Independent Distributors and the Digital Revolution

Europa Distribution Conference

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Overview

- Introduction
- Digital cinema: what is it?
- Digital cinema: where are we now?
- Digital cinema: who is doing it?
- Digital cinema: potential for the distributor
- Conclusion

Screen Digest – who are we?

- Media market research and consultancy since 1971
- Core of our activity is a series of continuously updated databases
- Cover all aspects of film and cinema, and all screen-based media
- Flagship product: Screen Digest monthly magazine – research based
- Also Cinema Intelligence – online database and analysis
- Consultancy, Reports, briefings and more…

Digital cinema

What is digital cinema?

- Digitisation of the distribution and exhibition of movies and other content
- Two broad types
  - D-cinema
  - E-cinema

D-Cinema

- High end projection for Hollywood
  - DCI compliant
- Revenue driver globally
  - Hollywood takes 67 per cent of global BO revenue
- Has some key driver territories
  - USA, UK, Singapore, China, Korea, Germany
- However, won't spread to some territories for some time

E-cinema

- Lower-end systems
- Key driver territories
  - India
  - Brazil
  - Parts of Europe (Cinema Net)
  - South Africa
- Indie/European/niche titles
- Alternative content

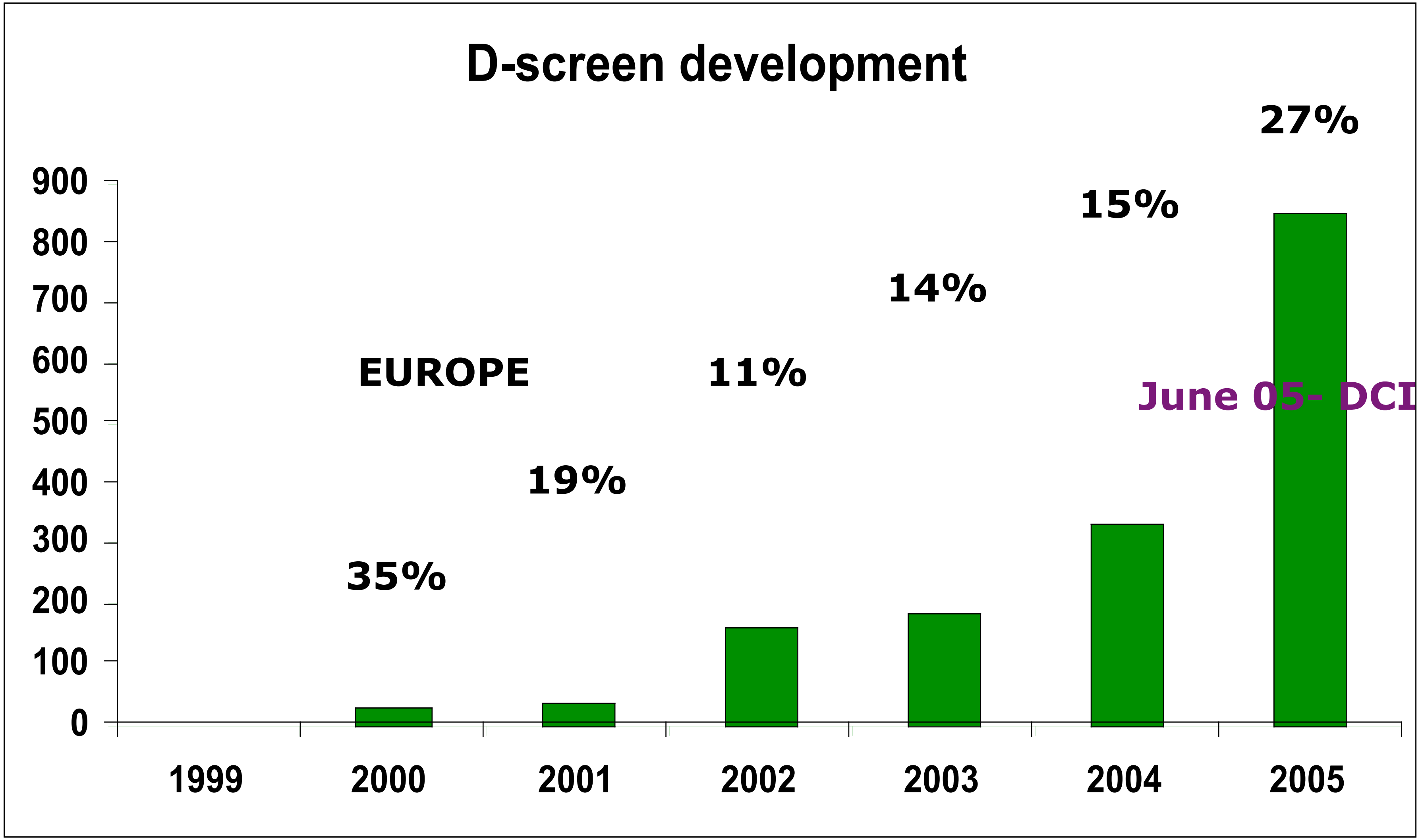
Choice of e-cinema

- Folkets Hus: Sweden (first-run local films)
- Docuzone: Europe (documentaries)
- Portugal: Ministry of Culture/RIMT (cultural network)
- South Africa: Shout Africa (rural network)
- India: DPI/Valuable, Adlabs, Pyramid Saimera, RIMT. E-city Digital Cinema (mainstream)
- China: China Film Group (rural)
- Brazil: Rain Networks (ads and local movies)
- USA: Screening Room Entertainment (niche and bistro)

