

What a disaster? You know in my videos, I usually try to stay positive but I have to say it's not going to be easy with this one. It all looks bad on the surface but then when you dig deeper and look at different aspects it's still bad. [Here's the letter they put out, in short it says that as of September 14th 2019, MoviePass is shutting down.](#) They'd say they'd like to bring it back and continue but as of right now aren't so sure they're going to be able to. I should point out, I'm making this video within the week of the announcement so if somehow in a weird turn of events you're watching this in 2025 and MoviePass is now the most successful company out there, cut me some slack because right now things look bad. My guess is they're either gone for good or maybe they're attempt some kind of a comeback but it's not going to go anywhere. If you're not familiar with MoviePass the best way I could describe it is the Netflix of the movie theater. It's gone through a lot of changes but the main idea is you pay one monthly fee and see all the movies in the theater that you want. It's a cool idea, it seems like everything is moving toward this subscription model, so why not this. They've shaken up the whole industry, it's been one of the biggest stories in business over the last 2 years, and probably one of the quickest rise and falls of all time. So what I'd like to do today is talk about what's been going on over these last 2 years and why it's all been going so bad.

Everyone's been talking about MoviePass for the last 2 years but it actually goes back 8 years, just wasn't as popular. The main guy associated with it during those beginning years was Stacy Spikes. Over that time the service was intended avid movie watchers, if you find yourself at the movies every weekend, maybe look into signing up for MoviePass and you'll save some money. According to Stacy Spikes they would put a lot of research into setting their prices. They would depend on the region and the theater, for example it's cheaper to see a movie in a small town than it is in a big city. Based on these factors, their prices would range from \$13 to \$75 but typically be around \$40 to \$50. Of course there were various changes over those years but that was the idea. In 2016, big things started happening. First off, Mike Lowe was named the new CEO. I have a video about Redbox that talks a lot more about him but for now I'll say he was a big part of Netflix early on and a big part Redbox. So based on his history, sounds like someone you want running you're movie watching related business. In 2017, something bigger happened when this company Helios and Matheson Analytics bought the majority of MoviePass. They were a bigger company with more resources and could do more with it. As this headline from Business Wire says they were already the #1 Movie Theater Subscription service, which didn't mean much. They had around 20,000 subscribers at the time, and the reason that put them at number 1 was basically lack of competition. As the headline also says, they instantly lowered their price to \$9.95/month. Which I think we all know, is ridiculous. You ever come across something with a really low price, and think how can they possibly afford to sell it that cheap? But then you think, ah they must be making money on it somehow. Not the case with MoviePass.

According to Stacy Spikes, the new owners gave him the impression that the \$9.95 was more of a promotional price that would be used to push them past the 100,000 subscriber mark. I think that price point made their service more attractive than they predicted because it only took them 2 days to pass that mark. It's my guess that they altered the plan and stuck with that ridiculous price because they saw how many people they attracting. Stacy Spikes never agreed with the new plan and in January 2018, a few months after the new owners took over, he was fired.

The company that owns MoviePass doesn't specifically report their number of subscribers but I compiled this graph together based on various interviews and statements made by representatives that are generally thought to be reliable. Just looking at this, it's so clear how fast they grew. Around 3

million people signed up for this service in less than a year, 5% of all movie tickets were bought through MoviePass, for a company that was insignificant 1 year earlier.

