



Indie TV stars

Exploring opportunities in the
UK TV production sector

Make money work for you

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Executive summary

This is an exciting time for the UK's independent TV producers as they embrace the opportunities and challenges presented by an ever-increasing thirst for content, rapidly evolving audience viewing behaviours and new ways of accessing programmes.

The UK is blessed with a strong base of highly creative and capable production professionals and businesses that have helped it establish a global reputation for making innovative, high-quality television programmes and creating innovative show formats lauded around the world.

Independent producers have shown incredible resilience and adaptability in meeting the practical changes to programme-making and funding challenges that unavoidably arose with the arrival of the Covid-19 pandemic.

Now they're poised to take advantage of the huge opportunities that exist, not only in the domestic market, but in exporting much sought-after British-made content to a global film and TV market estimated to be worth over \$244bn.

Clearly, one of the biggest catalysts for change in the industry recently has been the rise of streaming video on demand (SVOD) services. They've opened up opportunities for smaller UK independents through their access to global audiences, commissions with large production budgets and desire to establish production facilities in this country.

Equally, the flexibility they offer viewers has been a major driver for changing audience behaviours across all age and social groups. There has been an accelerated shift from broadcast TV to on-demand content, as audiences pursue ever-wider content choices of content to view on the device they prefer.

However, looking to the future, 'non-TV' channels like YouTube and video games, present a growing challenge for producers trying to attract new audiences to their content, particularly younger people (16-34) who are as likely to spend as much time accessing YouTube as watching live TV – a trend that looks set to grow as that age group matures.

Approaches to financing productions are diversifying too, with the traditional broadcaster commission with rights approach now sitting alongside more complex co-production and multi-partner models. Certainly, there is no one-size-fits-all approach.

The industry currently comprises a major proportion of the 289,000 jobs in the UK creative industries, and while the pandemic and potentially Brexit are clearly affecting overseas travel and filming opportunities, it's too early to assess how employment levels might be affected going forwards.

Production companies are making diversity a priority both in terms of who works for them and who appears in front of the camera. Pro-active steps are being taken and are beginning to have an impact, but there is still much to do.

This report gives an overview of what's happening in the sector based on Barclays' extensive industry knowledge and experience coupled with insights from leading trade body Pact, and gives a producer's-eye view of the sector through our case study of successful independent production company Hello Dolly.

Ultimately, it shows the outlook for the UK industry is a positive one, and we hope you find it interesting, stimulating and informative.

David Gowans

Head of Creative Industries, Games & Esports



Introduction

The UK's independent production companies are building on their global reputation for talent, innovation and creativity to continue making some of the world's most popular TV shows.

From smash-hit historical dramas like Downton Abbey to world-leading quiz show formats including Who Wants To Be A Millionaire, the UK boasts an international reputation for creating high-quality and innovative TV.

As one of the driving forces behind a global TV and film market estimated to be worth more than \$244bn in 2020¹ – and growing – the UK contributes \$21bn, with \$10bn² of that stemming from TV production alone.

The growth of the industry clearly presents great opportunities for independent TV production companies, which are playing a key role in this runaway UK success story.

According to the latest figures from trade body Pact, which represents more than 700 independents, they achieved record revenues of £3.3bn, including £1.25bn worth of international sales in 2019.³

The UK's strength in TV production has, of course, long been underpinned by a well-funded public service broadcasting (PSB) system that has helped build a reputation for making quality programmes, favourable terms of trade that protect the intellectual property rights of programme makers, and international viewers' love of shows capturing a 'quintessential Britishness' that has an appeal across many overseas markets.

Clearly, times have been challenging for programme makers over the past year as a result of the pandemic, but the industry has not only successfully adapted but is thriving and delivering a variety of new content for established and new audiences, with Pact reporting many productions currently under way.

