Oliver & Ohlbaum

UK Television Production Survey

Financial Census 2023

September 2023

A report by Oliver & Ohlbaum Associates for Pact

Contents

Total sector revenues continued to grow in 2022 to £3,944 million

Total UK television sector revenues reached their highest ever levels in 2022, driven largely by the growth of international revenues and a significant increase in streaming commissions

In 2022, TV production activity in the UK returned to growth levels seen before the COVID-19 pandemic. Total sector revenues increased by 21.3 per cent to reach £3,944 million.

Domestic TV revenues experienced slight growth, reaching their highest ever level of £2,207 million. Meanwhile, international TV revenues grew sharply, increasing by £666 million from the previous year.

Digital commissioning, both domestically and internationally, was the main driver of growth in 2022. Domestically, digital commissioning grew to £155 million, this increase was partially due to a change in methodology as well as broadcasters' rising demand for original programming on their video-on-demand platforms.

Internationally, digital services significantly increased their spending on UK independent producers by 133 per cent, reaching a total of £696 million. This growth can be attributed to the return of major UK titles from established SVOD players such as Netflix , new SVOD platforms commissioning UK, and the ongoing attractiveness of the UK TV market to global buyers. The decline in secondary rights revenue may be partially attributable to this increase in streaming activity, with SVOD platforms often taking all rights.

Total revenues increased by 21.3%

Sector revenues reached their highest ever level of £3,944 million in 2022

International revenues grew to £1,618 million

70% growth from 2021, and represents a return to the levels of growth predicted pre-pandemic

UK TV revenues rose by £11 million

UK TV revenues reached their highest ever levels with total revenues of £2,207

Secondary rights declined to £407 million

This marked a reduction of £102 million from 2021

Introduction

The Census report is based on financial returns from a broad cross-section of active UK production companies

The Pact Census is an annual report detailing the characteristics and evolution of the television production landscape within the UK.

By collating yearly market data, the Census provides a unique opportunity to understand the underlying trends shaping the UK television production industry.

Benefits of the Pact Census:

- The survey is completed by a broad cross-section of the UK production sector
- The data collected during the survey is granular, enabling a detailed picture of developing trading trends
- A consistent approach over the last decade enables the identification of long-term industry trends

Financial survey of Pact members

The Pact Census is conducted through a detailed financial survey of Pact members. Pact represents the majority of production companies active in the UK market.

The survey captures detailed information about the past two financial years. This data is then aggregated and used as the basis to estimate the overall size of the market and specific sub-segments of activity.

This year, 83 complete responses were received. These companies represent around 84 per cent of the total industry turnover.

Scope of the Pact Census

The Pact Census defines the 'UK production sector' as TV and film production companies in the UK excluding those companies wholly owned by PSBs. All references to producers and the production sector within this report follow this definition.

Methodology

The figures in this report are reflective of the total market; these are calculated by scaling up our financial survey data based on the current composition of the UK production sector

Turnover band ranges are used to gross up sample responses to provide estimates for the overall industry. Responses are placed into turnover bands, then totals within each band are scaled up based on the known composition of the market (i.e. number of producers by turnover band).

Every year, new companies return our financial survey thus changing the make-up of our sample; this can cause slight variations in our year-on-year market values. These small variations average out over time, so trends viewed over multiple years of the Census show a clearer picture of the production sector than single year-on-year fluctuations. We draw attention to differences between consecutive years where they appear to be significant, otherwise we focus on the broader trends.

The completeness of the Census is subject to the level of disclosure provided by participants. Variations between participants in the level of disclosure provided mean that revenues (especially international) are reported to varying degrees of detail. We reflect those that are disclosed in our survey.

Due to different company reporting periods, the annual Census returns include financial information spanning 2021 and 2022.

Methodology Changes

This year, there was a slight change to the primary rights methodology. Participants had the option to split commissioning revenue between two buyers or platforms where relevant. This adjustment aimed to accommodate the growing number of co-productions commissioned by both domestic and international platforms.

Additionally, participants could split primary rights value from a sole commissioner across linear and digital services where there was clear and significant value in both. This enabled a more accurate depiction of domestic and international digital commissioning as it continued to play a greater role alongside linear for traditional buyers. This change in methodoloy affects year-on-year comparisons in this report between 2021 and 2022.

Glossary

TV channels
- PSBs – public service broadcasters (BBC, ITV, Channel 4, Channel 5)
- Multi-channels – other linear channels (Sky portfolio etc)

Video on demand (VOD)
- SVOD – subscription video on demand e.g. Netflix
- TVOD – transaction video on demand e.g. Google Play

Standalone digital service
- SVOD or TVOD that is not owned by a traditional broadcaster and does not sit alongside existing TV channels, e.g. Netflix, Amazon Prime

New Media
- Non-TV digital activities, including website design, apps, social media administration and games

Linear TV commission
- A production commissioned primarily for broadcast on traditional TV channels

Digital commission
- A production commissioned primarily for distribution on digital platforms (e.g. VOD services)

Pre-production
- Includes external development funding, public funding, distribution advance (prior to production) and advertiser funding (including sponsorship)

Primary commissions / Primary TV rights
- Production of new programmes which have been commissioned by broadcasters, this involves the sale of primary rights which typically include:
  - Exclusive right to broadcast the programme in the UK for a period of five years
  - Option to repeat transmission of the programme for an agreed fee
  - Option to renew these exclusive licences, for a fee, for a further two years
  - Exclusive licence to simulcast or make available on-demand over the internet
  - 'Holdback' on the sale of secondary rights to other UK broadcasters during the period of exclusive licence
- 'UK commissions' are produced for UK broadcasters or channels whereas 'International commissions' refers to commissions from non-UK broadcasters

Secondary TV rights
- Exploitation of other distribution rights that are not contained in primary rights, this can include:
  - Licence to broadcast the programme on a channel other than the one commissioning the programme
  - Sale and distribution of the programme outside of the UK
  - Sale of the programme format outside of the UK
  - Use of the programme for consumer products e.g. DVD, merchandising, etc.

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Revenue growth – Summary

The UK television production sector experienced its strongest ever year in 2022, with total revenues reaching £3,944 million, driven by strong growth in international TV revenues, up 70.1 per cent on 2021

In 2022 production activity returned to growth levels seen prior to the pandemic; total sector revenues rose byCOVID-19 21.3 per cent to £3,944 million.

Domestic TV revenues grew slightly, reaching their highest ever level of £2,206 million.

International TV revenues experienced rapid growth, increasing by £666 million from 2021 to reach a total of £1,618 million in 2022.

Overall commissioning revenues rose by 28.8 per cent in 2022 to £3,306 million

- Commissioning revenue share of total sector revenues also increased from 82 per cent in 2021 to 86 per cent in 2022

Domestic TV revenues remained over £2 billion in 2022

- Total UK TV revenues increased by £11 million to £2,207 million in 2022, this is the highest such revenues have ever been and the second time they have reached over £2 billion

International revenues grew to £1,618 million in 2022

- Following two years of decline, this was a 70.1 per cent growth from 2021. This represented a return to revenue levels and trends seen before the COVID-19 pandemic, this growth was likely due to the return of multiple major UK international productions.

Non-TV revenues grew steadily, increasing by 15.3 per cent year on year

- Revenues from non-TV activities increased by £15.8 million in 2021

Key Trends – Revenue growth

In 2022 total sector revenues recovered from the disruption caused by the COVID-19 pandemic. Revenues reached a new high due to a significant increase in primary rights revenue, especially from international buyers

