



HOLLYWOOD STOCK EXCHANGE®

Offering Long Lead Forecasts with Proven Accuracy

Overview

The Hollywood Stock Exchange (HSX) has provided predictions of likely box office revenues since 1996. Until recently most have focused on movies that will enter release within six weeks of the report date. Now HSX offers Long Lead Forecasts, which predict box office revenues for films that will be in theaters six months from the report date.

HSX began making Long Lead Forecasts in November 2005, which means that we now have six months' worth of box office data to compare it to. Long Lead Forecasts have considerable predictive power, though less than those of shorter term. This is hardly surprising when you consider that forecasts are made for projects have not completed filming.

Our methodology includes the application of a proprietary model that uses share price and other factors as inputs. It is important to recognize that the methodology employed works best with "major" films, those which account for the bulk of box office revenue. Accuracy for smaller films, even those in wide release, will have a greater variance in the Long Lead Forecast.

HSX Prediction Market

HSX is a virtual stock exchange and uses the stock market analogy throughout. Each movie with a likely theatrical release is issued an associated stock. The price of a stock is determined by the amount of box office revenue earned during the first four weekends of wide release. Each \$1 million earned in North America translates to one virtual dollar of share price. Powered by HSX' patented market-maker technology, the

Exchange is open 24 hours a day. Stock prices rise and fall in real time as shares are traded.

Much of HSX' revenue is generated by providing research services to the entertainment and financial services industries. One of the reasons that our predictions are accurate, and therefore valued, is the broad and diverse number of traders. With over 1.6 million registered users worldwide, the process is democratic.

Experts believe that the large number of outsider participants has a lot to do with the accuracy of the results. Professor Anita Elberse of the Harvard Business School notes, "A predictive market such as HSX brings in diverse opinions from a wide-ranging user base. While expert opinion is often thought to be the best resource for evaluating the 'success' of a project (in this case the box office take of a movie) the broad-based input from actual movie-goers

through a market mechanism such as HSX typically leads to more accurate predictions."

Films Tracked

Long Lead Forecasts focus on predicting the box office revenue of the top ten films per report week. This has several advantages.

First, and most important, the top ten account for more than 80% of weekly revenues, a percentage that actually increases during peak months. During some summer weeks we have seen the top ten account for more than 90% of the total revenue, despite competing with 100+ other titles.

Wide release movies come with heavy expectations and equally heavy marketing budgets. This means that the top ten are far less likely to shift their release dates as compared to other movies. The studios are much more reluctant to shift around their

My Movies Portfolio

today's change: H\$85,295.85		NET WORTH
		H\$78,128,388.12
CASH	INTEREST	INVESTMENTS
H\$113,099.65	H\$14.72/day @ +4.75%	H\$78,015,288.47

RANK		% GAIN	
Overall Rank:	12516	Week-to-Date:	-0.92%
Change in Rank:	down 80	Month-to-Date:	-0.23%
Percentile:	+98.19%	Season-to-Date:	+49.66%
How do I rank?		Year-to-Date:	+49.66%
Graph Net Worth:	30,60,90	Lifetime-to-Date:	+3,806.42%

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MovieStocks™

	Release Date	Phase	COMPLETE LIST ▶					
51 MovieStocks	2245007 shares	H\$61,509,488.47	H\$16,951,488.69	+38%				
symbol	shares	avg paid	curr price	change	total value	net gain/loss	%	quicktrader
AKELA	50000	H\$1.94	H\$16.20	+0.13	H\$810,000.00	H\$713,000.00	+73%	Trade
ALCHM	50000	H\$12.00	H\$9.40	-0.13	H\$470,000.00	H\$(130,000.00)	-21%	Trade
AWAKE	50000	H\$18.01	H\$15.67	+0.13	H\$1,017,500.00	H\$117,000.00	+12%	Trade
BEOWE	40005	H\$59.39	H\$123.99	-0.63	H\$4,960,219.95	H\$2,584,275.25	+108%	Trade
CARS	10000	H\$173.55	H\$174.18	0	H\$1,741,800.00	H\$6,300.00	0%	Trade
CRSOV	20000	H\$14.34	H\$14.60	0	H\$292,000.00	H\$5,200.00	+1%	Trade
DPS3D	50000	H\$5.17	H\$7.64	+0.13	H\$382,000.00	H\$123,500.00	+47%	Trade
DSCNT	50000	H\$13.44	H\$19.03	0	H\$951,500.00	H\$279,500.00	+41%	Trade
DUPRE	20000	H\$57.48	H\$81.40	0	H\$1,628,000.00	H\$478,400.00	+41%	Trade
EHERO	50000	H\$16.64	H\$18.33	-0.13	H\$916,500.00	H\$84,500.00	+10%	Trade
FERLS	25000	H\$14.49	H\$13.71	-0.13	H\$342,750.00	H\$(19,500.00)	-5%	Trade

A trader's portfolio page. The stock market analogy is kept throughout.



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premier films, especially once they have dedicated marketing dollars.

Grading Methodology

Included in this study are only those films that remained on the same place in the release schedule. For example, *Music and Lyrics* was originally scheduled for a Dec. 22nd premiere, but was moved up to Feb.14, and therefore was not considered.

The chart to the right shows the most recent week as of this writing. Five films had significant changes, and of these four were disqualified from the survey.

Superhero! was moved off the release schedule entirely.

I Think I Love My Wife is now scheduled for release on 3/16/07.

Black Snake Moan opened 3/2/07.

Gustave was renamed *Primeval* and opened 1/12/07.

