Oliver & Ohlbaum

UK Television Production Survey

Financial Census 2022

August 2022

A report by Oliver & Ohlbaum Associates for Pact

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Total sector revenues recovered strongly in 2021 to £3,251 million

As the industry recovered from the worst of the COVID-19 pandemic, total sector revenues grew by £376 million – to a level only £79 million below the peak seen pre-COVID in 2019

Following a year of significant decline as a result of the COVID-19 pandemic which saw total revenues fall 14% year-on-year, total UK television production sector revenues experienced a strong recovery in 2021 growing by 13%.

Whilst the COVID-19 pandemic was still a facet of life in 2021, innovations by the sector meant that production was able to return to near full capacity. Recovery was also bolstered by the resumption of many productions delayed from the previous year.

Primary commissions from UK broadcasters were the driving force of this recovery, reaching an all time high of £1,897 million – an increase of £509 million on 2020. Primary commissions from both UK PSBs and multichannels contributed strongly to this growth.

International primary commissions revenue, on the other hand, fell for the second year in a row. Both international linear commissions and commissions from standalone on-demand services such as Netflix and Amazon Prime fell. A number of factors have contributed to this fall, with the lingering impact of COVID-19 and increases in in-house production being among the most important.

Total revenues increased by 13%

Sector revenues grew to £3,251 million in 2021

International revenues fell to £952 million

The impact of COVID-19 was still being felt on international commissions in 2021

UK TV revenues rose by £509 million

Domestic TV revenues drove the COVID recovery

Secondary rights grew to £509 million

This is only £2 million less than the peak seen in 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, 73 completed responses were received. These companies represent around 78% 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 2020 and 2021.

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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    - Total industry revenues grew to £3,251 million in 2021 up from £2,875 million in 2020
    - Domestic TV revenues drove this growth, rising by more than £500 million
    - International TV revenues have been slower to recover from COVID and saw a second year of contraction
3. UK commissioning trends
4. International and rights revenues

Revenue growth – Summary

The UK television production sector experienced a bounce back in 2021 following a COVID-19 disrupted 2020; driven by strong growth in domestic TV revenues, up 30% on 2020, total sector revenues reached £3,251 million

As production activity returned to normality in 2021 following considerable disruption as a result of the COVID-19 pandemic, total sector revenues rose by 13% to £3,251 million, only £79 million below the peak seen in 2019.

Domestic TV revenues grew especially strongly, driven by a large increase in primary commissioning spend.

International TV revenues shrank slightly, albeit remain around £1 billion. A longer COVID-19 hangover on international productions partially accounts for this.

Overall commissioning revenues rose by 15% in 2021 to £2,567 million

- Commissioning revenue share of total sector revenues also increased from 80% to 82%

Domestic TV revenues increased significantly in 2021

- Total UK TV revenues increased by £509m to £2,196 million in 2021, a 30% increase on 2020 and the first time such revenues have been over £2 billion

International revenues amounted to £952 million in 2021

- This represents two years of consecutive decline, with international revenues down 24% on the peak of 2019

Non-TV revenues grew but are still considerably below pre-pandemic levels

- Revenues from non-TV activities increased by £4m in 2021, with a slight recovery in New Media revenues fuelling this growth

Key Trends – Revenue growth

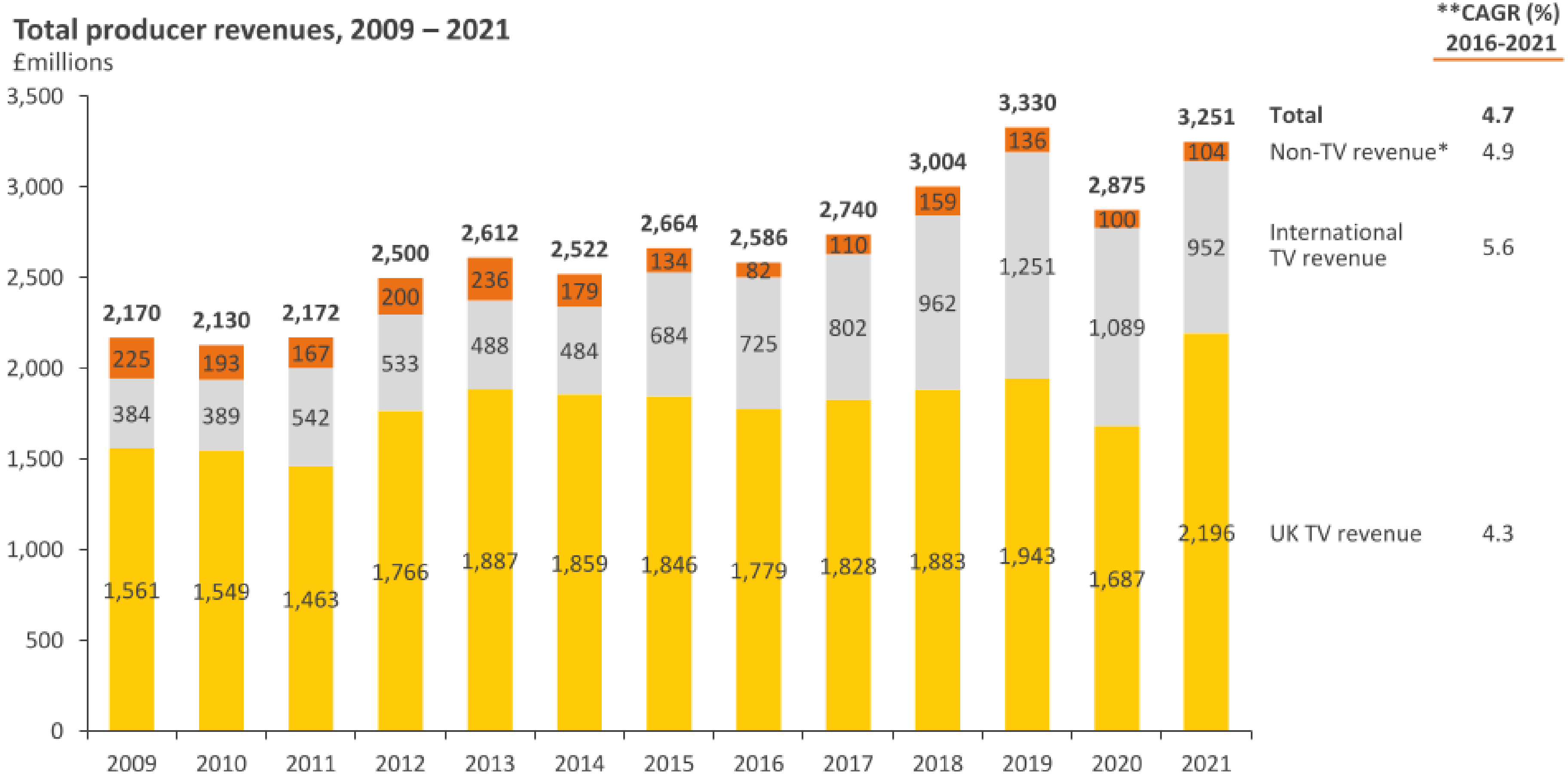
As the sector looked to move past the disruption caused by the COVID-19 pandemic, revenues recovered well in 2021, almost returning to the heights seen in 2019.

A consecutive year of international revenue decline was seen in 2021, following the extended period of strong growth in the international market for UK producers. This decline was largely brought on by falling revenues from primary commissions. The continuing impact of COVID-19, the conclusion of a number of major UK productions, and an increasing focus by SVODs on in-house production has all contributed to this. We anticipate revenues should recover strongly in 2022.

Domestic TV revenues reached a new high, surpassing the £2 billion mark for the first time in 2021.

