UK Television Production Survey

Financial Census 2021

July 2021

A report by Oliver & Ohlbaum Associates for Pact

Contents

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Total sector revenues declined for the first time since 2016, reaching £2,875 million

In a year disrupted by difficulties caused by the COVID-19 pandemic, total sector revenues fell by £450 million

Following three consecutive years of strong growth, total UK television production sector revenues experienced a decline in 2020.

The COVID-19 pandemic led to many producers being unable to continue active productions in 2020, with activities often either delayed or cancelled causing a significant impact on the sector.

Sector revenues were affected, most notably in primary commissions, which had previously been one of the strongest growth areas for UK producers. Despite this, revenue generated by commissions from standalone on-demand services such as Netflix and Amazon Prime grew again in 2020, reaching £356m.

With major disruption in production activities and many commissioners looking to reduce expenditure in uncertain times, secondary rights revenues became an increasingly important revenue stream for UK producers in 2020. This segment grew to over £500 million in 2020, its highest level since 2015.

Total revenues declined by 14%

Sector revenues fell to £2,875 million in 2020

International revenues reached £1,089 million

The total for 2020 is the second highest after 2019

UK TV fell by £257 million

Domestic TV revenues were hit hardest in 2020

Secondary rights grew to over £500 million

Revenues from secondary rights grew to the highest level since 2015

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, 64 completed responses were received. These companies represent around 76% 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 2019 and 2020.

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
  - The 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

After three consecutive years of growth to 2019, the UK television production sector declined in 2020, with total revenues slipping to £2,875 million. Falling domestic TV revenues accounted for more than half of the total decline

As much of 2020's production activities were disrupted by the outbreak of the COVID-19 pandemic, total sector revenues fell by 14% to £2,875 million in 2020, representing the first decline in revenue since 2016.

Both domestic and international TV revenues declined in 2020, largely driven by a reduction in primary commissioning spend from traditional broadcasters.

The only area of growth for the sector came in secondary rights sales as producers looked to extract additional value when unable to continue active productions.

Overall commissioning revenues fell by 17% in 2020 to £2,226 million

- Despite this, commissioning revenues accounted for 80% of all sector revenues

International revenues declined by 13% in 2020 to £1,089 million

- Despite this overall decline, international commissions from digital services remained one of the few growth areas in 2020

Domestic TV revenues declined significantly in 2020

- Total UK TV revenues dropped by £257m to £1,687 million in 2020, a 13% reduction on 2019

Non-TV revenues declined for the second consecutive year

- Revenues from non-TV activities fell by £36m in 2020, with much of the reduction coming from faltering New Media revenues

Key Trends – Revenue growth

With the sector struggling from heavy disruption due to the COVID-19 pandemic, revenues faltered in 2020, falling for the first time since 2016.

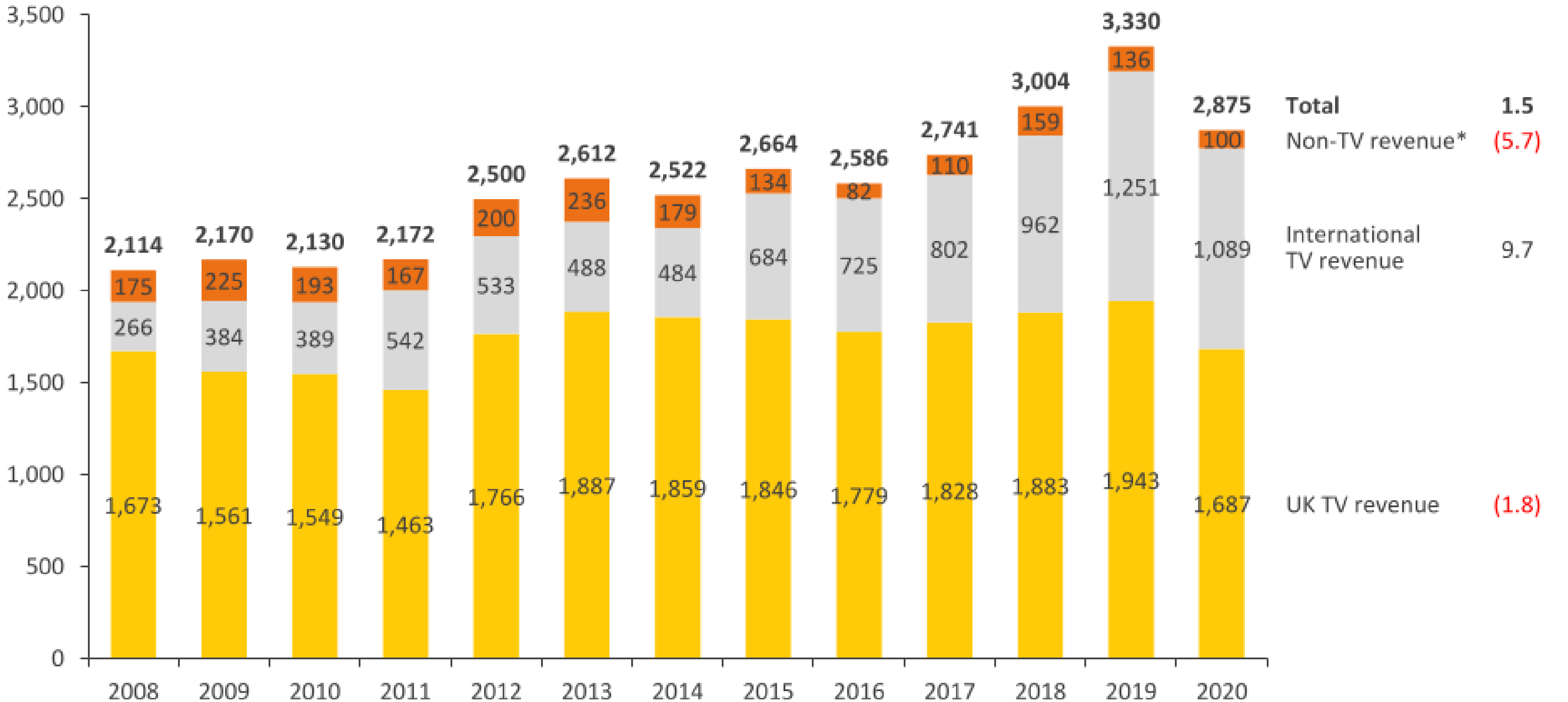
A decline in international revenues came after an extended period of strong growth in the international market for UK producers. Revenues declined by £161 million, largely brought on by falling revenues from primary commissions, which were down £153 million in 2020. Despite this, international revenues still reached £1,089 million in 2020.

Domestic TV revenues hit their lowest mark since 2011, falling to £1,687 million in 2020.