¹<https://www.businesswire.com/news/home/20200821005370/en/Global-Film-and-Video-Market-Report-2020-to-2030---COVID-19-Impact-and-Recovery---ResearchAndMarkets.com>

²<https://www.ibisworld.com/united-kingdom/market-research-reports/television-programme-production-industry/ Dec 2020>

³<https://www.pact.co.uk/news/detail.html?id=huge-international-growth-generates-record-revenues-for-independent-tv-production-sector>

The SVOD effect

The UK TV production sector looks set to continue to enjoy domestic and global growth as it rises to the challenge of meeting audiences' seemingly insatiable appetite for content via an ever-expanding and diverse range of viewing platforms and devices.

Undoubtedly one of the single biggest drivers of growth in TV output has been the ongoing success of the major subscription video on demand (SVOD) services⁴ such as Netflix, Amazon Prime, and more recently, the UK's own Britbox.

Audiences have devoured the opportunities SVODs provide to binge-watch whole TV series when and how they want, a viewing behaviour that's only increased during the pandemic.

Figures from Ofcom⁵ indicate that in 2020 UK adults were watching an average of 71 minutes of streaming TV daily – 37 minutes more than 2019 – with that figure rising to 120 minutes for 18 to 34-year-olds.

The streaming services have, of course, been good news for the production sector, contributing to growth in international revenues and accounting for 38% of finished programmes sales. Independent UK producers received £337m in primary rights commissions from SVODs in 2019 and £651m from linear TV services.⁶

And the larger production budgets available from the major SVOD service providers have been encouraging small and new independents to pursue opportunities to build their content libraries in order to drive customer engagement and acquisition.

However, while SVODs invest substantial amounts in UK productions, they represent a small proportion of total content hours on streaming platforms. For example, in 2019 only 299 hours comprising 1% of the UK Netflix catalogue were UK-made compared to over 31,500 first-run, UK-originated hours on UK PSBs.⁵

⁴ Digital content and subscription spending data available in Barclays monthly UK Consumer Spending Report. <https://www.barclayscorporate.com/insights/industry-expertise/uk-consumer-spending-report>

⁵ Ofcom: Media Nations 2020 report

⁶ UK Television Production Survey: Financial Census 2020 by Oliver and Ohlbaum Associates for Pact

Changing audience tastes

The changes in viewing habits brought about by the SVODs is part of a wider change in audience demographics and tastes.



The shift away from traditional broadcast TV viewing among 18 to 34-year-olds is confirmed by Ofcom research showing the amount of time they spend on YouTube, most commonly via mobile devices and laptops, is on a par with time spent watching live TV.⁵

Dawn McCarthy-Simpson, Managing Director of Business & Global Strategy with Pact, says: "Young people now have huge choices about what to watch and on which device and broadcasters are struggling to reach 18 to 34-year-olds. Production companies need to do their research into what young people actually want to see and how they'll be watching it when they're pitching ideas to commissioners."

The arrival of Covid-19 has rapidly accelerated these changes. Ofcom's Media Nations 2020 report says an additional three million adults accessed SVOD services for the first time during the initial lockdown and almost a third of 55 to 64-year-olds, who typically watch more broadcast TV, used SVOD services compared to 25% pre-lockdown.⁵

While broadcasters initially enjoyed a rise in viewers, mostly driven by news coverage, post-lockdown their viewing share fell to 54.6%, returning to pre-pandemic levels.⁷ In contrast viewing of SVOD and other non-broadcaster content – including TV and video games – was 71% higher than in the previous year.

⁷ <https://www.thecreativeindustries.co.uk/facts-figures/industries-tv-film-tv-film-facts-and-figures-tv-film-employment>

Winning new audiences

With the concept of traditional broadcast schedules rapidly becoming outmoded by changing audience behaviours, producers have risen to the challenge by finding ways to attract new audiences – particularly younger ones – and win further commissions.

However, with so many entertainment options on offer, it can be easy for good programmes to 'disappear' amid all the competition without effective promotion. This presents a significant challenge for smaller production companies with limited marketing resources.