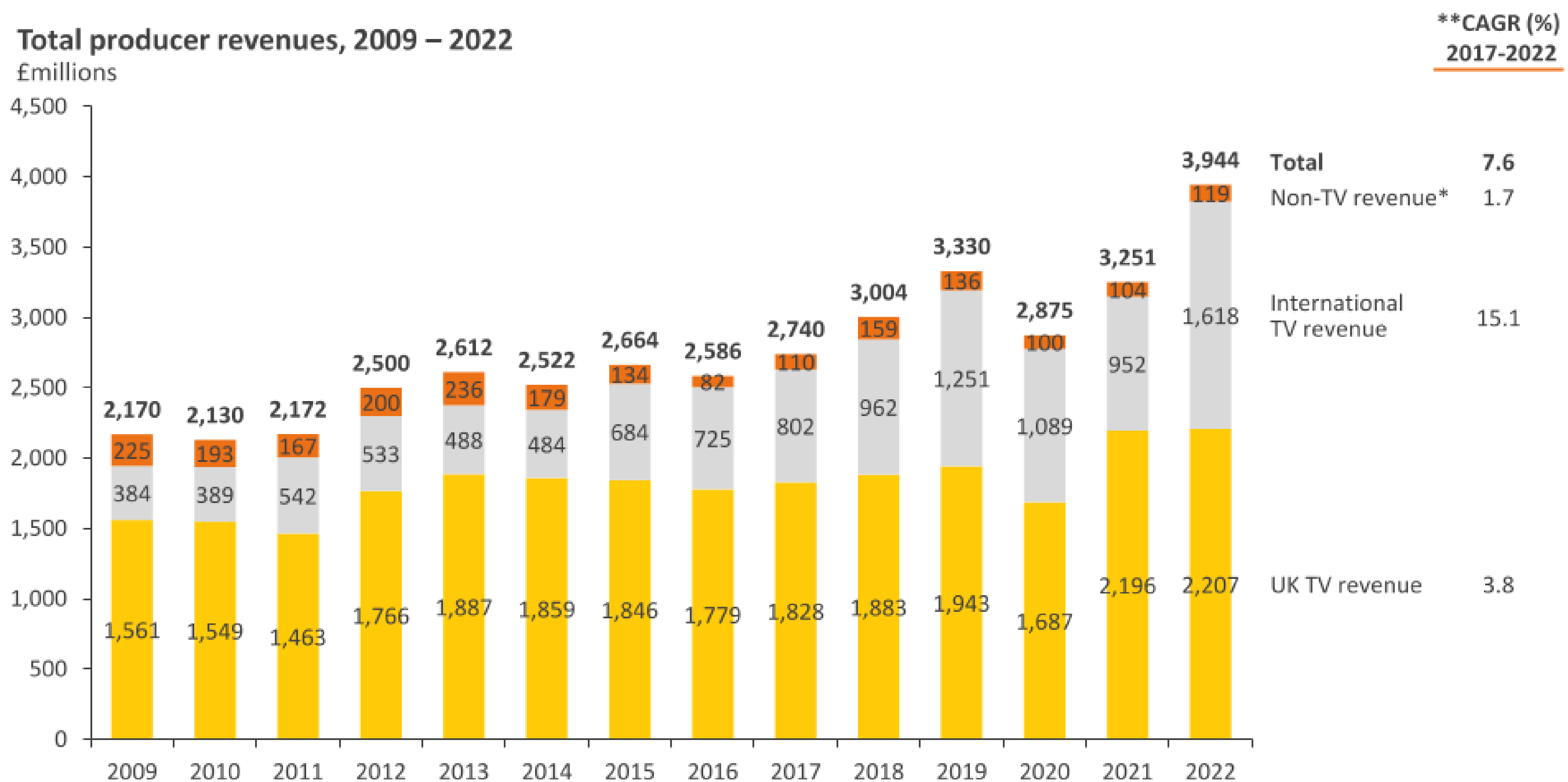
International commissioning growth was driven by the return of numerous major UK productions such as *The Crown*, and the entry of major SVOD players like Apple TV+ and Disney+ into the UK commissioning market in combination with a renewed emphasis from SVODs on local production to attract and retain subscribers.

Domestic TV revenues maintained the high levels experienced in 2021, showing slight growth and continuing to exceed £2 billion.

Total sector revenues recovered to £3,944 million in 2022

Total revenues grew by 21.3 per cent in 2022, having grown by 13 per cent the year before as the rebound from the COVID-19 impact continued. Revenues are now above pre-pandemic levels

Total producer revenues, 2009 – 2022
£millions



Note: *Non-TV revenue includes corporate production, new media and other non-TV activities such as online publishing, talent management, promotions, public relations and feature films, ** CAGR = Compound Annual Growth Rate, the average growth rate per year over a time period

Source: Pact UK Television Production Census 2023, Oliver & Ohlbaum analysis

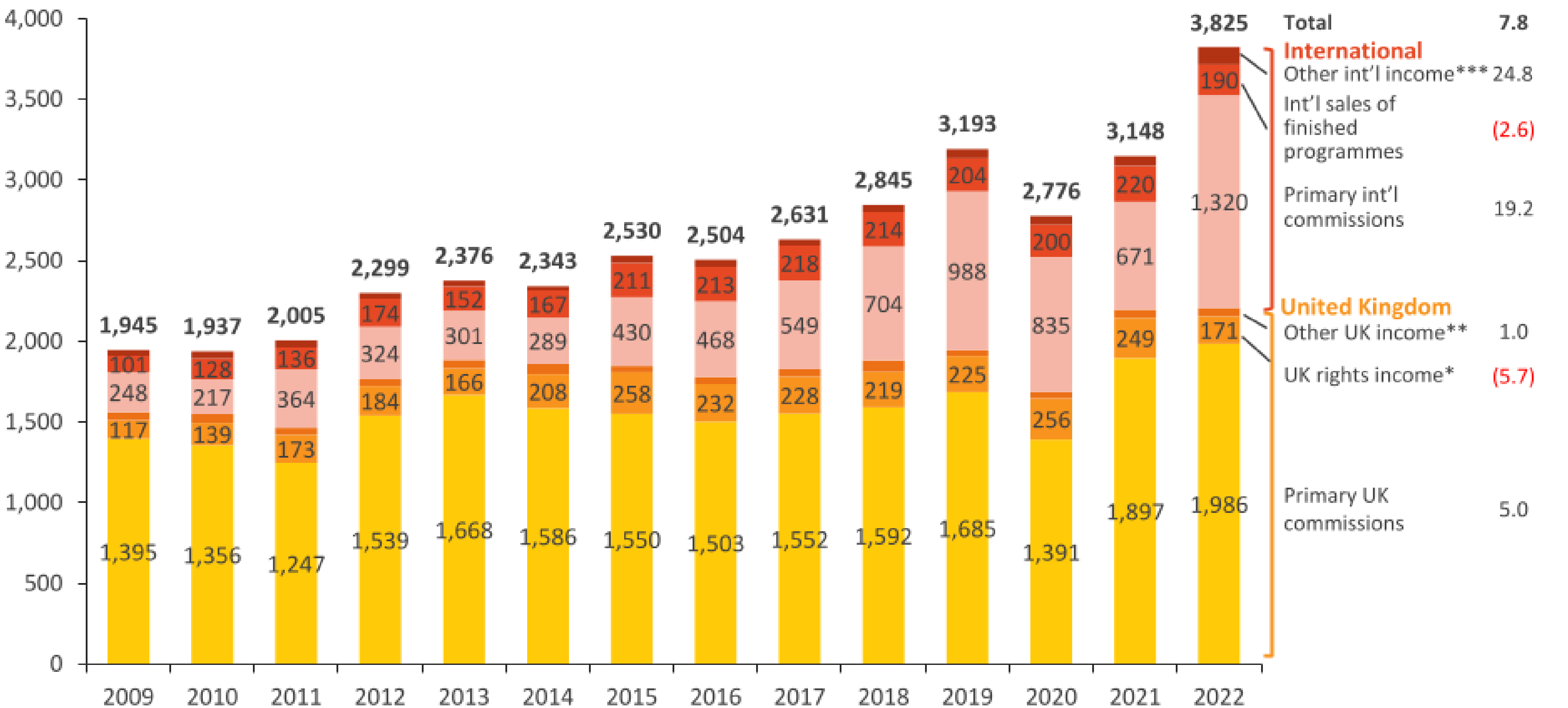
TV related revenues reached a new high of £3,825 million in 2022

UK commissioning revenues grew steadily, while international primary commissions almost doubled from 2021. This growth aligns with pre-pandemic levels, reflecting the entry of major players like Apple and Disney

