

Lions Gate Entertainment



Visionary Content, Ltd.

Creating the movies that everyone wants to see.

The Comprehensive Content Solution For LGE

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Lions Gate Entertainment & Visionary Content, Ltd.

The VCL – LGF Collaboration Opportunity

The purpose of this document is to demonstrate that a content collaboration between Lions Gate Entertainment (“LGF”) and Visionary Content, Ltd. (“VCL”) could unleash a \$6+ billion dollar increase in the market cap of LGF on a \$50 million seed equity investment in the production of VCL content. Full due diligence on VCL will demonstrate that this result is on the low end of plausible outcomes.

VCL represents a very real opportunity to increase the earnings of LGF by \$200+ million per year by year 2-3. That translates to a \$25 billion increase in the market cap of LGF.A and LGF.B (collectively “LGF”) at their current P/E multiples in the 125x range.

No one would project that the LGF value would increase by \$25 billion with the addition of VCL to the LGF profile. However, Legendary Entertainment sold to Dalian Wanda for \$3.5 billion in 2016 with a 30x P/E multiple that would translate to a \$6 billion increase in the market cap of LGF with an addition of VCL to its profile. A much higher increase in market cap is certainly plausible given LGF’s current 125x multiple and the real possibility that earnings from the VCL projects will exceed \$200 million per year.

An objective and professional review of the VCL inventory of 15 feature screenplays that are designed to launch up to 10 sustainable film franchises will reveal that VCL has a motion picture project inventory that is far superior to LGF or Legendary if maximizing risk adjusted IRRs is the filmmaking goal.

If you invest the time to fully review the VCL value proposition, you will discover is the ideal movie content partner for LGF that can dramatically improve the financial performance of LGF and increase its market cap by \$6+ billion in 2-3 years.

The Financial Performance Realities

The first step in resolving any problem is to recognize that one exists. Therefore, it is necessary to evaluate the cinematic and financial performance of the LGF and Summit Entertainment (“Summit”) in a candid and professional way to reveal 1) their major content origination issues and 2) the exceptional worth of the VCL value proposition to LGF shareholders.

The goal here is not to be critical of anyone but to discuss 1) the realities of LGF’s feature film content performance since the end of “The Hunger Games” franchise and 2) the opportunity to create a much more profitable and sustainable foundation for future performance through collaboration with VCL.

Please review the links below that provide financial performance data on LGF and Summit. Please note that the worldwide box office numbers should be reduced by 50% to simulate the actual net revenues after theater rentals and takes.



Lions Gate

<http://www.the-numbers.com/movies/production-company/Lionsgate>

Notes:

- Since the expiration of “The Hunger Games” franchise in late 2015, Lions Gate has produced 16 films that have all failed to earn \$100 million in world wide box office revenues.
- The Lions Gate films have averaged \$28 million in global box office revenues per film. This translates to \$14 million in net revenues per film on an average production budget of about \$12 million. This would produce financial losses after P&A and G&A expense allocations.

Clearly, the business model of producing relative low budget films in low revenue ceiling genres is not achieving financial success.

Summit Entertainment

<http://www.the-numbers.com/movies/production-company/Summit-Entertainment>

Notes:

- During 2016, Summit released 9 films that averaged \$130 million in box office revenues.
- This translates to \$65 million in net box office revenues after theater rentals and takes versus an average production budgets of \$70 million.
- The successes with “Now You See Me Two”, “Hacksaw Ridge” and “La La Land” were not enough to offset the big budget misses on “Gods of Egypt”, “Deepwater Horizon” and “Allegiant”.

While Summit is performing better on global revenues per film than Lions Gate and achieving more financial successes, its major misses on big budget films are producing losses on average.

Lions Gate & Summit Conclusions

An objective analysis would conclude that Lions Gate and Summit are:

- Having a very difficult time recognizing and/or sourcing premium movie content that is well designed to resonate with very large global audiences.
- Losing money on its feature film production business since “The Hunger Games” franchise expired.
- The Starz merger will do nothing to solve the feature content origination problems.

The causes of these losses can be traced to:

- Ineffective content evaluation metrics that do not accurately assess the viewing preferences of broad spectrum international demographics.
- Largely ignoring the viewing preferences of adult females and all adults over 30 years of age.