Pact argues that embracing social media is becoming key to generating interest from new audiences, and producers increasingly need to consider reaching out to the social media following of a show's stars and performers as part of the marketing mix.

With viewers continuing to migrate from traditional television channels to video on demand and social media platforms, and advertisers following suit, the sector is also seeing huge demand for branded digital content that can be produced quickly and repurposed for different audiences and platforms. This is fuelling the growth of specialist creative production agencies that can build very targeted marketing campaigns in response to consumers' preferences.

Rising to the challenge

While TV consumption has risen as a result of the pandemic, it has also become more challenging to make programmes under Covid-19 restrictions, but the industry has gradually adapted to working within strict social distancing and safety guidelines.

Pact's Dawn McCarthy-Simpson says: "To an extent the pandemic has changed the nature of shows being made. People wanted escapism and while drama always leads, during the pandemic people also sought out feel-good programming and inspirational TV. So there was a great trend towards travel shows and outdoor-focused programmes, studio-based comedy, quiz and game shows, and light entertainment. This is great for production companies as it's more practical and easier to control studio-based productions while having the ability to film multiple episodes in a day or very short timeframe.

"But content trends are hard to predict and producers will need to keep looking outside the box to make sure they're keeping up with and reflecting the latest trends."

Meanwhile, one of the key beneficiaries of lockdown-induced demand have been distributors who are able to dust down and resell old programmes to meet the desperate need to find content for a growing audience, as well as selling new productions to other regions or SVODs.

Some independent producers, like Hello Dolly (featured as our case study for this report), say increased acceptance of video communication during the pandemic has given them greater access to international commissioners. CEO Victoria Ashbourne says: "We don't have to fly to LA to pitch to a US broadcaster as it's now much more acceptable to make a video call. That opens up increased opportunities as we're on the same playing field as, say, a big US producer."

On the downside, the pandemic has been tough for commercial broadcasters, with a slump in advertising revenue of an estimated £250m during lockdown, and falling by an estimated 17–19% overall in 2020, which has naturally impacted on production budgets.

Dawn says: "The good news is we've seen advertising coming back strongly – we hope the setback was temporary and we'll see a sustained recovery of production budgets."

A welcome development has been the extension of the government's £500m Film and TV Restart Scheme to March 2022, enabling the restart of productions that were halted because they were unable to get insurance cover as a result of Covid-19.

Studio squeeze

The industry expects to see something of a production traffic jam post-Covid, as everyone who couldn't get shows made during the pandemic rushes to complete them. However, for some time there have been concerns about the ongoing shortage of studio space in the UK at peak times.

Exacerbated by the drive to shift production out of London, this has put additional pressure on studios in the English regions, Scotland and Wales as the corporation strives to meet its production quotas.

Furthermore, the advent of big-budget SVOD productions requiring large studio spaces has led some to look at taking over existing facilities on a lease basis, which speaks volumes for the quality of the production talent in the UK.

In addition, there is the potential impact of the ending of the Brexit transition period on the future UK production landscape, although it's probably too early to tell what that long-term impact might be, with foreign travel curtailed by pandemic restrictions and the cost and availability of overseas filming permits still to be determined.

"What we do know is there is no less appetite for content and everyone still wants to work with the UK," says Dawn.

Talent and diversity

The wider creative industry supports some 289,000 UK jobs in TV, radio and photography,⁸ with the TV production industry engaging a significant number of them, according to Pact.

While the industry's freelancers have had a tough time during the pandemic, the predicted demand for production post-Covid makes it difficult to accurately assess employment levels for the near future.

The industry has been making efforts to address the issue of diversity, recognising that it needs to reflect the make-up of all elements of UK population on screen.

The requirement for all UK productions to implement the Diamond diversity monitoring tool created jointly by the Creative Diversity Network (CDN), UK broadcasters and Pact has certainly had an impact, not only in measuring diversity on-screen and off-screen, but in how audiences perceive the diversity of characters and contributors to TV shows. Pact also runs online workshops on diversity and provides diversity mentoring and training schemes.

