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pact.

COVID Long-Term Impact Study

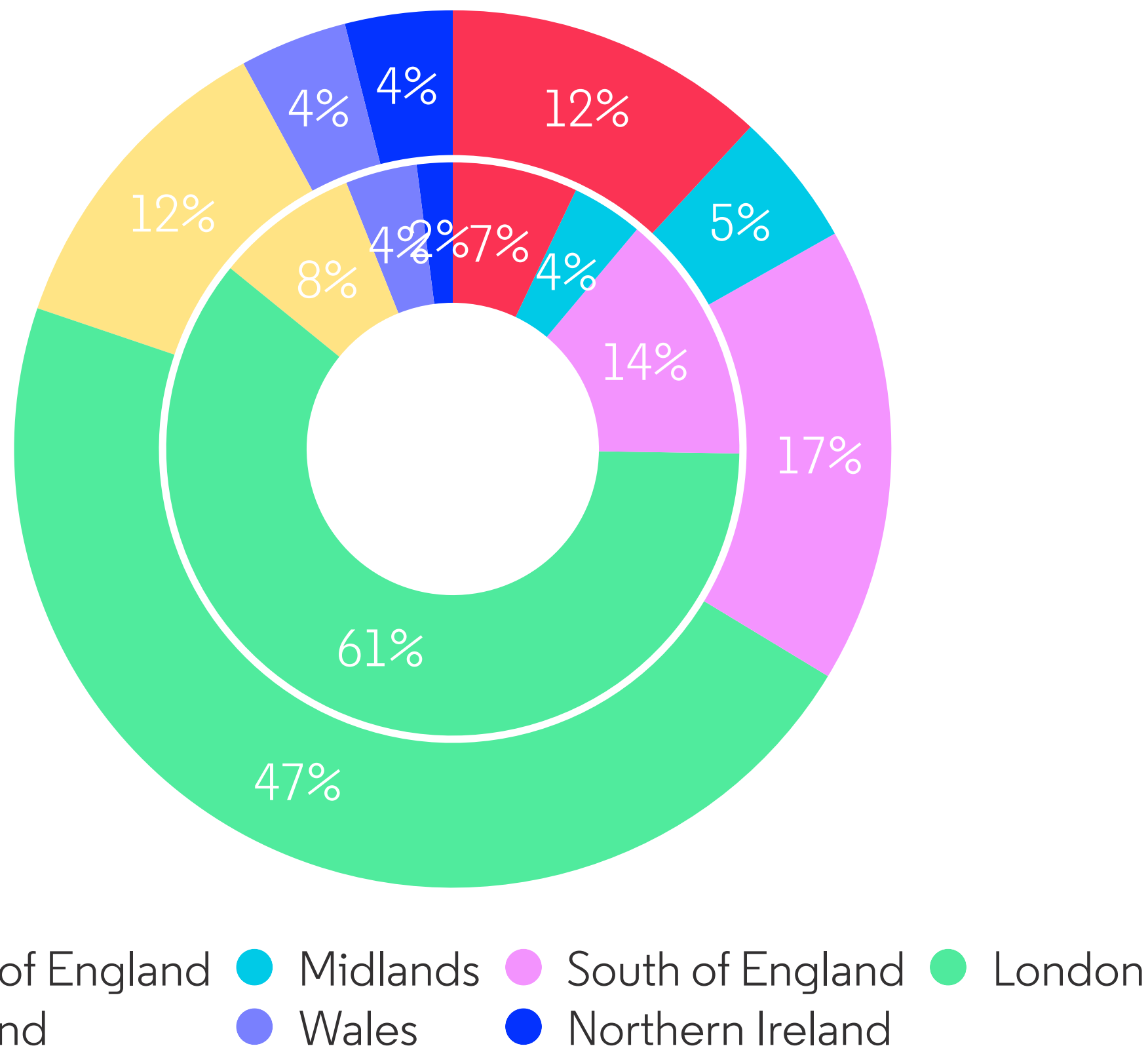
Produced by 3Vision on behalf of Pact

August 2021



COVID Survey Sample (Outer Ring)

Pact Membership (Inner Ring)



This report explores the difficulties faced by UK independent production companies throughout the COVID-19 global pandemic, assesses the recovery and reflects on their experience of working with UK based commissioners.

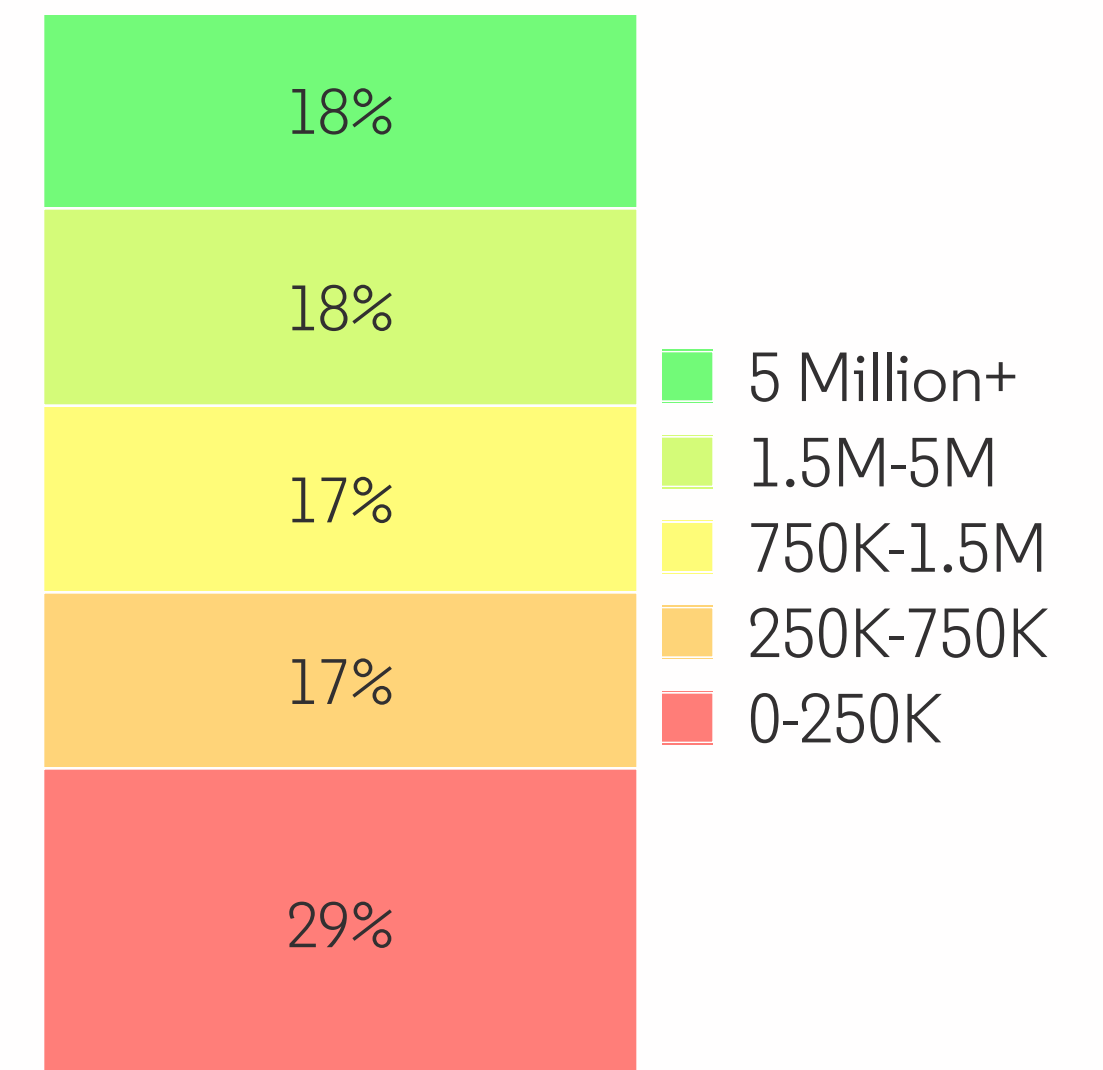
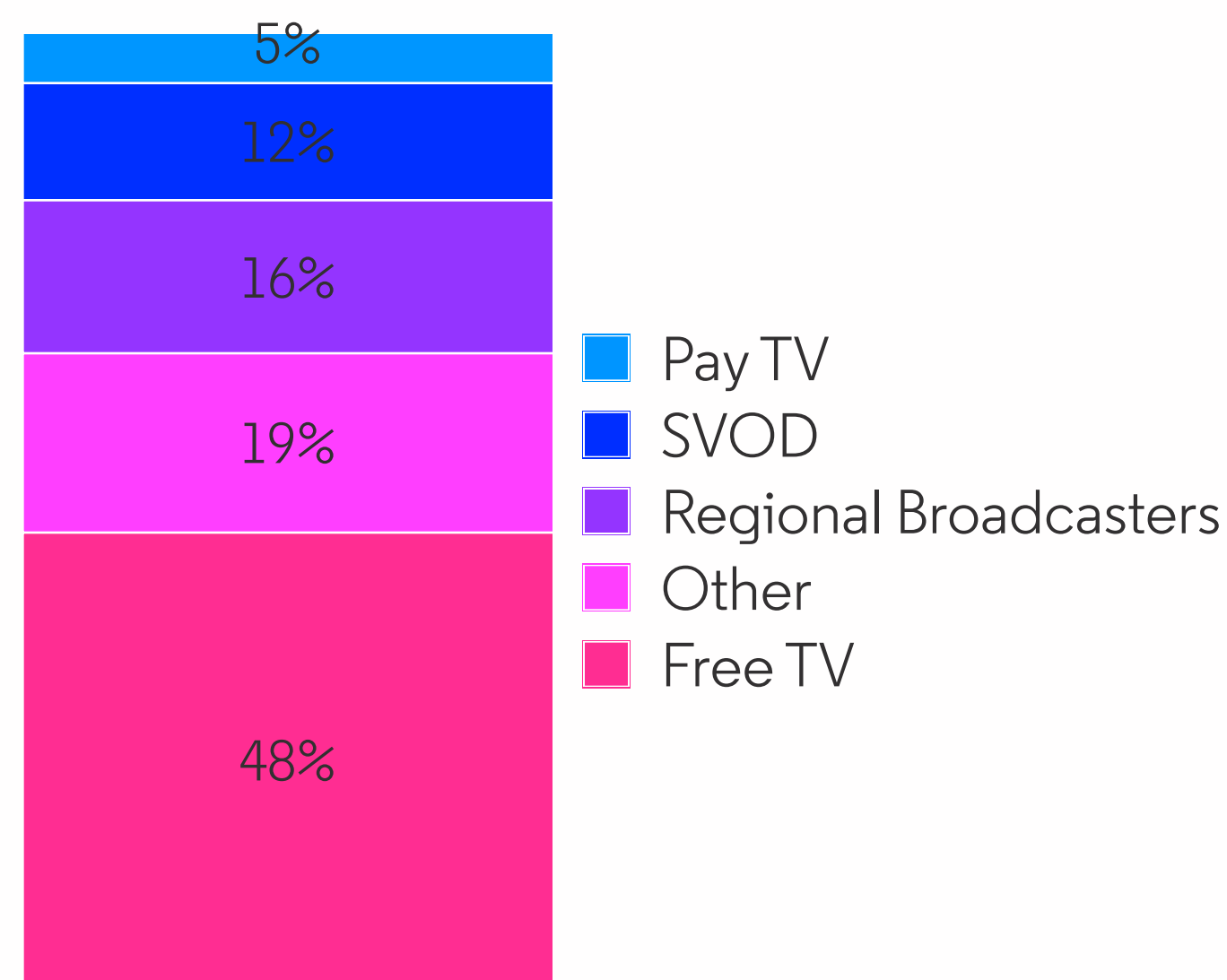
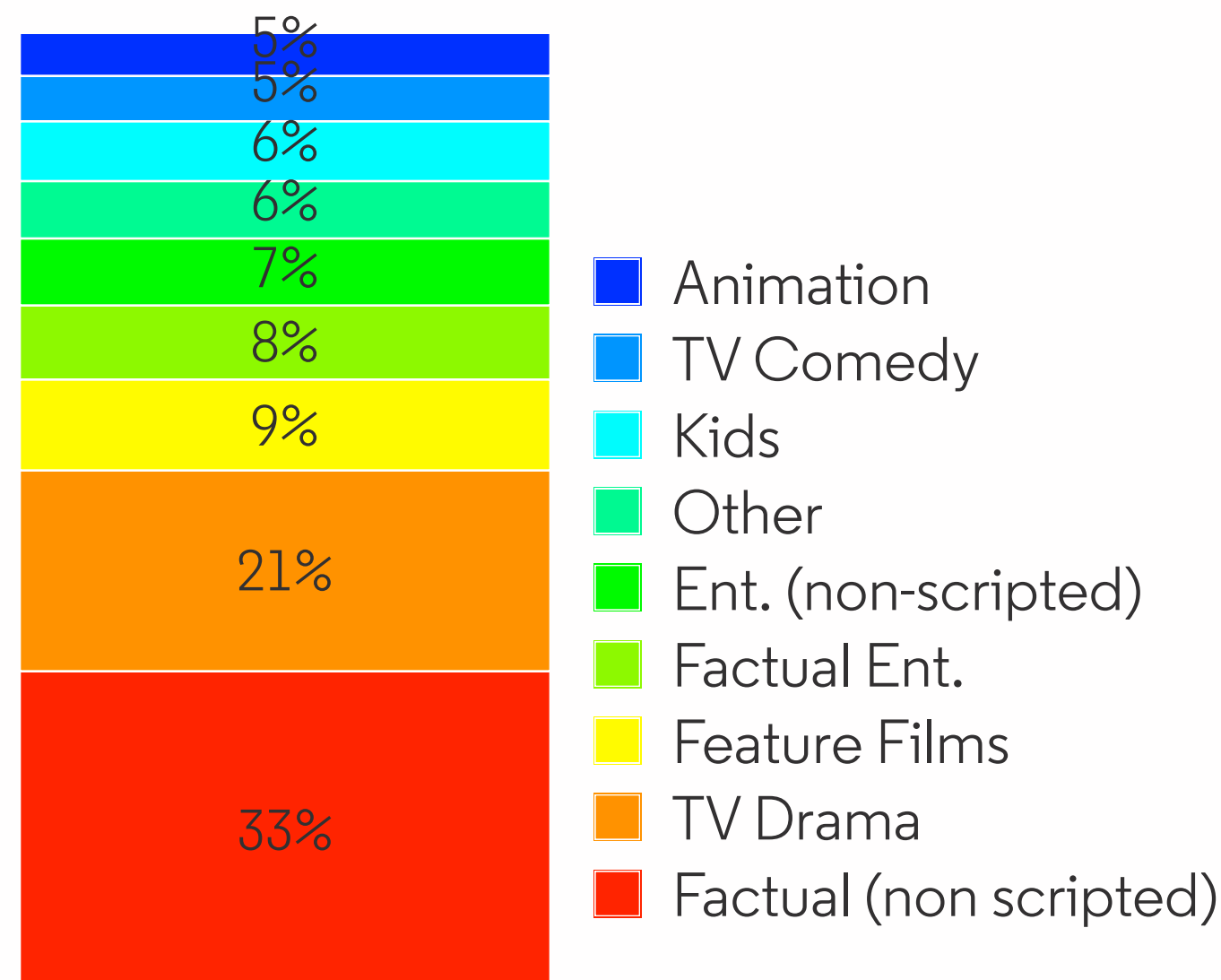
All data was collected by online survey through May and June 2021.

