

# Digital Funding Partnership (UK)

Core Philosophy and Strategy  
Presentation to Europa Cinemas  
Conference – Paris Nov 2010  
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# Nature of the problem

- Digital cinema is happening and WILL be the future
- DCI specification is non-negotiable (at least for commercial cinema)
- DCI is expensive
- Distribution support via VPF mechanism works well for major companies, but:
- Almost impossible for smaller cinemas to access alone due to size and differential programming strategies

# Possible solutions

- Large scale public support via individual Governments or European Union(unlikely)
- Exhibitors buy equipment themselves (expensive and unfair)
- Wait until 35mm supply ends (and close down)
- Radically change programming policy; or
- Do something a bit more innovative...

# DFP Solutions

- Address the issues described earlier
- Assume that a completely commercial approach is the only solution (no public funds available) but;
- Accept that not possible to facilitate 100% coverage
- Understand how the VPF mechanism and turn rates are the strategic 'glue'
- Develop a plan that works for the constituency and is 'sellable' to both exhibitors and distributors (including studios)
- Discuss and consult around the issue with the broad industry to assess feasibility

# Strategic Elements

- Turn a large number of separate owners into one strategic and legal entity to produce negotiating critical mass and credibility
- Analyse the programming strengths of the group and calculate overall 'turn' rates
- 'Sell' the group as a single unit for the purposes of VPF agreements
- Research and decide upon the best strategic approach to enter into such agreements i.e. direct with distribution or via integrator

# Essential ingredients

- Mass and symmetry i.e. an adequate quantum and mix of first run commercial, more specialised and mixed programming venues
- Credibility with funding partners and wider industry
- Access to capital funding – either direct or via integrator
- Strong and willing partner
- Pragmatism and strong management

# Current status of DFP

- Approx. 400 screens of all types
- Good average turn rate
- Supported by studios and all major UK exhibitors
- Deal in place with integrator (AAM)
- Finance in place
- Roll-out commences early 2011
- Total roll-out period 12-18 months

# A Transferable Strategy?

- Dependant upon particular market structure and degree of intra-industry co-operation
- Willingness of exhibitors to co-operate for a common good
- Adequate leadership and management
- Support of local film agency and other official organisations
- Access to finance