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- Creating movies that largely ignore the viewing preferences of the over 80% of movie goers who are not inspired by shallow story telling, one dimensional characters and gratuitous/repetitive action, violence, depravity, horror and computer generated effects that dominate modern cinema.
- Reliance on third parties for concept and content origination and screenwriting.
- Acquiring movie content from traditional movie industry sources that produce movies lose money over 80% of the time.
- The inability to self originate movie content through application of advanced and proprietary screenwriting methodologies.
- Fealty to the exclusionary industry origination practices that ignore innovative content sources from outside the industry culture and “bubble”.

LGF has done an exceptional job of creating a global distribution network and attracting above 125x P/E multiples. However, LGF has struggled to consistently originate premium movie content and sustainable film franchises that would deliver strong and consistent global market acceptance and earnings growth.

The LGF acquisition of Starz will bring much needed earnings and cash flow to LGF but it will not solve it’s major feature film content origination problems that are the vital key to maintaining LGF’s near 125x P/E multiples and growing the value of LGF’s market cap.

VCL is the very cost effective premium movie content and sustainable film franchise source that would allow LGF to more than recover its drop in market cap over the last year and position LGF for much greater market value growth thereafter.

The Visionary Content, Ltd. Value Proposition

Visionary Content, Ltd. (“VCL”) is the motion picture content writing and development affiliate of Renaissance Studio, Ltd. (“RSL”). VCL has invested many years in a comprehensive analysis of the motion picture industry and the development of effective movie content evaluation metrics and screenwriting methodologies that skillfully match a diversity of compelling resonance elements with the viewing preferences of broad spectrum international demographics. Additional information about VCL can be found in the Executive Summary at the link below:

<http://nebula.wsimg.com/bfaa70d3e6239d8b99a65c53ddcdadc5?AccessKeyId=9E533268DA51246EF35E&disposition=0&alloworigin=1>

VCL has developed and employed advanced movie content evaluation metrics and proprietary screenwriting methodologies to create an initial inventory of 15 cost effective motion picture screenplays (\$30 million production budgets each) that are designed to launch up to **10** sustainable film franchises in the action/thriller/claustrophobic genre that have averaged near \$500 million in revenues per film since 2006.

These modest budget films in very high revenue ceiling genres are designed to deliver strong and consistent global market acceptance and exceptional earnings.

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Brief VCL project summaries and franchise profiles can be found at the link below:

<http://www.renaissancestudio.org/movie-projects.html>

All of the VCL projects are high concept, triumph of the human spirit stories that include a diversity of compelling resonance elements that skillfully match the viewing preferences of broad spectrum international demographics to insure strong global market acceptance. They all include sensational, young female protagonists or co-protagonists who are multidimensional characters that are designed to trigger all the major attraction factors in the male and female psyches.

The 10 VCL franchise profiles include one quadrilogy and one trilogy that will launch fascinating female protagonists into the James Bond/Jason Bourne and Hunger Games genres. These 7 films are set to be filmed and released on a semi annual basis over 4 years to deliver a strong annual earnings profile for public equity market analysts.

Unlike other franchises in these genres, the VCL projects feature a compelling diversity of resonance elements and multidimensional characters that are immersed in thought provoking and terrifyingly plausible scenarios that engage the full intellectual, visceral and emotional spectrums. The VCL films also target the over 80% of movie goers who are not attracted to the shallow story telling, one dimensional characters and gratuitous action, violence, depravity, horror and CGI that dominate modern cinema.

VCL owns the most exceptional inventory of feature film projects and film franchise profiles in the movie industry if maximizing risk adjusted IRRs is the goal. VCL has completed its R&D and primary screenwriting processes and is now in its capital formation phase.

The VCL goal is to raise \$50 million of seed equity capital and convert it into a perpetuity of 4 major motion pictures per year that will deliver \$200+ million in annual earnings by year 3. The VCL earnings profile translates to **\$6 billion** of public equity market value at the 30x price/earnings multiple that Legendary Entertainment sold for to Dalian Wanda in 2016.

The LGF Situation

Lions Gate Entertainment (“LGF”) has long been an important point of reference for VCL because it is the only major independent movie studio that is also a public company. The LGF stock price has also posted a remarkable valuation profile over the last 5 years. Please consider the following data points:

Date	Stock Price	Est. Shares (Millions)	Est. Market Equity Value	% Change From 01/13/12	Comments
01/13/12	\$8.44	133	\$1.1 Billion		2 months before “The Hunger Games” release
11/10/15	\$40.96	148	\$6.1 billion	+485%	Record stock price high
10/28/16	\$20.01	148	\$3.0 billion	+237%	A \$3.1 billion (51%) drop in market cap since 11/10/15

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LGF has demonstrated the incredible market cap appreciation that is possible on the NYSE in the movie industry but its content origination problems have taken a severe toll on its market cap over the last year.