Producer TV-related revenues, by type and source, 2009 – 2022

£millions

CAGR (%) 2017-2022



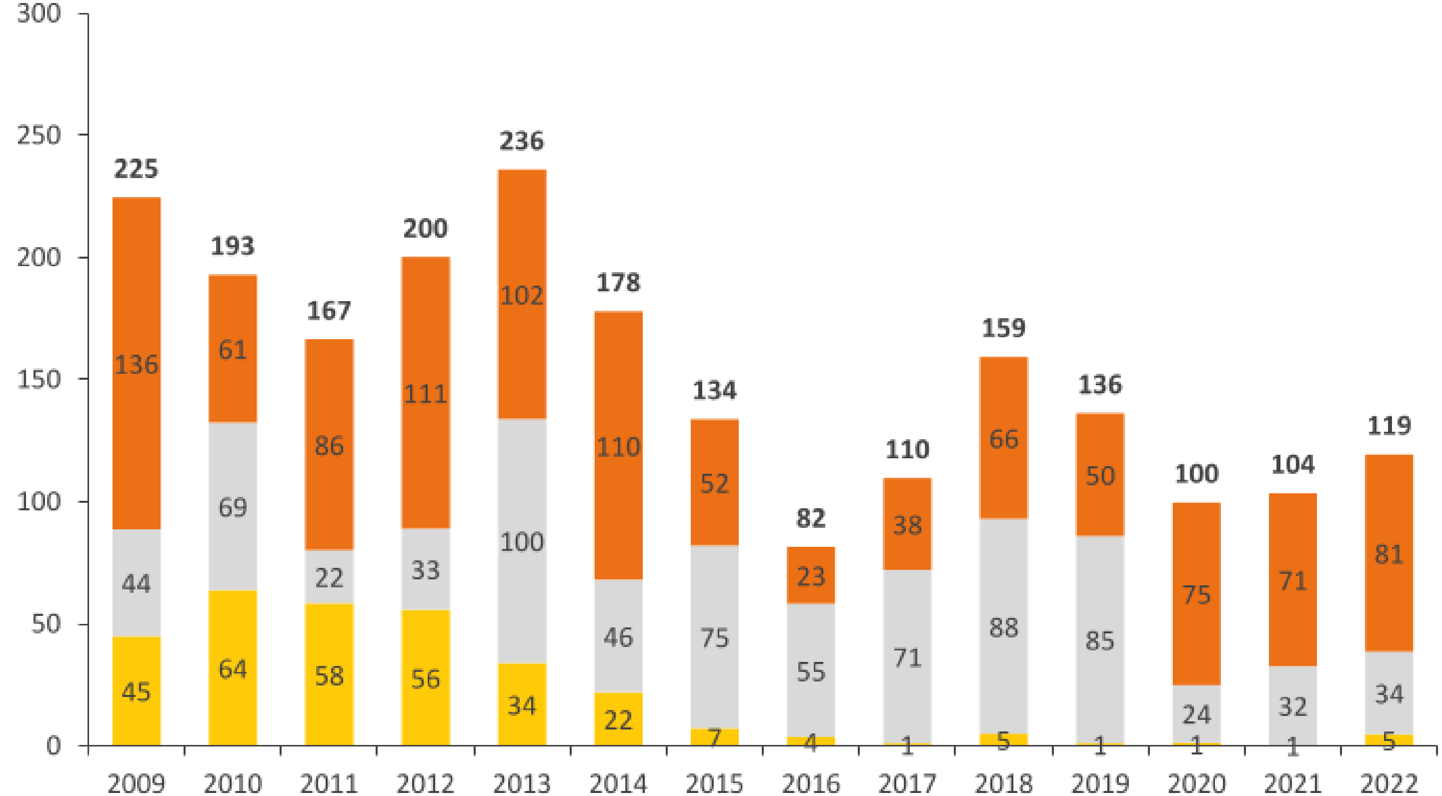
Note: **'UK rights income' – UK secondary sales, merchandising, formats, home entertainment etc.; **'Other UK income' – pre-production and other TV-related revenue; ***'Other int'l income' – international rights (excl. finished programme sales), pre-production & other TV-related revenue*

Source: *Pact UK Television Production Census 2023, Oliver & Ohlbaum analysis*

Non-TV revenues have experienced steady growth in 2022

Having fallen in 2019 and 2020, non-TV revenues grew 15.3 per cent year-on-year in 2022. This growth was spread across all types of other non-TV revenues, although revenues from new media remained below pre-pandemic levels

Producer non-TV revenues, by type, 2009 – 2022
£millions



	CAGR (%) 2017-2022
Total	**1.7**
Other*	16.5
New media**	(13.8)
Corporate***	34.4

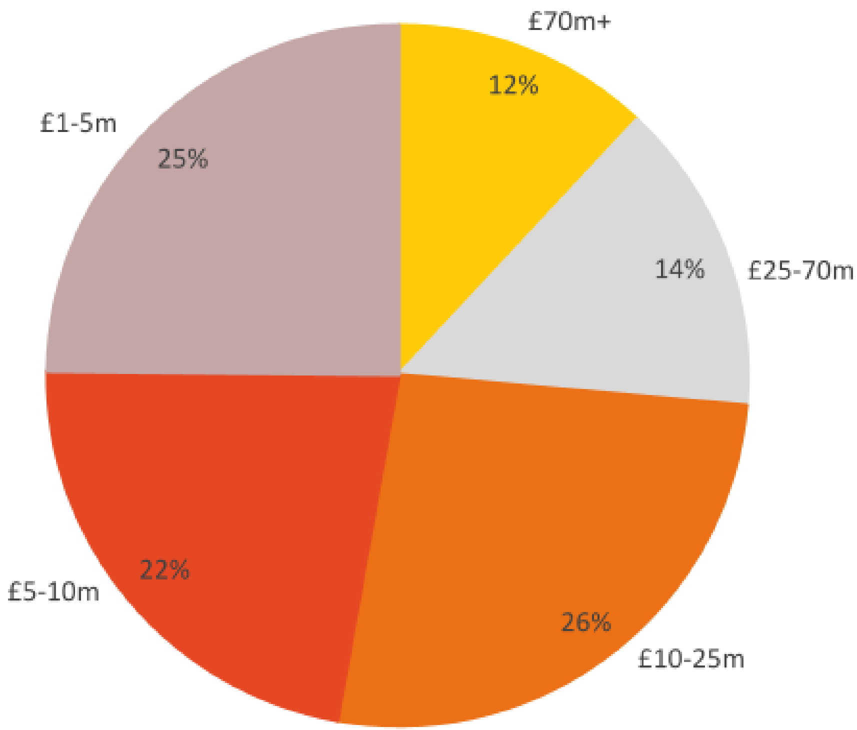
*Note: *'Other' includes online publishing, talent management, promotions, public relations & feature films. **'New Media' includes websites, apps, social media & games. ***'Corporate' includes B2B, promotional & educational material and similar not produced for public television*

Source: Pact UK Television Production Census 2023, Oliver & Ohlbaum analysis

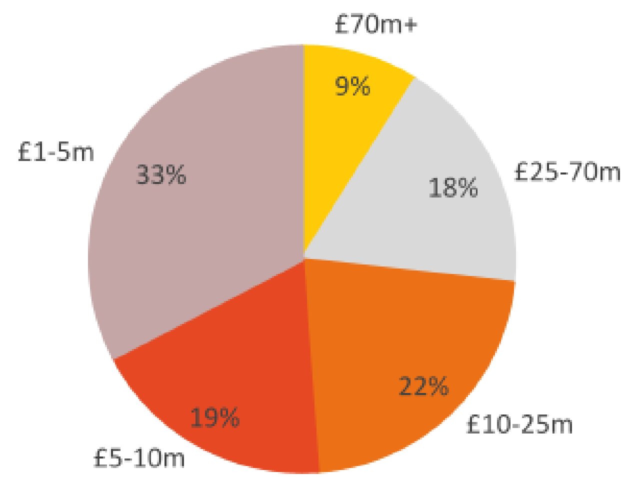
Numerous production companies progressed into higher turnover bands in 2022

Smaller producers remained the largest segment, but their share has declined due to numerous companies from 2021 achieving higher turnover. As a result, the share of mid-sized production companies earning £5-25 million increased

Distribution of the number of independent production companies, by turnover bracket, 2022



Distribution, 2021



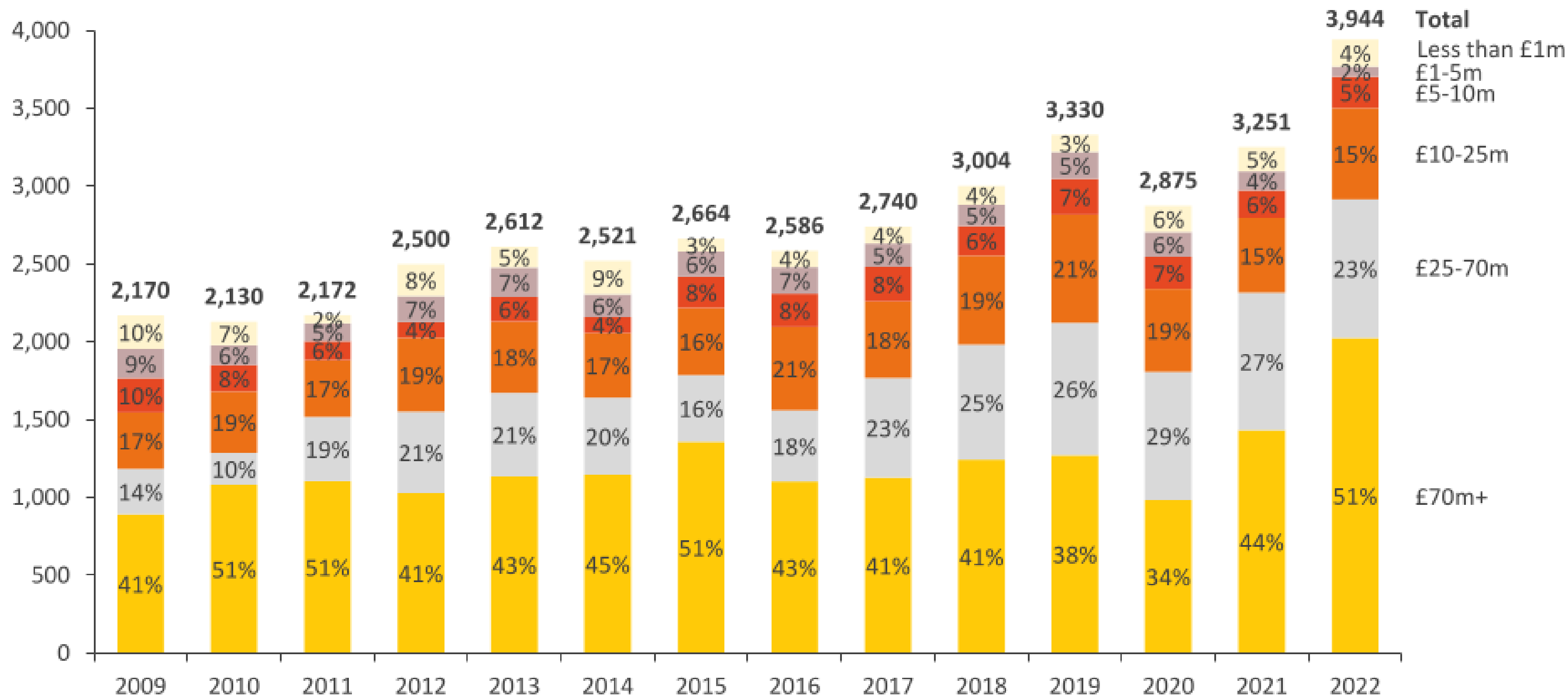
Note: Results are based on 149 individual companies. Individual companies belonging to a larger group are only counted as part of the group. In addition to the companies above, based on analysis from Broadcast, we estimate there are circa 250+ small producers with an annual turnover of less than £1m. Percentages may not add up to 100% due to rounding of figures

