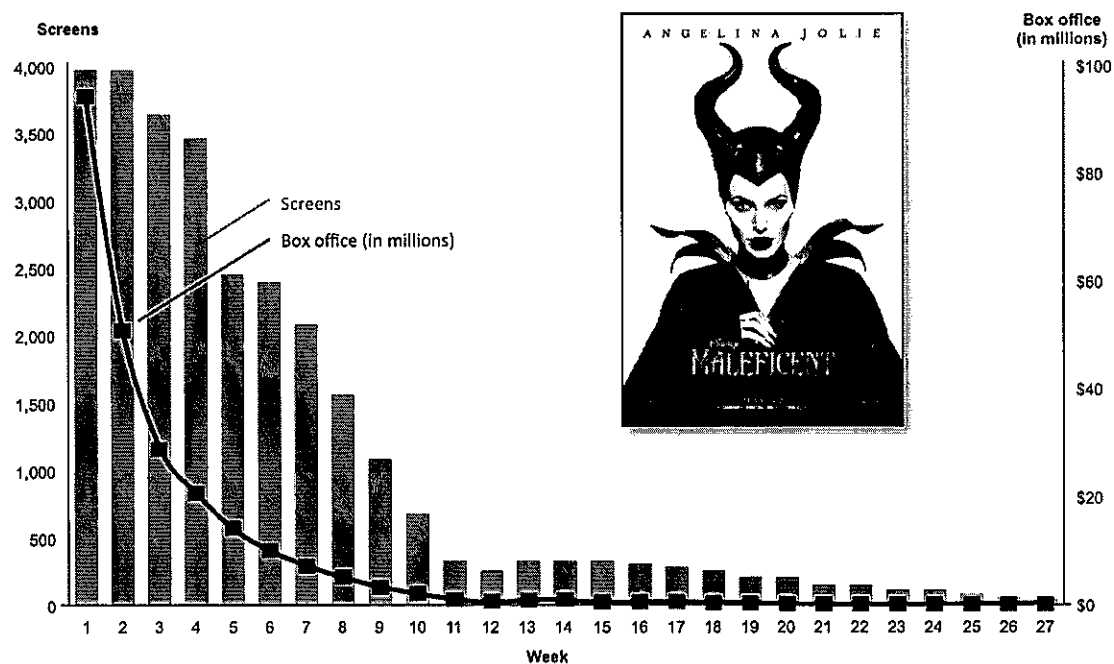
Exhibit 6b The Production Process for Animated Movies



Every movie goes through these steps, but the process is not linear:

- Story and Art The process starts with the writers and artists who create the story and concept art.
- Modeling Digital modelers create virtual 3D models of the characters based on the concept art.
- Rigging Riggers create the virtual joints and muscles that allow the models to move.
- Surfaces Surfacing artists construct each aspect of an object's appearance using computer programs.
- Sets and Cameras Set designers build virtual environments. Camera artists are cinematographers of the virtual world.
- Animation Animators bring the story to life, posing characters to act out each scene.
- Simulation Simulation technical directors use programs to create effects and to move hair and clothing.
- Lighting Lighting designers light each scene to highlight the story and enhance the emotional impact.
- Rendering Rendering technical directors optimize the process of turning data into the final 2D images.

Source: Disney Studios

Exhibit 7 Disney Studios: Weekly Screens and Domestic Box Office Grosses for *Maleficent*

Source: Adapted from Box Office Mojo ([boxofficemojo.com](http://boxofficemojo.com)).



Exhibit 8 Sample Economics (in \$ millions)

	Low-Budget Film	Average Budget Film	High-Budget Film
<b>Production costs</b>			
Above-the-line costs <sup>a</sup>	10	20	45
Below-the-line costs <sup>b</sup>	13	60	85
Post-production and other costs	3	45	90
Tax incentives	-1	-25	-45
<b>Total production costs</b>	<b>25</b>	<b>100</b>	<b>175</b>
<b>Box office</b>			
Domestic box office	50	125	225
International box office	25	150	400
<b>Worldwide box office</b>	<b>75</b>	<b>275</b>	<b>625</b>
<b>Revenues</b>			
Share of domestic box office	25	65	125
Share of international box office	10	62	170
Home video	20	60	110
Television	55	120	175
Consumer products	--	30	100
<b>Total revenues</b>	<b>110</b>	<b>337</b>	<b>680</b>
<b>Expenses</b>			
Theatrical (distribution and marketing)	55	100	155
Home video (distribution and marketing)	8	21	33
Television (marketing)	1	2	2
Consumer products	--	15	50
Residuals <sup>c</sup>	10	15	25
<b>Total expenses</b>	<b>74</b>	<b>153</b>	<b>265</b>
<b>Talent participations</b>	<b>--</b>	<b>10</b>	<b>50</b>
<b>Production costs</b>	<b>25</b>	<b>100</b>	<b>175</b>
<b>Profit before overhead</b>	<b>11</b>	<b>74</b>	<b>190</b>

Source: Disney Studios

<sup>a</sup> Above-the-line costs refer to costs that are incurred before a film's production starts, and include items such as intellectual property rights and actor salaries.