Total sector revenues fell to £2,875 million in 2020

Total revenues decreased by 14% on 2019, largely related to the significant disruption stemming from the COVID-19 pandemic. Both UK and international revenues were similarly affected

Total producer revenues, 2008 – 2020
£millions

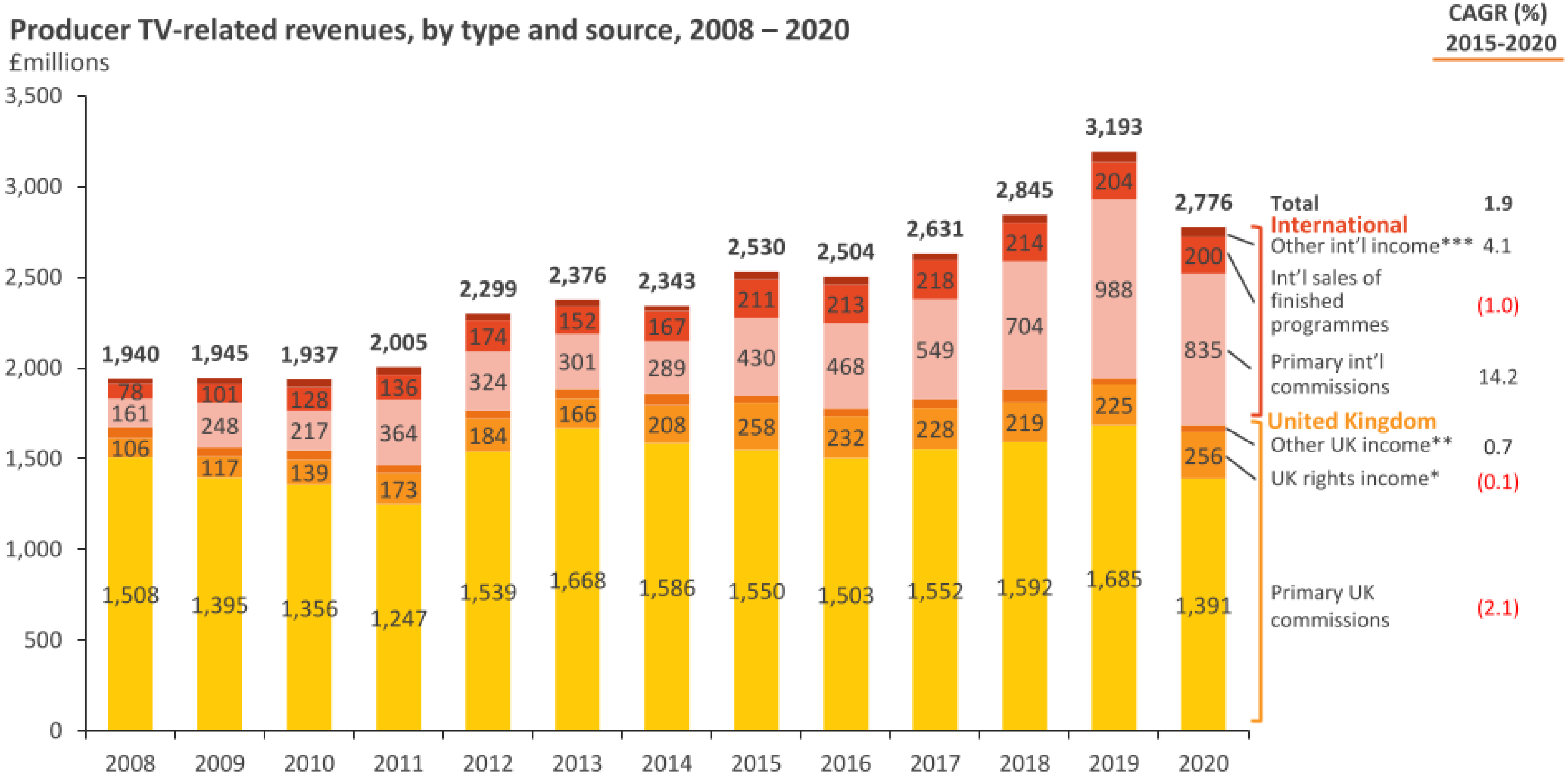


Note: *Non-TV revenue includes corporate production, new media and other non-TV activities such as online publishing, talent management, promotions, public relations and feature films, ** CAGR = Compound Annual Growth Rate, the average growth rate per year over a time period

Source: Pact UK Television Production Census 2021, Oliver & Ohlbaum analysis

Primary commission income was impacted the most in 2020

In 2020 both UK and international primary commission revenue fell significantly; by 17% and 15% year-on-year respectively, as many productions were postponed. However, secondary rights sales were more resilient



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 2021, Oliver & Ohlbaum analysis

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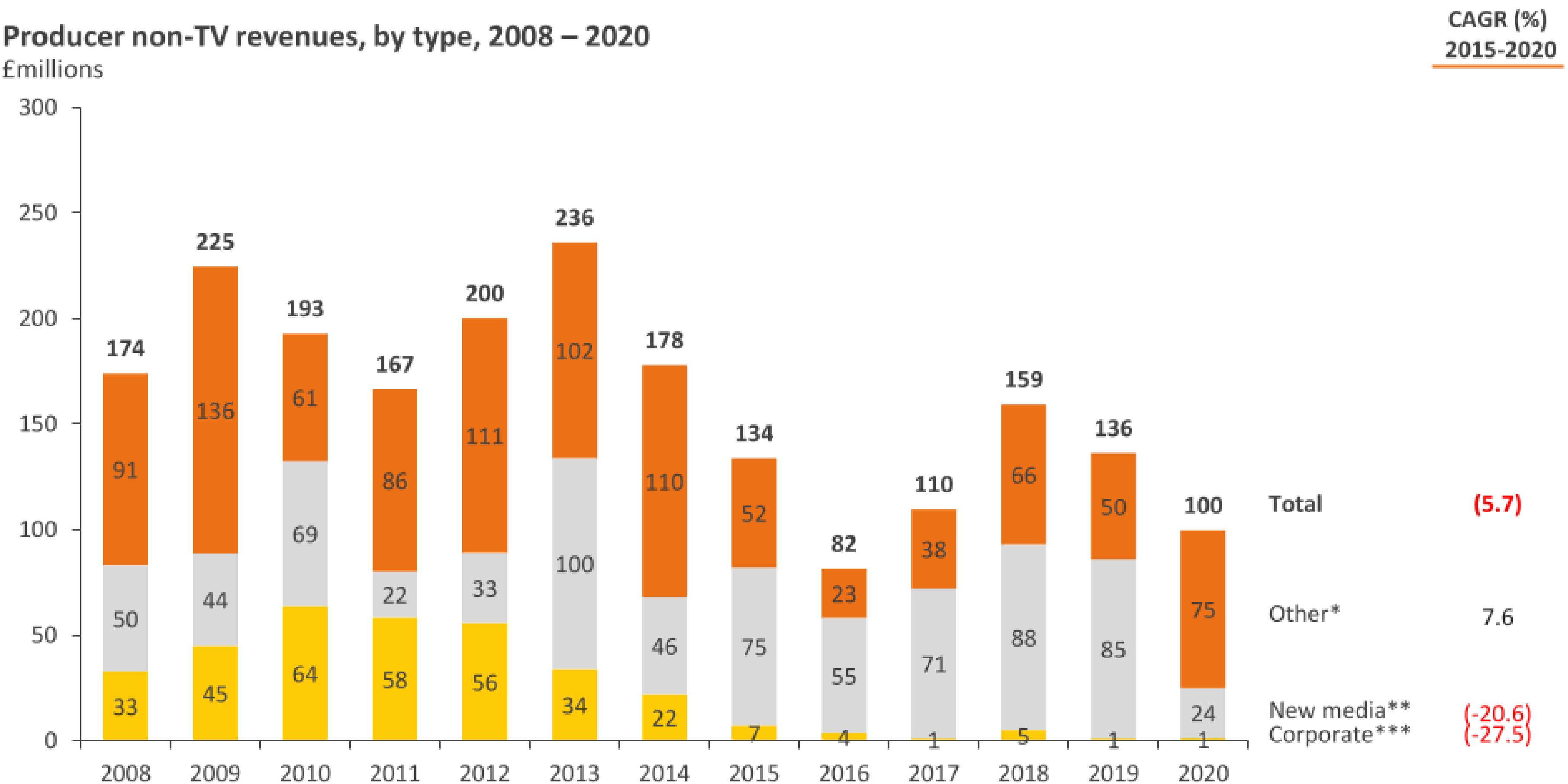
The recent trend in declining non-TV revenues continued

