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[ANATOMY of Film Net Profit Statement's Key Terms](#)

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Film's Net Profit Statement (the "Statement") encompasses multitude of industry terms which would seem unfathomable to untrained eye, at first. Let us rather briefly analyze the anatomy of the Statement and make some sense out it, to the extent possible.

THEATRICAL RECEIPTS

Theatrical Receipts are the dollars earned from sale of movie admission tickets less what theater owners retain for themselves. In fact, Theatrical Receipts are different from Box Office Receipts. Box Office Receipts represent the TOTAL dollar amount of what consumers spend on movie tickets. Nonetheless, not all the money received for selling movie tickets, film studio distributors receive.

In fact, theater owners and film distributors enter into various arrangements for compensation. A typical arrangement MIGHT be theater owners receiving less than 50% of the box office sales for the first couple of weeks and as the film's theatrical release prolongs to more weeks, the theater owner's share eventually get to 90% during the final weeks of release.

As a rule of thumb, theater owners receive ROUGHLY half of the film's domestic box office sales and 40% of the film's overseas box office sales.

NONTHEATRICAL RECEIPTS

Nontheatrical Receipts are referred proceeds realized from the sale of the film to airlines, cruise Lines, military bases, educational institutions, etc. This portion of the movie's proceeds RELATIVELY represent a a rather small portion of film's total profits.



DISTRIBUTION FEES

Distribution fees are what the studios charge for use and maintenance of their facilities.

It is extremely important to note distribution fees are often the first item to be deducted from [GROSS PROFITS](#).

DISTRIBUTION EXPENSES

Distribution Expenses are different from Distribution Fees. In fact, Distribution Expenses are ACTUAL costs of distribution. The following lists SOME of such costs:

1. RESIDUALS

Residuals are rather mandatory payments made to some film's participants such as talent and technical staff based on union requirements beyond film's initial release. Such residuals are often calculated as a percentage of GROSS PROFITS received from other sources of revenue such as video and TV, among others.

2. PRINTS

It might be counter-intuitive; nonetheless, printing copies of the movie to be delivered to theaters across the world is very expensive. Each copy might cost around \$1,500 or more.

3. ADVERTISING

A good rule of thumb for such costs is roughly half of the film's budget is spent on advertising. This means for a \$50 million film, around \$25 million ROUGHLY, would be cost of advertising.

PRODUCTION COSTS

One of the last items on the Statement is Production Costs. Production Costs are actual costs of producing a movie. Production costs include, but are not limited to **NEGATIVE COSTS and OVERHEAD COSTS**.

1. **NEGATIVE COSTS:** This is the money spent on creating a complete negative or film plate. Nonetheless, in coming up with the Negative Cost, the studio does not only calculate its out of pocket costs, such as cast and crew salaries, rights payments, among others, but also any money paid out to [GROSS PROFIT PARTICIPANTS](#). Studios argue the rationale for deducting gross profit participation is since gross profit participants are paid even before net profits are reached, such costs should be recouped before [NET PROFIT PARTICIPANTS](#) receive their money.



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2. **OVERHEAD COSTS:** Studios usually add overhead costs which amount for roughly 15 percent of ALL defined production costs.

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