The latest Diamond report covering 2019 to 2020⁹ found small and encouraging increases in the number of contributions made by disabled people and over-50s on and off-screen, albeit they are still under-represented. Off-screen contributions from black, Asian and minority ethnic (BAME) groups, at 11.8%, remain below the national workforce average of 13%, and the industry must continue to focus on ensuring women, transgender, BAME and disabled people are well represented in senior roles.

Broadcasters' own targets for diversity and inclusion on the productions they commission have also helped focus minds and encouraged producers to look to a wider talent pool.

Dawn says: "The shifting nature of productions means there is always great fluidity around the people involved, which is a positive thing. Of course there's still a lot of work to be done, and education is ongoing, but hopefully we are heading in the right direction."

Securing production finance

Financing production costs can be a significant challenge for independents with limited resources.

There is no one-size-fits-all solution to securing finance and a wide range of specialist investors and co-production finance providers, as well as some distributors who will part-fund production.

While the emergence of more complex co-production or multi-partner models has clearly impacted producers' potential revenue streams, these can make it easier to achieve international pre-sales with broadcasters.

The often substantial budgets of SVOD-funded productions are beneficial to UK producers, but they tend to take a different approach to rights payments, and can restrict future rights income available to content producers.

Pact's Growth Accelerator provides production companies with valuable resources, from business advice and HR support, to information on global buyers and new ways to monetise IP. The platform covers business, production and exporting, and together with expert partners like Barclays, provides Pact members with intelligence and knowledge to help build financial confidence.

Looking to the future

International markets, particularly in Asia, look set to continue to create opportunities and growth for forward-thinking independent producers. Pact predicts that over the next decade, around half of independent production revenue could come from international sales.

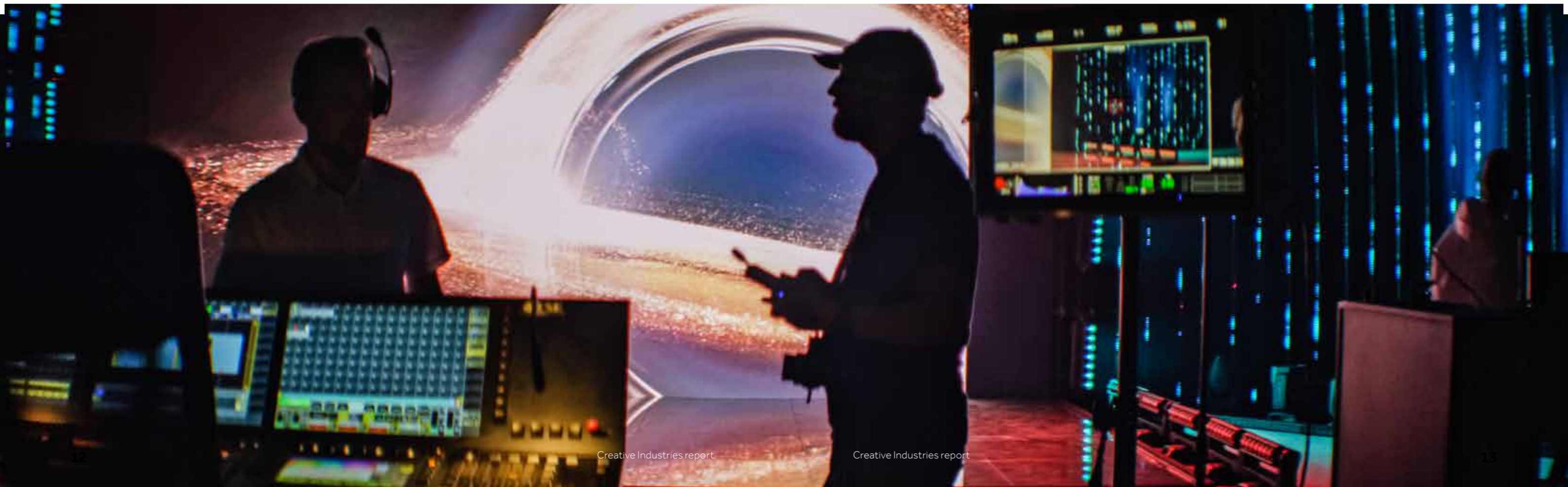
Meanwhile, changing viewer preferences and the proliferation of content channels is likely to dominate the sector.

