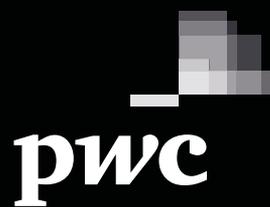




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# UK television in focus

Creativity, transformation and international opportunities



The UK is a world leader in television production and broadcasting – creating programmes and TV formats that are watched across the globe. It is also a big exporter of ideas, content, technical and creative talent.

The country’s cultural diversity, technological innovation and creative heritage position its television industry to drive significant growth in audiences and revenues. But this will only be achieved if there is a clear focus on combining creativity with business acumen, then securing the skills and finance required for great creative ideas.

In *UK television in focus* we highlight how rapid changes in global media are influencing business strategies, shaping corporate transactions (194 sizeable deals globally in 2015, worth a total of more than \$100bn, according to Thomson Reuters) and creating new opportunities for investors.

## Contents

<b>Linear, digital – and deals</b>	<b>1</b>
<b>Ways of seeing</b>	<b>2</b>
<b>Remaking UK TV</b>	<b>6</b>
<b>Screen international</b>	<b>9</b>
<b>Vision mixer</b>	<b>12</b>
<b>Behind the scenes</b>	<b>14</b>
<b>Looking ahead</b>	<b>16</b>
<b>Find out more</b>	<b>16</b>

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# Linear, digital – and deals

The report brings together the expertise of PwC's Entertainment & Media partners with that developed by ICAEW in devising *Creative industries – routes to finance*, which was published in November 2015.

The combination of social media, an 'always on' – and increasingly mobile – lifestyle, smart algorithms analysing data and sophisticated cloud computing services mean that consumers have more power, information and choice than ever before. Broadcasters, content producers and advertisers have had to adapt to be able to provide what viewers want, when they want it and in the medium and on platforms of their choice at any given moment.

The interconnected nature of non-traditional television companies and new platforms with traditional industry players is exemplified by the headline sponsorship of the Edinburgh International Television Festival by YouTube and BT.

PwC's research for its *Global Entertainment & Media Outlook 2016–2020* showed that the TV sector is in good health but is changing rapidly. Revenues from 'non-linear' services (video-on-demand, streaming and interactive services) are predicted to overtake 'linear' TV (based on broadcast schedules) by 2020, driven in particular by mobile advertising and the rise of on-demand TV.

British television is also becoming even more international in its outlook – whether it's BBC Worldwide (see page 11) selling programmes and formats, or the likes of Arrow Media (page 8) and Headline Pictures (page 10) producing for international markets.

Overlaid on these international trends in consumers, media and technology are the political and economic uncertainties – and opportunities – of the UK's departure from the European Union. So in *UK television in focus* we also discuss the importance of financial leadership, skills and professional advice in attracting more investment to the TV industry.

**Phil Stokes**  
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# Ways of seeing

The way viewers watch television is changing more rapidly than any time in its six decades as a mass medium.

Commuters watching movies and dramas on their tablet PCs and their mobiles on their morning journey to work – unknown only a few years ago – is now a common sight. “Catch-up TV” and “on-demand” have rapidly become part of our everyday language. Watching ‘short-form’ TV – some of it commissioned by big brands on YouTube – has also become commonplace.

Things are changing fast. Broadcast TV (also known as ‘live’ or ‘linear’) viewing amongst UK 16–to 24–year-olds fell steadily between 2010 and 2015, according to [Ofcom](#). In 2016, young people are spending at least a third of their TV viewing time with on-demand (‘non-linear’) services, and about 14% of their viewing watching short-form video content on YouTube and other services.

Netflix, Amazon, All 4 and the BBC’s iPlayer have put broadcast or ‘linear’ TV under pressure, although – as [Guardian’s media columnist Steve Hewlett has pointed out](#) – there are also reasons to doubt on-demand’s ability ‘to overturn the existing order’. In fact, these new ways of watching sit alongside more traditional ways, rather than completely replacing them, even amongst younger viewers.

The fact remains that young and old, we’re all watching TV on more devices, on-demand or as per schedule and in more formats than ever before.

## Making a drama out of it

These big changes have already created huge opportunities for Britain’s TV industry. Given the deep English-language culture on which it can draw, its creative heritage, its well-established TV infrastructure and its giants such as the BBC, ITV and Sky – the country should remain a leading player in a wide range of TV – from scripted dramas to entertainment formats.