The findings are based on a total of 156 submissions from Pact members, with the regional sample distribution shown to the left.

Approximately 61% of Pact members are based in London. Our sample gives a boost to responses in other English regions and the Nations to fairly represent the views of the UK.

Survey respondents have production activities in a wide range of content themes, non scripted Factual the most common focus (33%), followed by TV Drama (21%). Free TV is the biggest commissioner for UK production companies. Pay TV is in comparison relatively small, with SVOD and Regional Broadcasters more active. The survey has an even number of responses reflecting production companies of all sizes.

Sample Distribution



Primary Genre

Primary Commissioning Partner

2019/20 Revenue

We had a good number of responses and enough representation of the regions/nations

There are mixed views coming back from companies as to their experience/position but generally many of the survey numbers point to more positivity than we would expect

Focus remains the same for the majority, with smaller companies looking to diversify more, perhaps reflecting their ability to be more nimble

SVOD targeting is unsurprisingly a common theme with many

Pitching levels, responses and commissions are numerically up on previous period - and response times broadly similar

London benefiting more, only balanced by C4/BBC (thanks to obligations...)

Only in more qualitative feedback that negativity emerges, with C4 coming out badly with some

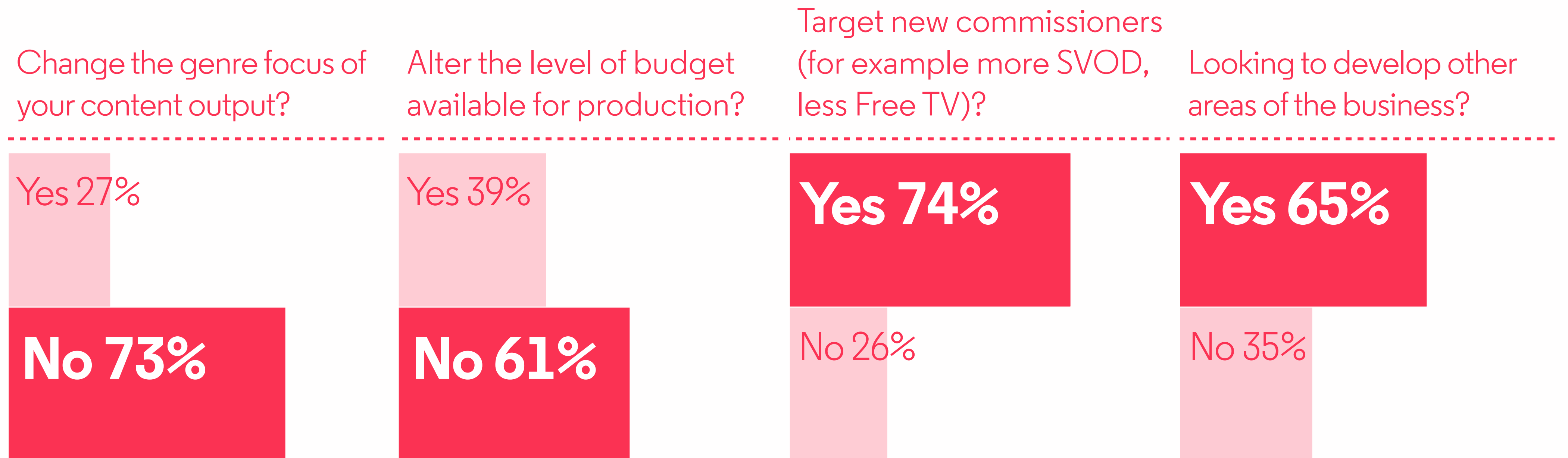
Smaller companies have more issues with commissioners, but overall results in the main are positive, and bigger companies more positive about interactions

Cash reserves are down for all, but loans only taken by 25% and impact seems to be primarily on development and staff. Furlough used by majority and 50/50 split in terms of concern over level of cash reserves

Prospects for growth mid-term OK, and it is the middle level companies with more concerns - as is slightly reflected throughout

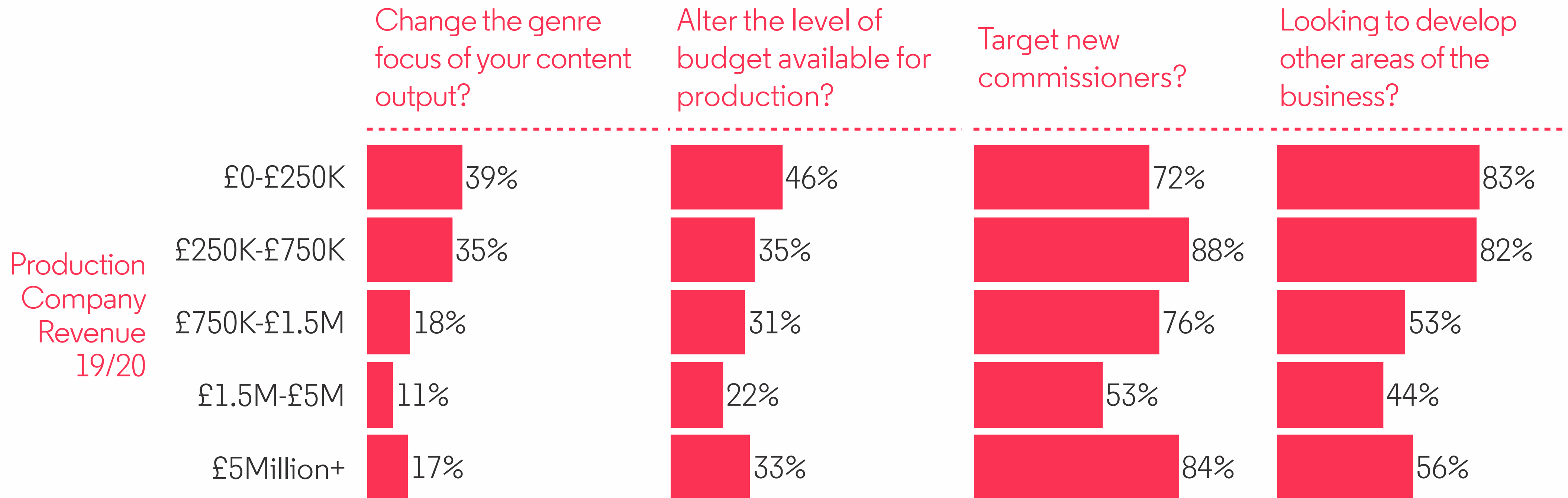
The majority of production companies plan to keep their content focus the same in future and not drastically alter the budgets available for production. They do however plan to diversify, targeting new commissioners and developing other areas of their business.

“Do you have plans to make any of the below strategic changes to your business...?”



Smaller production companies have expressed more intent in changing their content focus, budgets and plans to develop other areas of their business.

“Do you have plans to make any of the below strategic changes to your business...?” (% answering Yes)



Targeting SVOD commissioners is a recurring theme in the responses from production companies of all sizes as they explore new opportunities, particularly in the US.

“With the surge in SVOD consumption we will try to intensify our pitches to these platforms” - London based production company

“Expand heavily in to developing VOD on direct to consumer and expanding SVOD licensing . Build and expand on North American licensing in particular” - South East England

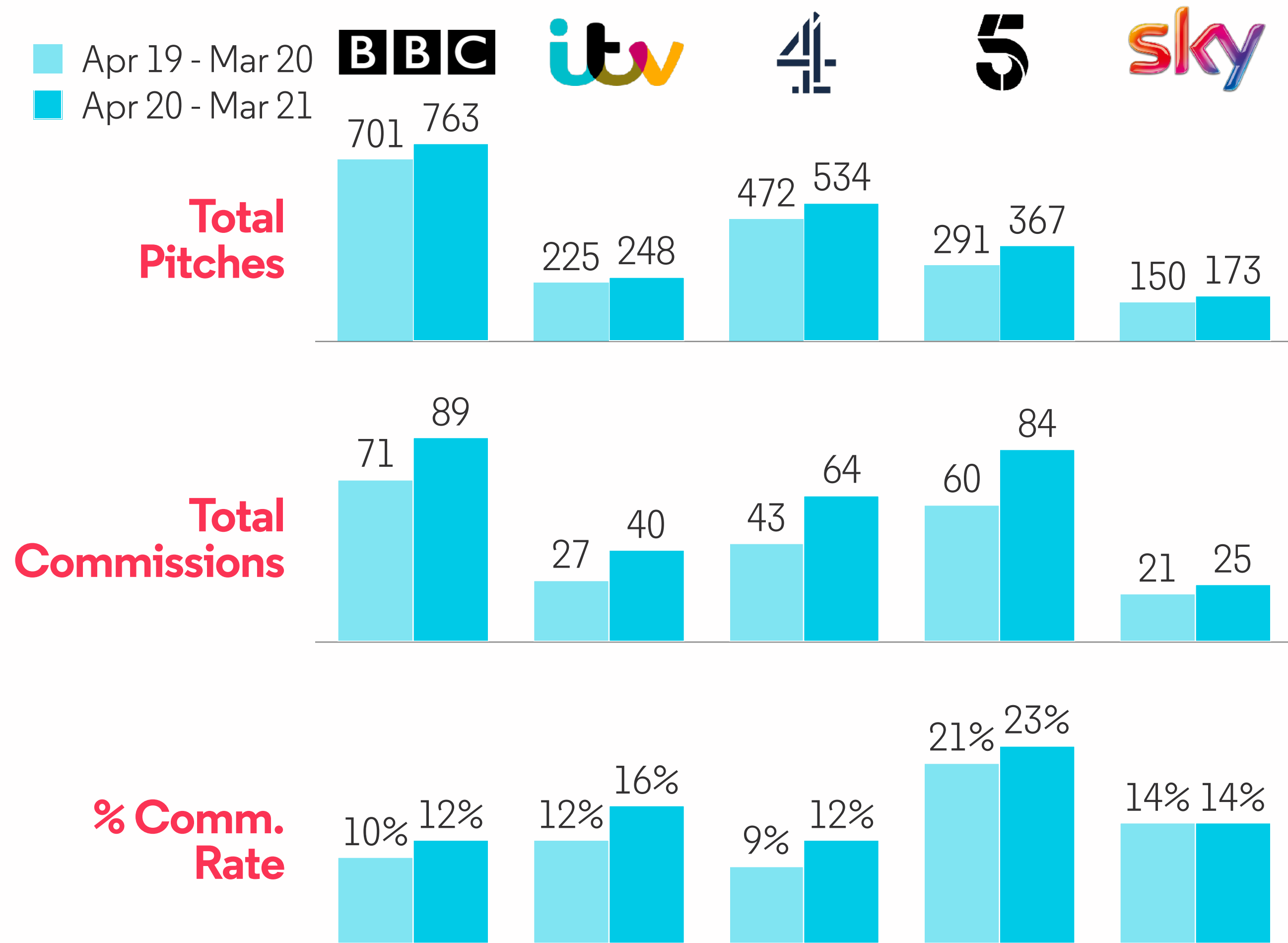
“Whilst budgets are being squeezed and production costs rising dramatically we will continue to develop relationships with SVODs” - London