So now have to take a step back and look at the big picture. They have millions of customers, but aren't making any money. In fact, the more customers they gained the more money they were losing. Let's just spend a minute talking about how bad this was. What's a movie ticket cost? To make things easy I'll say conservatively, \$10? So when you used MoviePass to see that \$10 movie, it was essentially MoviePass buying that ticket from the theater and giving it to you. So given those numbers, if you saw 1 \$10 movie per month, they would break even. If you saw more than 1 they were losing money. But if you weren't seeing more than 1, why would you pay for MoviePass? You see what I'm saying, it just doesn't make sense. Either you're losing money or MoviePass is losing money, nobody wins except the theater. AMC for example, their CEO said MoviePass paid AMC \$12.02 per ticket on "hundreds of thousands" of tickets, at a rate 2.75 times per subscriber. Now, I took the calculator out and I multiplied 2.75 times \$12.02, and I got to a number that was considerably larger than \$9.95." That difference is the amount MoviePass was losing per person. At one point they were losing \$21 million/month. Can you imagine losing \$700,000 a day? Obviously they couldn't sustain that, so they had to keep trying to raise money and borrow it last minute. "MoviePass was down last night because it ran out of money", that's not a good headline. And of course all this nonsense cause their stock price to go way down. It's really unbelievable how fast everything sank. In October 2017 it approaching \$40, and less than a year later it was less than a nickel. In July of 2018, it went under a dollar and never went back above it so they were in danger of being delisted from the NASDAQ. The NASDAQ is where you want to be, but they require you're trading for over a dollar. So they tried doing this reverse-stock split, where they'd have fewer shares trading but at a higher price. Really just a cheap way to stay on the exchange and to look like they're doing better but it didn't work. They were delisted in February of 2019.

Here's my best attempt of profiling all their changes in pricing and service over the past 2 years. In August of 2017 they started the ridiculous \$9.95/month, 1 movie per day. That stuck until April of 2018, when they made a huge change by scaling it back to 4 movies per month, and now said you couldn't rewatch anything. In July of 2018 they introduced Peaking Pricing. If a particular showing was in high demand it would no longer be free but instead anywhere from \$2-\$6. Everyone hated this because it seemed like EVERYTHING was peak pricing. About a month later they got rid of it and brought it down to 3 movies per month. In March of 2019 they brought it back to Unlimited, called it MoviePass Uncapped but it cost \$19.95/month or \$14.95 if you signed up for the full year but there were also more restrictions attached this time. If I missed something in there, forgive me because I've never seen a service change this much.

So what's the plan? Mike Lowe has a credible history, what's he thinking? The fact that they were losing money wasn't directly the issue. Looking at Amazon, Netflix, Uber, there's plenty of companies out there that sacrificed in the short term to grow overall, that seemed to be his mentality through all this but ideally you would have an end game. Here's some of their possibilities. The obvious one, well get everyone to sign up then play with the service and pricing in a way where they're making money and hopefully people stick around. And they definitely played with their pricing and services but it doesn't look like people stuck around, nor do I think they ever brought it to a structure that was profitable anyway. According to Business Insider, they were down to 225,000 subscribers by April of 2019 so apparently most people weren't willing to stick with them through all this nonsense. Another way they could have potentially made money was by getting the theater's involved. See MoviePass was getting

people into the theaters, maybe if they were willing to work with MoviePass, maybe sell tickets to them at a reduced price, sort of a bulk ticket purchase deal, then potentially they'd be able to somehow make money while continuing that \$9.95 price point. But I don't think any of the theater's really went for it, AMC definitely didn't want any part of it. Another way was through MoviePass Ventures, they started that in 2018. It was a division where they invested in the actual movies. First it was one called American Animals, then it was Gotti. The idea here was MoviePass had gathered all this information about which movies people saw. So now with these movies that they have a stake in, they'd be able to market them to the right people. Which was all just another failure, on multiple levels. Let's look at Gotti, I haven't seen it but I trust it's probably not very good. It's a zero percent on rotten tomatoes and the critics consensus was Fuhgeddaboutit. Despite it being so bad, I guess they sent out these notifications that said "Audiences love GOTTI but critics think otherwise. Who do you trust? See it today." Obviously trying to put the spin of the century on a bad movie because they had a stake in it. In the end the movie made \$1.67 million, which is very low, and 40% that came from MoviePass. To summarize the situation, they owned a part of this movie, that critics hated. So they bought 40% of the tickets to their own movie, and convinced people to see it through their service. Despite all of that, it still performed poorly. The whole thing was a disaster so based on how they handled this one, I wouldn't trust MoviePass Ventures to be very successful. April of 2018 they bought Moviefone from Verizon, which you may remember best from the 90's where you would call them and they'd give you movie showtimes. Today they're more or less the online version of that giving movie and theater information. They figured they could use it to gain more subscribers and bring in some advertising revenue. In the big picture their issue was never with gaining subscribers so I don't think it ended up being too significant. Moviepass Films, they bought this film studio in 2018, again I question the overall impact its really had.

