



MARCH 2026

Reel Returns: Investing in the AI Entertainment Revolution

Robots are no longer just sci-fi movie stars. They're moving behind the camera and into the studios. A new era of filmmaking is ready for its closeup.

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Highlights

- **Slashing budgets and timelines:** AI can dramatically reduce production time and expenses, making high-quality filmmaking accessible to more creators and studios.
- **Implications for investors:** Investing through a time of rapid innovation requires expertise to identify opportunities in the entertainment industry that pair technological advantages with sustainable creative and governance models.
- **More creativity, not less:** AI is enabling are evolving into lifestyle brands, unlocking new creative opportunities.

Slashing budgets and timelines

When investors think of AI, they often think of the big technology players. But some of the most meaningful changes are happening outside the tech sector, where AI is reshaping cost structures, workflows, and competitive dynamics in traditional industries.

Film production is a clear example of this trend. AI is compressing timelines, lowering marginal costs, and enabling content to scale in ways that were previously impractical. Creating a theatrical feature requires large crews, specialized vendors, and extended post-production schedules, all of which are increasingly augmented by AI-driven tools. The result is a shift away from linear, capital-intensive production models toward more flexible, iterative workflows.

Key use cases for AI in film production include:

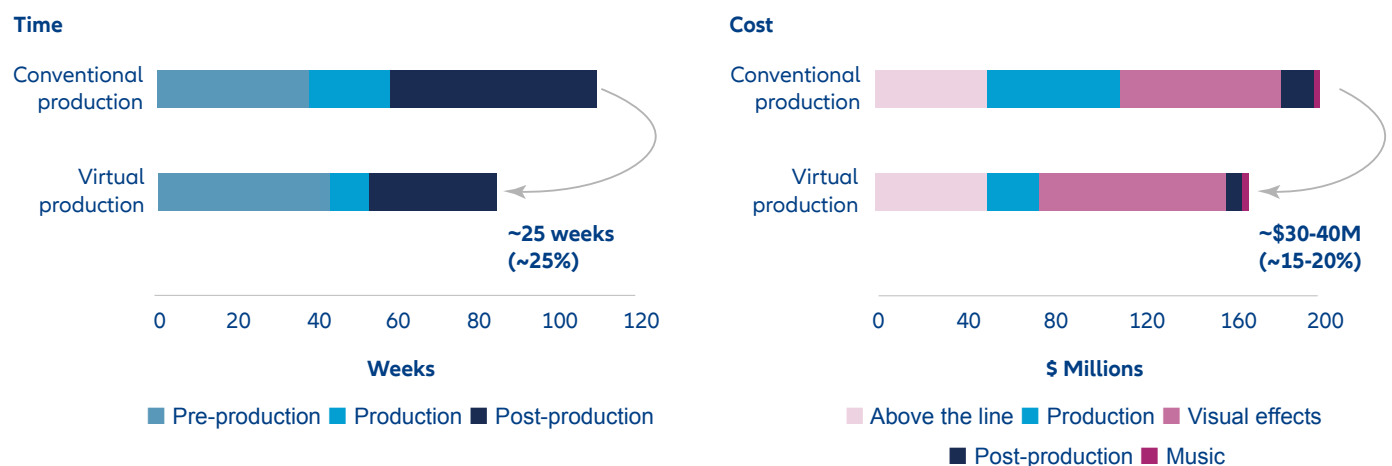
- **Creative Development & Pre-Production:** Accelerates research, writing, and visual development to reduce early-stage costs, shorten iteration cycles, and align creative direction before production begins.

- **Production Efficiency:** AI improves scene execution to reduce costly reshoots and, in animation, lowers labor intensity while maintaining high visual quality.
- **Post-Production Optimization:** Reduces cleanup, correction, and restoration time through automated error correction and quality enhancement, enabling tighter schedules without expanding teams.
- **Distribution & Localization:** Enables faster, lower-cost global distribution through scalable subtitle and dubbing, expanding the global reach.