“Aim to increase greater SVOD commissions with new players in the market” - North West England

“Increase in drama content, particularly for SVOD platforms.” - Wales

“Start pitching to streamers as it's an area we've yet to explore properly. Given current political climate, dependence on the BBC and C4 is too risky.” - Northern Ireland

“We will have to make our broadcaster funding work harder as we have less company funding to balance deficits etc. We need to work with a wider range of commissioners to be able to continue making scripted content, PSB's budgets have become too limiting. Expanding genres we work in could help the business overall.” - London



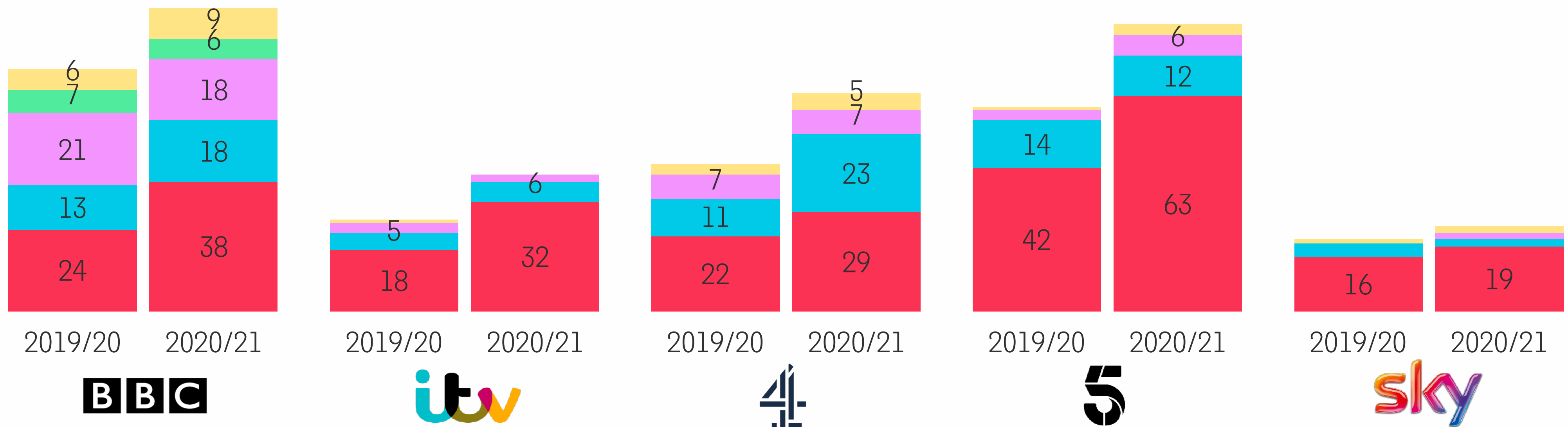
The number of pitches made by productions companies surveyed increased year-on-year to all national UK broadcasters, with an uplift of around 18%. Not shown - regional pitches increased +12% and 'Other' (likely SVOD) by a significant 44%

The total number of commissions also increased, with the commissioning rate also rising from 13% in 2019/20 to 16% in 2020/21.

Production companies in London have been the main beneficiaries from the increased number of commissions year-on-year, most notably from Channel 5. In line with their charter commitments and targets for national representation, BBC have commissioned the most from outside of London, with Channel 4 also acquiring content particularly from the rest of England.

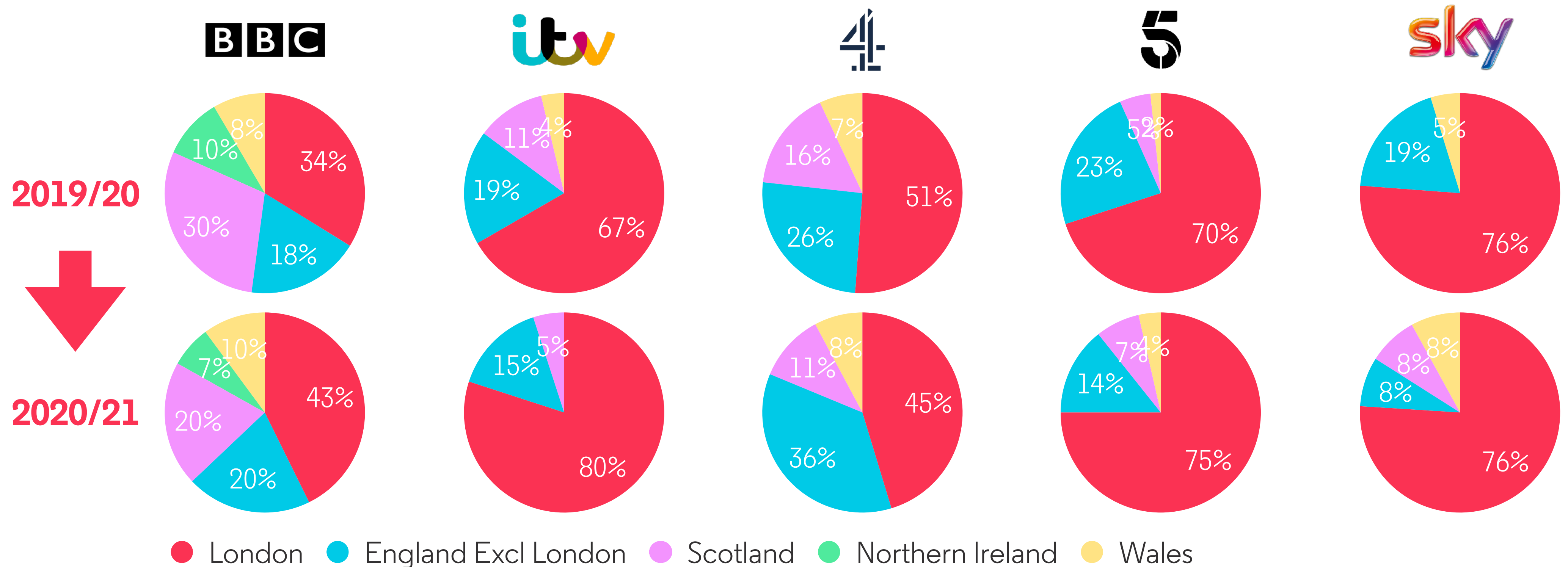
Total Commissions - Production Company Location

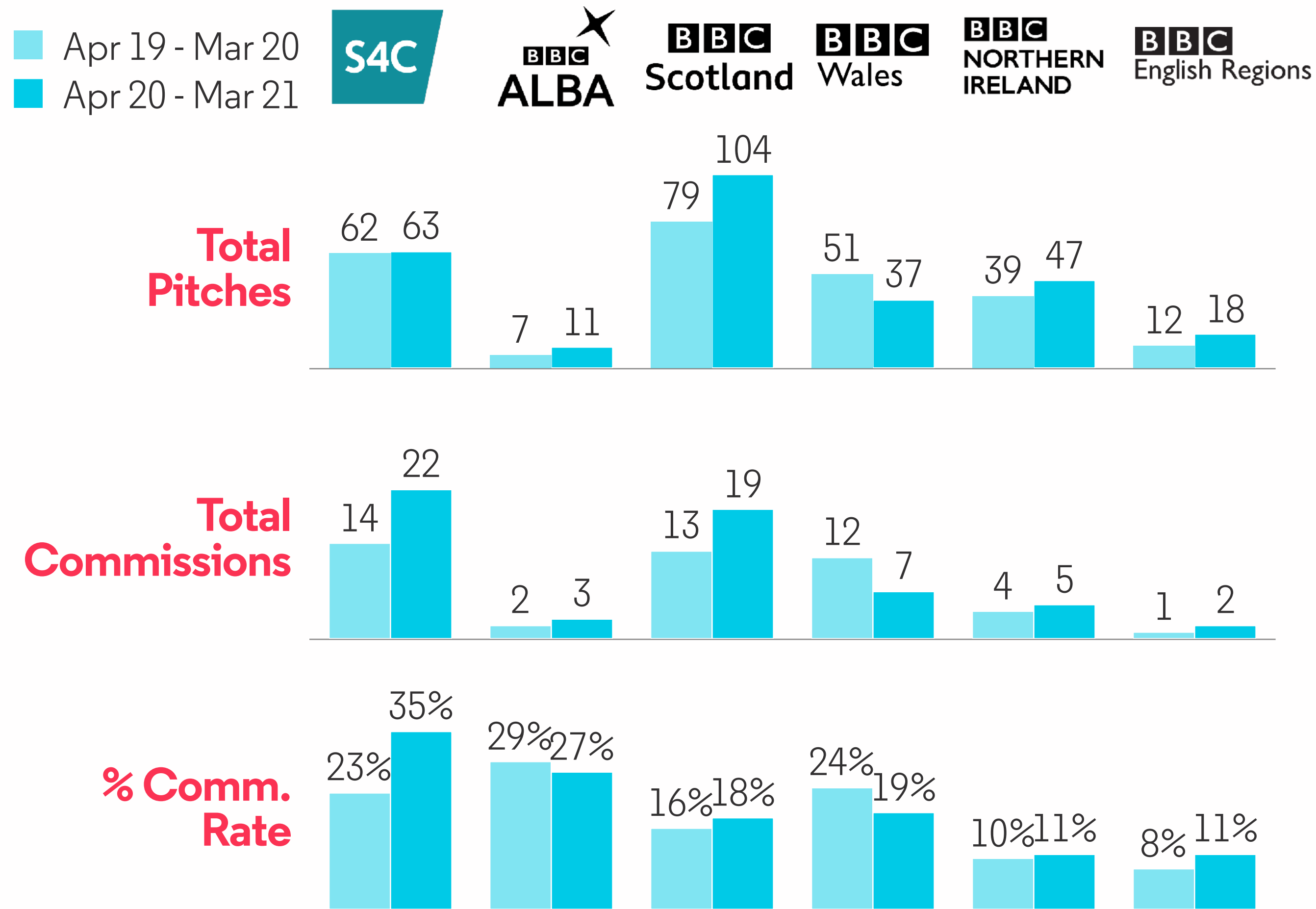
■ London
 ■ England Excl London
 ■ Scotland
 ■ Northern Ireland
 ■ Wales



With the exception of the BBC and Channel 4, London based production companies accounted for 75% of all successful commissions from the national broadcasters in 2020/21. ITV in particular have notably increased their London skew throughout the global pandemic.

% Total Commissions - Production Company Location





S4C and BBC Scotland each commissioned more shows year-on-year with a higher commission rate.

BBC Wales commissioned almost half the number of programmes that they had in 2019/20 but received fewer submissions from our sample group.

Delays, cancellations and budget constraints have also come from other broadcasters and international SVOD:

“Channel 5 have never replied to one pitch even after three follow up emails, it was a project we spent £10,000 of location and post production work and put in hundreds of hours of unpaid company directors' effort....yet they seemed to have viewed the video clips on our YouTube link....Maddening.” - South West England

“C5 has reduced our tarriff for the same sort of show that we've been making for them for 3 years by 40% so we are deficit financing ourselves. BBC seems to be ever harder to get answers from!” - London

“CBS Reality pulled out of a large series after we had signed their contract and we had taken their notes on 2 programmes. They hadn't signed the contract, despite providing it. We could not do anything but accept the new situation” - West Midlands

“BBC withdrew potential commission with Covid. Have kept dangling ever since. Channel 5 commission live action element delayed by 15 months. ITV Kids less responsive. Netflix kids now unresponsive” - East of England

“Amazon Prime opted not to renew a series. Added costs to do with COVID certainly influenced their decision” - London

The overall experience with commissioners does appear to be very polar, with a mix of negative and positive:

“Commissioner responses aren't uniform across broadcasters...some at BBC/ITV are quick. Others are very very slow” - London

“No on the whole broadcasters were supportive. However in general broadcasters have refused to pick up or cover costs related to COVID. Higher budget costs related to COVID most broadcasters aren't engaging in the impact this has on budgets. Broadcasters expecting a lot more paperwork involved due to their insistence on applying for the Government Restart Scheme and COVID protocols” - London