Total sector revenues recovered to £3,251 million in 2021

Total revenues grew by 13% on 2020, having fallen by 14% the year before as a consequence of COVID. Revenues are now above 2018 levels but have yet to return to the peak of 2019



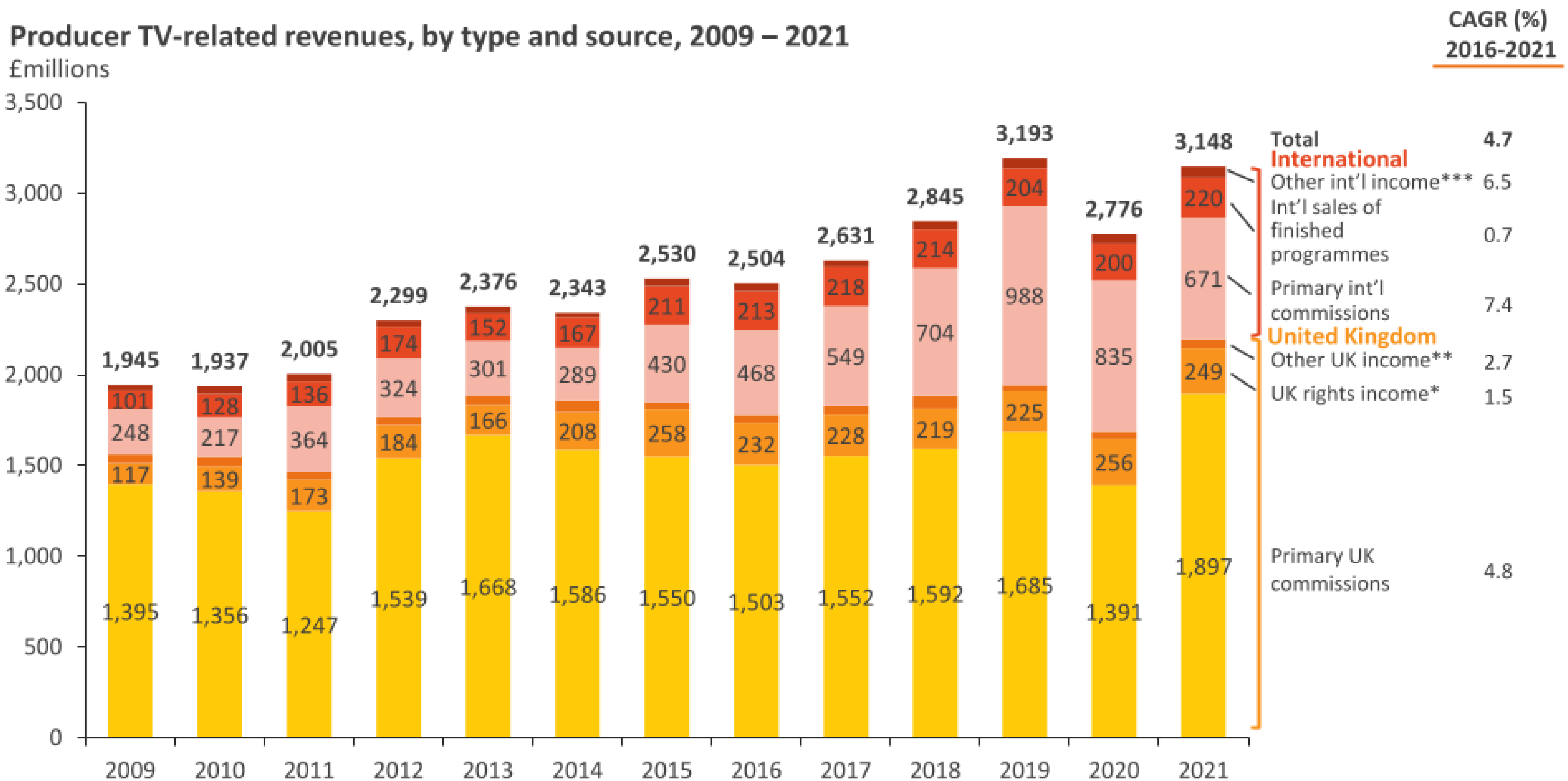
Note: **Non-TV revenue includes corporate production, new media and other non-TV activities such as online publishing, talent management, promotions, public relations and feature films, ** CAGR = Compound Annual Growth Rate, the average growth rate per year over a time period*
Source: *Pact UK Television Production Census 2022, Oliver & Ohlbaum analysis*

Primary UK commission income has surpassed pre-COVID levels

In 2021 UK primary commission revenue grew strongly to reach its highest ever level. The increase represented a 36% uplift from 2020

Producer TV-related revenues, by type and source, 2009 – 2021

£millions



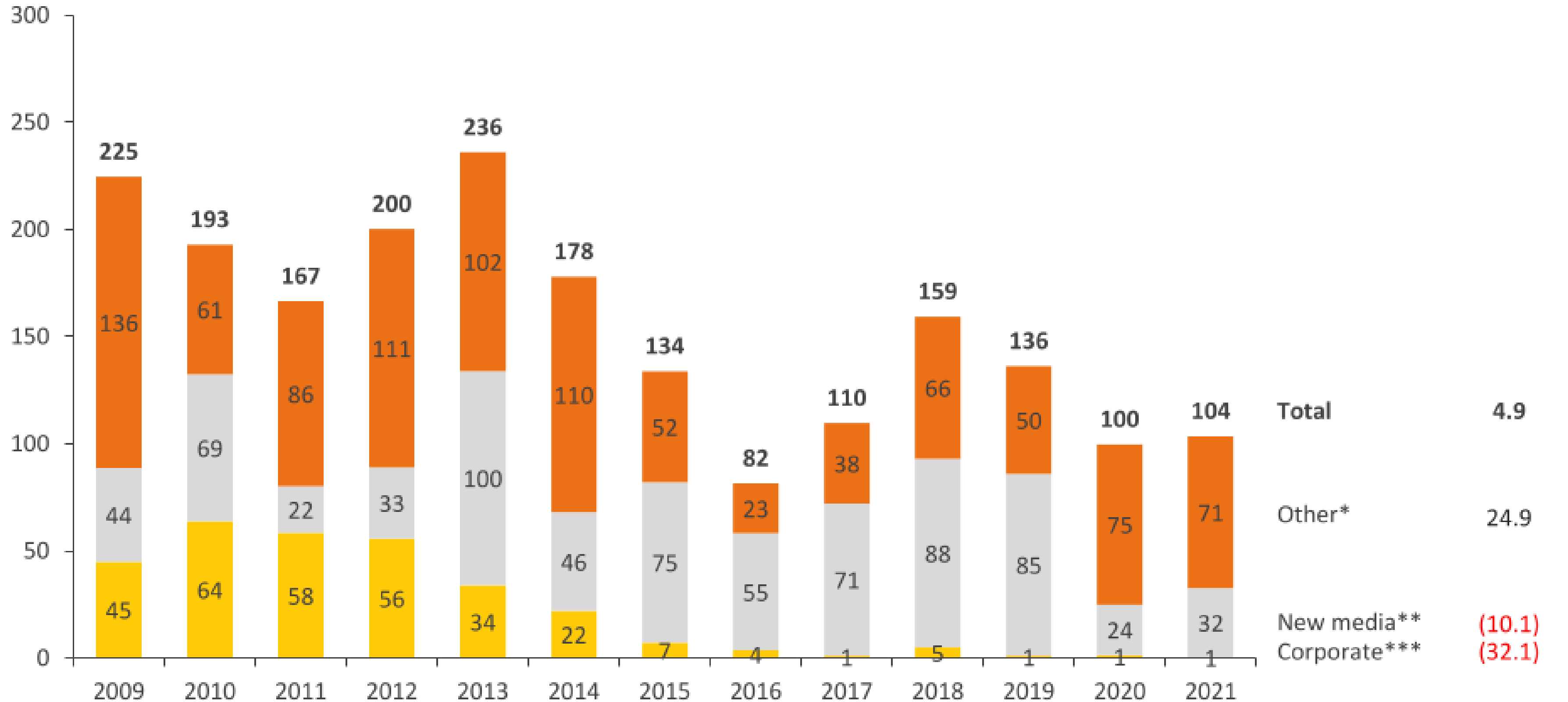
Note: **'UK rights income' – UK secondary sales, merchandising, formats, home entertainment etc.; **'Other UK income' – pre-production and other TV-related revenue; ***'Other int'l income' – international rights (excl. finished programme sales), pre-production & other TV-related revenue*