So I think I've made it clear that I wouldn't call this a good business plan but necessarily as bad as it may seem. It reminds me of those cartoons where they keep pulling different cords to open up the parachute but none of them are working. If they had found a way to better adjust the subscription in a way where people would stick around, it could have gone somewhere. If they had found a way to get the theaters to work with them, it could have worked. If they had invested in better movies, and promoted them better, there could have been something there. Then there's Moviefone, and the production studio. I just feel like there's some combination of these parts that could, I don't know, maybe I'm giving them too much credit.

It's all been tumbling down and nothing they've done has worked. They even had this financial scandal where they overstated their revenue last year. It just never ends with these guys. There's an investigation involving fraud and misleading investors, class action lawsuits filed against them claiming too many restrictions and blackouts, more recently they had a database online with all this credit card information that didn't have a password any type of encryption, come on guys.

MoviePass has been a complete failure. But the one real positive to come from it is the movie theater subscription model. Something that was almost nonexistent just 2 years ago has become a big part of the industry and I think we have moviepass to thank for that. There's nothing quite as good \$9.95/month for unlimited movies but there's AMC Stubs A-List, Regal Unlimited, Cinemark MovieClub. All a little different but I'd argue would not exist without MoviePass.

Let me know in the comments, did MoviePass ever have a chance? I just feel like, every single thing they tried went terribly wrong. In the end, it all goes back to that \$9.95/month, you just can't make it work.

Maybe if they had changed that sooner, in a better way. I don't know why, but I feel like this could have been one of those things that somehow succeeded against all odds but probably not. Also, were you a MoviePass customer and based on your frequency of movie watching, how much would you say you've saved from their service. And most of you canceled your subscription well before they shut down so in that case what was your breaking point? Was the AMC deal more attractive, or what was it? I'd like to hear what you have to say. Thank you for watching.

- MoviePass Ventures – In 2018
 - Invested in this movie American Animals – Low Box Office
 - 2nd movie invested in was Gotti –
 - Bothered people with notifications.

So what was the plan here? Mitch Lowe has track record, you would think has some before they got rid

- July 2018 – Peak Pricing Surcharge – So if there's high demand for a movie (based on the movie it is or the showtime), you got a little red lightning bolt icon and it would cost you \$2-\$6.

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- Stacy Spikes – cofounder (ousted in January 2018)
- Tried a reverse stock split to keep share prices higher than \$1
 - Failed – Delisted in February and have been trading over the counter ever since
- Began charging service fees for subscribers to see highly anticipated movies and prime time showings.
 - Moved away from allowing users to watch 1 movie/day, to just 4 films in a month.

