Dealmakers talk state of biz
Variety breakfast keys on financing climate

*Tue., Dec. 6, 2011,*By CYNTHIA LITTLETON, RACHEL ABRAMS

When it comes to new media, Hollywood should be open to change but wary of getting boxed in by relying too much on a single distribution partner. So said Peter Chernin during his keynote convo Tuesday ayem at Variety's Dealmakers Breakfast gathering, held at Soho House West Hollywood.

Variety prexy Neil Stiles and Fox Searchlight's Nancy Utley

In a wide-ranging Q&A with Variety editor-in-chief Tim Gray, Chernin spoke of his areas of focus and investment (high-end film and TV, digital platforms and emerging Asian markets) since leaving News Corp. in mid-2009 to launch Chernin Entertainment and the Chernin Group.

Following Chernin, a quartet of top players in the film-finance sector weighed in on the climate for pic coin deals and outlook for 2012 in a sesh moderated by Variety executive editor Steven Gaydos.

Variety editor-in-chief Tim Gray and Peter Chernin opened the breakfast with a Q&A.

Chernin was candid in offering his perspective to the crowd of about 130 industryites on the myriad challenges that showbiz execs face at a time when the business landscape is undergoing dramatic change.

"That's why these jobs are hard, and that's why the people in this room get paid a lot of money," he quipped. Both in the TV and film sector, "there's real tension between protecting your existing business models, particularly as it relates to the cable business model," and the need to be open to new revenue-generating opportunities, he said.

Houlihan Lokey's Andrew Walter, IM Global's Stuart Ford, MGM's Gary Barber, O'Melveny and Myers' Christopher Brearton and Variety 's Steven Gaydos talk film-finance trends and issues.

Chernin observed that Hollywood has learned from the mistakes made a decade ago by the music business, which was first ravaged by piracy as digital file-swapping services became popular and then allowed Apple's iTunes to dictate the pricing and distribution terms for the legitimate online market.

In Chernin's view, the rise of Netflix during the past year has been "remarkably positive for the business." He also remains bullish on the long-term prospects for Hulu, the Internet vid giant that he spearheaded for News Corp. in partnership with NBCUniversal in 2007.

Although News Corp., NBCU and Disney (which bought into Hulu in 2009) tested the waters for selling Hulu earlier this year, Chernin called it "a phenomenal thing for these guys to own" and pegged its market value at around $3 billion.

During the film-finance sesh, panelists zeroed in on two central issues: the overall drought of equity funding in the marketplace and the red ink that some investors saw from slate deals inked during the go-go years just before the global economic meltdown in 2008-09.

Although the actual returns were more nuanced, the perception is that investors lost a fortune through those deals, and that hangover has definitely affected the flow of capital into Hollywood. "The myth is that everyone lost money," Christopher Brearton, O'Melveny & Myers managing partner, told the crowd. "And that's just not true."

However, Andrew Walter, senior veep and head of the entertainment practice at Houlihan Lokey, countered: "There's a lot of money that feels like it's gotten burned."

Panelists agreed that as financing options shift, Hollywood has to become more flexible in adopting new models.

"The traditional independent financing model no longer serves 70% of the product that needs financing," IM Global CEO Stuart Ford said. "The presence of high net-worth individual money, which is less rigidly ROI focused, is what's keeping the cameras rolling for much of the industry." Gary Barber, MGM co-chairman and CEO, was blunt in discussing the pressure distribs face to deliver a big opening weekend B.O. number in order to set a pic on the path to profitability. "We're like parachutists," he said. "If we don't open, we're dead."