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

Non-TV revenues have stabilised

Having fallen considerably in 2019 and 2020, non-TV revenues grew 3.8% year-on-year in 2021 with a slight decrease in 'Other' revenues more than offset by increases in 'New media'

Producer non-TV revenues, by type, 2009 – 2021
£millions



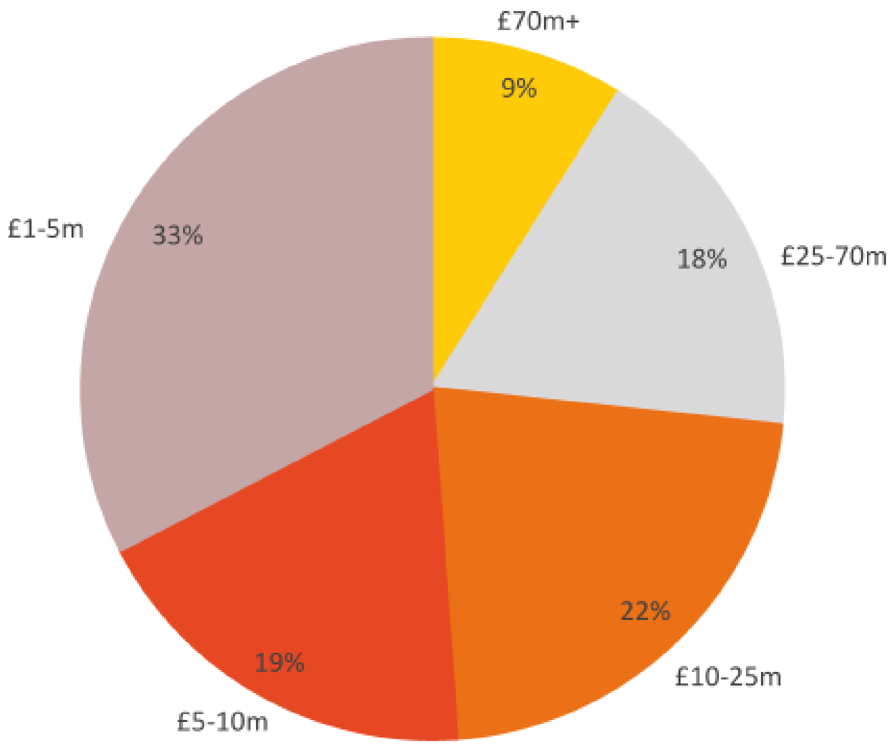
Note: *'Other' includes online publishing, talent management, promotions, public relations & feature films. **'New Media' includes websites, apps, social media & games. ***'Corporate' includes B2B, promotional & educational material and similar not produced for public television

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

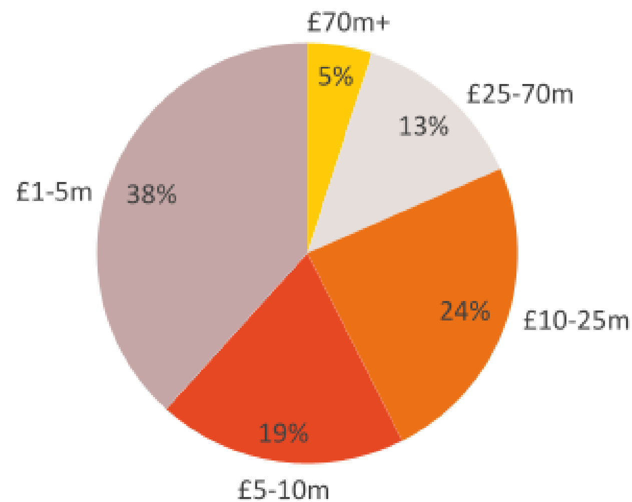
The proportion of producers in the highest turnover brackets increased in 2021

Whilst smaller producers continue to represent the largest segment their share, and absolute number, shrank. More producers moved into the highest turnover brackets – a result of continued consolidation and high-value commissions

Distribution of the number of independent production companies, by turnover bracket, 2021



Distribution, 2020



Note: Results are based on 158 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. Percentages may not add up to 100% due to rounding of figures

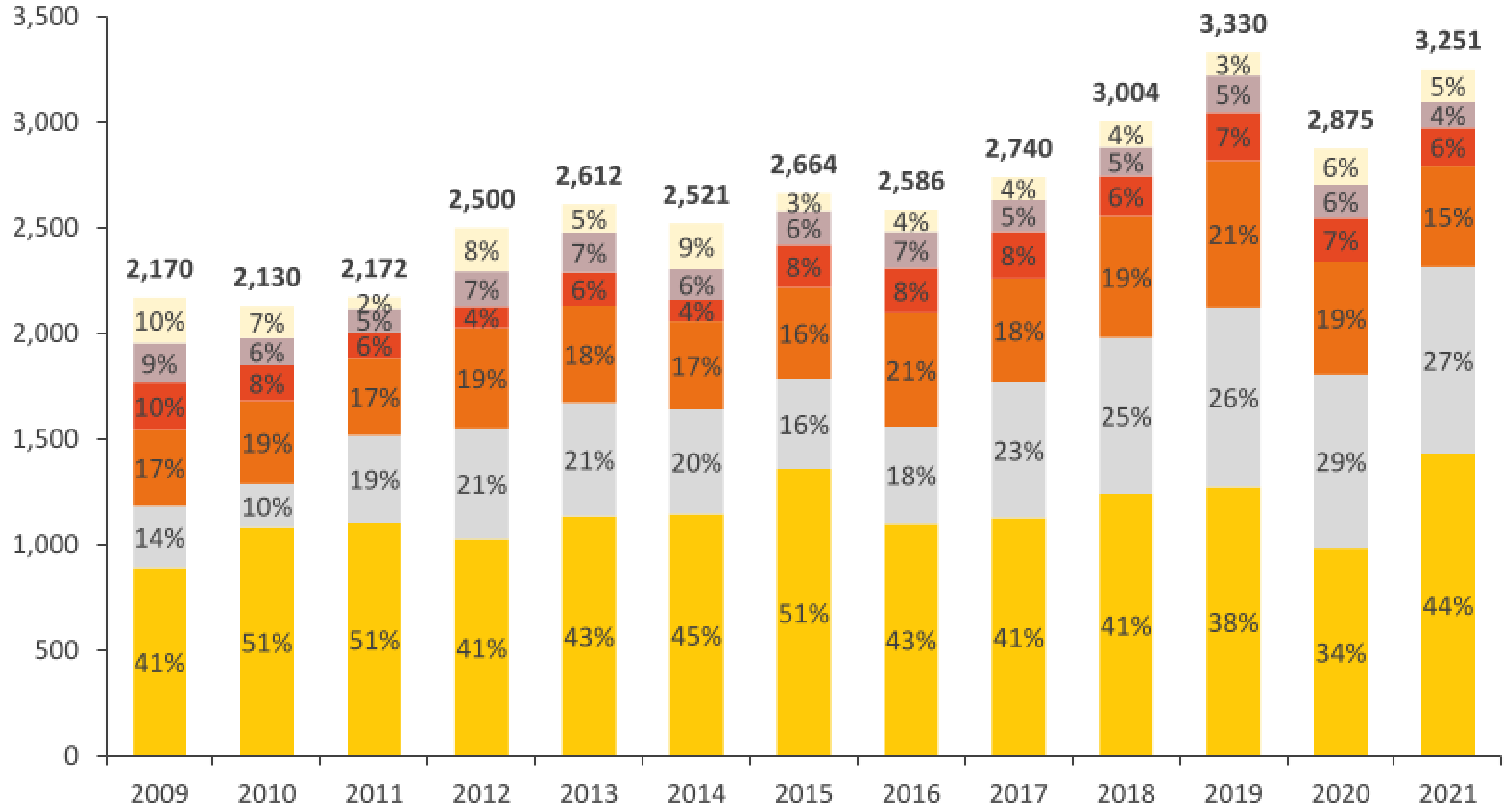
Source: Broadcast, Pact UK Television Production Census 2022, Oliver & Ohlbaum analysis