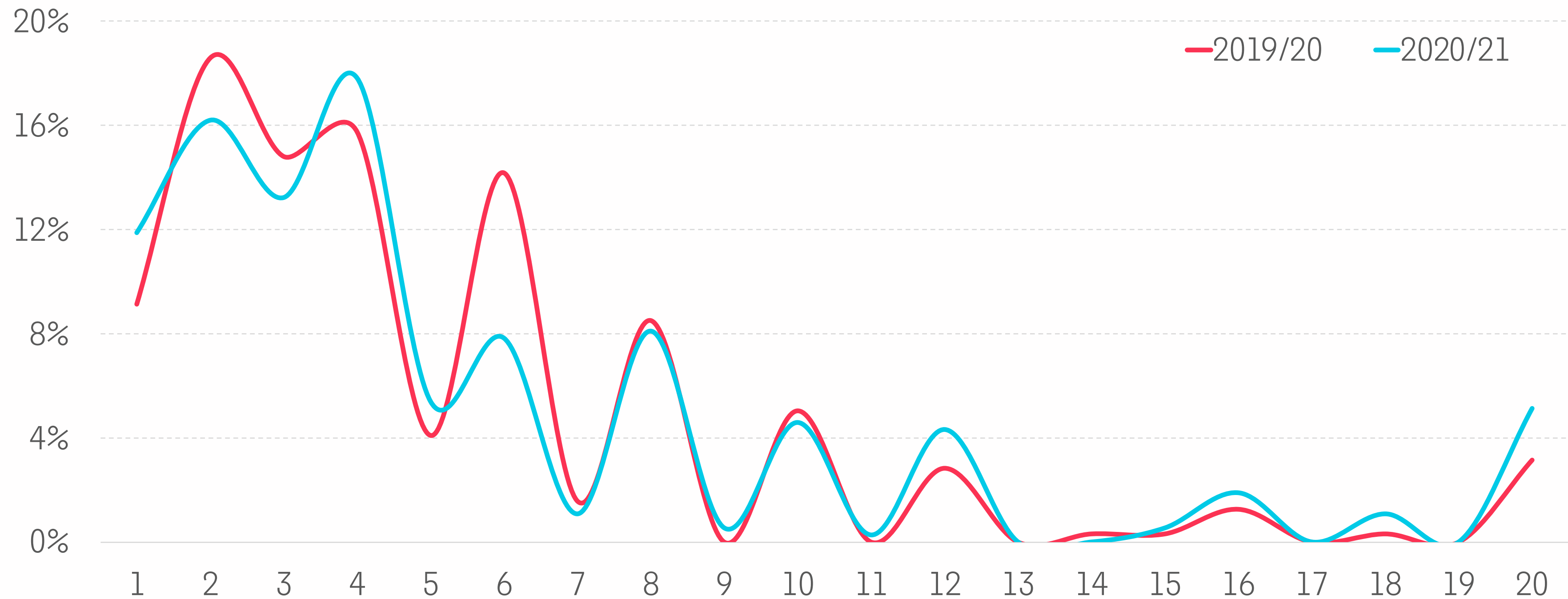
“Broadcasters were helpful & productions were delayed to 2021” - London

“Sky were amazing. they honoured our production fees, overhead recoveries and staff salaries for the cancelled productions. as a company we did not suffer any financial losses therefore” - London

“Everyone is trying to be helpful, but at the end of the day, they don't have enough resources to really support us” - Scotland

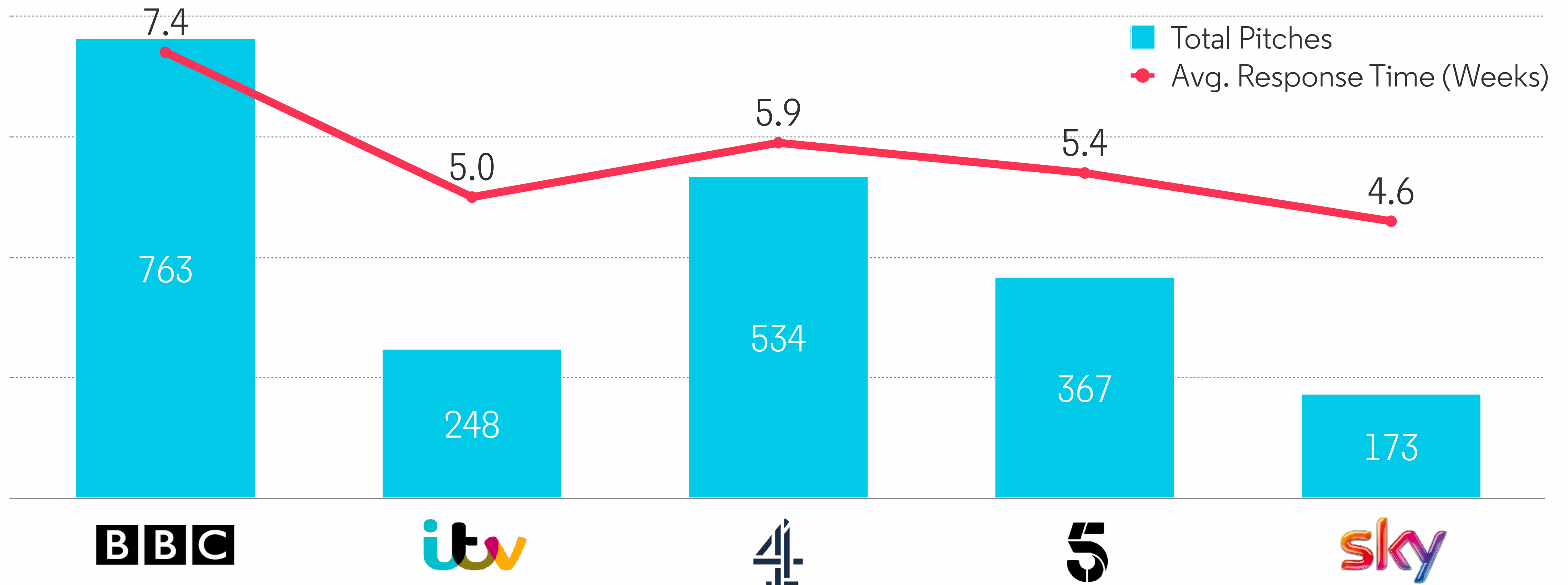
Overall response times to pitches are (as expected) slower throughout the pandemic than in the preceding 12 months, the average time slipping slightly from 5.2 to 5.7 weeks.

Response Time of All UK Commissioners



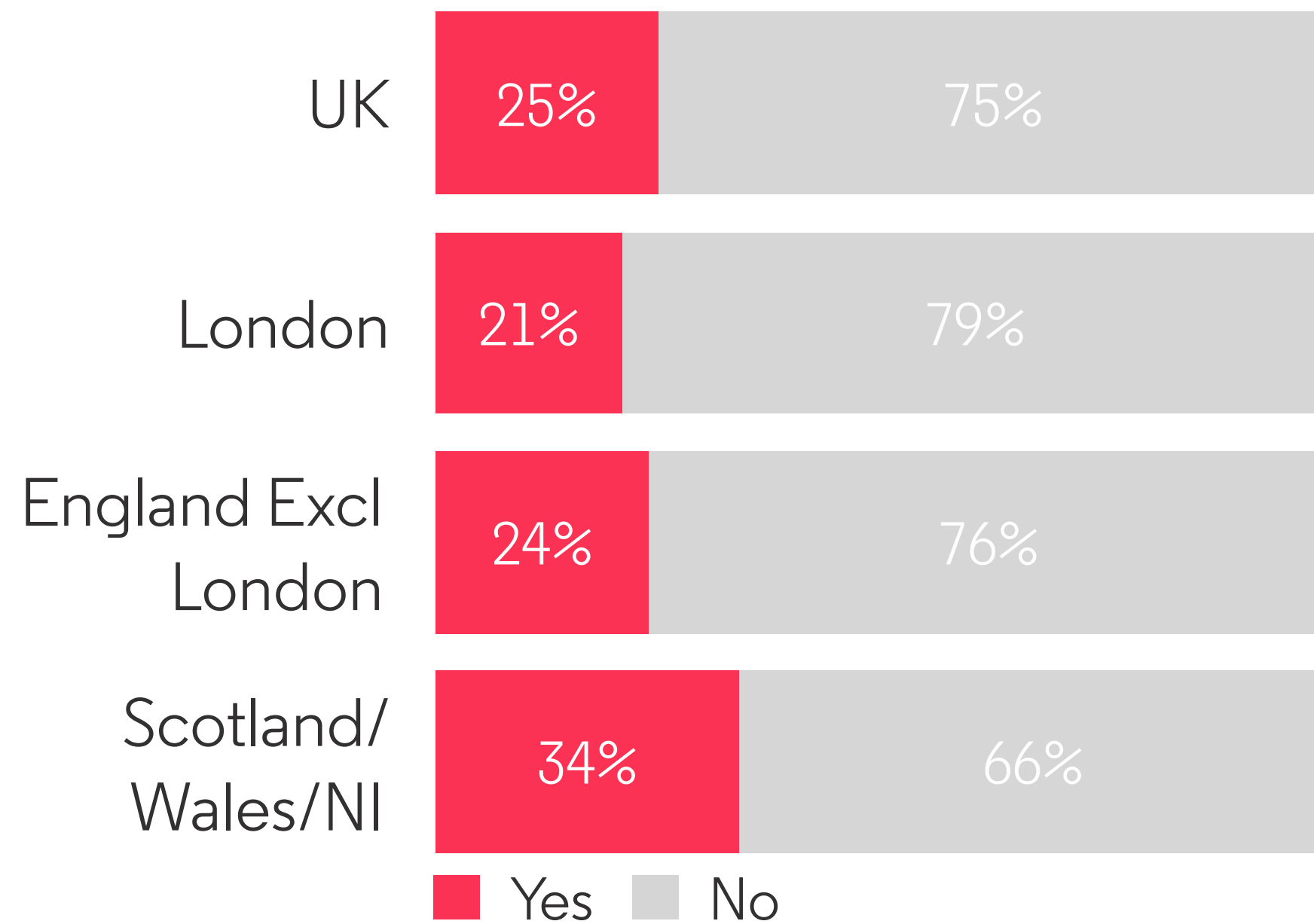
Response Times to Pitches

BBC took longer to respond to submissions (7.4 weeks on average) but do receive far more pitches than all other UK commissioners.

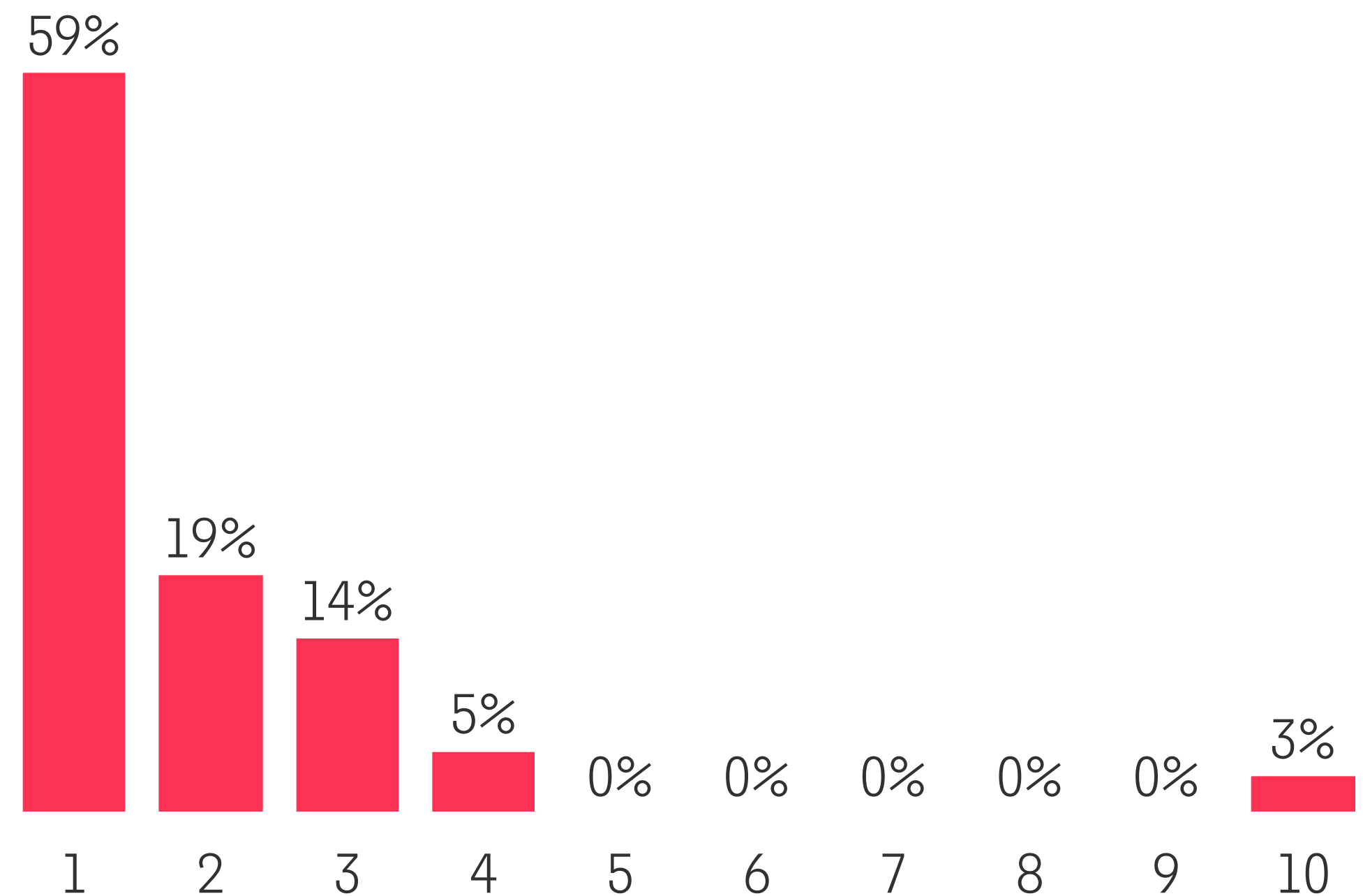


25% of respondents had a show cancelled between April 2020 and March 2021, with the majority having the one cancellation. Production companies based in the Nations were more likely to have a show cancelled than those based in England.

“Did you have any shows cancelled during April 2020 - March 2021?”