Source: Broadcast, Pact UK Television Production Census 2023, Oliver & Ohlbaum analysis

2022 recovery was driven by increased revenues for the largest producers

£70 million+ producers saw the biggest growth in revenues and share, largely due to the increased number of producers in this turnover bracket as well as major international commissions tending to go to larger producers

Share of total producer revenues, by turnover bracket, 2009 – 2022
£millions, %



Source: Pact UK Television Production Census 2023, Oliver & Ohlbaum analysis

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UK commissioning trends – Summary

UK commissioning revenue reached its highest ever level of £1,986. Most primary commissioning revenue originated from PSBs, while multichannel achieved their highest percentage share

Total UK commissioning revenues increased by 4.7 per cent year on year, reaching £1,986 million, their highest ever value.

Much of this revenue still derived from the UK's four PSB network groups, while multichannel continued to grow their investment in UK primary commissions.

Both share of spend on new IP and share of spend by genre remained broadly similar with levels seen in 2021.

PSB commissioning spend reached its highest ever level of £1,517 million in 2022

- Up by £63 million, or 4.4 per cent, on the levels seen in 2021. This was likely planned spend to support the growth of their digital services

Commissioning spend from multichannel also reached a new height of £469 million

- This represented a 5.9 per cent increase on 2021. Additionally, multichannel share of external UK commissioning spend reached its highest ever level of 24 per cent

New IP accounted for 34 per cent of total UK primary commissioning spend

- BBC was the largest spender on new programming, significantly increasing its share of commissioning spend in new programming to 41 per cent in 2022

Spend on factual entertainment shrunk the most of any genre in 2022

- Spend on drama continued to grow, reaching 37 per cent of all UK spending in 2022

Key Trends – UK commissioning trends

Total UK commissioning revenues increased by £1,986 million in 2022, an increase of 4.7 per cent on 2021.

The largest producers benefitted the most from this growth with numerous producers progressing into higher turnover bands. As a result, over half of all commissioning spend went to producers with a turnover of above £70 million in 2022.

The share of PSB commissions received by producers in each turnover band remained similar to previous years. While spend increased from both multichannel and PSB commissioners.

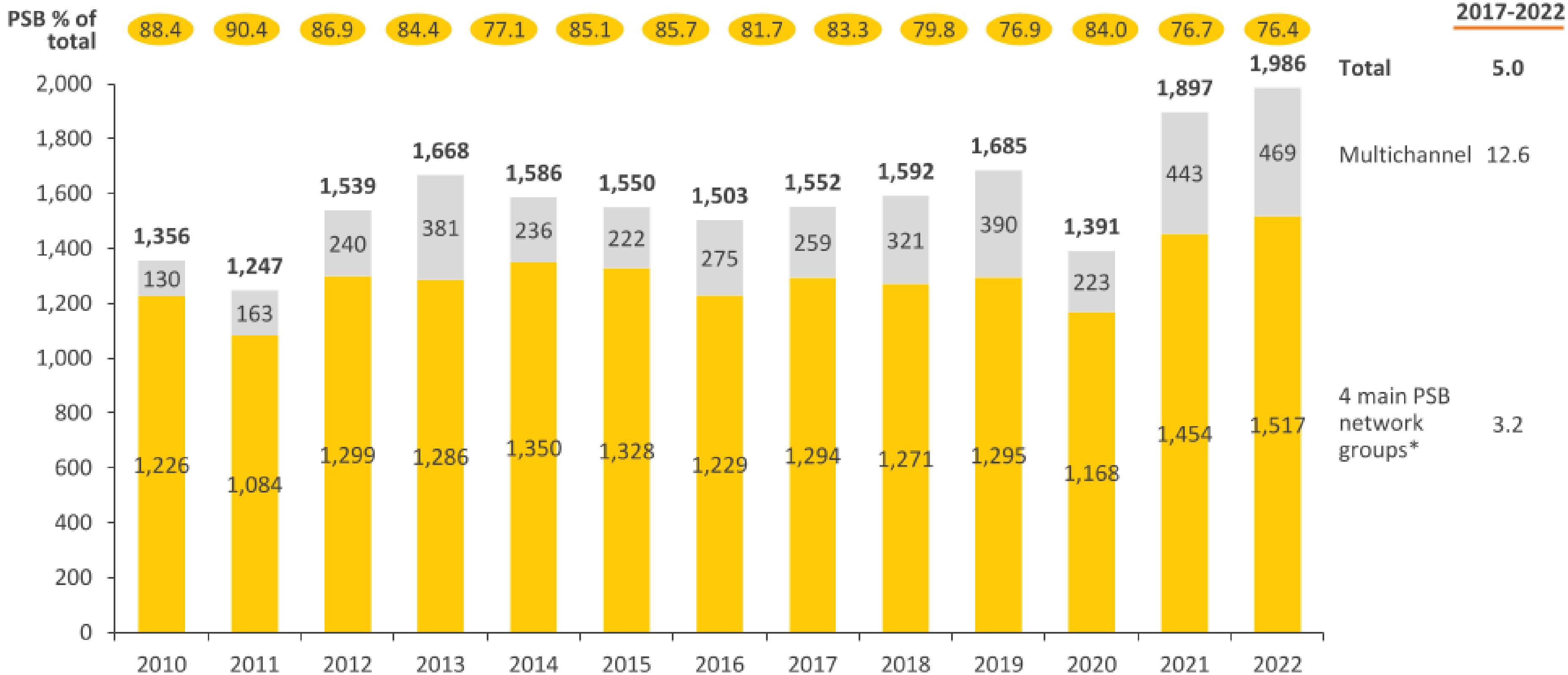
Increases in spend were likely partially driven by broadcasters looking to bolster their portfolio of original programming in order expand the appeal of their digital services.

Drama remained the most valuable genre, with entertainment maintaining a significant share of spend. Although there was a decrease in spend on factual entertainment in 2022, it still ranked as the third most valuable genre.

UK primary commissions increased by £89 million in 2022

UK primary commissions reached their highest level yet in 2022. Multichannel and PSB spend with external indies and NQIs grew by 5.9 per cent and 4.4 per cent respectively, with multichannel total share rising to 24 per cent