2021 recovery was driven by increased revenues for the largest producers

£70m+ producers experienced the largest increase in revenues and share. This was partly due to more producers moving into this bracket and fewer small producers being present in the market

Share of total producer revenues, by turnover bracket, 2009 – 2021

£millions, %



Year	Total	Less than £1m	£1-5m	£5-10m	£10-25m	£25-70m	£70m+
2009	2,170	10%	9%	10%	17%	14%	41%
2010	2,130	7%	6%	8%	19%	10%	51%
2011	2,172	2%	5%	6%	17%	19%	51%
2012	2,500	8%	7%	4%	19%	21%	41%
2013	2,612	5%	7%	6%	18%	21%	43%
2014	2,521	9%	6%	4%	17%	20%	45%
2015	2,664	3%	6%	8%	16%	16%	51%
2016	2,586	4%	7%	8%	21%	18%	43%
2017	2,740	4%	5%	8%	18%	23%	41%
2018	3,004	4%	5%	6%	19%	25%	41%
2019	3,330	3%	5%	7%	21%	26%	38%
2020	2,875	6%	6%	7%	19%	29%	34%
2021	3,251	5%	4%	6%	15%	27%	44%

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

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    - Overall revenue from UK primary commissions grew by 36% to £1,897 million in 2021
    - Multichannels increased their share of commissioning spend to its highest ever level
    - New IP and drama share of commissioning spend returned to pre-COVID levels

4. International and rights revenues

UK commissioning trends – Summary

UK commissioning revenues grew by 36% from 2020 to £1,897 million in 2021 – a new high. Whilst the majority of primary commission revenues continues to come from PSBs, multichannels achieved their highest percentage share

Total UK commissioning revenues grew to £1,897 million in 2021, an increase of 36% on 2020 and up 13% on pre-COVID 2019 levels.

Although much of this revenue is still derived from the UK's four PSB network groups, multichannel groups returned to their trend of growing investment in primary commissions.

Both share of spend on new IP and share of spend by genre returned to proportions seen pre-COVID.

PSB commissioning spend reached its highest ever level of £1,454 million in 2021

- Up 12% on the previous peak seen in 2019

Commissioning spend from multichannel groups also reached a new height of £443 million in 2021

- This represents a 99% increase on 2020, and a 14% increase on 2019

New IP accounts for 38% of total UK primary commissioning spend

- All PSBs increased the proportion of their spending on new IP in 2021, and ITV overtook the BBC as the largest spender on new programming

Spend on drama programming returned to 2019 levels

- Having fallen off in 2020 due to COVID-19, drama recovered to 35% of all UK spending

Key Trends – UK commissioning trends

Total UK commissioning revenues increased by £506 million in 2021, an increase of 36% on 2020 and 13% on 2019.

Larger producers benefitted the most from this growth, having been the hardest hit the previous year. The BBC continues to spend the most heavily amongst the smallest producers.

Multichannel spend increased by the highest percentage, 99% on 2020, with increased commissioning from Sky largely driving this.

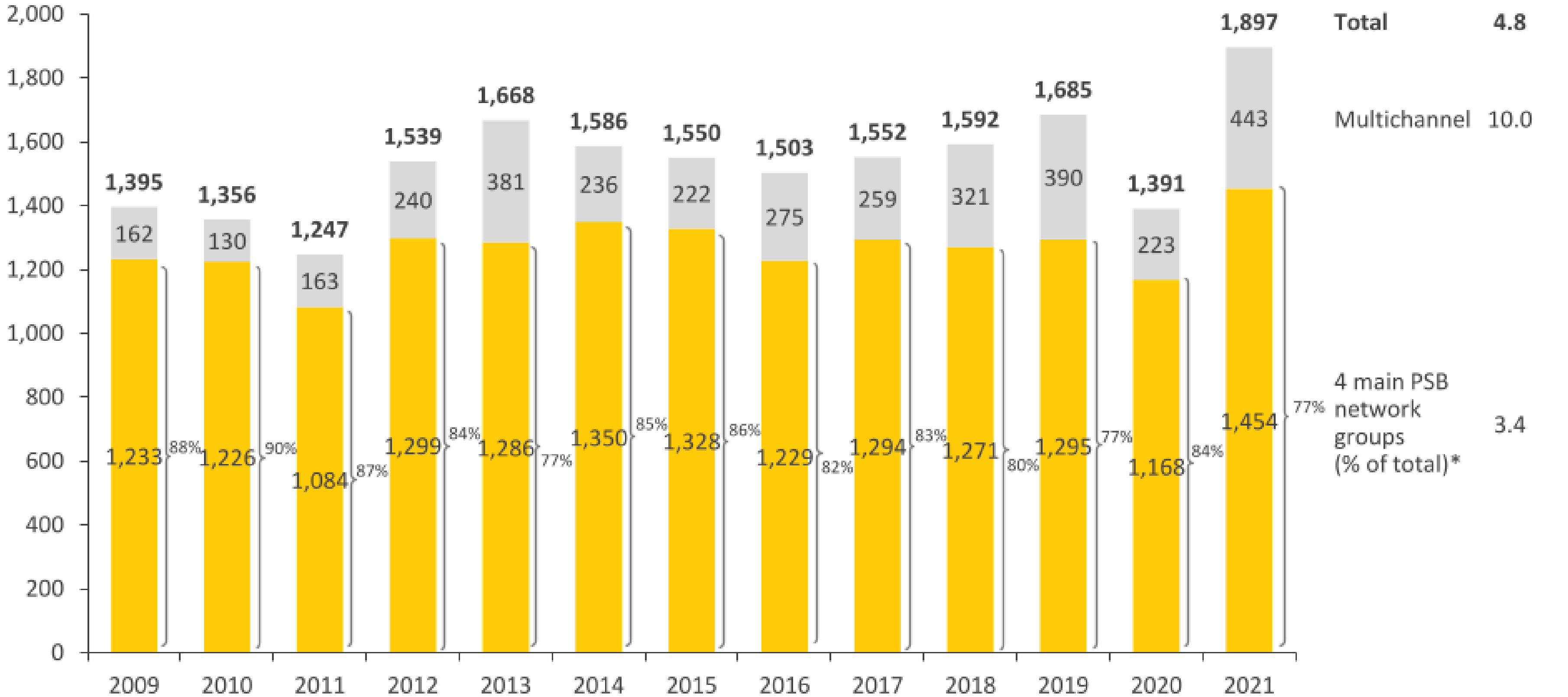
Increased competition from international streamers, as well as COVID-related production backlogs, have driven these increases as broadcasters look to bolster their portfolio of original programming.

Drama re-claimed its place as the most valuable genre, with spend on entertainment and factual entrainment programming also continuing to account for a large proportion of spend.