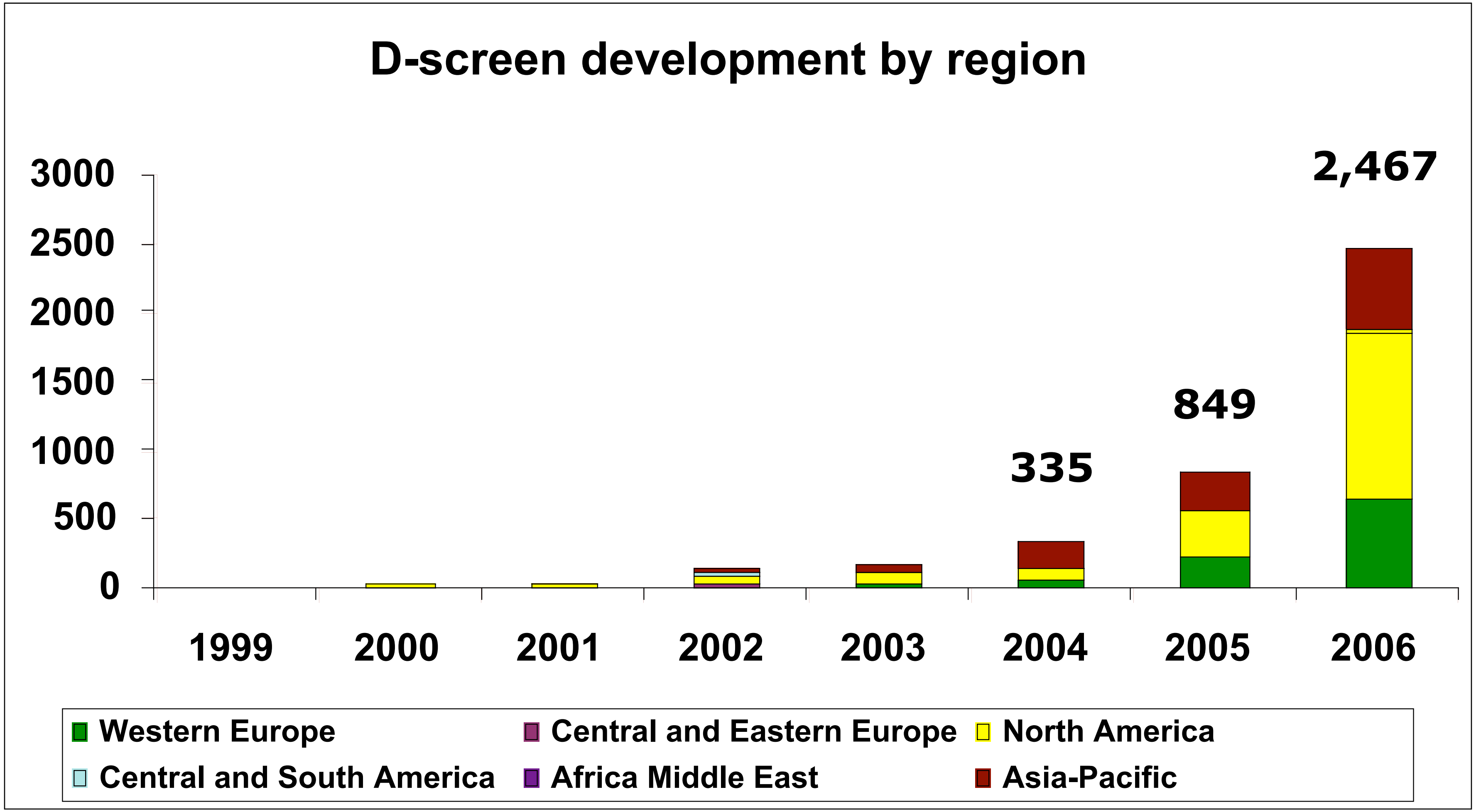
Digital cinema

- Where are we now?