Value of UK TV commissions, by type of broadcaster, 2010 – 2022
£millions



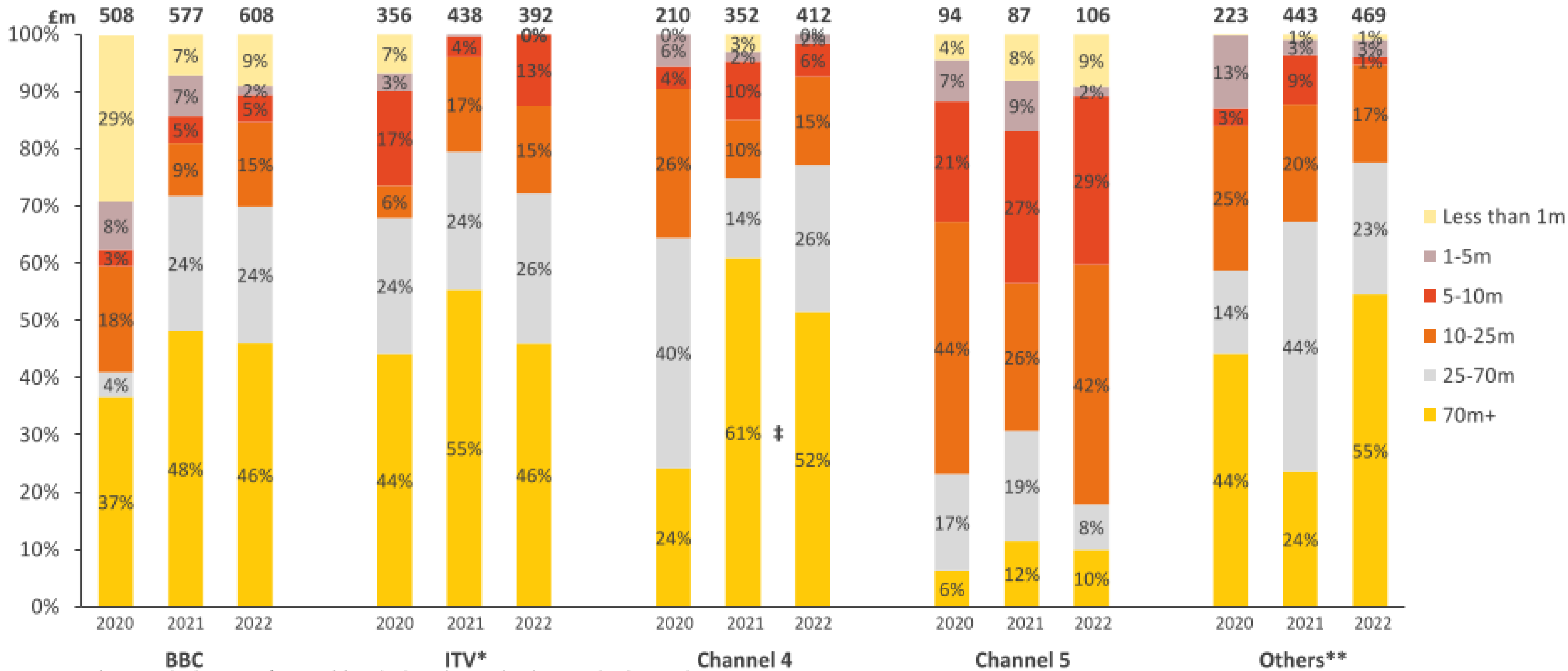
Note: *Includes the main and spin-off channels for the BBC, ITV, Channel 4 and Channel 5 network groups
Source: Pact UK Television Production Census 2023, Oliver & Ohlbaum analysis

Broadcasters continued to commission from a diverse range of producers

The share of PSB commissions received by producers in each turnover band remained similar to levels seen in 2021, with share to £70m+ producers slightly down. Other broadcasters increased their spend with the largest producers

Commissioning value by UK broadcaster split by company turnover band, 2020 – 2022

% of spend on producers included in Census



Note: **ITV includes STV / UTV, **Includes Sky and other multichannel groups,*

†Our broadcaster spend figures may differ from those reported by the broadcasters as our numbers are estimated from a survey of producers that covers the latest financial year, rather than calendar year; there may also be timing differences between when revenues are recognised

‡ The change in £70m+ producers' share is largely due to existing production partners of C4 moving up turnover bands, rather than a change in commissioning habits from the broadcaster

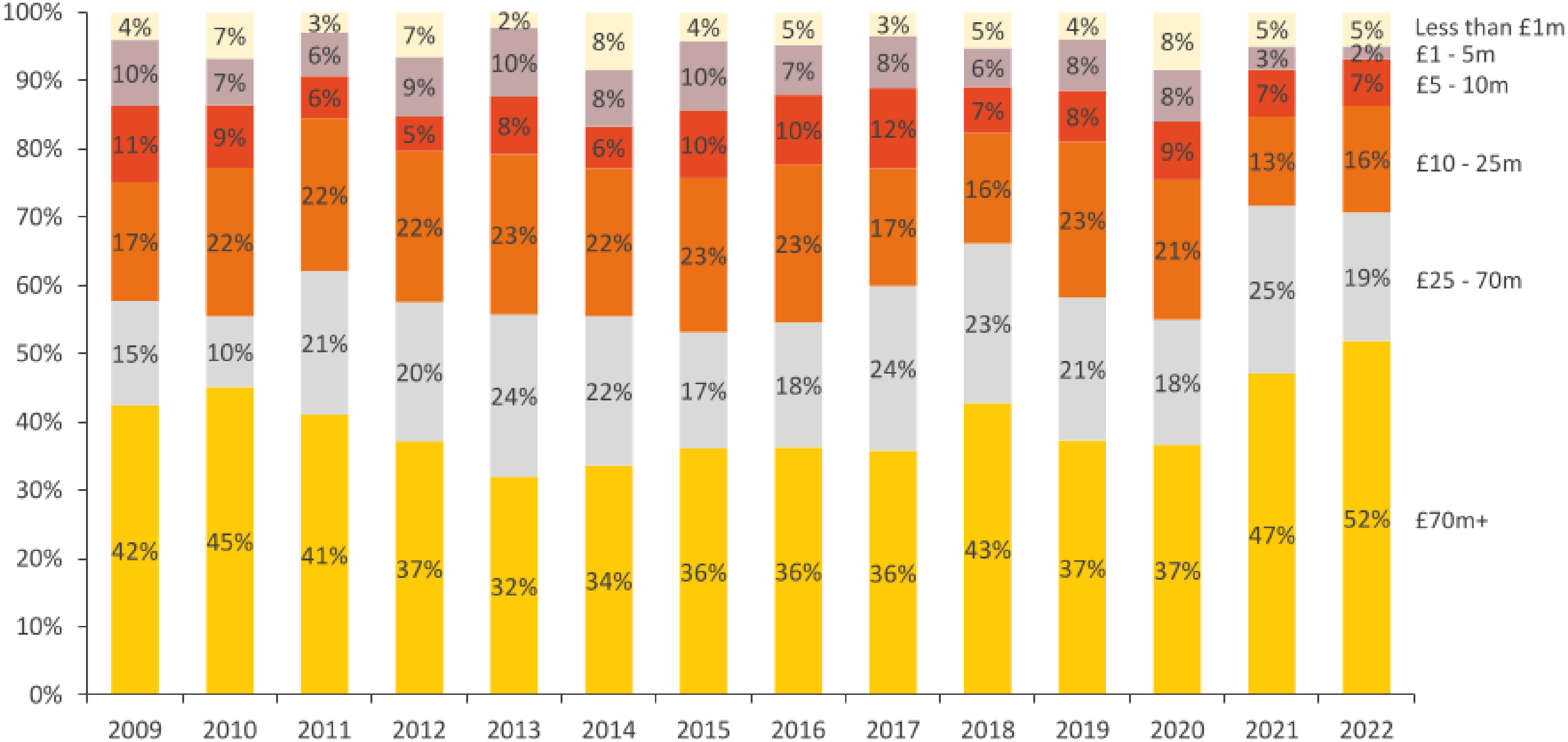
Source: Pact UK Television Production Census 2023, Oliver & Ohlbaum analysis

Commissioning spend share with the largest producers continued to increase

Increased growth of medium to large producers led to a continued upturn in commission spend share with producers in the £70m+ turnover band

Share of total spend on UK produced primary commissions, by turnover band of producer, 2009 – 2022

% of spend on producers included in Census



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Less than £1m	4%	7%	3%	7%	2%	8%	4%	5%	3%	5%	4%	8%	5%	5%
£1 - 5m	10%	7%	6%	9%	10%	8%	10%	7%	8%	6%	8%	8%	3%	2%
£5 - 10m	11%	9%	6%	5%	8%	6%	10%	10%	12%	7%	8%	9%	7%	7%
£10 - 25m	17%	22%	22%	22%	23%	22%	23%	23%	17%	16%	23%	21%	13%	16%
£25 - 70m	15%	10%	21%	20%	24%	22%	17%	18%	24%	23%	21%	18%	25%	19%
£70m+	42%	45%	41%	37%	32%	34%	36%	36%	36%	43%	37%	37%	47%	52%

Note: Results are calculated at market size, based on Census returns, and are subject to sample change effects in each year