UK primary commissions increased by £506 million in 2021

UK primary commissions reached their highest level yet in 2021. Both multichannel and PSB spending on external indie producers grew significantly, up by 99% and 24% respectively, with multichannel share at its highest ever point

Value of external UK TV commissions, by type of broadcaster, 2009 – 2021
£millions



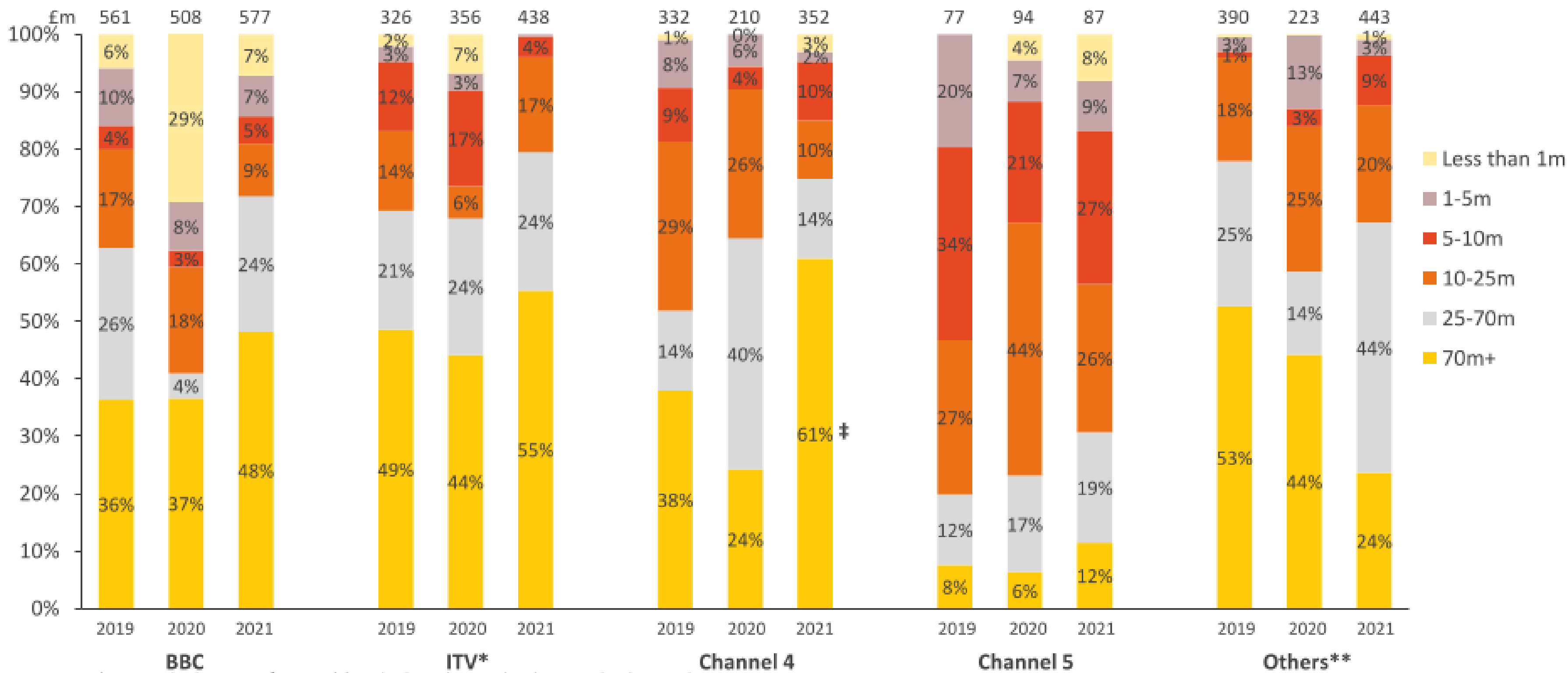
Note: *Includes the main and spin-off channels for the BBC, ITV, Channel 4 and Channel 5 network groups
Source: Pact UK Television Production Census 2022, Oliver & Ohlbaum analysis

Broadcasters continued to commission from a diverse range of producers

The share of commissions from PSBs being received by the largest producers increased compared to 2020, with the opposite true from multichannels

External commissioning value by UK broadcaster split by company turnover band, 2019 – 2021

% 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

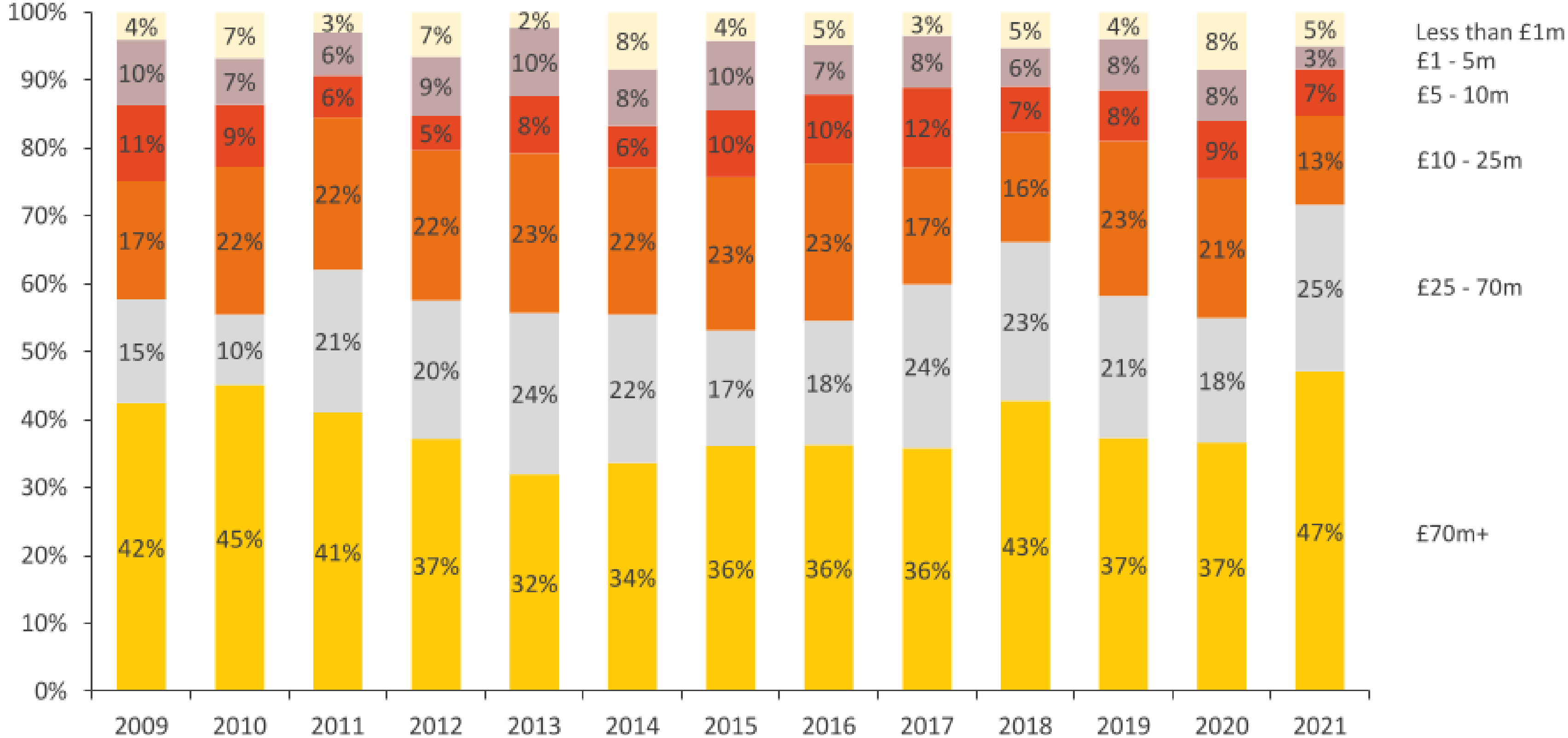
Source: Pact UK Television Production Census 2022, Oliver & Ohlbaum analysis