New media activities suffered significantly but this was offset slightly by a large increase in 'Other' revenues – fuelled predominantly by feature film activity

Producer non-TV revenues, by type, 2008 – 2020
£millions



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 2021, Oliver & Ohlbaum analysis

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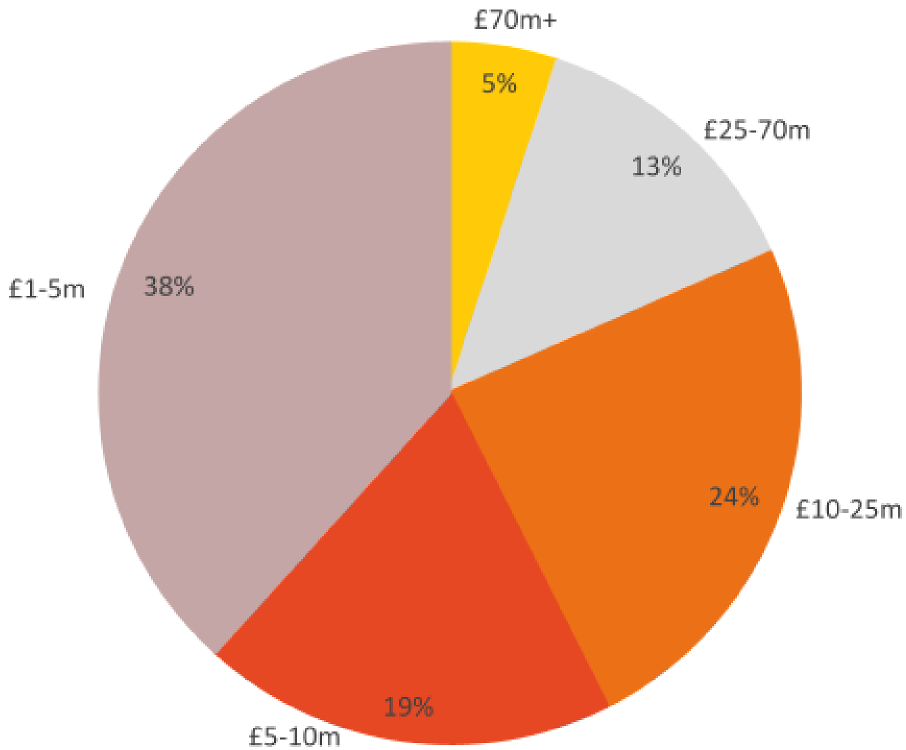
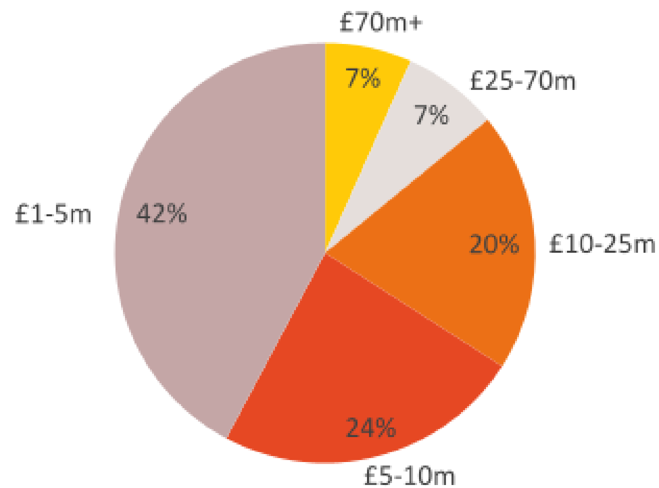
The make-up of the production sector remained largely unchanged in 2020

Despite continuing consolidation in the sector, relatively little change was seen in the composition of the sector in 2020, with smaller producers continuing to represent the largest segment

Distribution of the number of independent production companies, by turnover bracket, 2020



Distribution, 2019



Note: Results are based on 171 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 260 small producers with an annual turnover of less than £1m

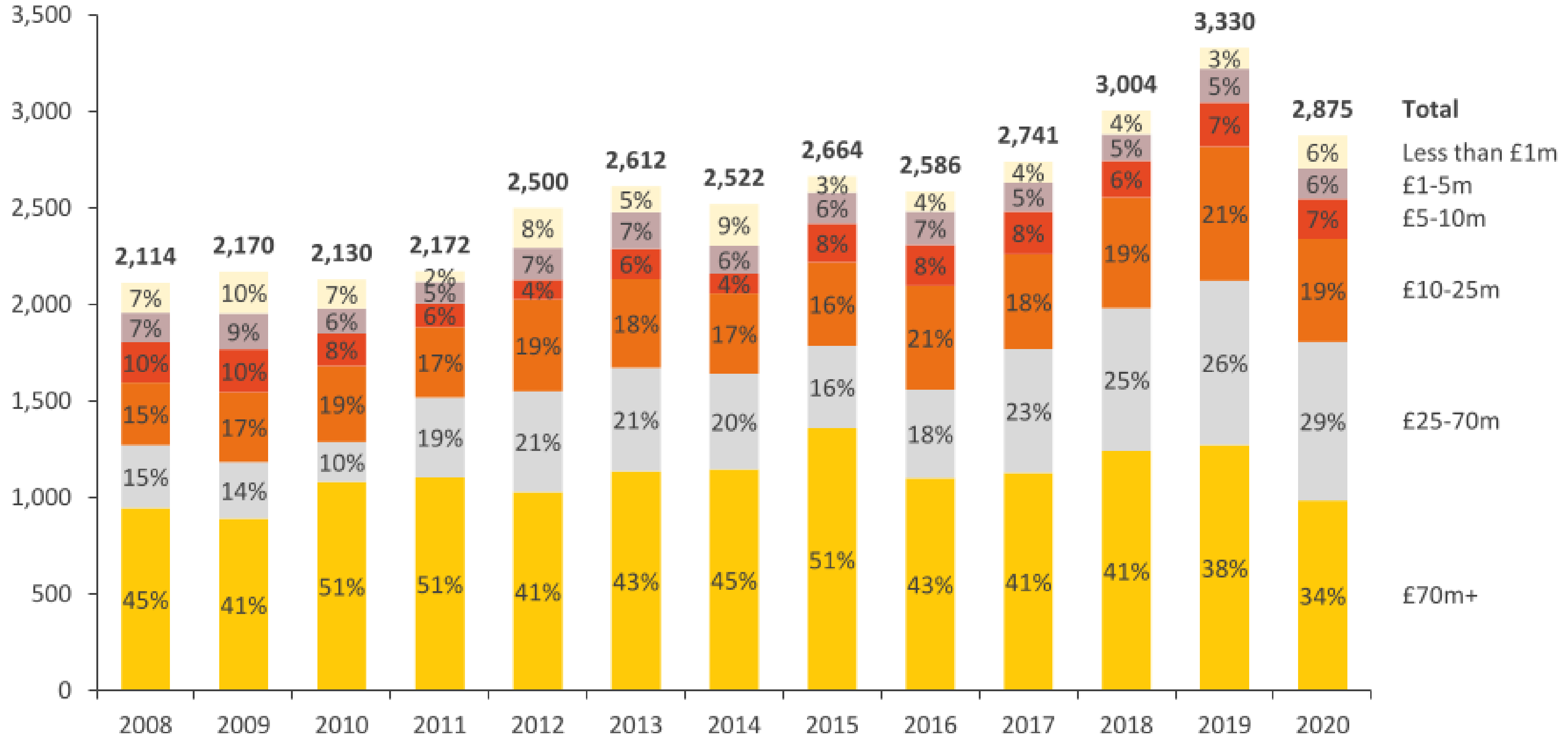
Source: Broadcast, Pact UK Television Production Census 2021, Oliver & Ohlbaum analysis