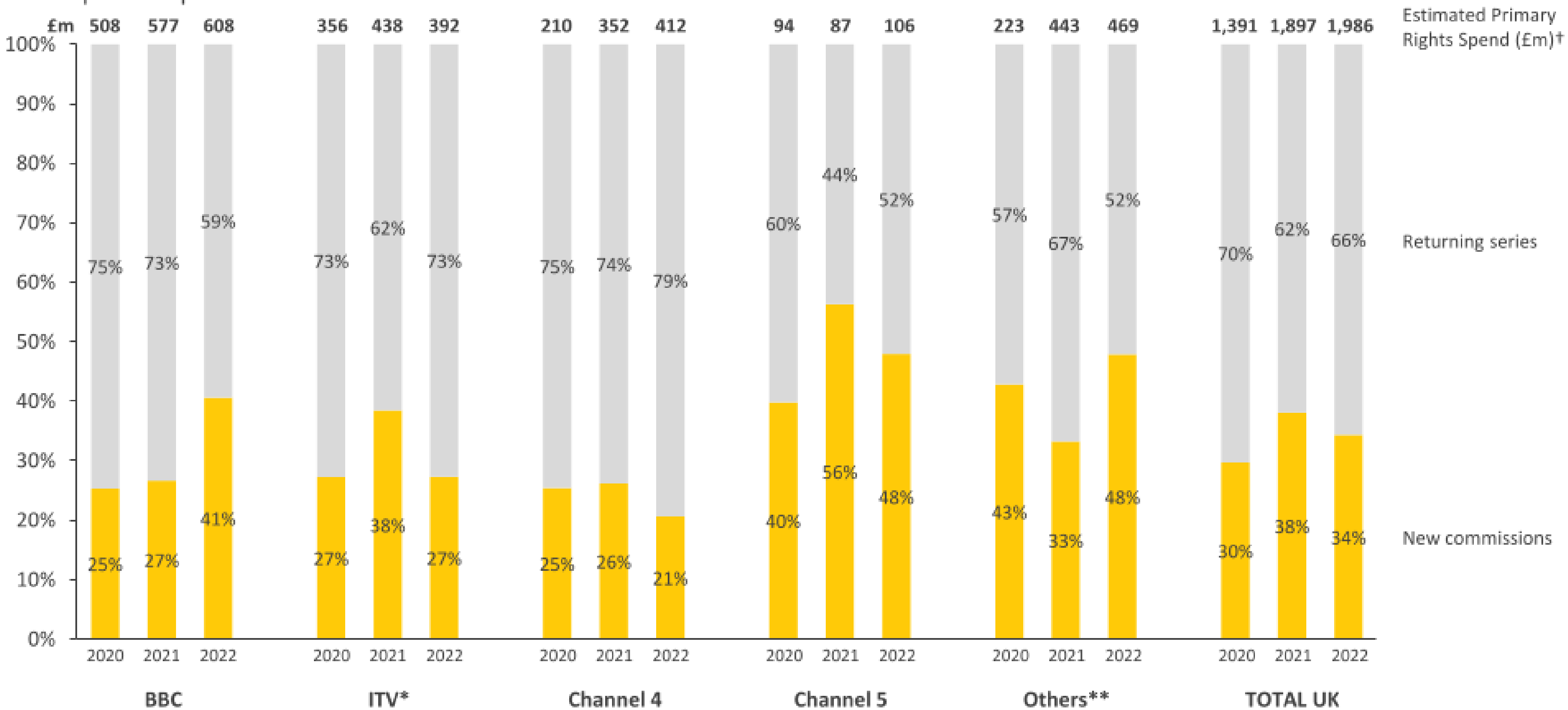
Source: Pact UK Television Production Census 2022, Oliver & Ohlbaum analysis

New IP's share of total UK commissioning decreased to 34 per cent

BBC increased its share of total commission spending on new IP, remaining the highest individual spender on new IP content in absolute terms. All other PSBs decreased their share of spend on new IP from 2021

UK commissions value, by broadcaster – new commissions & returning series, 2020 – 2022

% of spend on producers included in Census



Note: *ITV includes STV / UTV, **Includes Sky and other multichannel groups,
†Our broadcaster spend figures may differ from those reported by the broadcasters as our numbers are estimated from a survey of producers that covers the latest financial year, rather than calendar year; there may also be timing differences between when revenues are recognised

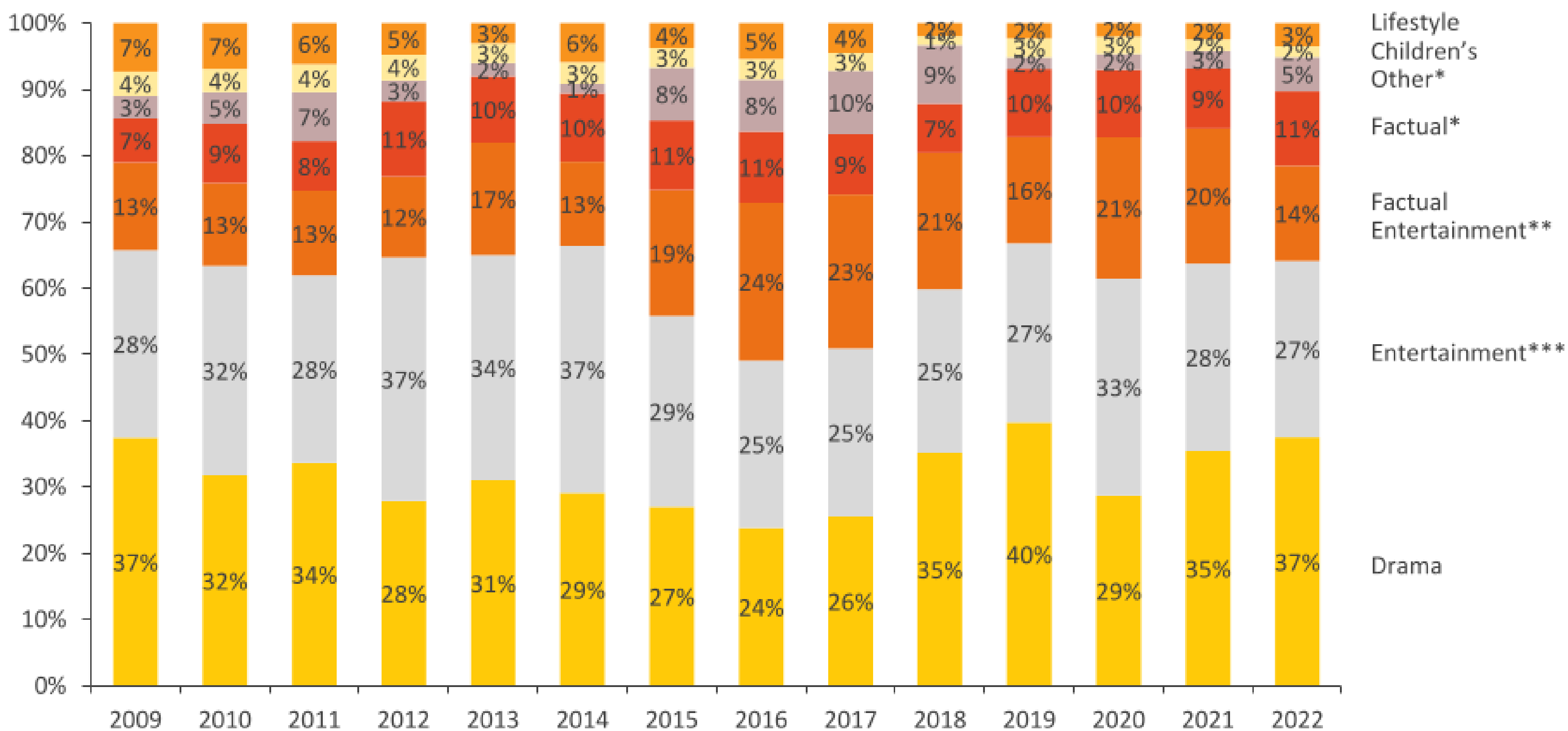
Source: *Pact UK Television Production Census 2023, Oliver & Ohlbaum analysis*

Share of spend by genre in 2022 remained similar to 2021 levels

Drama remained the largest genre in terms of spend. Entertainment and Factual Entertainment continued to account for over 40 per cent of all commissioning

Value of UK commissions, by genre, 2009 – 2022

% of spend on producers included in Census



Note: **'Other' includes Arts & Classical music, Education, News & Current Affairs, Religion, Special Events and Sport programming,*
***'Factual entertainment' covers such programmes as showbiz/gossip, reality shows and fly on the wall documentaries,*
**** 'Entertainment' is inclusive of comedy*

Source: *Pact UK Television Production Census 2023, Oliver & Ohlbaum analysis*

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- Total international TV revenue grew to £1,618 million, its highest ever level, following two years of decline
- Primary international commissions grew by 97 per cent in 2022, to a new high of £1,320 million
- Secondary rights revenue declined in 2022 to £407 million

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International and rights revenues – Summary

International revenues grew to a new high of £1,618 million in 2022, an increase of 70 per cent year-on-year from 2021. Primary international commissions alone grew from £649 million to £1,320 million

In 2022, total international revenues surpassed £1.6 billion, rebounding from two consecutive years of decline largely as a result of COVID.

This recovery and growth can be attributed to several factors, including the return of several major productions commissioned by SVODs established in the UK market, and SVODs' renewed focus on investment in local content.

Secondary rights declined by £102 million, likely due to commissioners seeking more rights to be included within the primary commissioning arrangement.

Total international revenues grew to £1,618 million in 2022, a 70 per cent increase on 2021

- Primary international commissions grew by 97 per cent in 2022, to a new high of £1,320 million
- International linear TV commissioning revenue grew by £252 million, or 68 per cent, from 2021 yet remained slightly below the pre-pandemic peak
- International digital services commissions spend grew by 133 per cent to £696 million as new international streamers entered the market

The largest producers accounted for 54 per cent of international commissioning revenues

Secondary rights revenue exploitation shrunk in 2022 to £407 million

- The largest portion of secondary rights revenue came from international sales of finished programmes, however, this category declined by 15 per cent from 2021.
- Distribution advances continued to account for a significant share of secondary revenue as producers deficit financed projects.