Young Hannibal was renamed *Hannibal Rising* and opened on its scheduled date. As a result, this film's forecast was considered for the survey.

As can be seen from the chart, the Long Lead Forecast was a worthy predictor of box office revenue, with an average Accuracy Percentage of 83.64%.

Broken down by film, the leader was *Breach* with a remarkable 99.47% accuracy rate. The accuracy rates are listed below:

<i>Ghost Rider</i>	84.89%
<i>Bridge to Terabithia</i>	90.98%
<i>Norbit</i>	58.55%

This Long Lead Forecast was completed on September 7, 2006. In the intervening time four films had significant release date changes and are not considered in our survey.

Superhero! was moved off the release schedule entirely. →

I Think I Love My Wife is now scheduled for release on 3/16/07. →

Black Snake Moan opened 3/2/07. →

Gustave was renamed *Primeval* and opened 1/12/07. →

Long Lead Forecast for the Week of Feb. 12 - Feb 18

<i>Ghost Rider</i>	\$38,531,000
<i>Bridge to Terabithia</i>	\$20,529,000
→ <i>Superhero!</i>	\$14,544,000
<i>Norbit</i>	\$14,439,000
<i>Breach</i>	\$10,449,000
→ <i>I Think I Love My Wife</i>	\$10,221,000
<i>Young Hannibal</i>	\$10,081,000
→ <i>Black Snake Moan</i>	\$7,673,000
→ <i>Gustave</i>	\$7,503,000
<i>Because I Said So</i>	\$5,920,000

Long Lead Forecast for the Week of Feb. 12 - Feb 18 (Abridged)

<i>Ghost Rider</i>	\$38,531,000
<i>Bridge to Terabithia</i>	\$20,529,000
<i>Young Hannibal</i>	\$14,634,000
<i>Norbit</i>	\$14,439,000
<i>Breach</i>	\$10,448,000
<i>Because I Said So</i>	\$5,920,000

Actual Box Office Week of Feb. 12 - Feb. 18

<i>Ghost Rider</i>	\$45,389,000
<i>Bridge to Terabithia</i>	\$22,565,000
<i>Hannibal Rising</i>	\$13,052,000
<i>Norbit</i>	\$24,263,000
<i>Breach</i>	\$10,504,000
<i>Because I Said So</i>	\$7,552,000

Accuracy Percentage 83.64%

<i>Breach</i>	99.47%
<i>Hannibal Rising</i>	89.56%
<i>Because I Said So</i>	78.39%

When viewing these numbers it is important to realize that these forecasts are often made before our Traders have had the opportunity to learn important facts about the movie, such as seeing the trailer and learning how the film will be positioned. In almost all cases the films are still being edited in post-production and many have still not completed principal photography when the forecasts are being made.

Similarly, the way that a film is posi-

tioned can evolve dramatically during the six months that lead to the premiere. For example, the original trailers for the recent release *Ghost Rider* were dark, serious and seemed aimed at the fans of the comic who could be expected to form the fan base.

Rider's TV ads took a much lighter tone which successfully appealed to general audiences and made the film a winner at the box office. We are unsure if this new tack was one that was always planned by the film's marketers, or if it was in response to audience tracking. But we are sure that it worked, and was not foreseeable.



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Forecasts with shorter lead times are more accurate, thanks to the great deal of extra information gained. Because Studios do their best to make certain that negative information is hidden, spun or repressed, it can often take some time for a film's true worth to be recognized.

As example we have a chart of the daily closing prices for 2006's *Lady in the Water*. We see *Lady* dipping somewhat below the original estimates until outdoor and internet advertising began. This pushed the price up until June 21, one month before the premiere date, which is when the marketing blitz begins in earnest. Stars start working the talk show circuit, ads appear on TV and early critical reviews are published.

Traders responded negatively to all these things, sending the forecast for the film into a precipitous freefall.

Conclusions

Attempting to assess the likely box office revenues of a film while it is still in the midst of the production process is a daunting task. Even after a film is completed, there can be changes in the positioning of a film that can significantly affect its revenue.



But while we accept that there is much that can be done to shape and mold a film in the six months prior to its release, there is also much that is known, especially so in the case of the biggest earning films.

Tens of thousands of HSX traders from around the world assess the film market daily and estimate the likely earnings, giving HSX Research customers the benefit of "the wisdom of crowds." Those responsible for making real-world decisions appreciate the value of time in their market intelligence.

- Jeff Hartke

ABOUT HSX

Hollywood Stock Exchange® (www.hsx.com) is an integrated marketing, research and technology company driven by its patented entertainment stock market, HSX.com, the longest continuously operating prediction market. At HSX.com, visitors buy and sell virtual shares of celebrities and movies with a currency called the Hollywood Dollar®. HSX syndicates the data collected from the Exchange as market research to entertainment, consumer product and financial institutions and as original content to radio, television and print media. Founded in 1996, HSX is now a subsidiary of Cantor Fitzgerald, L.P.

	Week 41	Week 42	Week 43	Week 44	Week 45	Week 46
1						
2				4,278,214		
3				6,922,028		
4				4,913,367		
5				11,056,634	7,056,744	
6				7,823,517	9,021,254	
7				7,419,022		
8				22,923,096	12,222,221	9,911,960
9				9,798,288		
10				31,237,641	22,244,518	14,487,738
11				16,520,509	16,370,027	10,705,653
12					28,449,697	24,145,091
13					18,810,828	18,178,832
14					9,202,509	9,021,728
15					9,027,893	
16					8,194,890	8,282,696
17						11,576,669
18						14,638,138
19						22,604,241
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a portion of a Long Lead Forecast report