

Heard on the Street: Movie Industry's Troubles Are Far From a Wrap

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James Bond won't be saving the movie business this year and the industry may be facing problems that even he can't fix.

Amid a spate of such news, Friday's announcement that "No Time to Die" is being moved from next month to April 2021 was particularly painful. It was the last major release that could have propped up business for theater chains this year. U.K.-based Cineworld said Monday it will be suspending operations at its U.S. theaters. Some 44% of U.S. theaters haven't reopened, according to Comscore. The ones that have aren't drawing much of a crowd. According to Box Office Mojo, the weekend's total domestic box-office was more than 93% below what October 2019's weekends averaged.

A lack of compelling content is one drag, but even the well-reviewed "Tenet" from AT&T's Warner Bros. has struggled with indoor entertainment options considered so risky. It generated about \$45 million over five weeks domestically. "Dunkirk" -- the last film from "Tenet" director Christopher Nolan -- grossed nearly \$169 million domestically in its first five weeks in the summer of 2017.

Anemic returns for the expected blockbuster are discouraging to studios accustomed to greenlighting production budgets of \$200 million or more for tentpole releases. Nine studio films have been delayed since the release of "Tenet," according to Wedbush analysts. Most were moved to 2021, reflecting a bet that life will turn back to something like normal by next summer.

But the pandemic's impact might ripple well beyond that. Credit Suisse analysts wrote last week that production halts due to Covid have put a handful of significant 2021 films in danger of missing their release dates due to long postproduction times required for special effects. This could include the next "Jurassic World" sequel from Comcast's Universal Studios, which resumed production in July and is targeting a June 2021 release. Credit Suisse estimates shooting on the film would have needed to wrap by the end of August to make that date.

Insurance issues are adding to the backlog and could affect films slated for 2022. Credit Suisse notes many new projects haven't been able to line up production insurance since major providers aren't willing to cover Covid-related shutdowns. Insurance is typically required for films using outside financing. Once coverage becomes available, the broker estimates Covid-related insurance and safety protocols will add an incremental \$26 million to a \$100 million film budget.

Higher costs could limit the number of movies studios bet on. The action-adventure genre that dominates the box office is the most expensive to insure. That in turn could pile more pressure on chains such as Cinemark, AMC and Cineworld -- even if they tighten their belts now to survive the rest of this year. Theaters' recovery is unlikely until a vaccine is available, but side effects could linger for even longer.