Key Trends – International and rights revenues

Revenues sourced from international markets continued to be a key revenue stream for UK production companies, pumping over £1.6 billion into the market. These revenues represented 41 per cent of overall UK production sector revenues growing from 29 per cent in 2021. This represented a return to the pre-COVID trend, with revenues in 2022 higher than in 2019.

International primary commissioning revenues nearly doubled in 2022, growing by £649 million year-on-year.

Digital service commissions played a large role in this growth, driven in part by entrance of Apple TV+ and Disney+ into the UK commissioning market, alongside the return to production of multiple major UK titles such as *The Crown* and *Sex Education* from established SVODs.

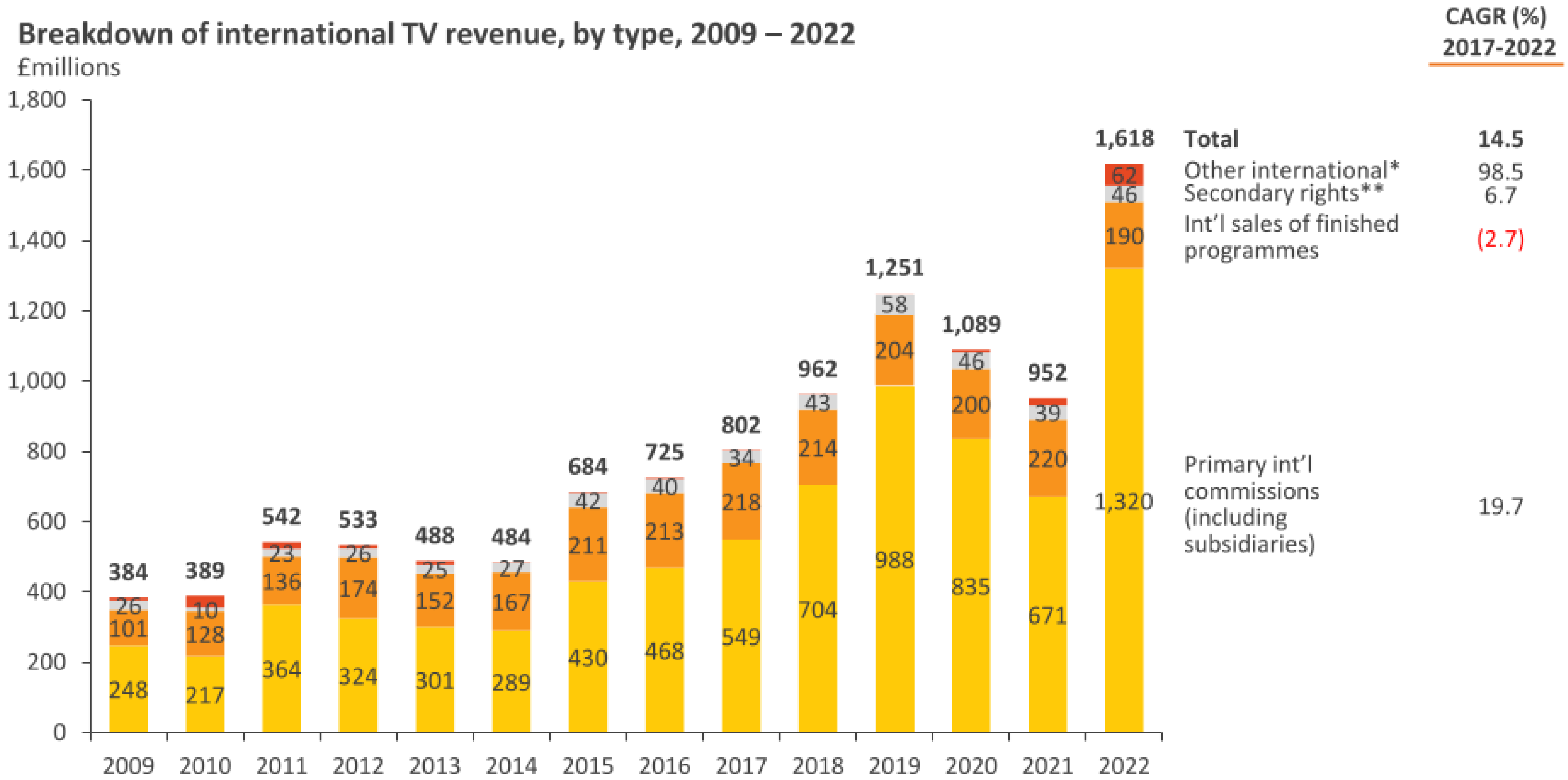
Secondary rights revenues shrunk to £407 million in 2022, £102 million less than 2021 levels. This was likely due to commissioners demanding more rights as part of their primary commissioning fee as IP and VOD rights grew in importance.

Total international TV revenues increased to £1,618 million in 2022

This represented a significant rebound from the previous two years of decline, returning to pre-COVID growth levels. Growth was driven by primary commissions which saw a 97 per cent increase year on year

Breakdown of international TV revenue, by type, 2009 – 2022

£millions



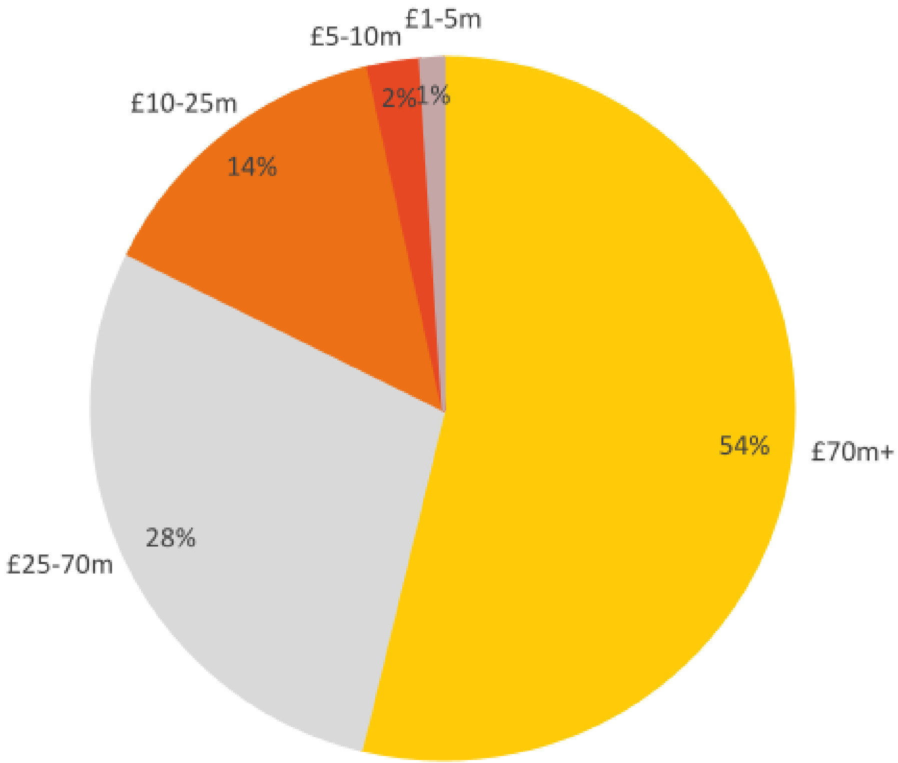
Note: *'Other international' – international TV revenue not attributable to primary rights, secondary rights or distribution
**'Secondary rights' – international secondary rights revenue (excluding sales of finished programmes), this mostly consists of format sales and home entertainment income

Source: Pact UK Television Production Census 2023, Oliver & Ohlbaum analysis

Larger producers accounted for the majority of international commissions

Producers with a turnover >£25 million accounted for 83% of international primary commissioning revenue. This is largely due to international commissioners preferring to work with established producers

Distribution of International Primary Commissions Revenue, by producer turnover bracket, 2022