Dawn McCarthy-Simpson says: "Right now there is a transition going on as people increasingly migrate away from broadcast TV to SVOD platforms, social media and alternative channels like YouTube.

"Irrespective of how it is delivered, the demand for content will continue, but upcoming generations of programme makers are going to be far less focused on the popularity or otherwise of various viewing platforms and devices than their predecessors.

"Instead they will put their energy into producing great content and ensuring that it reflects changing social trends and diversity.

"But there's no doubt, content will remain king."





How Barclays can help

With a 40-year history of supporting the creative industries we understand there are numerous, often complex, models for financing a TV production that may require additional funding or a temporary cash flow solution.

Tailored guidance and solutions

Barclays' experienced Creative Industries team has a thorough understanding of the TV sector and is available to offer expert guidance and financial solutions tailored to the needs of producers to help take control of costs.

We know each project is unique and strive to support producers in a way that works best for them; whether to cover ongoing production costs or providing bridging finance prior to payment from a commissioner.

Lending options

We offer loans* of up to 90% of the value of future payments from broadcasters or distributors and can collect repayments directly from them, including single-party deals and co-productions.

For producers requiring cashflow solutions, tax credit loans are available to release advanced funds against the value of future Corporation Tax credit from HMRC, with a potential loan value of up to 90% of a pending rebate.

For producers needing cash to grow or meet increased demand, we could offer asset finance** with a range of flexible payment options enabling businesses to invest quickly in the things they need without having to dig too deeply into working capital.

Flexible solutions

Our flexible solutions ensure we can match the length of a loan repayment with your production schedule, which can be particularly helpful with the types of funding arrangement typically found on an SVOD production.

We also offer loan facilities that can be taken as monthly drawdowns designed to match expected cash flow needs, as well as flexible commercial mortgages for business premises.

International support

We can help simplify international payments, reduce exposure to exchange rate fluctuations, and assist with import or export activity through bespoke trade solutions.

Help for start-ups

Barclays Eagle Labs is one of the UK's largest networks of business start-up incubators that can connect producers to a network of entrepreneurs and experts through a range of events.

Contact us

In addition to helping to take care of your day-to-day banking and borrowing needs, our Creative Industries team can provide a wealth of support and financial guidance on growing your business, from business planning to equity investment and beyond.

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*Terms and conditions apply. Loans may be subject to application, financial circumstances and borrowing history.
**Subject to application. Terms and conditions apply.

Hello Dolly

case study



The outlook is bright for independent TV producers according to Victoria Ashbourne, founder and CEO of highly successful production company Hello Dolly.

Opportunities for independents as the TV production industry evolves

Small and agile UK TV production companies are thriving and have a positive future in the face of a changing commissioning landscape, rapidly evolving audience expectations and the impact of Covid.

Hello Dolly, founded in 2017 by highly experienced husband and wife executive producers Victoria Ashbourne and Stuart Shawcross, is a case in point. Its credits include international singing competition show, Sing On! and game show, Awake: The Million Dollar Game, both for Netflix.

Victoria believes smaller producers are potential winners in the current landscape – particularly those in non-scripted programming – as the industry seeks to meet growing demand for TV content.

Amazing opportunities

From Victoria's perspective, the major driving force behind strong UK TV production is the exponential growth of the major Subscription Video On Demand (SVOD) platforms and changes to how people want to watch programmes.