Content Origination Summary

An objective, professional evaluation of the Lions Gate and Summit feature film profile reveal systemic problems in the content evaluation metrics that LGF employs to source and match movie content with global market preferences.

It is a false notion that it is impossible to project movie audience preferences. The real problem is that LGF acquires movie content from traditional industry sources that produce movies that lose money for production equity investors over 80% of the time.

LGF's determined fealty to the traditional exclusionary methods of originating movie content from the "usual suspects" in the movie industry is a systemically flawed business model that will continue to produce losses on movie projects over 80% of the time. The Summit approach of producing big budget films in over saturated or narrow market genres is not a path to consistent profitability.

A rational mind would consider alternative sources of premium movie content and sustainable film franchises from outside traditional movie content sources. Please consider the following:

- **Almost none of the LGF/Summit films since 2012 would meet the green light standards of Visionary Content, Ltd.** This is not a self serving criticism. It is an objective reality that LGF/Summit's green light standards are set too low if the goal is to achieve broad spectrum, global demographic resonance and consistently strong earnings and IRRs.
- The major flame out of the "Divergent" franchise is strong evidence that reliance on popular books with big budget requirements is an unreliable content origination model for financially successful motion pictures.
- A common sense review of the nature and genres of films that LGF/Summit produces and distributes reveals a lack of focus on creating films that target the viewing preferences of broad spectrum age, gender and global demographics that are key to consistently strong earnings performance.

Visionary Content, Ltd. – The Lions Gate Content & Earnings Solution

The Visionary Content, Ltd. ("VCL") value proposition is grounded in many years of professional analysis of the creative, cinematic, business, market acceptance, marketing, risk and financial success factors of the movie industry. This exhaustive process has produced:

- Advanced movie concept and content evaluation metrics that avoid the over 80% of movie concepts that lose money for equity investors.
- Proprietary screenwriting methodologies that skillfully match a diversity of compelling resonance elements with the viewing preferences of broad spectrum international demographics.



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- State of the art risk management strategies that safeguard the primary equity capital until it is returned to LGF in month 30 while positioning LGF shareholders for a 5 year alpha above 10,000.
- Innovative advertising and marketing strategies that focus on franchise character and brand development.
- 15 cost effective motion picture screenplays that were written and developed using VCL's advanced methodologies. All of these projects can be produced on budgets of \$30 million each to compete successfully in action/thriller/claustrophobic genres that average almost \$500 million in global revenues.
- 10 sustainable film franchises that will drive strong and consistent earnings.

VCL represents an opportunity for LGF to produce high concept, triumph of the human spirit stories with sensational characters who engage the most important issues of the modern age and help light a path to a much better world. These movies are designed for the over 80% of people who are not inspired by the shallow story telling and one dimensional characters who are immersed in the gratuitous action, violence, depravity, horror, sexuality and computer generate effects that dominate modern cinema.

VCL will feature strong female protagonists that are crafted to inspire all audience demographics.

VCL is on a mission to create thought provoking, entertaining, triumph of the human spirit stories that powerfully engage a broad spectrum of viewers on intellectual, emotional, visceral, sensual, visual, audio, artistry, life relevant, sociopolitical and poignant levels.

Draft Press Release

LGF has major content origination and credibility issues with the public equity markets. Imagine for a moment the public equity market impact of the draft press release below:

LOS ANGELES and DALLAS, November 15, 2016 /PRNewswire/ -- Lionsgate (LGF), a premier next generation global content leader, announces the acquisition of Visionary Content, Ltd. ("VCL"), a diversified screenwriting and development company. VCL is a virtual film studio that has created advanced, digital age movie content evaluation metrics and screenwriting methodologies that skillfully match a diversity of compelling resonance elements with the viewing preferences of broad spectrum international demographics.