All those efficiencies add up to substantial cost savings. For example, Netflix unveiled its first AI-generated VFX scene for an upcoming original series, cutting production timelines by over 50% and reducing costs by nearly 40% compared to traditional methods.¹

According to Bain, the savings get bigger as productions get larger. Virtual techniques can cut 25 weeks off production time and \$40 million off budget for a blockbuster movie, underscoring how AI-enabled virtual production can deliver better film economics:

AI-enabled virtual production can deliver better film economics



Source: Bain Virtual Production Analysis, 2023

¹ Source: Netflix Unveils First AI-Generated VFX Scene, Claims Faster Production and Major Cost Savings, July 2025

More creativity, not less

A long-standing ideal in the entertainment industry is to extend motion pictures beyond the screen, creating a franchise flywheel. First conceived by Walt Disney, this flywheel can extend a franchise across films, television, theme parks, merchandise, and video games, reinforcing cultural relevance and customer stickiness that can endure through generations.

Nintendo's Pokémon exemplifies this approach at a global scale: millennials who grew up with the video games, animated series and trading cards can now share the experience with their own children, sustaining its position as a leading entertainment franchise. This multi-platform approach transforms intellectual property from a single hit into a generational asset.

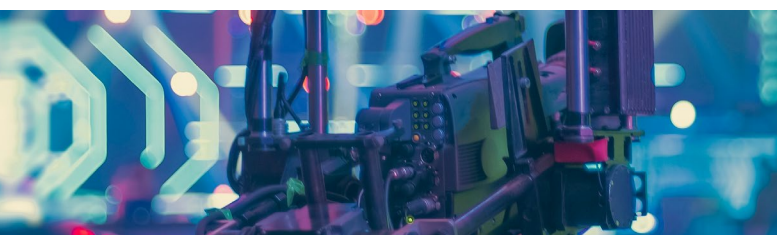
By embedding AI across pre-production, production, post-production, and distribution, established studios and platforms are increasing the number of films produced—creating more “shots on goal” that could evolve into new franchises. This also enables more efficient use of capital, improving shareholder returns.

“AI helps us tell stories better, faster, and in new ways.”

Netflix CEO, Ted Sarandos

“[AI is] a core enabler for creative output and operational streamlining, and [we have a vision to make Paramount] the most technologically capable media company.”

Paramount CEO, David Ellison



Implications for investors

AI adoption varies significantly by company, underscoring the importance of disciplined stock selection and fundamental research. Not all companies are approaching AI with the same level of strategic intent or execution quality, and the reality is that AI is likely to catalyze a period of creative destruction across the industry. As investors, we are focused on identifying the emerging winners, management teams that are thoughtfully and systematically implementing AI to enhance creative output, improve capital efficiency, and build more competitive moats relative to peers.

More broadly, fears of AI-driven disruption can ripple across industries, and the entertainment sector is no exception. The rapid advancement of text-to-video and other generative models has brought up concerns around declining barriers to entry and potential value erosion for incumbents.

Such periods of technological anxiety tend to create dislocations in public markets, where even strong industry players can be indiscriminately punished. We view these moments as opportunities for stock picking, where rigorous fundamental research and patience are critical to distinguishing between structural losers and well-positioned leaders that can leverage AI to reinforce, rather than undermine, their competitive advantages.

Today, we stand at the edge of the next transformation: the rise of artificial intelligence. From cameras to code, AI is reshaping how stories are conceived, produced, and experienced. Generative AI is already transforming core infrastructure, enabling cinematic quality with greater efficiency, setting the stage for a new chapter in creative storytelling. The next wave of leading studios will likely be founded on AI-driven workflows, where creative decisions, iteration loops, and production economics are powered by intelligent systems.

All coming to a theater—or a phone—near you.

Shannon Lamb and Brooke DuBois contributed to this report.

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