- AMC Theater's launched AMC Stubs A-List \$20 subscription-based program where members can watch up to 3 movies a week. (Cinemark Movie Club as well (Regal Unlimited (between \$18 and \$23.50 per month they're all unlimited but the more you pay the more Regal Theaters it includes) and Alamo Drafthouse to come).
- Investigated by New York Attorney General for securities fraud, regarding whether the company misled investors
 - Also a class-action lawsuit by subscribers claiming unlimited plan was a deceptive "bait-and-switch".
- MoviePass typically pays theaters the full cost of tickets - \$15 or more in big cities.
 - Sought reduced ticket pricing from theater chains, AMC was one of those that didn't agree.
- Shut down in July 2019 to update the app
- August 2019, exposed thousands of customer credit card numbers
- August 2017 - \$10/month, unlimited
- April 2018 - \$10/month, 4 movies per month and also you couldn't rewatch movies, went back?
- July 2018 – Peak Pricing Surcharge – So if there's high demand for a movie (based on the movie it is or the showtime), you got a little red lightning bolt icon and it would cost you \$2-\$6.
- August 2018 – Canceled peak pricing, Limit to 3 movies per month, initially they announced the plan was to raise prices to \$14.95/month but changed it.
- March 2019 – Brought it back to unlimited, called it MoviePass Uncapped, priced at \$19.95/month or \$14.95 if you commit to a full year, but offered a \$5 discount in the beginning essentially bring it back to the original pricing but it had a bunch more restrictions as which tickets you could buy.
- Founded in 2011, subscription was about \$40/month.
 - In 2016 Mike Lowe took over as CEO and has stated that they had only 20,000 at that time.
 - Lowe said in summer of 2018 MoviePass had nearly 3 million subscribers and about 5% of movie tickets sold in the United States were purchased through his platform.
 - He also said they were losing \$21 million/month
 - Soon after he took over he decided to slash the price to \$10/month
- Founded with the intention of attracting the already active moviegoer
 - Said there's 11% of moviegoers in the U.S. go to the films 18 times a year
 - Priced it \$35-\$50, depending on the market
- July 2018, had run out of cash and they shut down until the company was able to secure an emergency \$5 million loan. (claimed it was a backend issue with the app)
- Issued a filing in early May 2018 disclosing they're burning through more than \$20 million per month, and only have \$16 million in cash. Stock plummeted 30%.
- Their idea is they're bringing people to the movie theater, so they should get a discount.
- AMC CEO has criticized moviepass
- He's always been a big believer in that price point.
 - Redbox - \$1 per rental
 - Netflix - \$10 per month
 - MoviePass - \$10 per month.

- Data they receive from the users could theoretically help promote movies they're involved with to the right audiences.
- MoviePass Ventures – In 2018
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- Acquired my Helios and Matheson in August 2017 – 15,000 subscribers at the time
 - Almost instantly they lowered the subscription price from \$20/month to \$9.95/month
 - Hit 100,000 subscribers in the first 48 hours of new pricing.
 - September – 400,000
 - October – 600,000
 - December 2017 – 1 million
 - January 2018 – 1.5 million
 - February 2018 – 2 million
 - 3 million subscribers by June 2018
 - April 2019 - 225,000
- All time high stock price in October 2017 - \$38.86
- April 2018 – purchased Moviefone from Verizon
- As of February 13, 2019 they've been delisted from the Nasdaq Capital Market, since then they've been trading over the counter
 - The NASDAQ is generally where you want to be, it's an exchange where all the stock trading happens but there's certain requirements to be part of it. One of those requirements is your stock has to trade for over \$1.00. They dropped below that \$1 mark in July of 2018 and just never went back above it, within the month it trading for pennies. It didn't work, they stayed
- In April of 2018 they bought Moviefone, which you may remember best from the 90's where you would call them and they'd give you movie showtimes. Today they're more or less the online version of that giving movie and theater information. They figured they could use it to gain more subscribers and bring in some advertising revenue. In the big picture I don't think it ended up being too significant.
- Spikes said Helios and Matheson Analytics came to them with the offer of \$25 million for 51% of the company, as part of the offer they said they wanted to temporarily drop the subscription price to \$10 to help get them to 100,000 subscribers. It was thought of as a promotional price, you know, "For a limited time until the end of august, you sign up for the low price of \$10/month"
 - Price points before that ranged from \$13 to \$75 but were typically in the \$40-\$50 range I'd say appropriately based on a ton of factors including the region and the theater.
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- plan was to temporarily drop the subscription price to \$10 to help climb up to 100,000 subscriptions.
 - In January of 2018 Spikes was fired from the company, likely for his disagreement in the pricing model.
- May of 2018 – They acquired 51% of a production company and renamed it MoviePass Films.