The largest producers increased their share of total commissioning spend in 2021

Producers with a turnover under £5 million saw their share of commissioning spend halve in 2021, whilst the largest producers increased their share from 37% in 2020 to 47%

Share of total spend on external UK produced primary commissions, by turnover band of producer, 2009 – 2021

% 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*

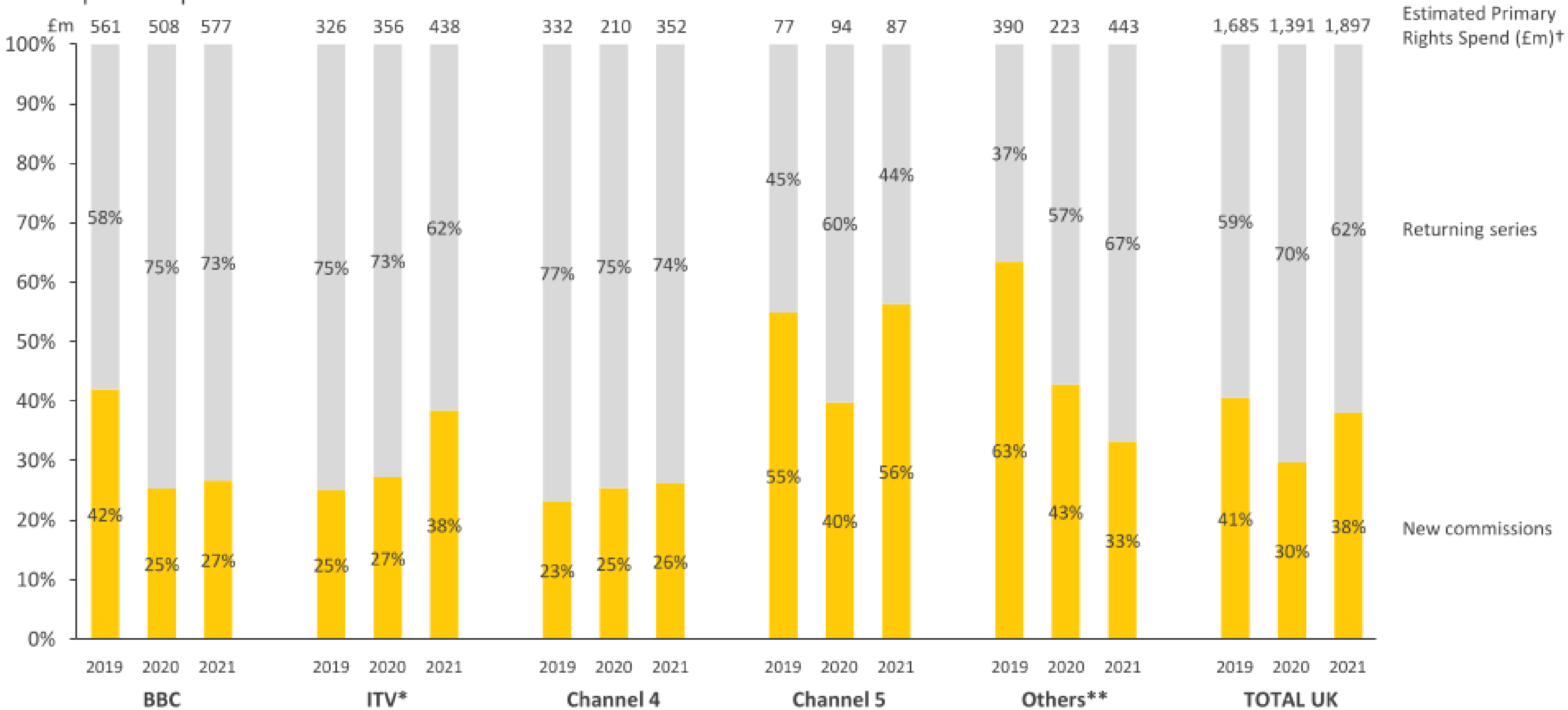
Source: *Pact UK Television Production Census 2022, Oliver & Ohlbaum analysis*

New IP's share of total UK commissioning recovered to 38%

ITV overtook the BBC as the highest spending individual commissioner of new IP. All PSBs increased the proportion of their commissioning spend on new IP

External UK commissions value, by broadcaster – new commissions & returning series, 2019 – 2021

% of spend on producers included in Census



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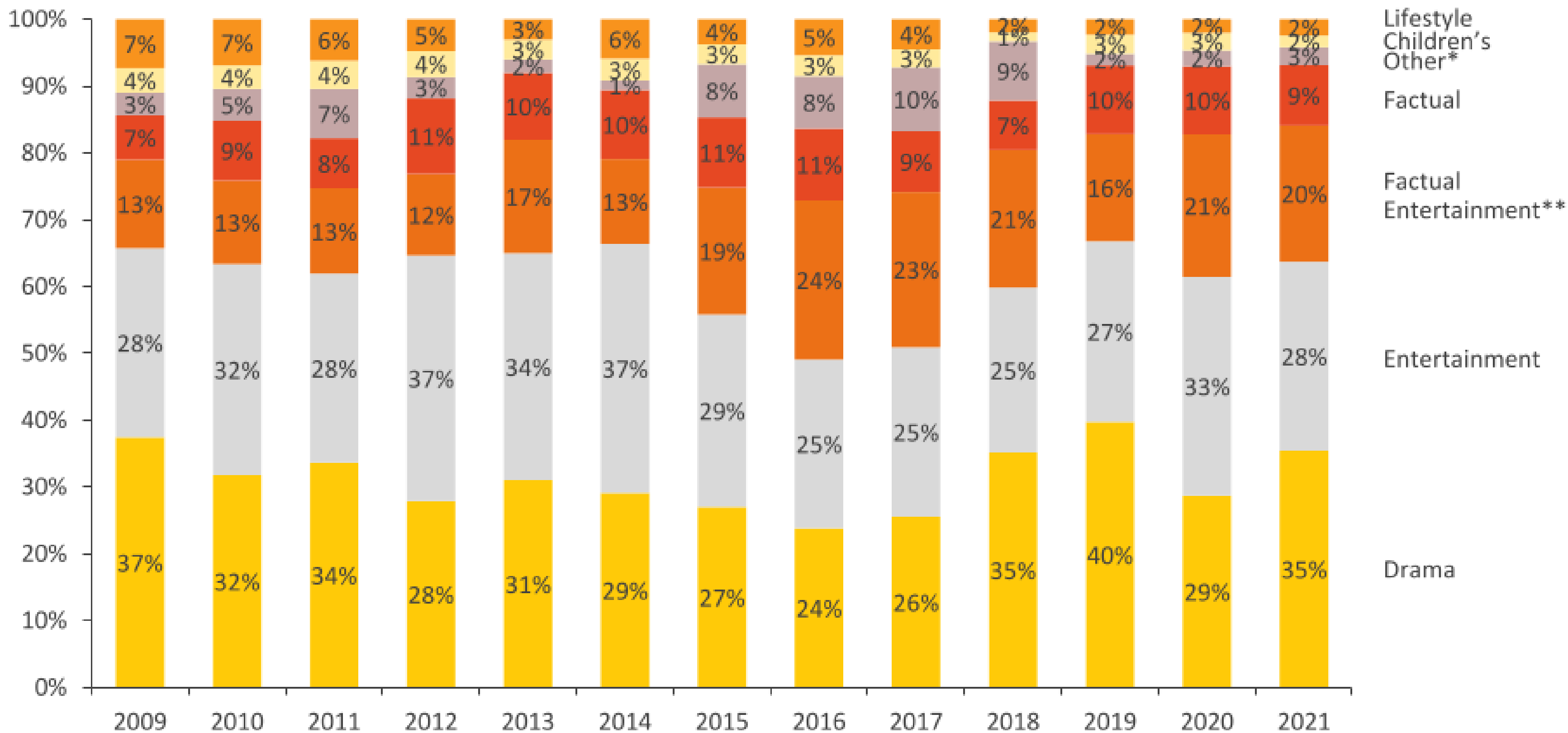
†Our broadcaster spend figures may differ from those reported by the broadcasters as our numbers are estimated from a survey of producers that covers the latest financial year, rather than calendar year; there may also be timing differences between when revenues are recognised

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

Drama spend in 2021 recovered to pre-COVID levels

Overall genre mix broadly returned to that seen pre-COVID with spend on drama commissions recovering well

Value of external UK commissions by genre, 2009 – 2021
% 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 2022, Oliver & Ohlbaum analysis*

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    - Total international TV revenues fell to £952million, the second year of decline in a row
    - Primary international commission revenues declined by 20%
    - Secondary rights revenues grew to £509m in 2021

International and rights revenues – Summary

International activity continued to be an important revenue stream for the UK sector in 2021, with revenues down slightly on 2020, but remaining around £1 billion

Total international revenues remained around £1 billion in 2021, despite a decline from 2020.