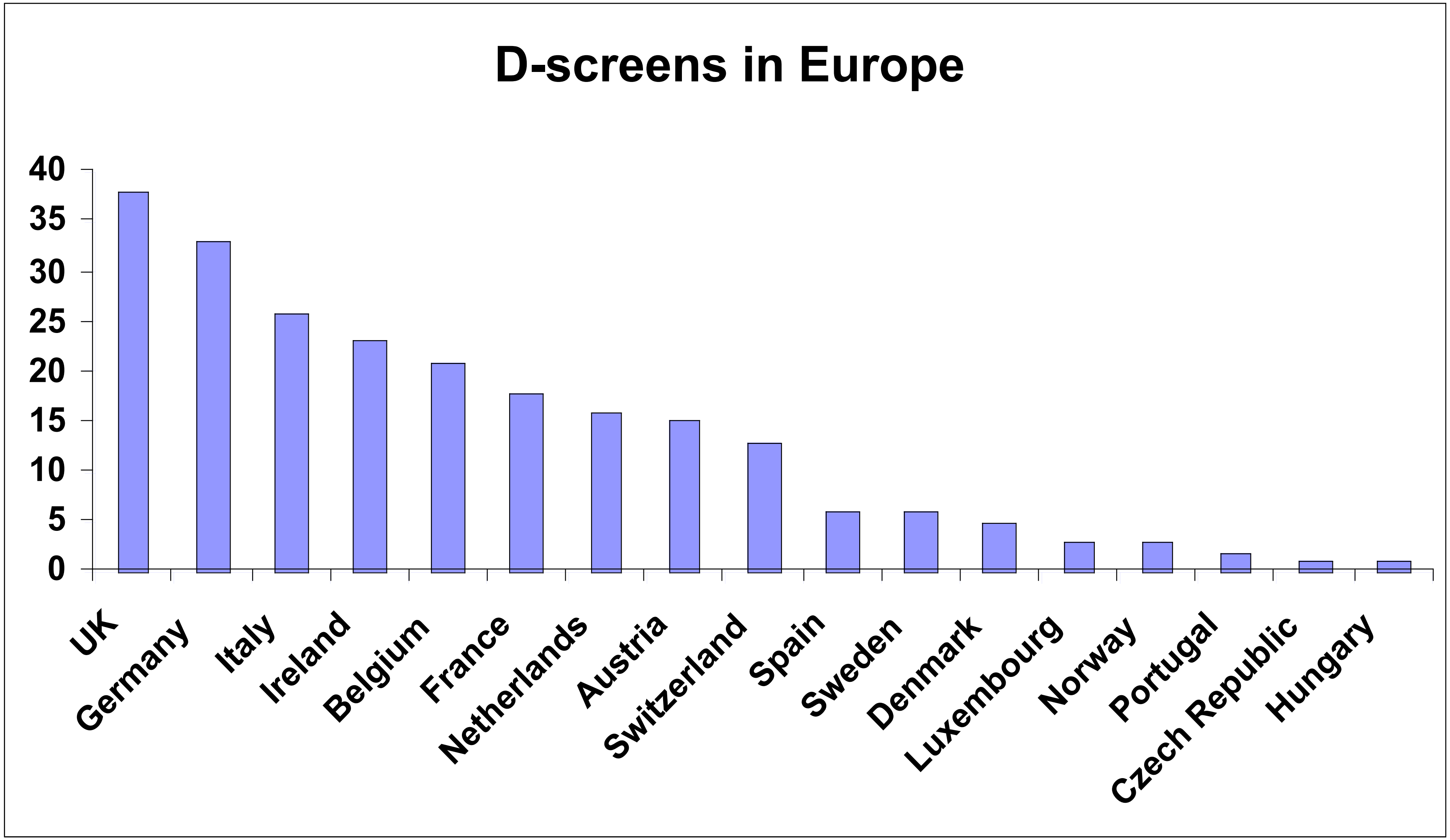
Global d-screen growth



D-screens by region



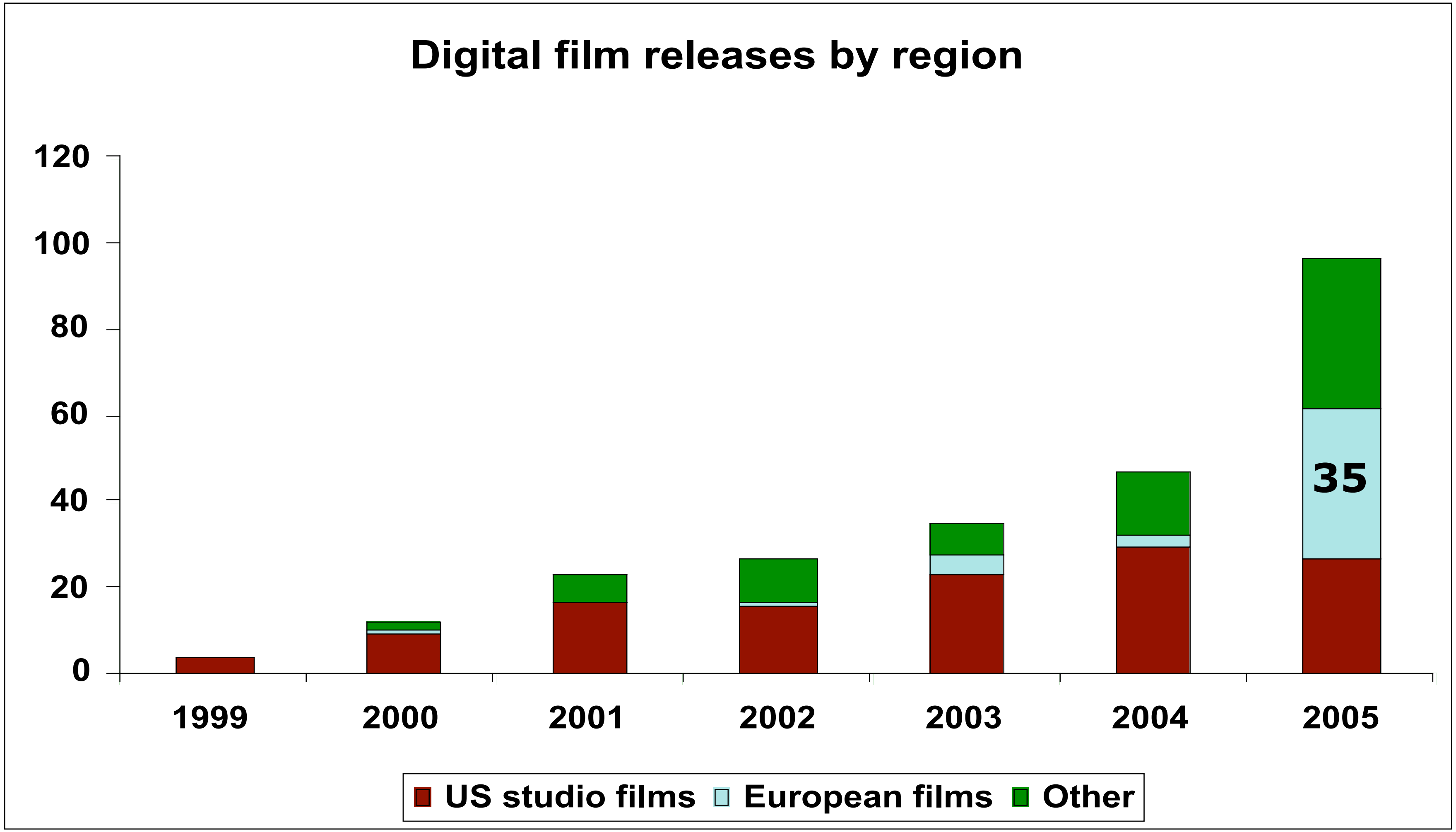
D-screens in Europe in 2005



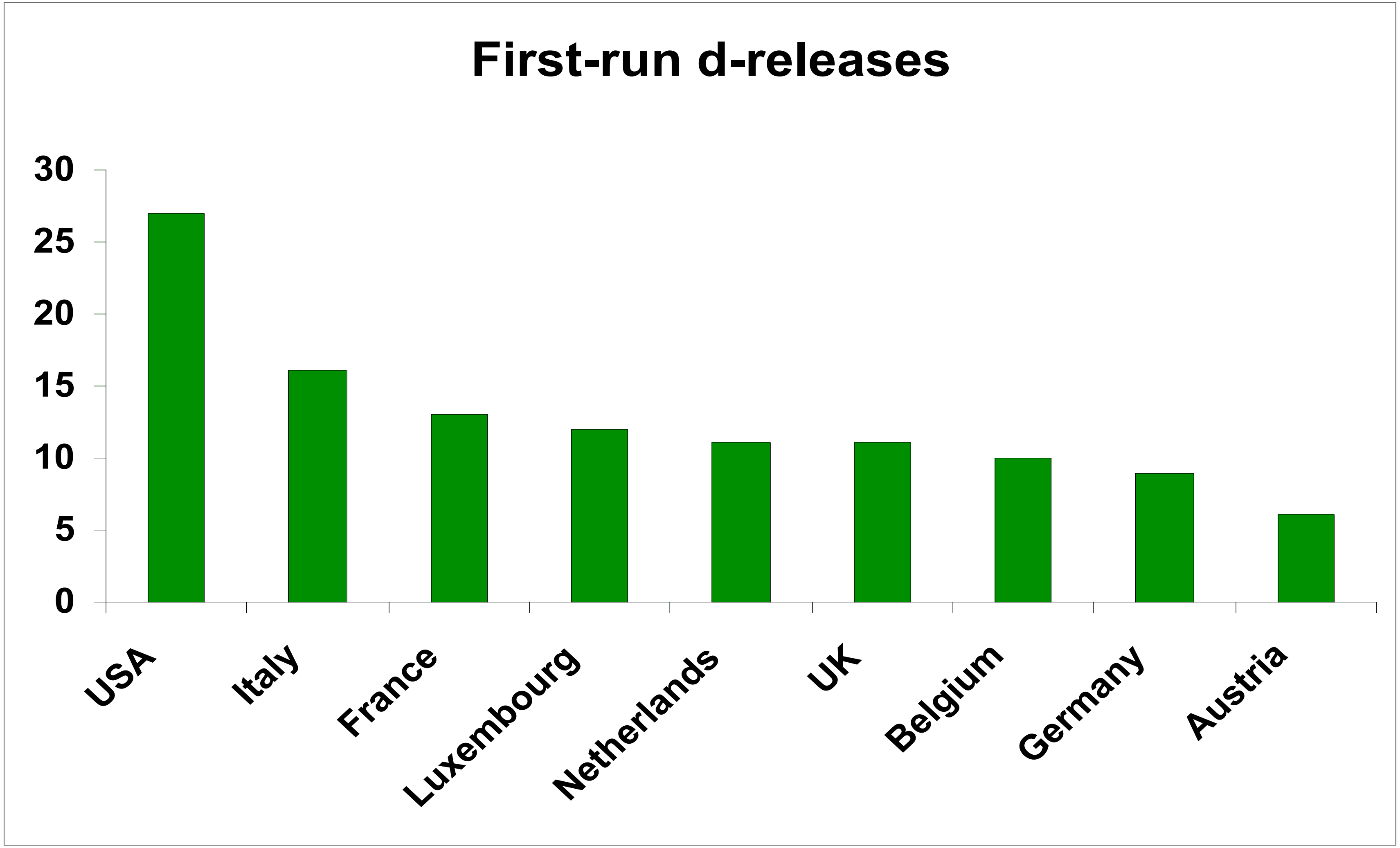
Digital releases

- Jumped in 2005 to 97 films, 47 in 2004
- 2006 set to grow even higher (46 by April)
- Digital screening of European films growing in importance
  - In 2004, nearly all releases studio and other
  - In 2005, Europe came firmly on stream

Digital film releases



Digital releases in Europe



Widest digital releases in 2005

1	Star Wars: Episode 3	20th Century Fox	25
2	Harry Potter and the Goblet of Fire	Warner Bros	18
3	The Island	Warner Bros	14
4	Chicken Little	Buena Vista	11
5	Chronicles of Narnia	Buena Vista	11

Digital cinema