<sup>b</sup> Below-the-line costs refer to costs that are incurred during a film's production, and include items such as set construction, transportation, special effects, and hair and make-up.

<sup>c</sup> Residuals refer to fees paid to performers for situations that go beyond those covered by their initial compensation for a film, such as when the film appears on DVD, television, or on digital channels.

## Exhibit 9a Disney Studios' Upcoming Releases (2016-2020)

#	Title	Label	Release Date
1	<i>The Finest Hours</i>	Disney Live Action	January 29, 2016
2	<i>Zootopia</i>	Disney Animation	March 4, 2016
3	<i>The Jungle Book</i>	Disney Live Action	April 15, 2016
4	<i>Captain America: Civil War</i>	Marvel Studios	May 6, 2016
5	<i>Alice Through the Looking Glass</i>	Disney Live Action	May 27, 2016
6	<i>Finding Dory</i>	Pixar	June 17, 2016
7	<i>The BFG</i>	Disney/Amblin/Reliance	July 1, 2016
8	<i>Pete's Dragon</i>	Disney Live Action	August 12, 2016
9	<i>Queen of Katwe</i>	Disney Live Action	Fall 2016
10	<i>Doctor Strange</i>	Marvel Studios	November 4, 2016
11	<i>Moana</i>	Disney Animation	November 23, 2016
12	<i>Rogue One: A Star Wars Story</i>	Lucasfilm	December 16, 2016
13	<i>Beauty and the Beast</i>	Disney Live Action	March 17, 2017
14	<i>Guardians of the Galaxy Vol. 2</i>	Marvel Studios	May 5, 2017
15	<i>Pirates of the Caribbean: Dead Men (...)</i>	Disney Live Action	May 26, 2017
16	<i>Cars 3</i>	Pixar	June 16, 2017
17	<i>Thor: Ragnarok</i>	Marvel Studios	November 3, 2017
18	<i>Coco</i>	Pixar	November 22, 2017
19	<i>Star Wars: Episode VIII</i>	Lucasfilm	December 15, 2017
20	[Untitled Disney fairy tale]	Disney Live Action	December 22, 2017
21	<i>Black Panther</i>	Marvel Studios	February 16, 2018
22	<i>Gigantic</i>	Disney Animation	March 9, 2018
23	<i>Avengers: Infinity War Part 1</i>	Marvel Studios	May 4, 2018
24	[Untitled Han Solo anthology film]	Lucasfilm	May 25, 2018
25	<i>Toy Story 4</i>	Pixar	June 15, 2018
26	<i>Ant-Man and the Wasp</i>	Marvel Studios	July 6, 2018
27	[Untitled Disney fairy tale]	Disney Live Action	November 2, 2018
28	[Untitled Disney animation]	Disney Animation	November 21, 2018
29	<i>Captain Marvel</i>	Marvel Studios	March 8, 2019
30	[Untitled Disney fairy tale]	Disney Live Action	March 29, 2019
31	[Untitled Disney animation]	Disney Animation	April 12, 2019
32	<i>Avengers: Infinity War Part 2</i>	Marvel Studios	May 3, 2019
33	<i>Incredibles 2</i>	Pixar	June 21, 2019
34	<i>Inhumans</i>	Marvel Studios	July 12, 2019
35	[Untitled Disney fairy tale]	Disney Live Action	November 8, 2019
36	[Untitled Disney animation]	Disney Animation	November 27, 2019
37	[Untitled Pixar animation]	Pixar	March 13, 2020
38	[Untitled Marvel Studios film]	Marvel Studios	May 1, 2020
39	[Untitled Pixar animation]	Pixar	June 19, 2020
40	[Untitled Marvel Studios film]	Marvel Studios	July 10, 2020
41	[Untitled Marvel Studios film]	Marvel Studios	November 6, 2020
42	[Untitled Disney animation]	Disney Animation	November 25, 2020

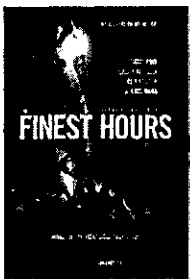
Source: Disney Studios

## Exhibit 9b Disney Studios' Upcoming Releases (2015 and first half of 2016)

***Star Wars: The Force Awakens***

(December 18, 2015)

Lucasfilm and visionary director J.J. Abrams join forces to take you back again to a galaxy far, far away as Star Wars returns to the big screen with *Star Wars: The Force Awakens*. The film stars Harrison Ford, Mark Hamill, Carrie Fisher, Adam Driver, Daisy Ridley, John Boyega, Oscar Isaac, Lupita Nyong'o, Andy Serkis, Domhnall Gleeson, Anthony Daniels, Peter Mayhew and Max Von Sydow. Kathleen Kennedy, J.J. Abrams and Bryan Burk are producing with Tommy Harper and Jason McGatlin serving as executive producers. The screenplay is by Lawrence Kasdan & J.J. Abrams and Michael Arndt.