VCL has employed its proprietary metrics and methodologies to create an initial inventory of 15 screenplays that are designed to launch up to 10 sustainable film franchises. All of the VCL films have been structured to be produced on budgets of \$30 million in the action/ adventure/ claustrophobic and crime thriller genres that average near \$500 million of global revenues per film. The VCL goal is to produce PG-13 films that include compelling attraction elements that resonate across most cultures and all adult age and gender demographics

VCL CEO Donald Skipper stated that "The VCL films are designed for the over 80% of movie goers who are not attracted to the shallow story telling and gratuitous action, violence, depravity, horror and computer generated imagery that dominates modern cinema. VCL also focuses on the



adult female and over age 30 demographics that comprise 65% of the adult market that is largely ignored by the movie industry.

The VCL mission is to create entertaining, thought provoking and triumph of the human spirit stories that powerfully engage a broad spectrum of global viewers on intellectual, emotional, visceral, sensual, visual, audio, artistry, life relevant, sociopolitical and poignant levels. All VCL films project multidimensional characters who engage in the most terrifyingly plausible scenarios of the modern age.”

The VCL screenplay inventory includes:

- **The “Michele Burns Trilogy” features a sensational female protagonist that will compete very successfully in the “James Bond” genre with a more fascinating female character who resolves the major issues of the modern world.**
- **The “Arielle DeNovo Quadrilogy” launches the ultimate, multidimensional, young adult female “super hero” character who uses her sensational mind and a mastery of artistry in all things to help the world to avoid dystopia rather than survive it.**
- **The “Geoff Donahue” franchise that introduces a new male and female clandestine team who makes James Bond, Ethan Hunt and Jason Bourne look like shallow contrivances by comparison.**
- **The ultimate love conquers all story “Revelations” that has been described as the “Avatar”, “Dances With Wolves” story structure set in the late USSR and the bookend to “Dr. Zhivago”.**
- **“The Coming” involves a Christ like figure appearing in the modern world on a mission to save humanity from itself.**
- **Five other sustainable film franchise possibilities that are already in screenplay form.**

All of these cost effective films can be produced in short production windows and released in a progression of quarterly installments beginning in 2017.

LGF CEO Jon Feltheimer stated that “Visionary Content is a very capital and earnings effective means for LGF to own a sustainable source of premium content and film franchises that diversify the LGF profile into other high revenue ceiling genres with broad, global demographic appeal. Beginning in 2017, the VCL franchises will deliver a high profile movie each quarter in perpetuity that will more than fill the earnings void left by the end of “The Hunger Games” franchise.”

The issuance of the above press release would offer a compelling path forward to strong LGF earnings in the future by addressing the major earnings and content issues in compelling fashion. It would very likely stop the bleeding on the LGF stock price and place LGF on a path to more than tripling its market cap in as little as 3 years.



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Summary

The market equity capitalization of LGF has lost a large proportion of its value over the last year since “The Hunger Games” franchise ended without a solution to the large earnings void it left in its wake. Collectively, the Lions Gate and Summit releases failed to achieve strong, global market acceptance and lost money for production equity investors in 2016.

VCL has developed a state of the art business model and movie content evaluation metrics that it has employed with proprietary screenwriting methodologies to create an inventory of 15 cost effective screenplays that are designed to launch up to 10 sustainable film franchises. Full due diligence on the VCL projects would reveal that they compare very favorably to the LGF/Summit future slate and the slates of any other studio if maximizing risk adjusted IRRs is the filmmaking and investment objective.

Rights to the VCL project inventory and intellectual property can be acquired or the projects can be funded on a coproduction basis that is far more cost and earnings effective than any other sustainable content source in the movie industry. A seed investment of \$50 million of equity to fund the VCL projects can launch a perpetuity four movies per year and sustainable film franchises that can conservatively deliver \$200+ million in annual earnings by year 3.

\$200 million of annual earnings would translate to over \$25 billion of increased market value at LGF’s current 125x P/E ratio. However, VCL would represent a \$6 billion windfall for LGF shareholders at a 30x P/E ratio that matches the Legendary Entertainment sale to Dalian Wanda in 2016.

A press release announcing that LGF has acquired the full rights to 10 sustainable film franchise possibilities that include 2 fully written trilogies could have a near immediate multibillion dollar impact of LGF’s market equity value.

Has LGF reached a point where it is ready to move beyond it’s traditional but faulty content evaluation metrics and create an ability to self generate premium movie content and sustainable film franchises that can drive strong earnings growth and a multibillion dollar increase in its market capitalization?

“Visionary Content, Ltd. creates the movies that everyone wants to see.”