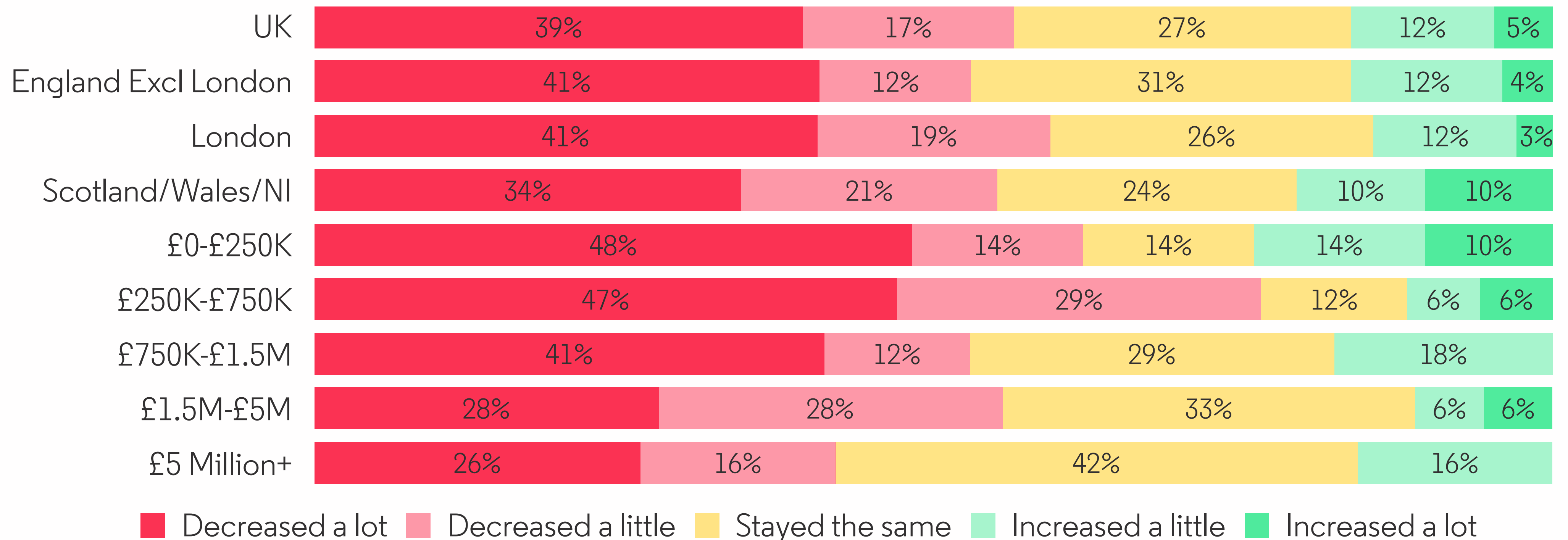


“How many shows did you have cancelled?”



All sizes of production company based across the UK experienced a notable decrease in cash reserves throughout the pandemic, with those with lower revenues in the previous year the most likely to feel the effects.

How has your level of cash reserves during the last 12 months (April 20-March 21) differed from the previous year?

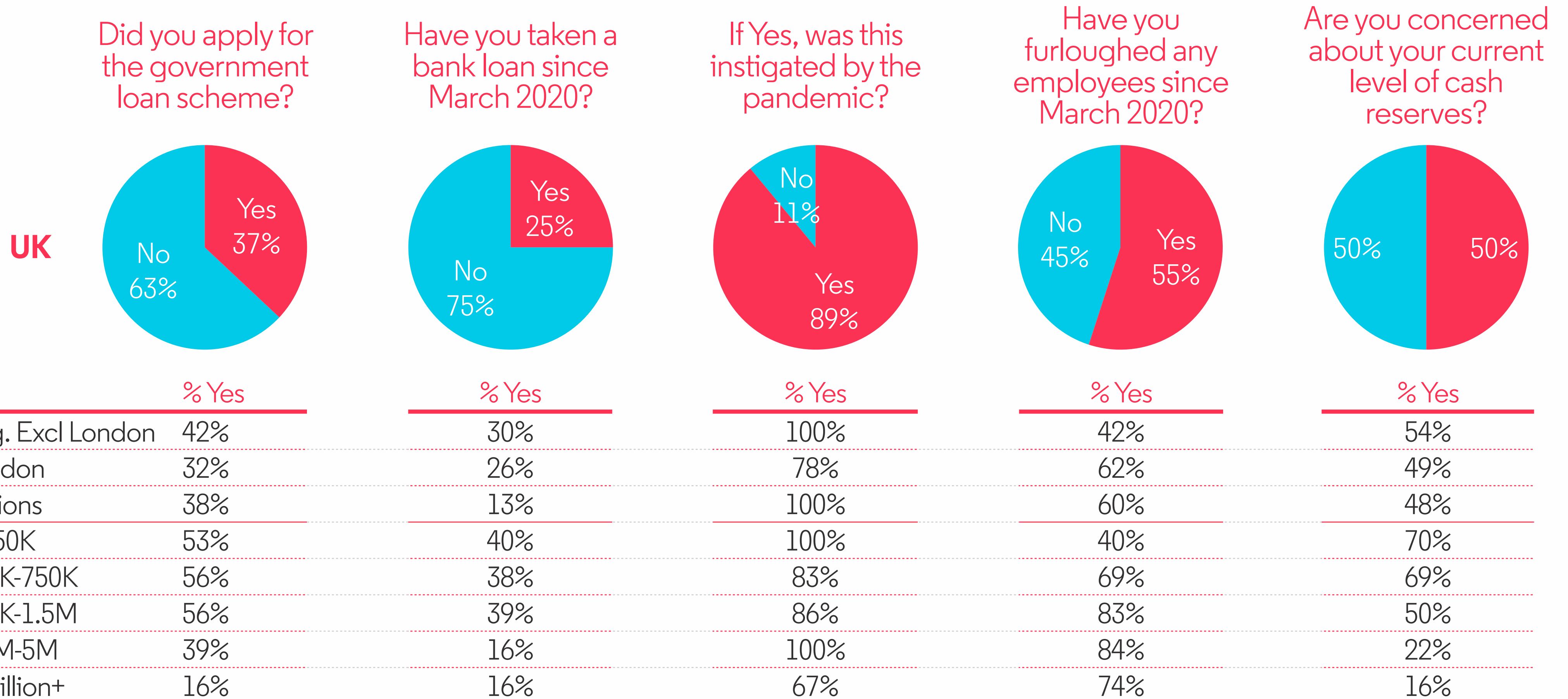


37% of production companies applied for the government loan scheme, a higher proportion being smaller companies with lower income.

Similarly, it is these smaller companies who were more likely to apply for a bank loan, and above the UK average of 25%. Production companies based in the Nations were less likely (13%) than their England based counterparts (London: 26%, OOL: 30%). The decision to apply for a bank loan in this period was overwhelmingly a direct result of the pandemic (89%).

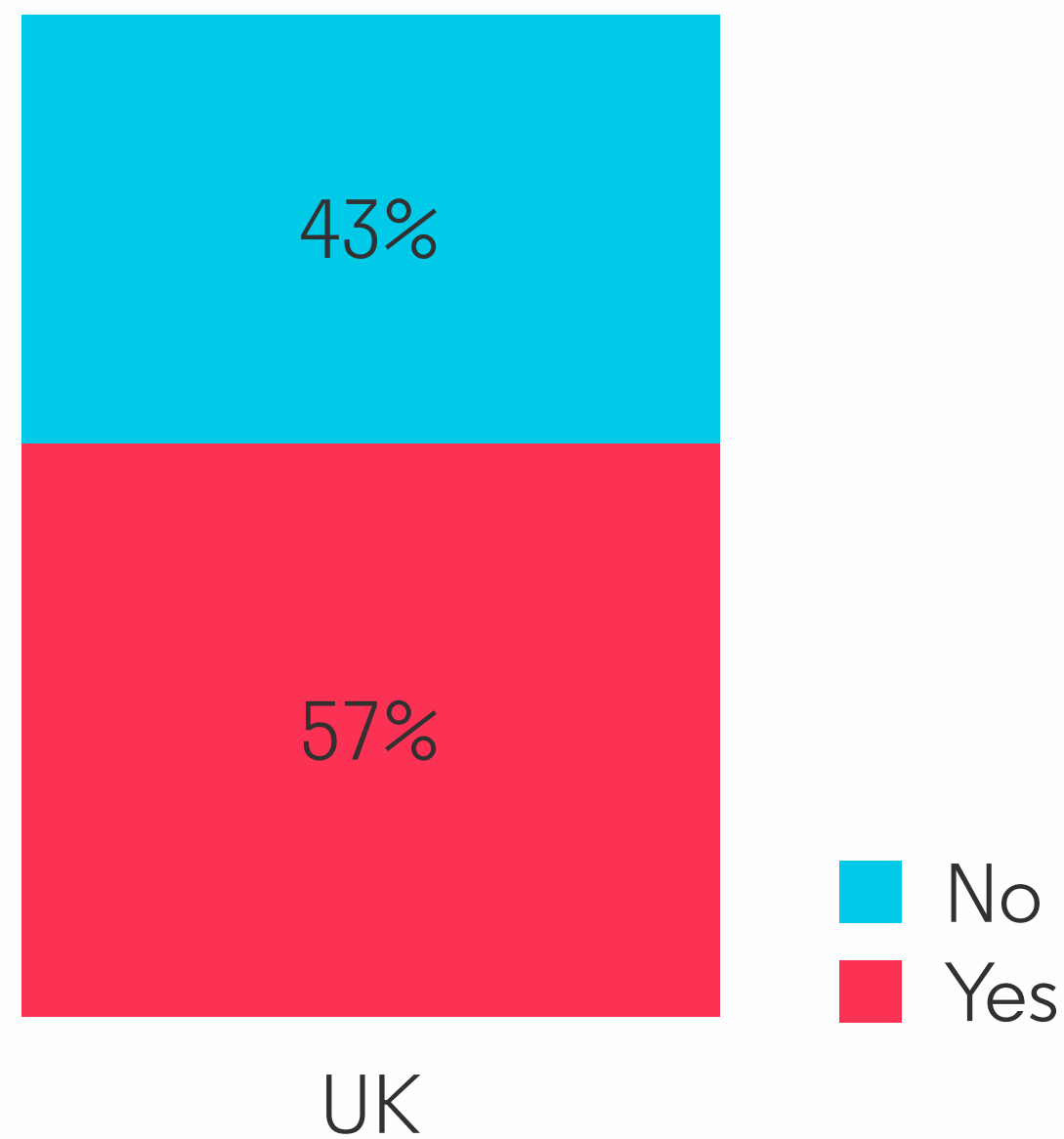
Over half of the UK production companies surveyed furloughed staff (55%) in this period. Those based in the Nations were again less likely to do so, as were smaller companies overall. This is perhaps a reflection of smaller production companies having a lower headcount and more fluidity between staff and roles.

Unsurprisingly production companies operating on smaller budgets are far more concerned about their levels of cash reserves (~70% of companies with previous year revenues below £750K Vs. 16% of £5 Million +)

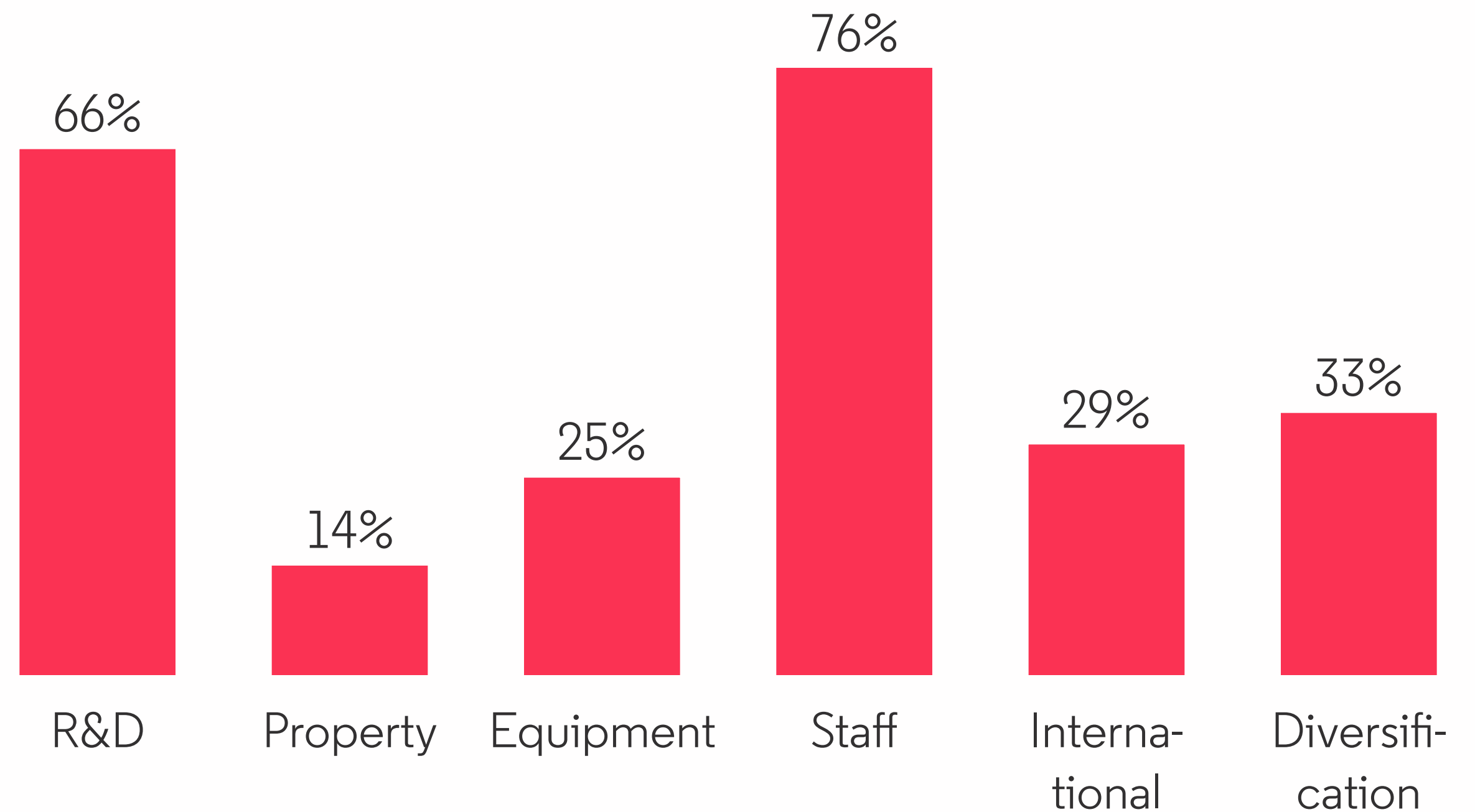


The financial consequences of the pandemic has effected 57% of companies ability to reinvest in further developing their business. Of these companies the biggest impact is on their ability invest in people (76%), followed by R&D (66%).