"The SVODs are definitely creating exciting opportunities," she says. "They commission lots of content, quickly, directly, and often multiple series in one go. They have a very different business model to terrestrial companies, whose budgets have to work a lot harder to compete.

"However, when you're pitching an original show to SVODs the commissioning structure is different to conventional UK broadcasters, where you generally retain a higher percentage of the rights."

Changing viewing habits, particularly among younger audiences, requires on-demand content 24/7. By definition, SVODs' core customers want to watch at any time but it's a different proposition for traditional broadcasters attempting to embrace both 'appointment TV' viewers and a younger demographic demanding greater flexibility on when, where and how they consume TV.

To meet these expectations and help secure all-important channel ratings, it's important the content is fully accessible via broadcasters' own online platforms, which wasn't the case a few years ago.

For independent producers it's important to work with both SVODs and traditional broadcasters, ensuring the programmes they pitch are relevant to the channel's demographics and have potential appeal across different geographic locations.

Demand for non-scripted content

Victoria says: "The UK has a great track record for original TV formats that sell overseas – my understanding is around 30% of all international formats are UK-generated.

"Non-scripted TV show formats always come in waves and trends. Currently more reality TV shows are being produced, and game and quiz shows are definitely 'in', with viewers looking for the reassurance of some feel-good factor as a result of lockdown. In contrast, drama productions have faced a lot more challenges due to Covid-related restrictions.

"Developing original quiz and game shows takes a long time, because when you're pitching them you have to be absolutely certain the format works. But once you crack it you can often film multiple shows in a day, even under Covid restrictions – and their international sales potential is huge."

The Covid factor

The pandemic has of course impacted on the cost and time involved in the production processes, but has also brought some positive changes, particularly from an independent's point of view.

Victoria explains the upsides: "The impact of video calls on pitches and briefings has been exciting – they've very quickly become the norm and that's been a real leveller for smaller independent production companies in the UK. We don't have to fly to LA to pitch to a US broadcaster, which is normally a big, expensive undertaking as it's now much more acceptable to make a video call. That opens up increased opportunities as we're on the same playing field as, say, a big US producer.

"Briefings with broadcasters are also now quicker, cheaper and more efficient, the same goes for pitches."

However, commissions can take longer to complete, with the decision-making processes of broadcasters and platforms slowed by internal pandemic-related challenges. Development can also be lengthier as people aren't on-hand for a quick chat in the office, while remote editing and post-production is more challenging to carry out.

Talent challenge

As a true, self-funded independent, with no outside investors, Hello Dolly is very much creative-first, focusing on pitching fully formed ideas.

It's a lean operation with a small core of four full-time staff, scaling up or down as needed and peaking during the height of development and production.

Getting the right team together for a show is always vital, but harder now because people are not able to work together in the same way.

"Luckily we've a lot of great talent in the UK but we do face a challenge in finding new grass roots talent in an industry that's hard and unpredictable to enter," says Victoria.

"Covid has also been tricky for freelancers, who have little protection and nothing to fall back on, although the industry did a great job of lobbying government to make sure they were included in the furlough scheme."

Financing productions

Hello Dolly largely self-funds development and production – with an occasional distribution deal – which makes it nimble and agile.