Small producers were the only segment to experience growth in 2020

This was largely due to an increase in the number of producers in the less than £1m turnover band as companies fell into this category from higher brackets. £70m+ producers experienced the largest fall in revenues and share

Share of total producer revenues, by turnover bracket, 2008 – 2020

£millions, %



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total	2,114	2,170	2,130	2,172	2,500	2,612	2,522	2,664	2,586	2,741	3,004	3,330	2,875
Less than £1m	7%	10%	7%	2%	8%	5%	9%	3%	4%	4%	4%	3%	6%
£1-5m	7%	9%	6%	5%	7%	7%	6%	6%	7%	5%	5%	5%	6%
£5-10m	10%	10%	8%	6%	4%	6%	4%	8%	8%	8%	6%	7%	7%
£10-25m	15%	17%	19%	17%	19%	18%	17%	16%	21%	18%	19%	21%	19%
£25-70m	15%	14%	10%	19%	21%	21%	20%	16%	18%	23%	25%	26%	29%
£70m+	45%	41%	51%	51%	41%	43%	45%	51%	43%	41%	41%	38%	34%

Source: Pact UK Television Production Census 2021, Oliver & Ohlbaum analysis

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UK commissioning trends – Summary

UK commissioning revenues fell by 17% from 2019 to £1,391 million in 2020. The majority of primary commission revenues came from PSBs

Total UK commissioning revenues dropped to £1,391 million in 2020, a fall of 17% on 2019.

Much of this revenue is still derived from the UK's four PSB network groups, with the recent trend of multichannel groups growing investment in primary commissions reversing in 2020.

Spend shifted slightly away from new IP in 2020, with just over £400 million in revenue being spent on new programming.

After growth in recent years, spend on drama commissions fell in 2020.

PSB commissioning spend declined to £1,168 million in 2020

- This was the lowest PSB total in 10 years

Commissioning spend from multichannel groups declined by 43% in 2020

- Multichannel commissioning spend fell to £223 million in 2020 after strong growth in recent years

New IP accounts for 30% of total UK primary commissioning spend

- The BBC remained the largest individual commissioner of new content in the UK in 2020, while Channel 5 spent proportionally the most on new programming

Spend on entertainment programming grew most in 2020

- Entertainment content accounted for one-third of all UK primary commissioning spend in 2020

Key Trends – UK commissioning trends

Total UK commissioning revenues fell by £294 million in 2020, a decline of 17% on 2019.

Smaller producers accounted for a greater share of external commissions in 2020, with the BBC spending most heavily with these smaller producers.

Producers with an annual turnover of under £5 million increased their share of commissioning spend in 2020, whilst the largest producers still accounted for nearly 40% of all UK primary commissioning revenues.

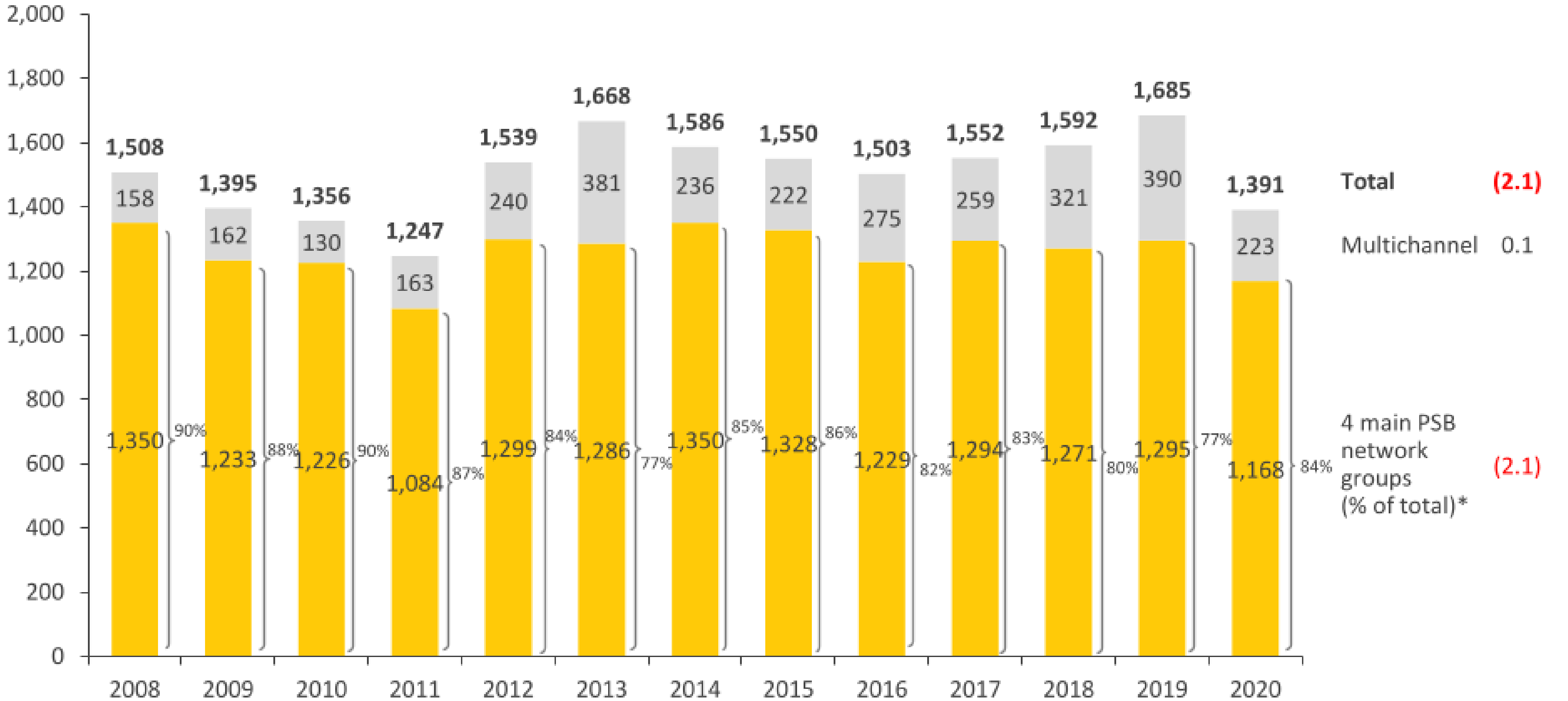
After consecutive years of growth, spend on drama commissions fell in 2020 with entertainment commissions replacing drama as the most valuable genre.