Does your current cash reserves affect your ability to invest in developing your business?



Investment areas effected by cash reserves



The 66% reducing investment in R&D equates to 37% of the total sample when factoring in those whose cash reserves were not impacted. For those reducing R&D there are a similar number who plan to increase their focus to reignite the business:



“Smaller slate. Less development. Significant concerns about continuing” - West Midlands

“Curtail any development of new projects” - South East England

“Cut investment in equipment, R&D, optioning and developing projects” - North West England

“Reduce spend on R&D; can't increase staff or salaries” - London

“Major cut in R&D” - London

“Cut investment in R&D” - London



“Increase investment in R&D, but ability to do this has been pushed back a year by the pandemic” - South West England

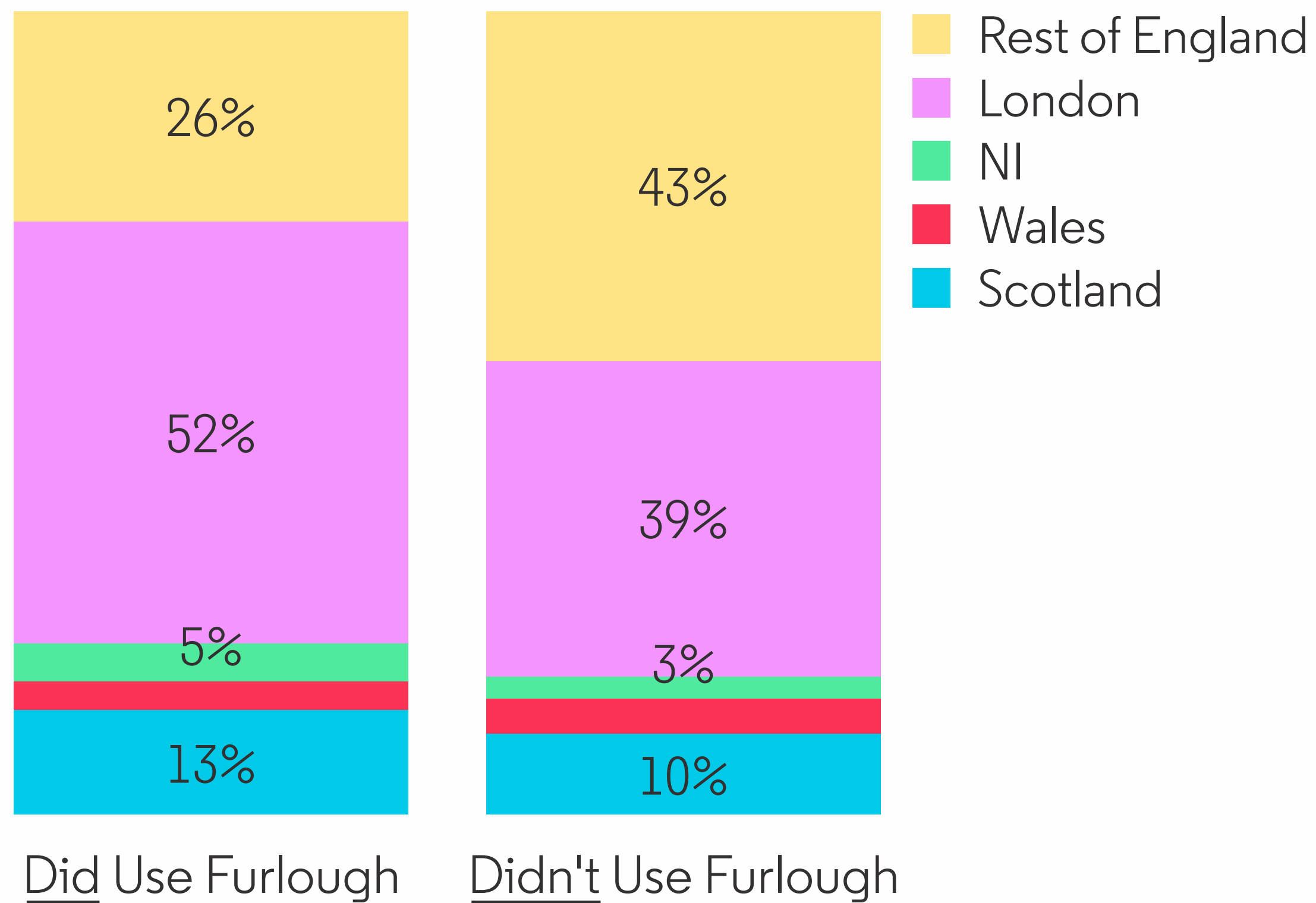
“Invest heavily in to development” - Scotland

“Increase R&D to recover lost business and grow new business opportunities” - Wales

“Increased R&D - cut marketing events” - East of England

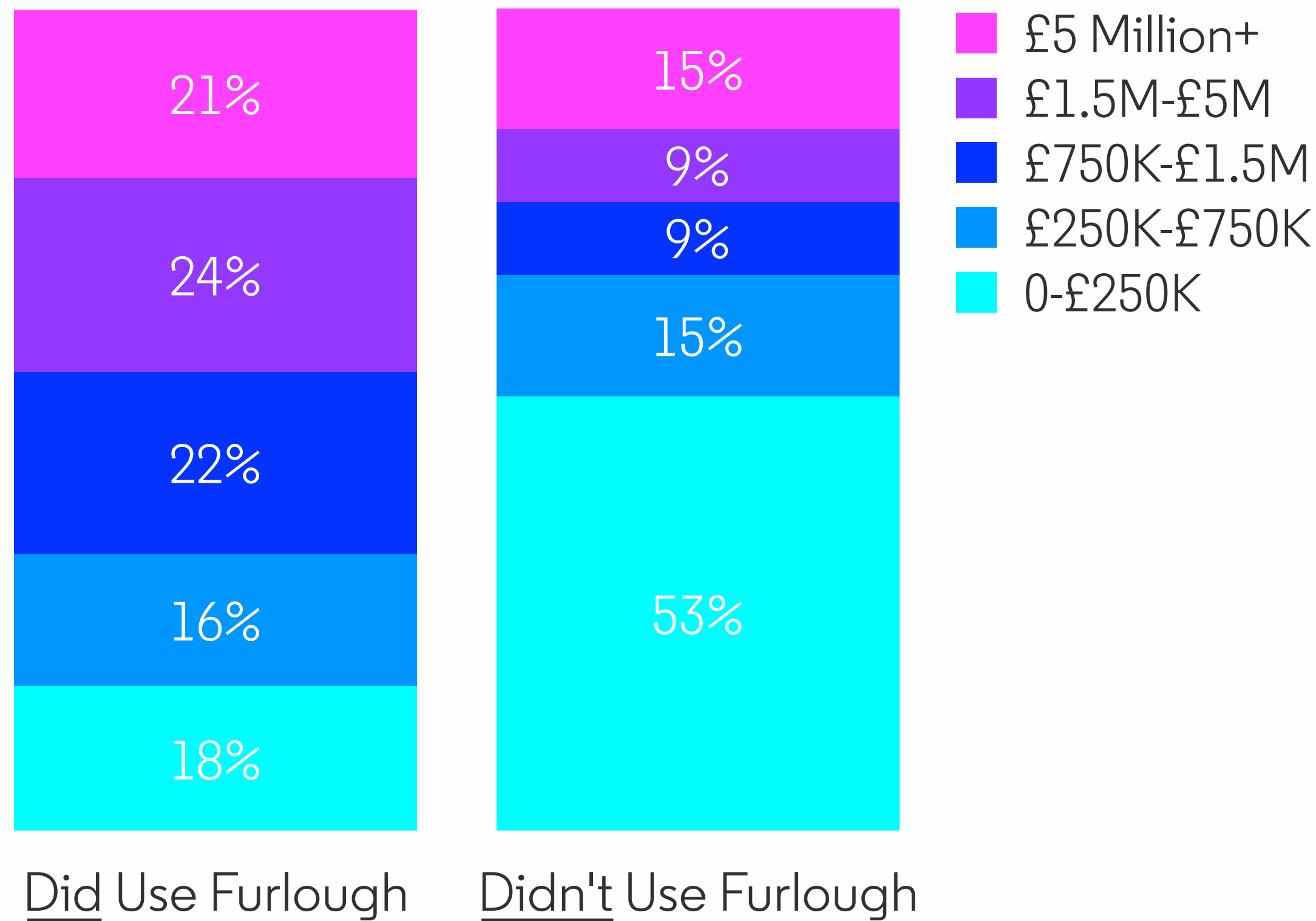
“Build back reserves to continue to invest in R&D and international production” - Wales

Profile of Production Companies by UK Base



52% of production companies who used the furlough scheme are based in London, with a further 26% in the rest of England. These proportions are not unexpected and somewhat mirror the overall Pact member sample (~61% of Pact members are London based).

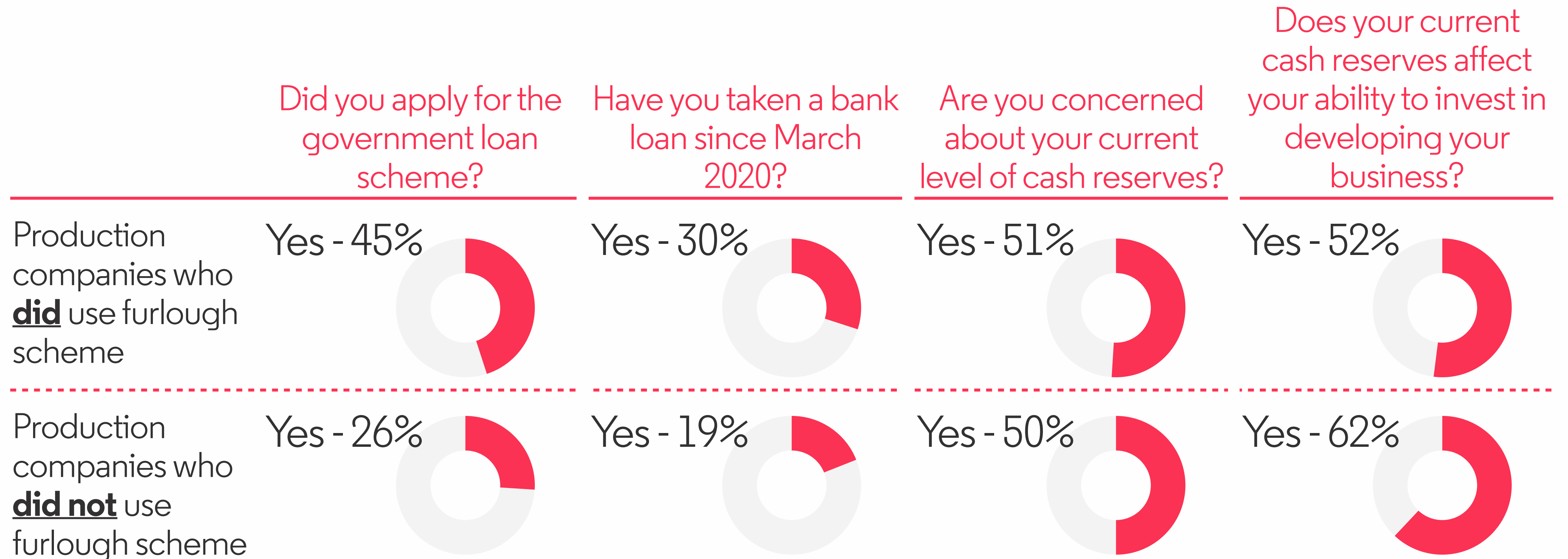
Profile of Production Companies by 2019/20 Total Revenue



An equal split among production companies of all sizes who used the furlough scheme.