***The Finest Hours***

(January 29, 2016)

A heroic action-thriller, *The Finest Hours* is the remarkable true story of the greatest small boat rescue in Coast Guard history. Presented in Digital 3D and IMAX 3D, the film will transport audiences to the heart of the action, creating an immersive cinematic experience on an epic scale.

***Zootopia***

(March 04, 2016)

The modern mammal metropolis of *Zootopia* is a city like no other. Comprised of habitat neighborhoods like ritzy Sahara Square and frigid Tundratown, it's a melting pot where animals from every environment live together—a place where no matter what you are, from the biggest elephant to the smallest shrew, you can be anything. But when optimistic Officer Judy Hopps arrives, she discovers that being the first bunny on a police force of big, tough animals isn't so easy. Determined to prove herself, she jumps at the opportunity to crack a case, even if it means partnering with a fast-talking, scam-artist fox, Nick Wilde, to solve the mystery.

***The Jungle Book***

(April 15, 2016)

Directed by Jon Favreau, based on Rudyard Kipling's timeless stories and inspired by Disney's classic animated film, *The Jungle Book* is an all-new live-action epic adventure about Mowgli, a man-cub who's been raised by a family of wolves. But Mowgli finds he is no longer welcome in the jungle when fearsome tiger Shere Khan, who bears the scars of Man, promises to eliminate what he sees as a threat. Urged to abandon the only home he's ever known, Mowgli embarks on a captivating journey of self-discovery, guided by panther-turned-stern mentor Bagheera, and the free-spirited bear Baloo.

Source: Disney Studios

## Exhibit 9b (Continued)

***Captain America: Civil War***

(May 06, 2016)

Marvel's *Captain America: Civil War* finds Steve Rogers leading the newly formed team of Avengers in their continued efforts to safeguard humanity. But after another incident involving the Avengers results in collateral damage, political pressure mounts to install a system of accountability, headed by a governing body to oversee and direct the team. The new status quo fractures the Avengers, resulting in two camps—one led by Steve Rogers and his desire for the Avengers to remain free to defend humanity without government interference, and the other following Tony Stark's surprising decision to support government oversight and accountability.

***Alice Through the Looking Glass***

(May 27, 2016)

In Disney's *Alice Through the Looking Glass*, an all-new spectacular adventure featuring the unforgettable characters from Lewis Carroll's beloved stories, Alice returns to the whimsical world of Underland and travels back in time to save the Mad Hatter.

***Finding Dory***

(June 17, 2016)

Pixar's *Finding Dory* reunites everyone's favorite forgetful blue tang, Dory, with her friends Nemo and Marlin on a search for answers about her past. What can she remember? Who are her parents? And where did she learn to speak Whale? Directed by Andrew Stanton (*Finding Nemo*, *WALL•E*) and produced by Lindsey Collins (co-producer *WALL•E*), the film features the voices of Ellen DeGeneres, Albert Brooks, Ed O'Neill, Kaitlin Olson, Ty Burrell, Eugene Levy and Diane Keaton.

***The BFG***

(July 01, 2016)

The talents of three of the world's greatest storytellers—Roald Dahl, Walt Disney and Steven Spielberg—unite to bring Dahl's beloved classic *The BFG* to life. Directed by Steven Spielberg, *The BFG* tells the imaginative story of a young girl and the Giant who introduces her to the wonders and perils of Giant Country.