The impact can be partially attributed to the disruption caused by the COVID-19 pandemic, with international commissioning activity slower to recover than in the UK. This has been exacerbated by an increase in SVOD in-house production and the conclusion of a number of major titles.

Secondary rights revenues grew by £6 million, due to strong international sales of finished programmes, to over £509m in 2021.

Total international revenues fell to £952 million in 2021

- Primary international commissions declined by 20% in 2021, to £671 million
- Commissions revenue from international linear TV services fell by £107 million or 22%. Revenue generated by commissions from standalone on-demand services such as Netflix and Amazon Prime fell by £57 million or 16%.

Secondary rights revenue exploitation continued to grow in 2021, reaching £509 million

- Revenue from international sales of finished programmes grew strongly in 2021, increasing 10% year-on-year and accounting for 23% of all international revenue
- UK secondary rights income, consisting predominantly of secondary TV sales, declined slightly from its COVID peak but remained above 2019 levels. Overall share declined from 51% in 2020 to 49% in 2021

Key Trends – International and rights revenues

Revenues sourced from international markets continue to be a key revenue stream for UK production companies, pumping close to £1 billion into the economy. Relative importance declined in 2021, however, with share of overall UK production sector revenues decreasing from 38% in 2020 to 29%.

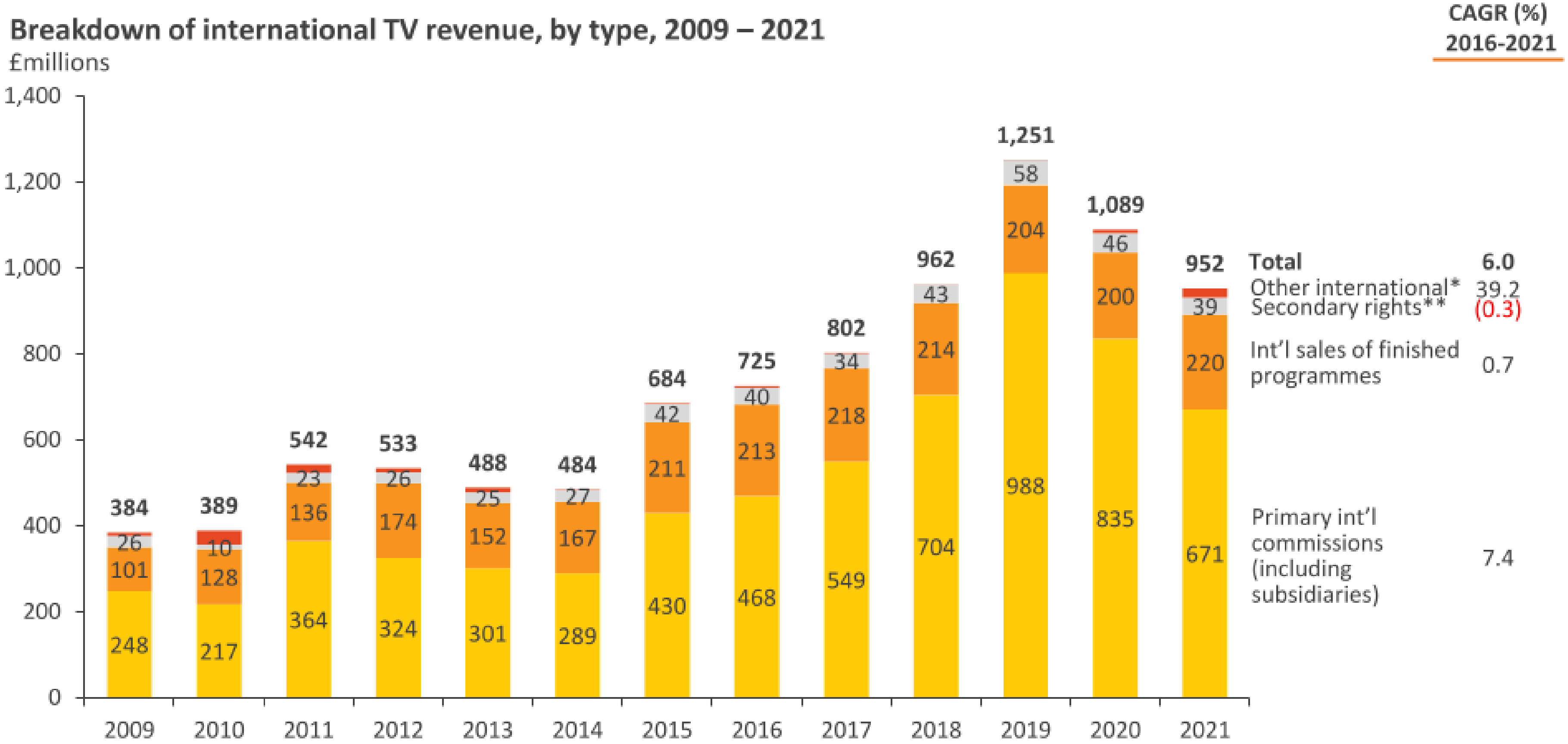
Primary commissioning revenues declined for the second year in a row in 2021, falling by £164 million year-on-year.

Commissioning revenue from digital services such as Netflix and Amazon Prime fell in 2021, likely a delayed impact of the of the COVID-19 crisis given revenues rose the previous year. Increases in-house production and large titles finishing has also played a role.

Secondary rights revenues grew to over £509 million in 2021, only £2 million lower than the peak seen in 2015.

Total international TV revenues declined to £952 million in 2021

This is the second year of decline following the pre-COVID peak of 2019. Whilst international sales of finished programmes have continued to rise, 10% year-on-year, primary international commissions are down 32% on 2019