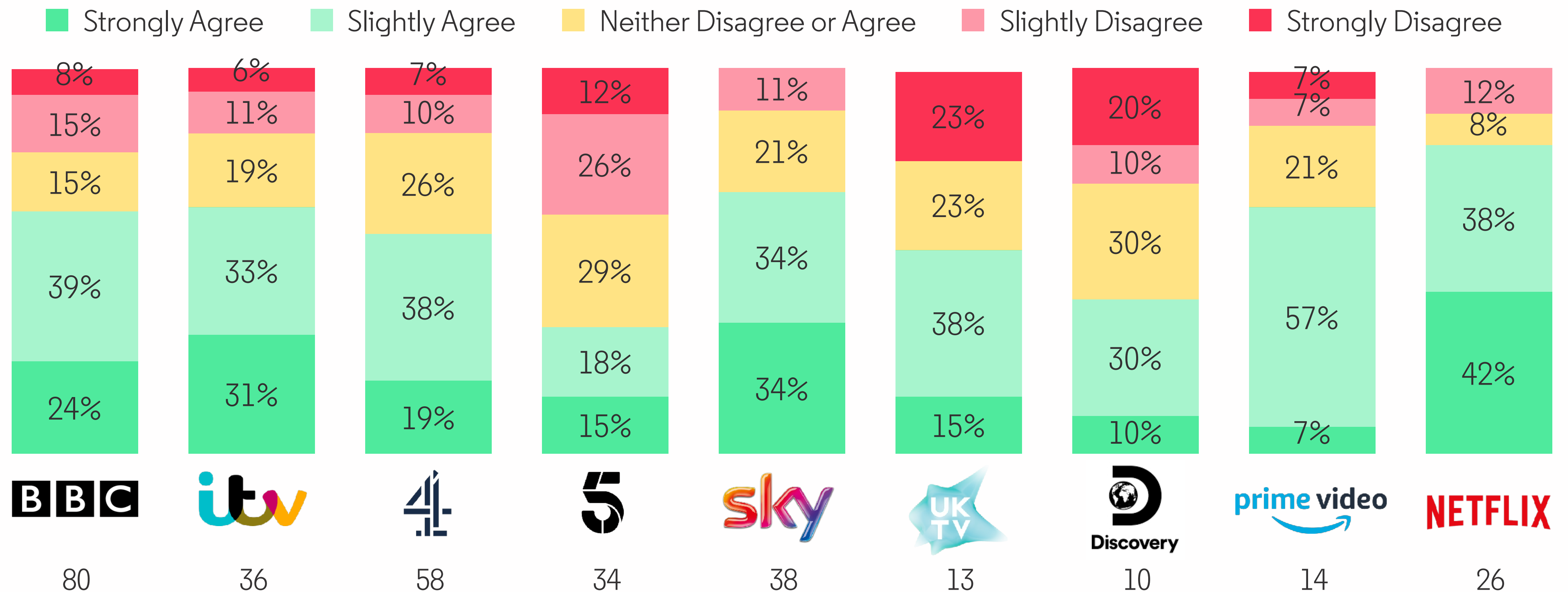
The smallest companies with 2019/20 annual revenues below £250K were more likely to not furlough staff.

Production companies who furloughed employees were more likely to have also applied for the government loan scheme and to have taken a bank loan.



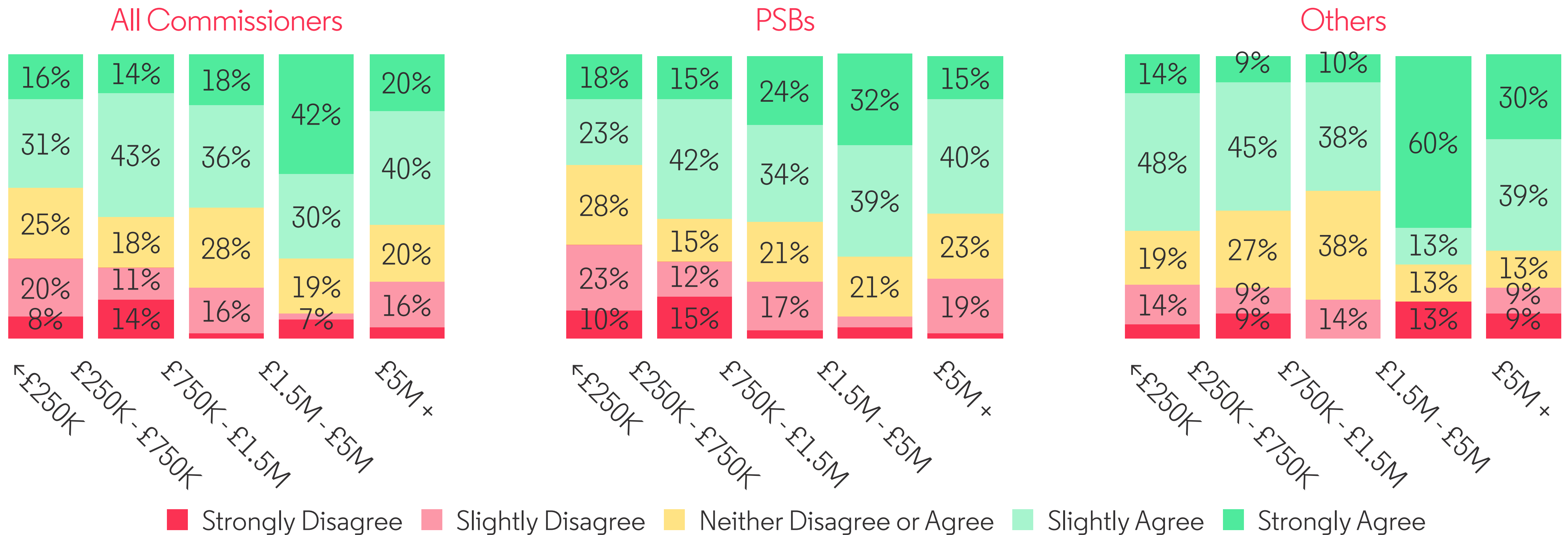
Production companies feel that commissioners have been both flexible and supportive throughout the pandemic. No respondents strongly disagree that Sky or Netflix have been a good partner. Channel 5 and Discovery fare worst overall (however Discovery is based on a smaller sample - 10).

“Has been a flexible and supportive partner throughout the global pandemic”



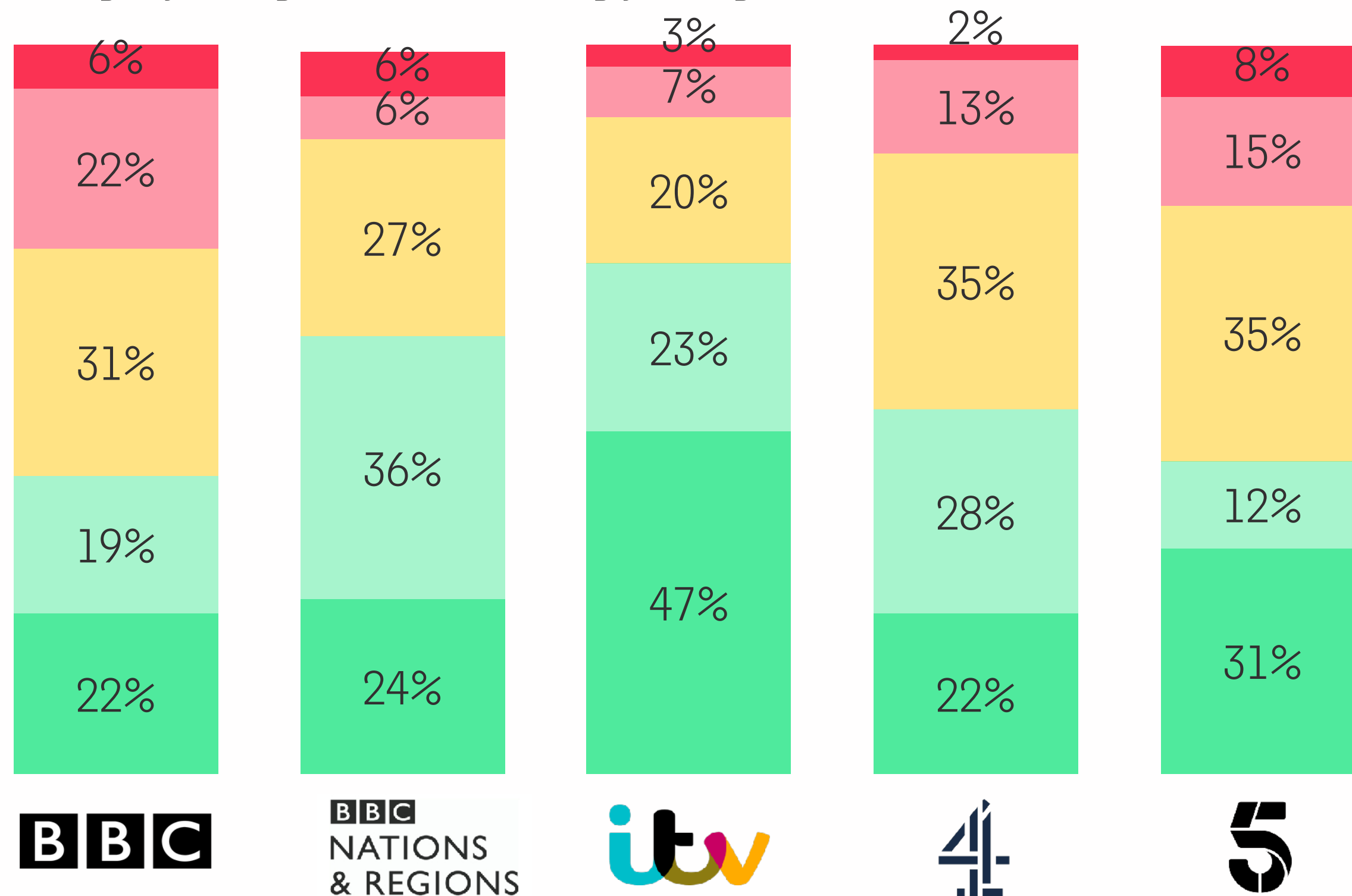
Whilst the experience with UK commissioners has been positive overall, smaller production companies have perhaps had the share of worse experiences, particularly with the PSBs.

“Has been a flexible and supportive partner throughout the global pandemic”



"Broadcasters dealt fairly with us in line with the UK terms of trade"

■ Strongly Agree ■ Slightly Agree ■ Neither Disagree or Agree
■ Slightly Disagree ■ Strongly Disagree

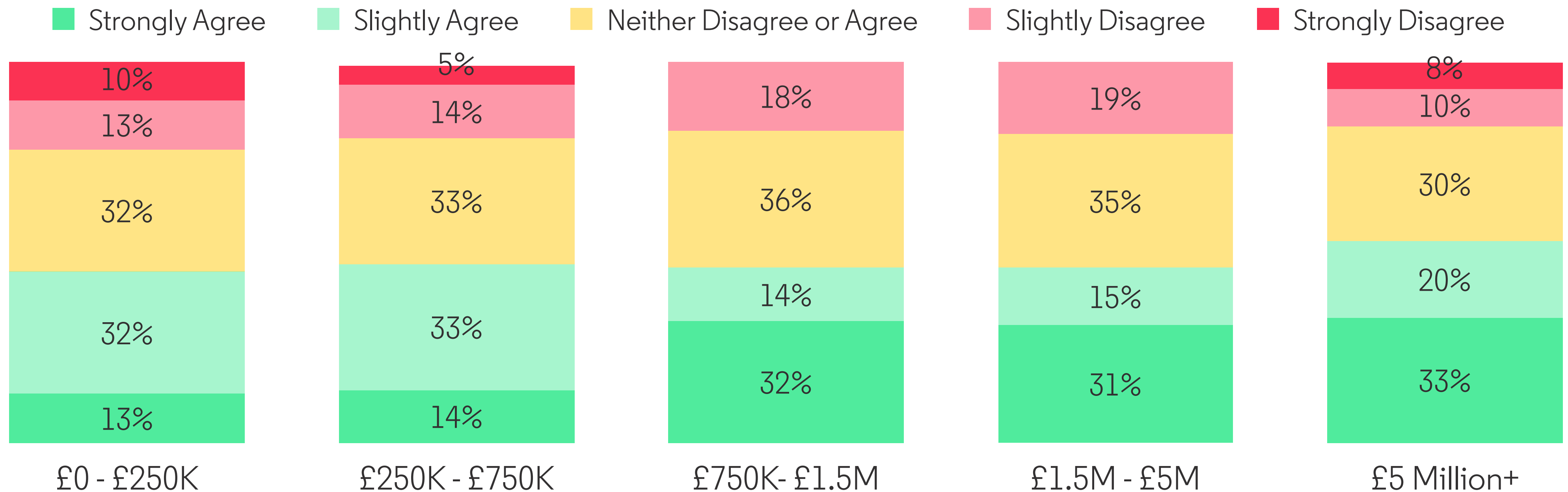


UK production companies view ITV most favourably for meeting its Terms of Trade commitments - 47% strongly agree they have behaved fairly.

A wide spread of responses for the BBC, with the nations and regions faring better than central.

Combining all PSBs and looking at the data based on the size of the UK production company, bigger companies had a much more positive experience overall, with 33% (of £5M+) strongly agreeing commissioning partners behaved fairly, compared with just 13%-14% of companies with revenues under £750K.