UK primary commissions fell by £294 million in 2020

Spending from the multichannel sector declined sharply, falling 43% on 2019. PSB spending on external independent producers also fell, reaching its lowest level since 2011

Value of external UK TV commissions, by type of broadcaster, 2008 – 2020

£millions



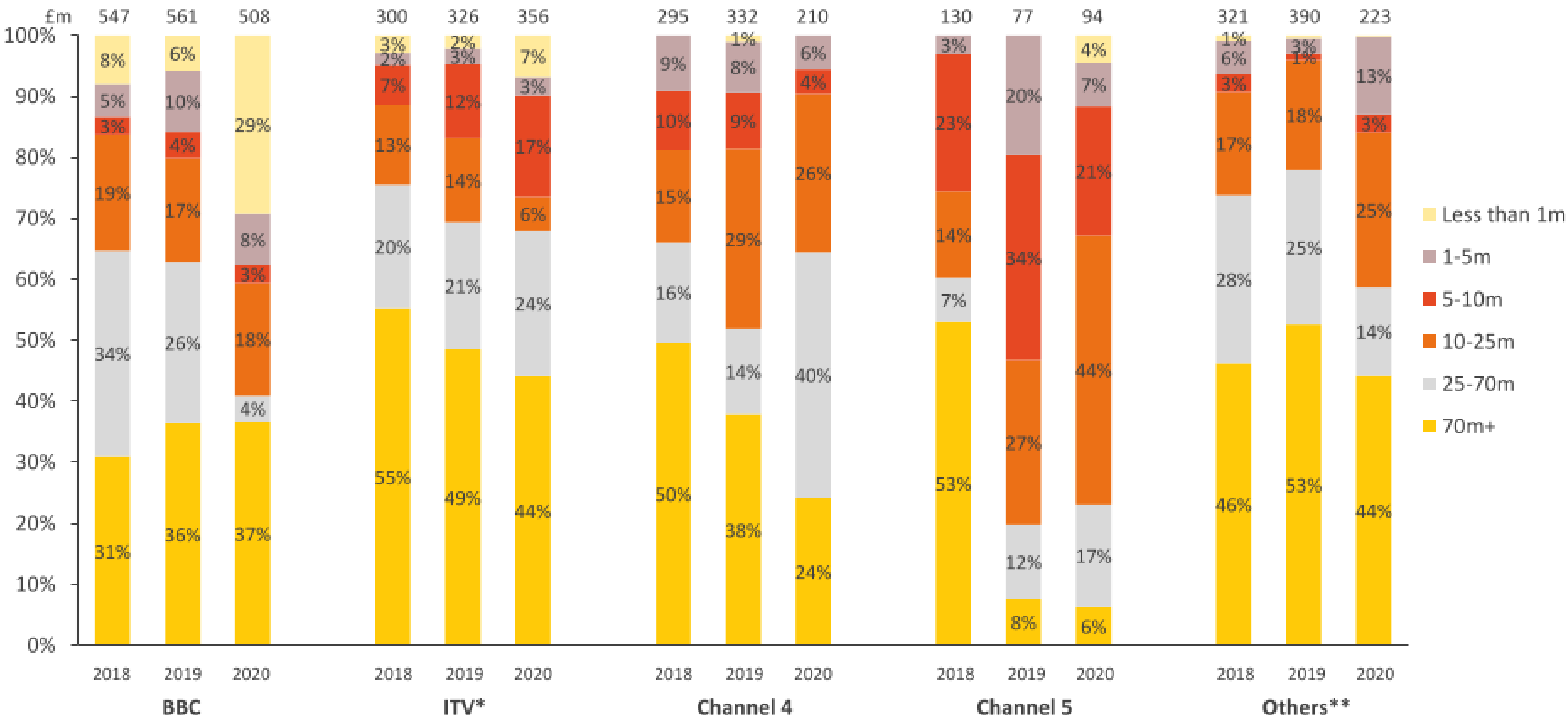
Note: *Includes the main and spin-off channels for the BBC, ITV, Channel 4 and Channel 5 network groups
Source: Pact UK Television Production Census 2021, Oliver & Ohlbaum analysis

Broadcasters continued to commission from a diverse range of producers

Commissioning by the BBC amongst the smallest producers increased considerably in 2020. Overall the share of small producers grew slightly on 2019 but otherwise the mix remained broadly the same

External commissioning value by UK broadcaster split by company turnover band, 2018 – 2020

% 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

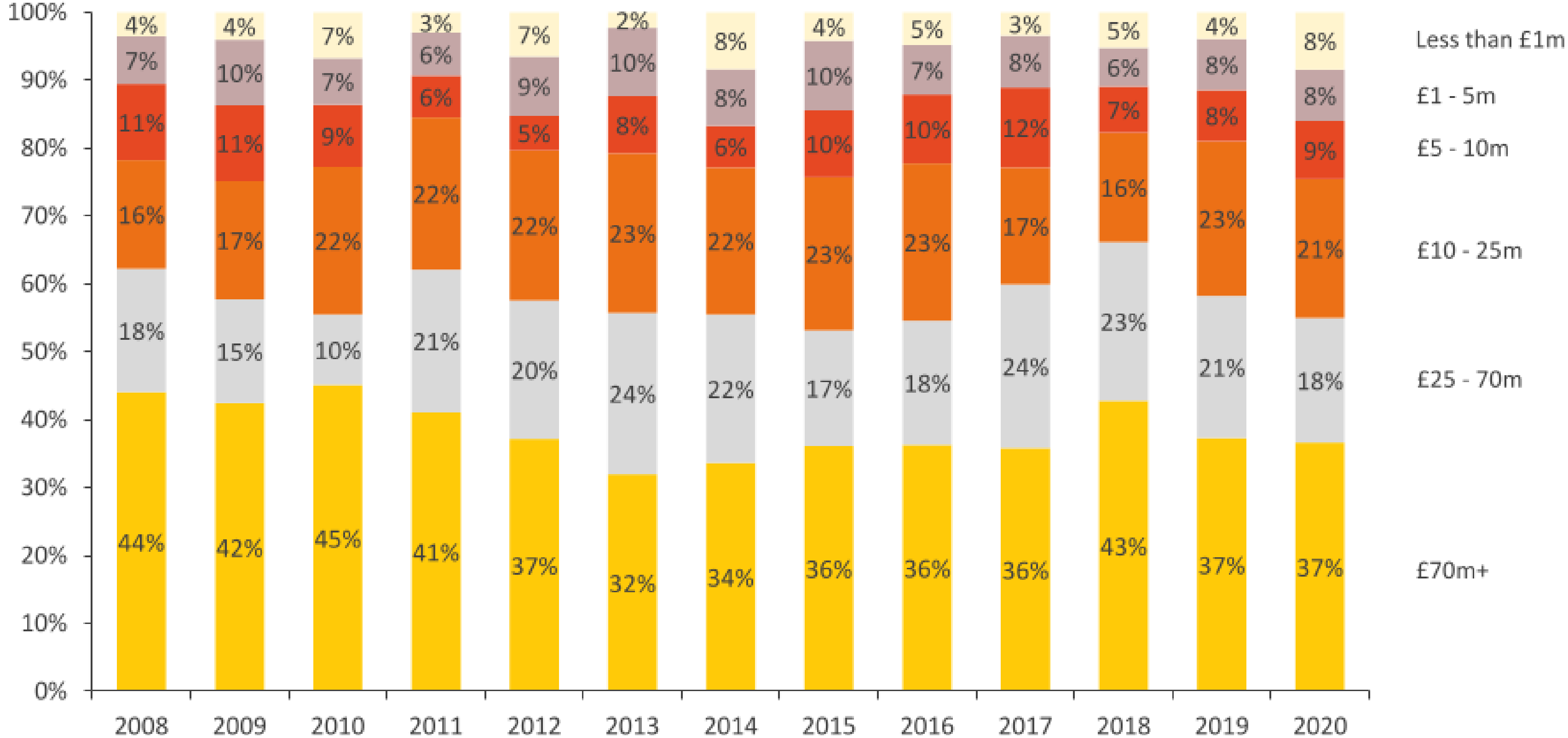
Source: Pact UK Television Production Census 2021, Oliver & Ohlbaum analysis

The smallest producers increased their share of commissioning spend in 2020

Producers with a turnover under £5 million increased their share of commissioning spend significantly in 2020, whilst the largest producers still accounted for nearly 40% of all UK primary commissioning revenues

Share of total spend on external UK produced primary commissions, by turnover band of producer, 2008 – 2020