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

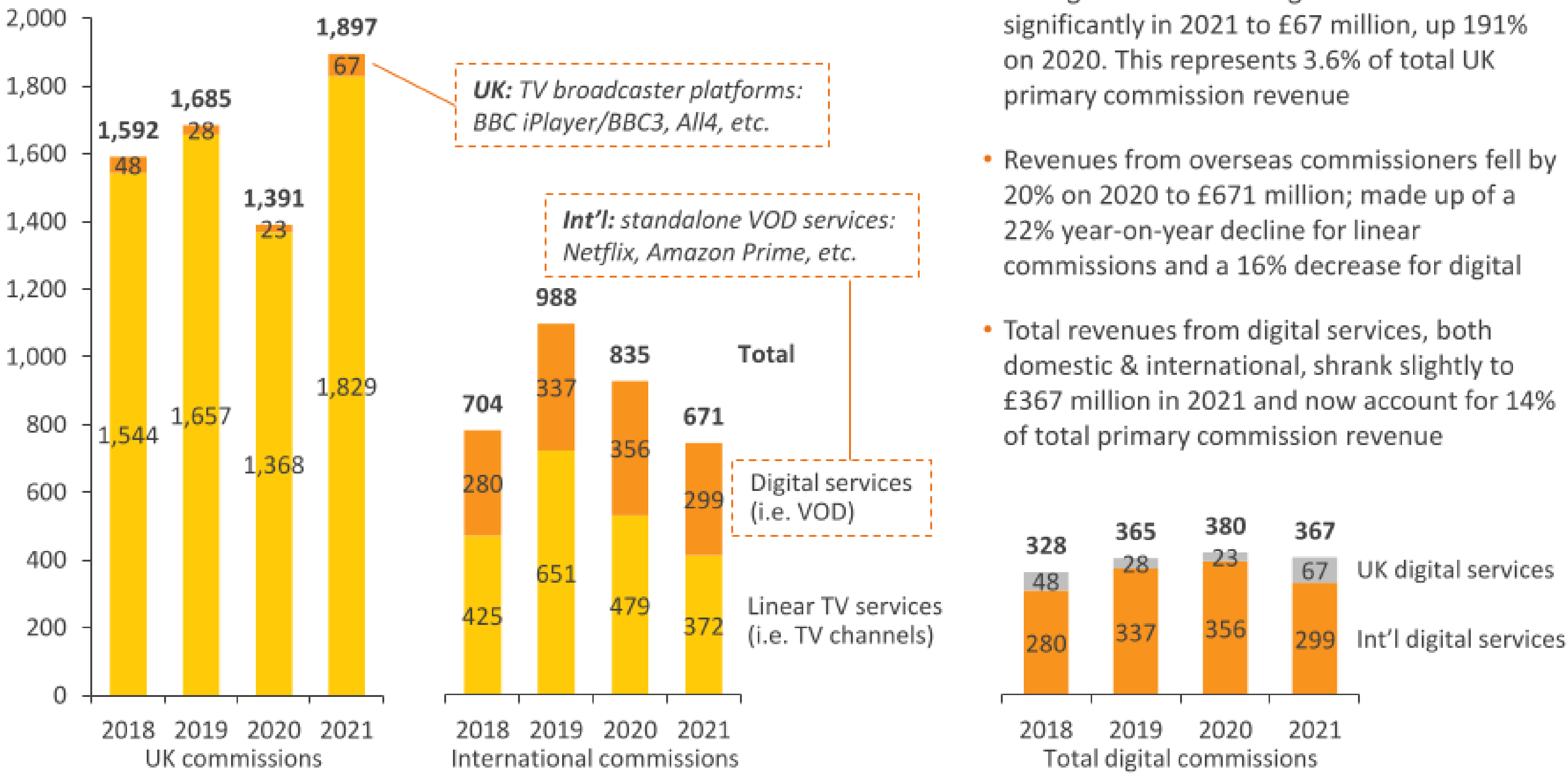
Source: Pact UK Television Production Census 2022, Oliver & Ohlbaum analysis

International digital commissioning revenues shrunk in 2021

Digital international primary commissioning revenue fell by £57m in 2021, but as a proportion of total remained in line with that seen in previous years. UK digital primary commission revenue more than doubled

Primary TV rights revenue, by type, 2018 – 2021

£millions



- UK digital commissioning increased significantly in 2021 to £67 million, up 191% on 2020. This represents 3.6% of total UK primary commission revenue
- Revenues from overseas commissioners fell by 20% on 2020 to £671 million; made up of a 22% year-on-year decline for linear commissions and a 16% decrease for digital
- Total revenues from digital services, both domestic & international, shrank slightly to £367 million in 2021 and now account for 14% 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*

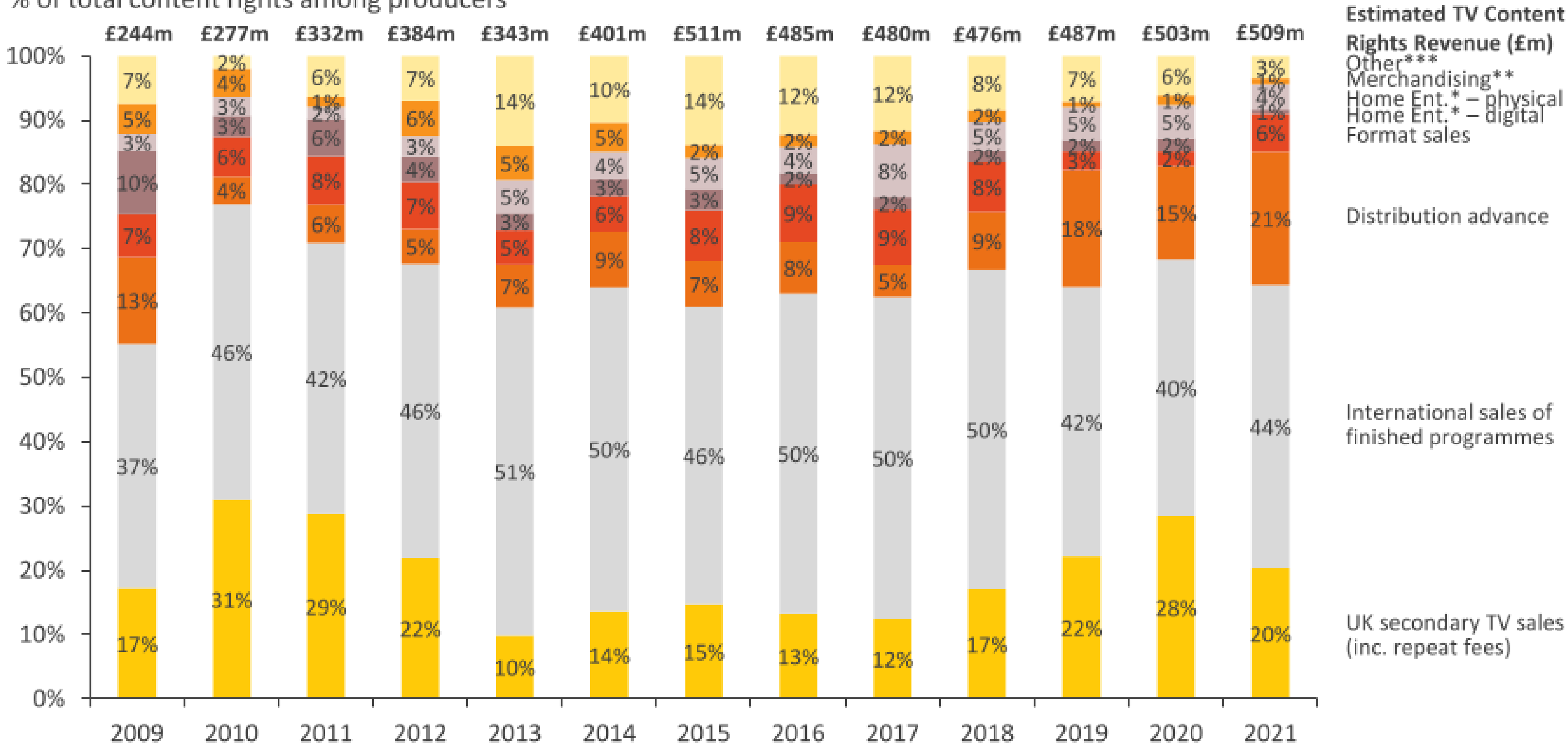
Source: *Pact UK Television Production Census 2022, Oliver & Ohlbaum analysis*

Secondary rights revenues grew to £509 million in 2021

This growth was fuelled by strong international sales of finished programmes and increased revenue from distribution advances. Gains here were offset slightly by lower UK secondary TV sales

Revenues from TV content rights, by category , 2009 – 2021

% 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 2022, Oliver & Ohlbaum analysis*

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