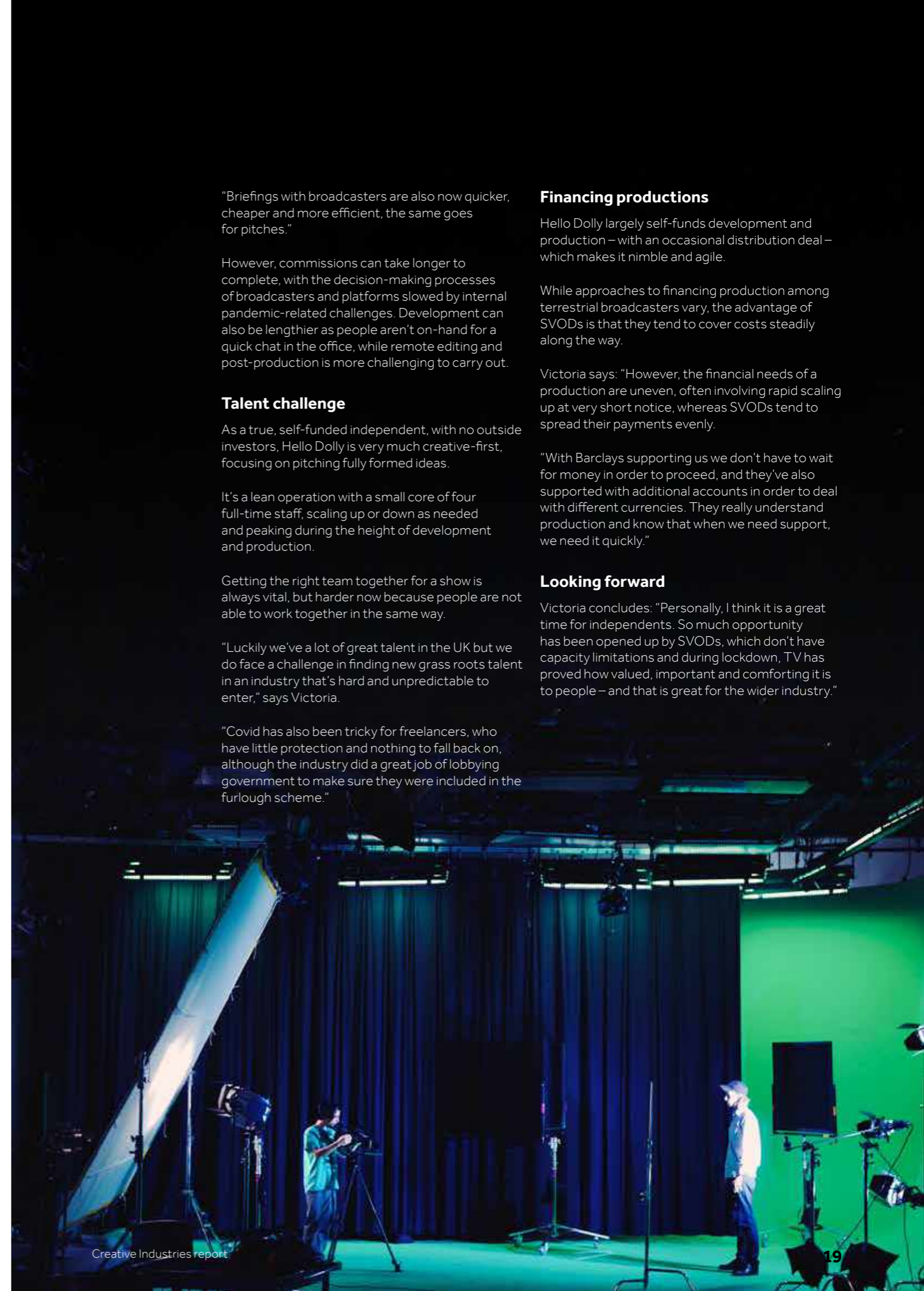
While approaches to financing production among terrestrial broadcasters vary, the advantage of SVODs is that they tend to cover costs steadily along the way.

Victoria says: "However, the financial needs of a production are uneven, often involving rapid scaling up at very short notice, whereas SVODs tend to spread their payments evenly.

"With Barclays supporting us we don't have to wait for money in order to proceed, and they've also supported with additional accounts in order to deal with different currencies. They really understand production and know that when we need support, we need it quickly."

Looking forward

Victoria concludes: "Personally, I think it is a great time for independents. So much opportunity has been opened up by SVODs, which don't have capacity limitations and during lockdown, TV has proved how valued, important and comforting it is to people – and that is great for the wider industry."





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