% of spend on producers included in Census



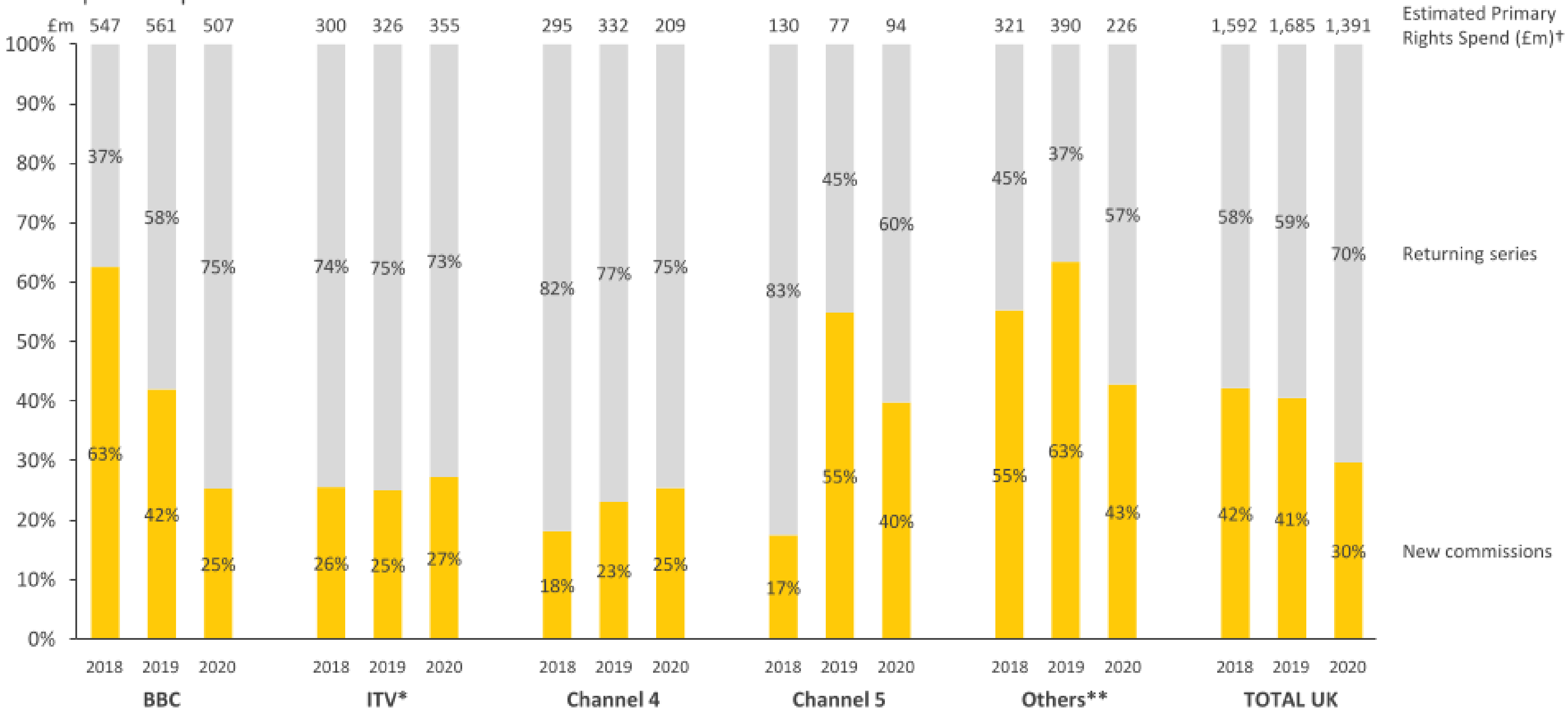
Note: Results are calculated at market size, based on Census returns, and are subject to sample change effects in each year
Source: Pact UK Television Production Census 2021, Oliver & Ohlbaum analysis

New IP's share of total UK commissioning spend fell to 30%

Despite a decline in 2020, BBC remained the highest spending individual commissioner of new IP. Only ITV and Channel 4 increased the proportion of their commissioning spend on new IP

External UK commissions value, by broadcaster – new commissions & returning series, 2017 – 2020

% 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

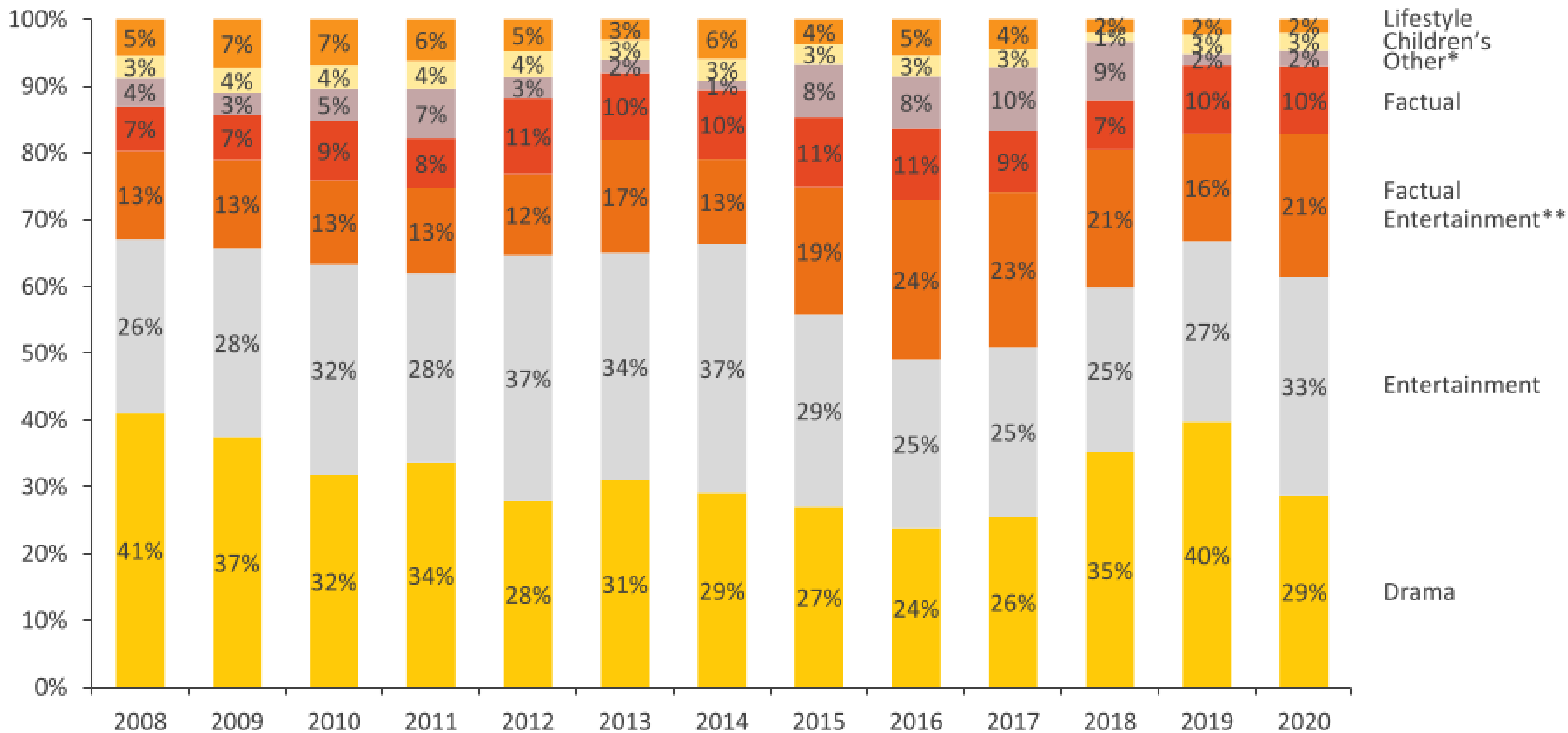
Source: Pact UK Television Production Census 2021, Oliver & Ohlbaum analysis

Entertainment and factual entertainment commissioning spend grew in 2020

Spend on drama commissions was most heavily impacted in 2020, dropping down to 29% of total external UK commissioning expenditure

Value of external UK commissions by genre, 2008 – 2020

% 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*

Source: *Pact UK Television Production Census 2021, Oliver & Ohlbaum analysis*

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- Despite a decline in 2020, total international TV revenues surpassed £1,000 million for the second year in a row
- Primary international commission revenues declined by 15%
- Secondary rights revenues grew to over £500m in 2020, the highest since 2015

International and rights revenues – Summary

After five consecutive years of strong growth, international revenues fell by 13% in 2020

Despite a decline in 2020, total international revenues remained over £1,000 million, the second-highest total after 2019. Key to another strong performance in 2020 were primary commissions from digital services.