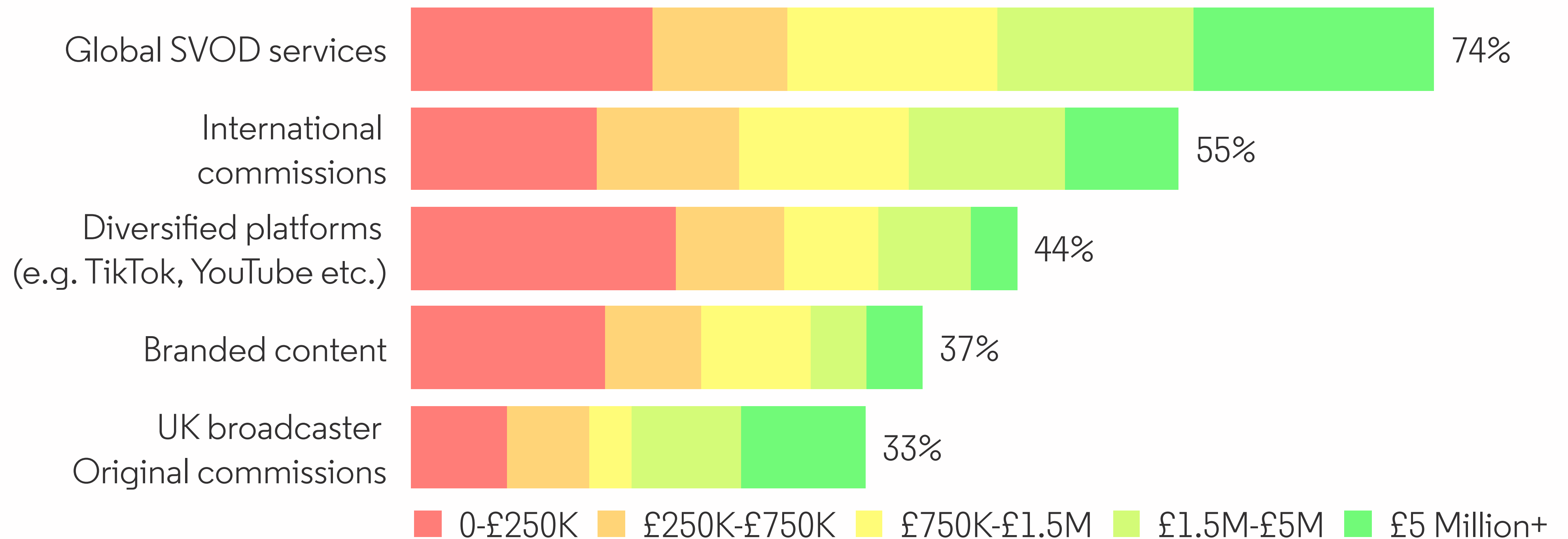
"Broadcasters dealt fairly with us in line with the UK terms of trade"



Production Company Size by 19/20 Revenues

74% of production companies believe that future growth will come in the form of working with Global SVOD services and just over half (55%) believe international commissions will become more important. International funding to offset deficits and co-productions with UK commissioners has been growing in relevance in recent years and is likely to increase further following the pandemic.

“Which of the below you believe will see growth in the future?”





NETFLIX



NETFLIX



NETFLIX

Produced by
Filmwave

Produced by
Arrow Media

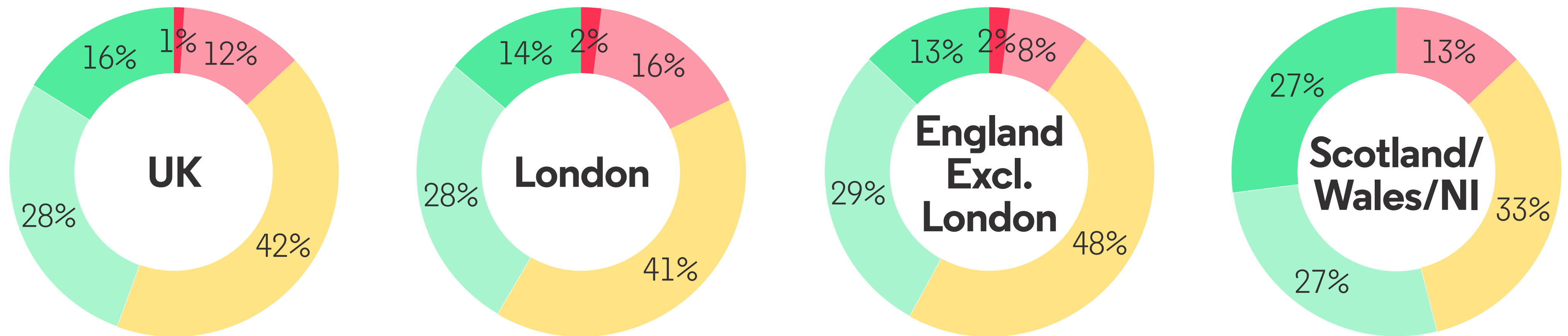
Produced by
Lime Pictures

Produced by
72 Films

Produced by
Red Production

Many companies are on the fence and unsure if UK broadcasters did enough throughout the pandemic to help the production industry; there is however a more positive than negative skew overall.

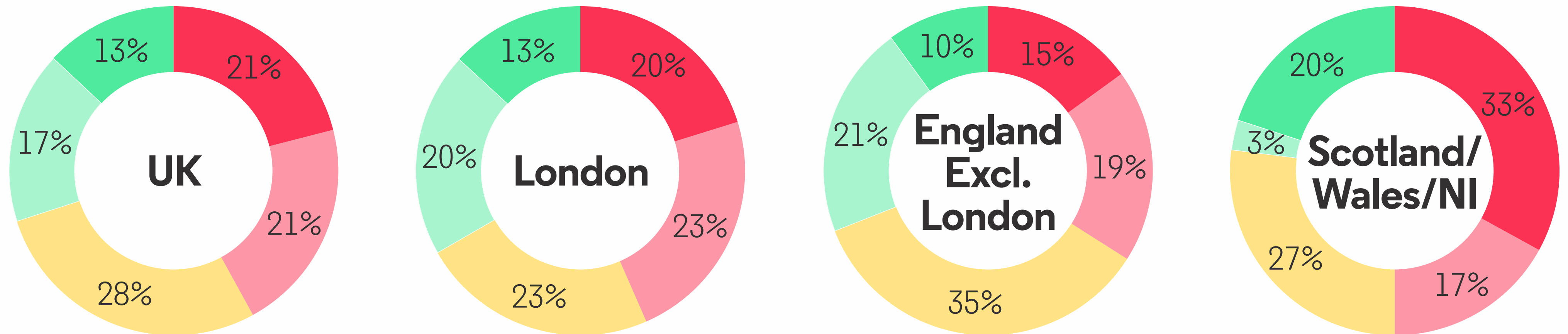
“UK broadcasters have not offered enough support to the production sector”



● Strongly Disagree ● Slightly Disagree ● Neither Disagree or Agree ● Slightly Agree ● Strongly Agree

There does not appear to be any major concerns that the renewed demand for content post-pandemic will stretch capacity at UK production companies. The nations in particular feel that they have adequate resources to cope with increasing demand.

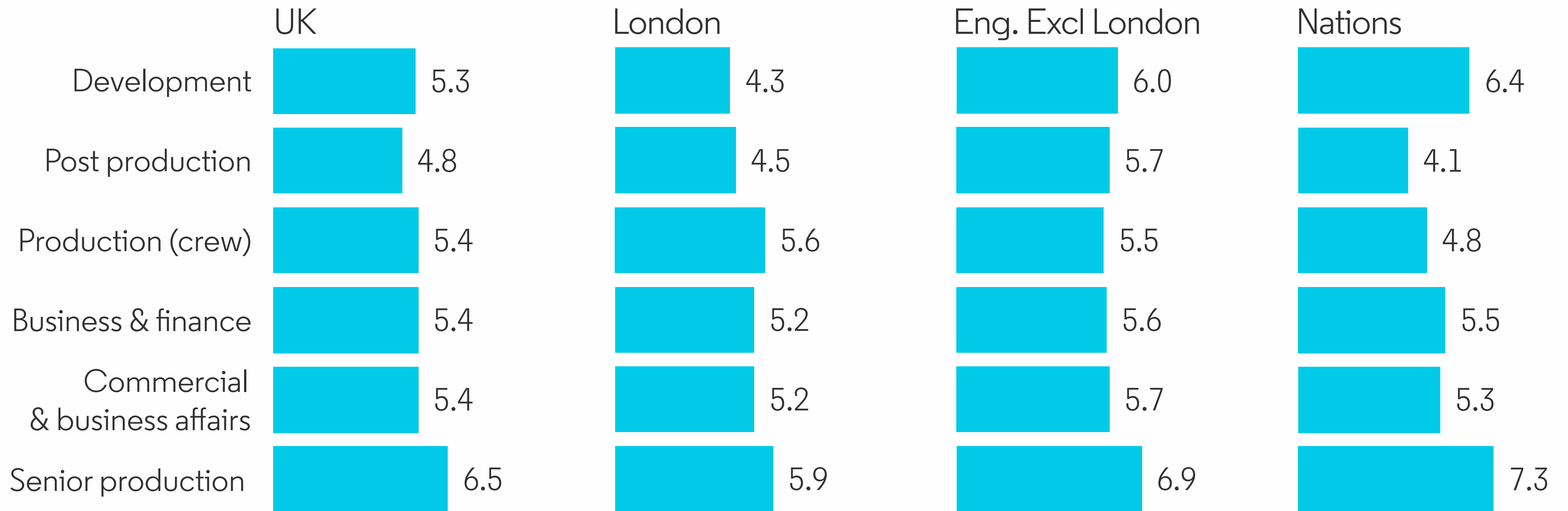
“Increasing demand for new content is likely to stretch beyond our production capacity”



● Strongly Disagree ● Slightly Disagree ● Neither Disagree or Agree ● Slightly Agree ● Strongly Agree

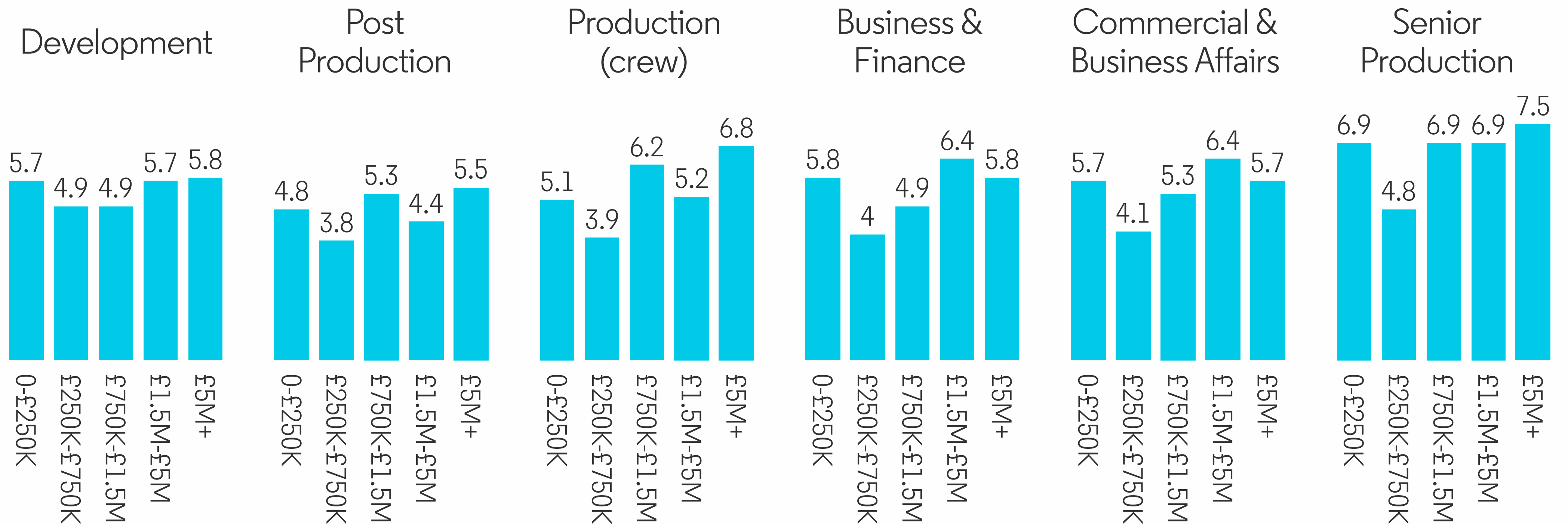
Recruiting for Senior Production staff (e.g. Executive Producer/Show Runner) is the most difficult role in the UK and more so outside of London. Development roles are also difficult in the Nations but there is no shortage of Post Production availability, and is easier to fill than in London.

“On a scale of 1 (very easy) to 10, how difficult is it to recruit in the following areas”



Production companies with revenues between £250K and £750K have the least difficulty in recruiting across all areas - in general the difficulty to recruit increases with bigger production companies.

“On a scale of 1 (very easy) to 10, how difficult is it to recruit in the following areas”



There are worries, particularly in the short term from smaller production companies over their prospects for the next 1-2 years. There is however more optimism for the mid-term (i.e. 3-5 years).

How confident are you about your prospects for growth? (Production Company Revenue April 19 - March 20)

