

## **Hollywood Stock Exchange Tips Analysts to Box-Office Potential**

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Nov. 26 (Bloomberg) -- SG Cowen & Co. analyst Lowell Singer checked the Hollywood Stock Exchange, an online market where film buffs bet on box-office tallies, as he weighed the prospects for Walt Disney Co.'s "Chicken Little."

Reassured by trading on HSX that audiences would be interested in the film, he estimated sales for the opening Nov. 4 weekend of as much as \$40 million, 9 percent more than the average estimate of three analysts surveyed by Bloomberg News.

"Chicken Little" opened with about \$40.1 million in sales. "We're in this era when the marketplace is exploring ways to assign value to things," said Daniel Glickman, chairman of the Motion Picture Association of America and a Chicago Mercantile Exchange board member. "There is a magic to the marketplace of ideas and information and the ability to cull values based on this."

Initial ticket sales are growing in importance as investors and studios estimate home-video, merchandise and television-syndication revenue. Hungry for data, they rely on companies such as HSX, a unit of New York-based Cantor Fitzgerald LP.

Rivals including Nielsen NRG, a unit of Netherlands-based VNU NV; Culver City, California-based Online Testing Exchange, and London-based Reed Elsevier Group Plc's MarketCast use techniques such as polling and focus groups to predict sales.

HSX, with 1.4 million registered users, is one of several online markets analysts and investors use to help gauge such things as elections, U.S. Federal Reserve monetary policy and the severity of influenza outbreaks.

### **Mock Money**

Users are given \$2 million in mock money when they register and can buy and sell movie stocks on the Web site as soon as a film deal is announced. The company makes money by selling online advertising, supplying data to movie studios and licensing its technology.

"We use the Hollywood Stock Exchange to assess what market expectations are for a film," San Francisco-based Singer said in an e-mail. His sales forecasts are based on a proprietary system that considers release dates, ratings, number of theaters and whether films are hand-drawn or computer generated.

The exchange's successes include its estimate for News Corp.'s "Star Wars: Episode III - Revenge of the Sith." The film opened in May with a box-office take of \$108.4 million, compared with HSX's \$108.8 million.

The exchange also has had its misses. Its estimate for Time Warner Inc.'s "Harry Potter and the Goblet of Fire," which opened in 3,858 theaters on Nov. 18, was \$91.9 million. The movie actually took in \$102.3 million at U.S. and Canadian theaters, according to Exhibitor Relations Co.

### 'Like Chocolate'

The Hollywood Stock Exchange counts on the thrill its 25,000 daily users get from tracking virtual portfolios to draw movie enthusiasts willing to translate news reports and gossip about films into market valuations.

The first thing Las Vegas art dealer Tom Horvitz does each morning and the last thing he does before going to bed is to check his \$2.15 billion in Hollywood Stock Exchange bets.

"It's probably like chocolate," Horvitz, 49, said. "You taste it, and you're addicted and you keep going back."

Former investment bankers Max Keiser and Michael Burns founded the exchange in 1996 and sold it to Cantor Fitzgerald in 2001. Burns went on to be co-chairman of Lions Gate Entertainment Corp. Keiser became involved in political and environmental issues.

"We thought it was a great way to merge the thinking of both Wall Street and Hollywood," Burns, 47, said. "It really came down to the fascination with the box office. If I told you 10 years ago the New York Times was going to publish the weekly box office totals, would you have believed it?"

### Ad Sales

Studios pay for data based on HSX players' trades. Licensing sales of the exchange's technology supplements online ad sales to companies including SBC Communications Inc., said Managing Director Alex Costakis, who declined to provide sales or profit figures.

Horvitz, who ranks 57th in virtual earnings among all Hollywood Stock Exchange users, said he began playing the market about six years ago on the recommendation of a friend. His successful calls include last year's "The Passion of the Christ," which he bought for about \$20 a share and profited from as it rose to more than \$300.

Horvitz, who works from home, said he typically logs on about 9 a.m. and checks his portfolio several times during the day. His last log-on comes late, after he scans updates of trade papers the Hollywood Reporter and Daily Variety.

Lions Gate Co-Chairman Burns said he monitors the exchange to gauge how his releases will do. It's part of an equation that helps the movie company determine the target audience for a film and how it should be marketed.

``You look at this and you look at NRG you look at MarketCast," Burns said. ``You look at all those factors to figure out how a movie is tracking."