Source: Disney Studios

Exhibit 10 Marketing Highlights for *Star Wars: The Force Awakens*

Timeframe	Selected Activities
2014	<ul style="list-style-type: none"> <li>• Cast and first cast photo unveiled (April 29, 2014)</li> <li>• J.J. Abrams announced charitable initiative <i>Star Wars: Force For Change</i> in a special <i>Good Morning America</i> segment (May 2014)</li> <li>• Film's official title revealed on Twitter (November 6, 2014)</li> <li>• Teaser trailer released in special theatrical event (November 28, 2014)</li> <li>• Bob Iger and <i>Star Wars</i> imagery featured on <i>Fortune's</i> cover (December 2014)</li> </ul>
April – July 2015	<ul style="list-style-type: none"> <li>• Second trailer released and the full cast appeared at the annual fan event <i>Star Wars Celebration</i> in Anaheim (April 16, 2015)</li> <li>• Exclusive images from <i>The Force Awakens</i> captured by famed photographer Annie Leibovitz featured on <i>Vanity Fair's</i> cover story (June 2015)</li> <li>• Full cast and creative team appeared at Comic-Con where special behind-the-scenes footage was shown to over 6,500 fans, followed by a surprise <i>Star Wars</i> concert (July 2015)</li> <li>• <i>Star Wars</i>-branded emojis launched on Twitter in a first-ever brand partnership</li> </ul>
August 2015	<ul style="list-style-type: none"> <li>• J.J. Abrams and cast appeared at Disney fan convention D23 Expo and debuted <i>Force Awakens</i> poster</li> <li>• Strategic promotional partnerships announced with seven major global brands: CoverGirl &amp; Max Factor, Duracell, Fiat Chrysler Automobiles, General Mills, HP, Subway, and Verizon</li> <li>• Exclusive 15-second look at <i>The Force Awakens</i> released in partnership with Instagram to launch the platform's new landscape video orientation</li> </ul>
September 2015	<ul style="list-style-type: none"> <li>• <i>Star Wars</i> exclusive 360-video footage launched on Facebook</li> <li>• <i>The Force Awakens</i> merchandise debuted on <i>Force Friday</i>, an 18-hour, global streaming event that culminated in retailers opening their doors for fans at midnight (September 4, 2015)</li> </ul>
October 2015	<ul style="list-style-type: none"> <li>• First flight of <i>Star Wars</i>-themed planes from Japan's All Nippon Airways</li> <li>• Third and final trailer released during half-time of ESPN's <i>Monday Night Football</i> to coincide with advance ticket sales, and in China on the Great Wall of China, featuring hundreds of Stormtroopers lining the wall</li> </ul>
November 2015	<ul style="list-style-type: none"> <li>• Special look at <i>The Force Awakens</i> shown during ABC's Thursday-evening lineup</li> <li>• <i>Star Wars</i> score performed by Pentatonix and full symphony orchestra at the <i>American Music Awards</i></li> <li>• J.J. Abrams and cast appeared on ABC's <i>Jimmy Kimmel Live!</i>, among dozens of other broadcast appearances</li> <li>• Collector's edition double issue of <i>Entertainment Weekly</i> released, with four different covers</li> <li>• <i>Star Wars</i> or its stars featured on more than 20 domestic magazine covers, including <i>Time</i>, <i>Rolling Stone</i>, <i>Entertainment Weekly</i>, <i>Men's Journal</i>, and <i>Vogue</i>, as well as 90-page special edition of <i>People</i> entirely devoted to <i>Star Wars</i></li> </ul>
December 2015	<ul style="list-style-type: none"> <li>• Three-day press junket in downtown Los Angeles with over 300 broadcast, print, online and radio outlets from the U.S. and 18 other countries</li> <li>• Press tours in Seoul, Tokyo, Sydney, Mexico City, Toronto, and London</li> <li>• World premiere in Hollywood (December 14, 2015)</li> </ul>

Source: Disney Studios

## Endnotes

<sup>1</sup> "Theatrical Market Statistics," MPAA Worldwide Market Research, March 2015.

<sup>2</sup> "2015 Worldwide Grosses," Box Office Mojo, [boxofficemojo.com](http://boxofficemojo.com).

<sup>3</sup> Tuna M. Amobi, "Media: S&P Capital IQ Industry Survey," 2015, New York: McGraw-Hill.

<sup>4</sup> "Home Entertainment Report," DEG: The Digital Entertainment Group, January 6, 2015.

<sup>5</sup> Paul Bond, "Licensed Merchandise Scores \$241.5B in 2014," *The Hollywood Reporter*, June 8, 2015.

<sup>6</sup> Academy of Motion Picture Arts and Sciences, "Honorary Award," [oscar.org](http://oscar.org). (An Academy Award, nicknamed 'Oscar,' recognizes excellence in cinematic achievements in the American film industry. Given out annually by the Academy of Motion Picture Arts and Sciences, the Oscar is arguably the most prestigious award of its kind.)

<sup>7</sup> A trailer is a short video, usually a brief excerpt, intended to advertise a new film. The term 'teaser trailer' is often used for early, short trailers for upcoming films.

<sup>8</sup> Pamela McClintock, "Disney Could Lose \$140 Million on 'Tomorrowland' Flop," *The Hollywood Reporter*, June 10, 2015.

<sup>9</sup> Dave McNary, "Facts on Pacts: Sony Ups Roster Despite Recent Challenges," *Variety*, March 10, 2015.