The majority of the decline in international revenues can be linked to faltering primary commissions revenues, which fell by 15% to £835m in 2020. This was largely due to a drop-off in commissioning spend from linear broadcasters outside the UK.

Secondary rights revenues grew to over £500m in 2020 with producers leveraging their strong IP and content catalogues.

Total international revenues fell to £1,089 million in 2020

- Primary international commissions declined by 15% in 2020, to £835 million
- Commissions revenue from international linear TV services experienced the biggest decline in 2020, falling by £172 million. However, revenue generated by commissions from standalone on-demand services such as Netflix and Amazon Prime grew again, although only by 6%, reaching £356m

Secondary rights revenue exploitation experienced growth in 2020

- As content commissioners and producers both faced a multitude of issues regarding production activities brought on by COVID-19, UK producers were able to continue leveraging their strong rights position
- Secondary TV sales in the UK continued to rise, reaching 28% of all secondary rights revenues, while international sales of finished programmes retained a strong share of overall secondary rights revenues, at 40% in 2020 and accounting for 18% of all international revenues

Key Trends – International and rights revenues

Revenues sourced from international markets retained their share of overall UK production sector revenues at 38% in 2020, remaining a key revenue stream for production companies in the UK.

Primary commissioning revenues declined in 2020, accounting for over 90% of the total £168m in international revenues.

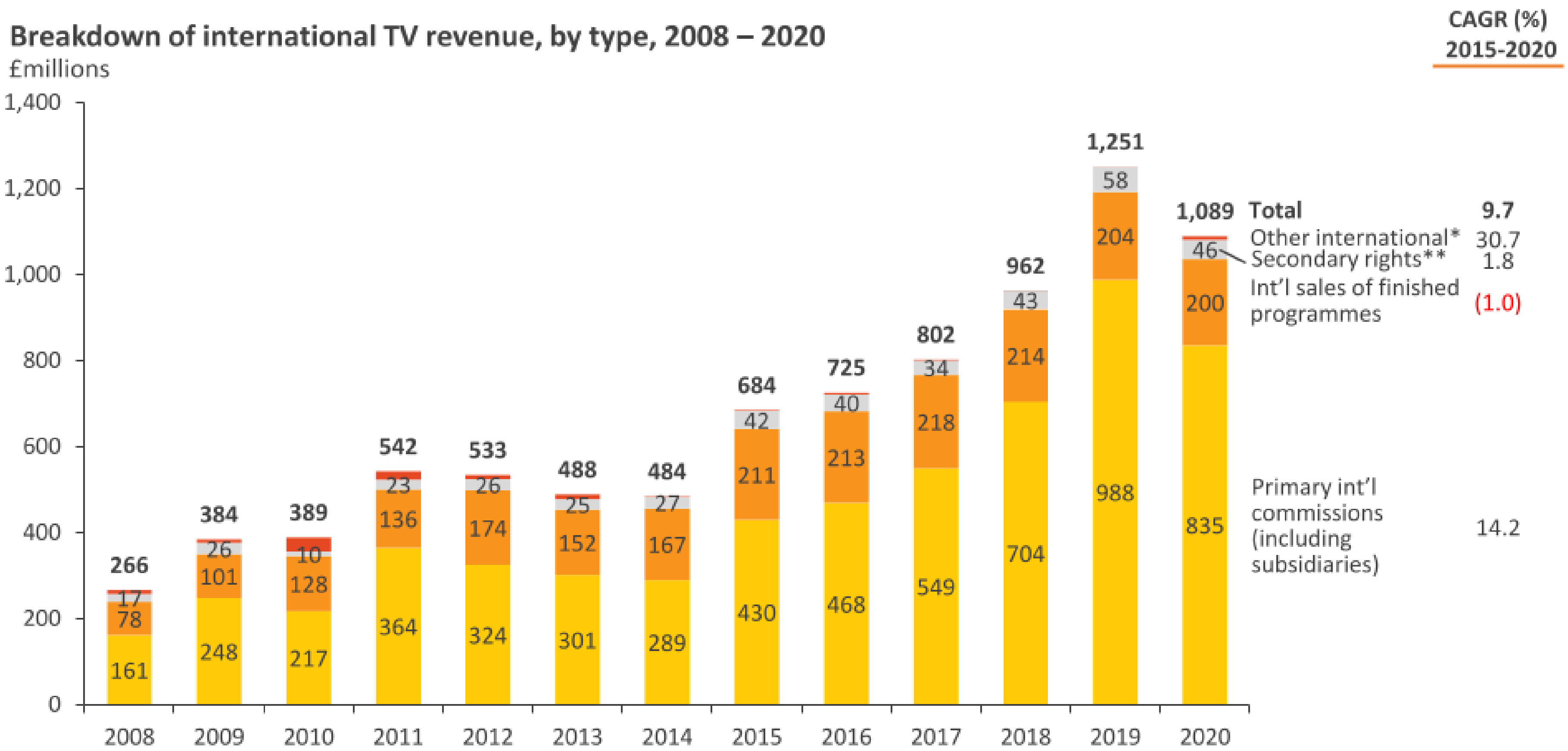
Commissioning revenue from digital services such as Netflix and Amazon Prime continued to rise in 2020 in spite of the COVID-19 crisis, although at a far slower rate than previously.

Secondary rights revenues grew to over £500m in 2020, the highest since 2015.

Total international TV revenues declined to £1,089 million in 2020

Although total revenues fell by 13% from 2019, mainly due to decreasing primary commissions revenues from international broadcasters and platforms, revenue was still higher than in 2018

Breakdown of international TV revenue, by type, 2008 – 2020
£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*