- Which European companies are doing it?
  - Exhibitors
    - Kinepolis, Utopolis, Cinecitta, Nordisk Film, City Screen, Odeon, Vue, Cineplexx, UCI, Giometti, Cinecity, Jogchem
  - Third party facilitators
    - XDC, Arts Alliance, DCL, Unique, Éclair, FHP, (Technicolor-Thomson)
  - Projectors
    - Barco (OEM: Cinemeccanica, Kinoton)
  - Servers
    - EVS, Doremi
  - 3D
    - Xpand

Digital for distributors

D-cinema: why do it?

- Distributor
  - Flexible and cheaper distribution
  - Less rigid planning structures
  - Increased slates
- Studio
  - Stem Piracy (estimated at $6.1bn, 80% abroad)
  - lower costs
- Exhibitor
  - More control and wider diversity
  - Offer variety of screenings
  - New revenue streams
- Audience
  - Superior viewing quality
  - Variety of content
  - Wider diversity of programming

Lower costs for distribution

- Digital distribution costs include:
  - Encoding
  - Encryption
  - Sound encoding
  - Cost of print

- Discounts available under certain models for volume

Lower costs for distribution

- Digital distribution costs less than 35mm equivalent

- Folkets Hus, Sweden
  - Cut release costs from Euro2,700 per print to Euro162
- Tartan Films, UK

Tartan films - example of costs

	No of prints	Digital release Euro	35mm release Euro	Digital saving Euro
Foreign-language film	8	6,256 (£4,290)	17,500 (£12,000)	11,243 (£7,710)
English-language film	8	6,256 (£4,290)	8,166 (£5,600)	1,910 (£1,310)
English-language film	100	16,722 (£11,466)	102,090 (£70,000)	85,100 (£58,354)

Digital for distributors

- Bigger slates – greater screening flexibility for exhibitors should encourage them to demand more films
- Cheaper to distribute, so less risk for niche titles
  - Saraband in UK
  - Broke even at £40,000 BO, due to digital
- Therefore, offers smaller films chance to achieve a wider and more profitable release than under 35mm

Conclusion - Implications of digital cinema

- New breed of content and more content -local and regional
- Versions of same content – 3D
- Lower entry costs to market – new players
- Possible change to window release patterns
- Dual formats during transition period
- Change in distribution patterns – VOD …
- Live transmissions
- Alternative Content
- Cross-border content and distribution patterns

Thank you

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