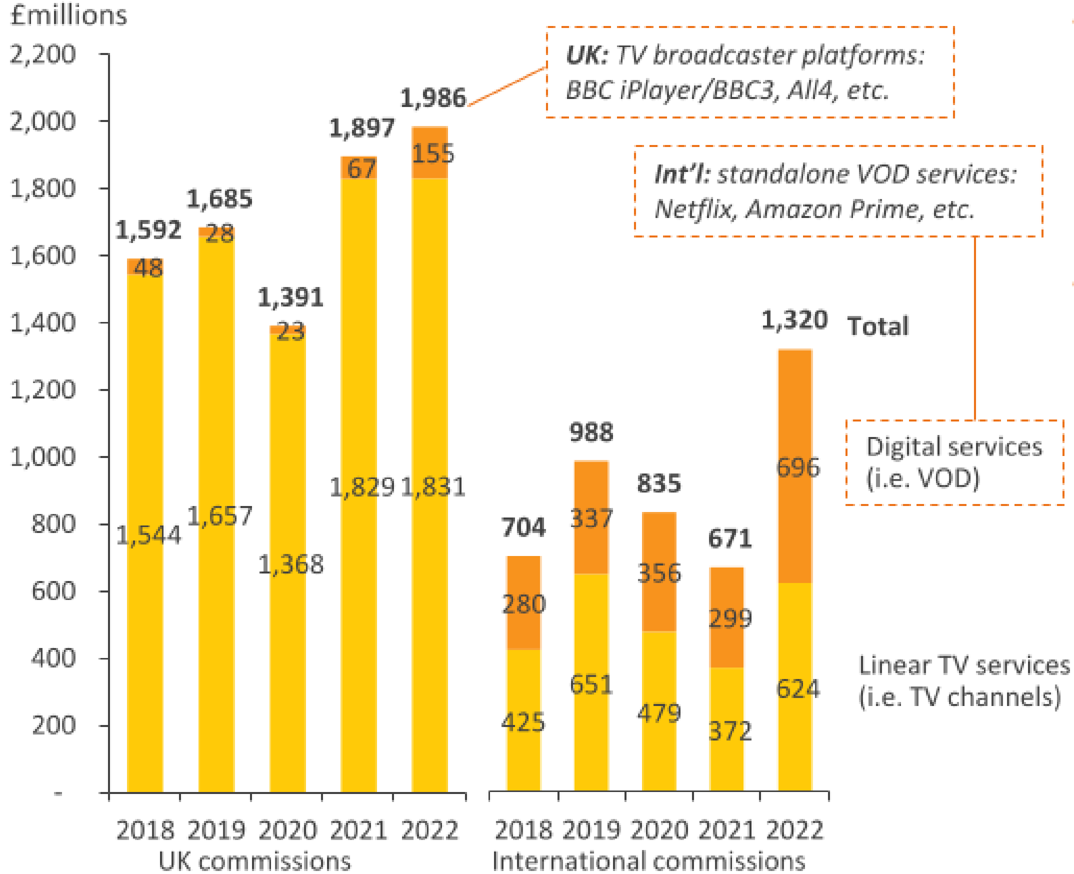
- Large producers dominated international primary commission revenue distribution
- In 2022, companies earning over £70 million received 54% of the total international commissioning revenue
- Producers with turnovers between £25 million and £70 million secured an additional 28% of the international primary commissioning revenue
- International commissioners favour larger producers as they prefer to commission projects from established production companies with a proven record of success
- Additionally, this skew towards larger producers is partially due to the large scale of international commissions, with producers who win such a commission typically pushed into higher turnover categories

Source: Pact UK Television Production Census 2023, Oliver & Ohlbaum analysis

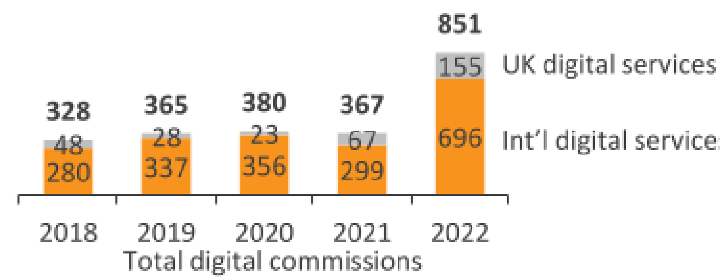
International digital commissioning revenues grew significantly in 2022

Digital commissioning revenues grew by £484 million due to growth across both international and domestic. Some of this growth is likely due to a change in the census methodology

Primary TV rights revenue, by type, 2018 – 2022



- UK digital commissioning increased significantly in 2022 to £155 million, up 129 per cent on 2022. This shift can be attributed to broadcasters' shifting commissioning strategy and prioritisation of their VOD services, as well as a change in methodology to reflect joint broadcast and digital commissions
- Revenues from overseas commissioners grew by 97 per cent in 2022 to £1,320 million; made up of a 68 per cent year-on-year increase for linear commissions and a 133 per cent increase for digital. This rise was likely due to the return of major SVOD titles and the continued attractiveness of the UK TV market to global buyers



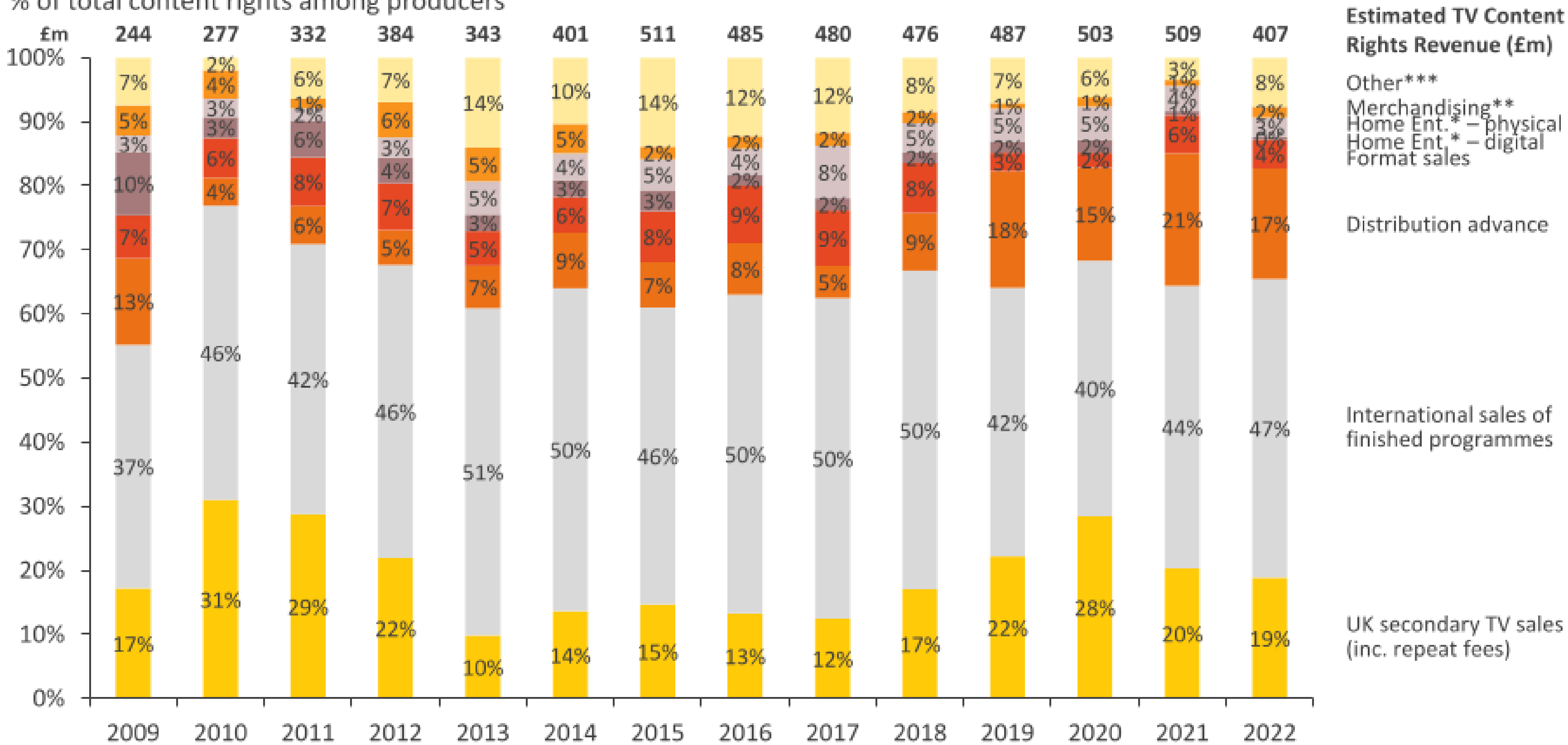
Note: *Other types of digital services have also been covered but the stated examples represent the main types of service within UK and Int'l categories*
Source: *Pact UK Television Production Census 2023, Oliver & Ohlbaum analysis*

Secondary rights revenues shrunk to £407 million in 2022

This decline was likely due to commissioners demanding more rights such as IP ownership and VOD windows within the primary commissioning fee. Distribution advances remained high, as producers continue to deficit finance projects

Revenues from TV content rights, by category, 2009 – 2022

% of total content rights among producers



Note: *'Home Ent.' – home entertainment revenues covering DVD & video (physical) & VoD rental & download-to-own (digital); **'Merchandising' – all merchandise licensing including publishing and video games; ***'Other' – includes advertising, premium rate telephone services, and other activities such as music publishing, live events, gambling & ancillary rights*

Source: *Pact UK Television Production Census 2023, Oliver & Ohlbaum analysis*

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