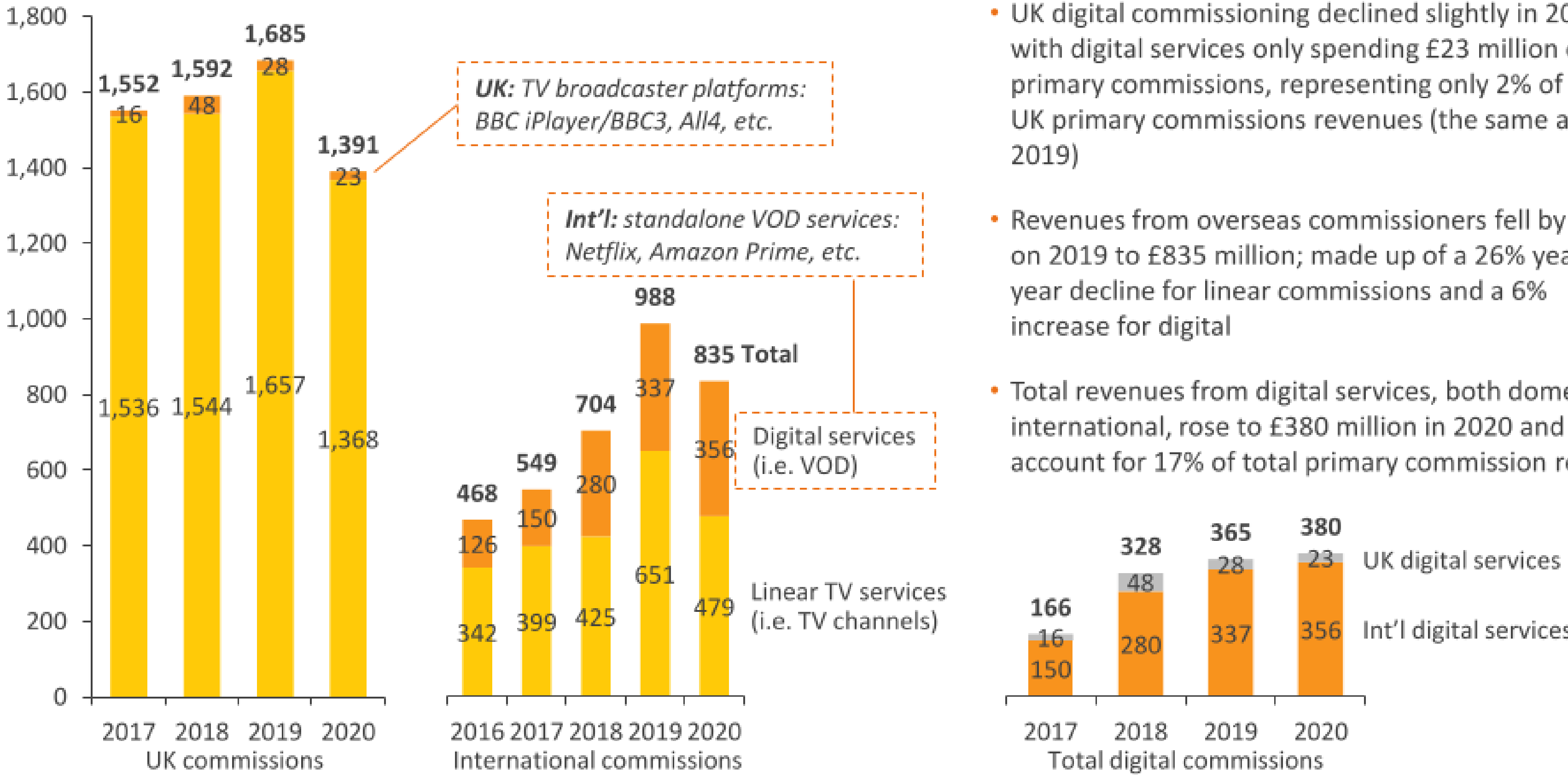
Source: *Pact UK Television Production Census 2021, Oliver & Ohlbaum analysis*

International digital commissioning revenues continued to grow in 2020

Although international primary commissioning revenue fell by £150m in 2020, digital streaming services spend on commissions from the UK increased to £356 million as digital commissions increased their share of total spend

Primary TV rights revenue, by type, 2017 – 2020

£millions



- UK digital commissioning declined slightly in 2020, with digital services only spending £23 million on primary commissions, representing only 2% of total UK primary commissions revenues (the same as in 2019)
- Revenues from overseas commissioners fell by 15% on 2019 to £835 million; made up of a 26% year-on-year decline for linear commissions and a 6% increase for digital
- Total revenues from digital services, both domestic & international, rose to £380 million in 2020 and now account for 17% of total primary commission revenue

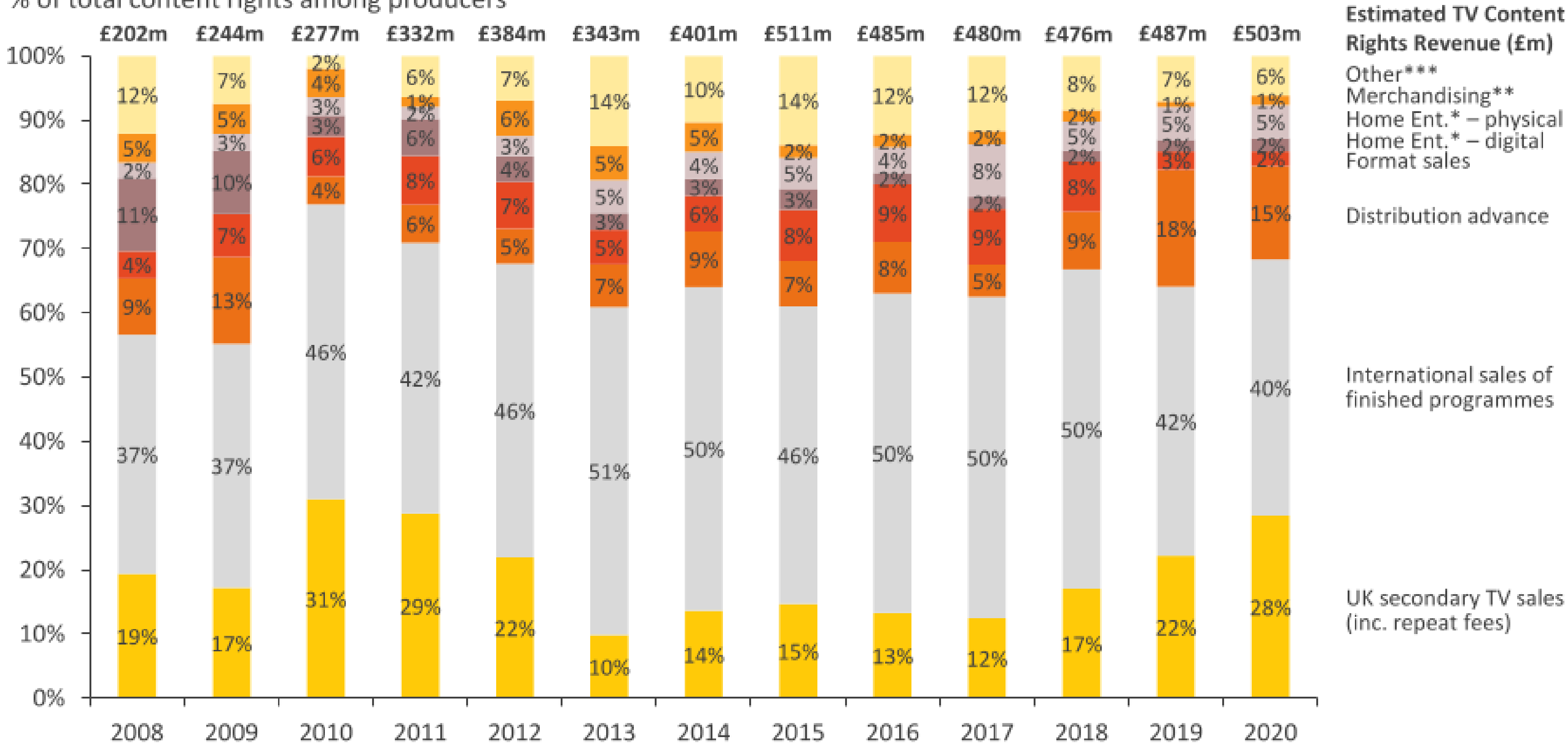
Note: *Other types of digital services have also been covered but the stated examples represent the main types of service within UK and Int'l categories*
Source: *Pact UK Television Production Census 2021, Oliver & Ohlbaum analysis*

Secondary rights revenues grew to £503 million in 2020

This growth was fuelled by strong UK secondary TV sales whilst other categories remained stable

Revenues from TV content rights, by category , 2008 – 2020

% 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 2021, Oliver & Ohlbaum analysis*

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