The strong position of UK television in the production of high-end drama in particular has helped it continue to sell programmes to the world – often as co-productions made with major American broadcasters, producers and entertainment companies.

UK investment in high-end television programmes was worth £759m on 82 productions in 2015, according to the [BFI](#) – up from £633m in 2014. About half that investment came from co-productions and inward investment.

Additionally, global competition has pushed up production budgets, particularly as the likes of Amazon and Netflix are now commissioning their own productions. Recent big-budget international drama series such as *Versailles*, *House of Cards* and *The Night Manager* were reported to have production costs between £2.5m and £5m per hour.

## New faces

Overseas acquirers and private equity have been busy buyers of UK TV production companies in the past decade (see page 9). Meanwhile some new TV ventures are also attracting investment. Channel 4’s £20m growth fund for example, has taken minority stakes in several British production companies – including Arrow Media, Popcorn, True North, Lightbox, Whisper Films, Barcroft, Eleven, Renowned, Spelthorne and Voltage TV (see page 8).

Supportive UK governments have provided generous production tax reliefs for high-end TV, children’s TV and animation that have also played their part in ensuring that Britain’s TV production sector is still well worth watching.



## Fiona Clarke-Hackston

Chief Executive, British Screen Advisory Council

Britain may be second only to the US in terms of exporting high-quality TV – but the country's going to have to work hard to keep its place on the podium, according to Fiona Clarke-Hackston, Chief Executive of the British Screen Advisory Council (BSAC).

“Any nation in the world can produce high-end, high-quality drama – look at the great programmes the Nordic countries are now making, such as *Trapped* from Iceland. That’s a massive shift. In many ways, competition has never been greater. But the public appetite for drama series has grown exponentially, so it’s worth the investment.”

Funding high-end TV has become much more complex as budgets have increased. The big national broadcasters account for a relatively smaller proportion of any particular production budget that they would have done 20 years ago. Producers have to bring in international co-producers and distributors at an early-stage in order to be able to sell a programme worldwide. The UK exports a lot of television but it needs to do even better, warns Clarke-Hackston.

In the face of higher costs and tight margins, UK television production companies need to diversify the pool of talent from which they can draw – “in front of and behind the camera” – which will take even more investment in skills and training, according to Clarke-Hackston. On the other hand, “the UK remains an exciting, vibrant place to attract the best people.”

New technology will also help producers to make programmes, sell and distribute them profitably. For example, BSAC members have been discussing innovations such as the potential of David Frank’s RightsXchange online marketplace, the role of artificial intelligence (AI) in advertising, Blockchain in distribution and 5G in broadband. Better audience measurement is also becoming a very hot issue for producers, agencies and advertisers, says Clarke-Hackston. “It’s all about the real value of the media – whether your brand is breaking through.”

### Changing channels

Global and UK TV production are forecast to continue to see strong growth

- The global TV and video market will be worth **\$325bn** in revenues by 2020, according to **PwC’s** *Global Entertainment & Media Outlook 2016–2020*.
- Although traditional broadcast (‘linear’) TV will still account for **\$288bn** of total global TV revenues in 2020, non-linear services (video-on-demand, streaming and interactive) are seeing the fastest annual growth – **11.5% CAGR**, compared with **1.7% CAGR** for broadcast.
- The current total revenue of UK production companies is **£3bn** according to **PACT**, the trade association for independent media producers.
- HM Revenue & Customs provided a total of **£92m** in tax relief to 90 high-end TV **productions** between April 2013 and April 2015 – helping to fund about 100 programmes, including *Downton Abbey*, *Sherlock* and *Wolf Hall*.

# Remaking UK television

Government policy and regulation have not yet fundamentally reshaped UK television in 2016 to the degree that many people expected – but the corporate strategies of BBC, ITV and Sky mean that big changes are already well underway.

At the beginning of 2016, with a new BBC Charter in prospect, potential privatisation of Channel 4 openly discussed by the government and significant regulatory changes on the cards, it looked like it could have been the biggest year of change for UK TV since the 2003 Communications Act.

For now, broadcasting has not been dramatically reshaped by the current government and regulators – although the future status of Channel 4 is still unclear and the BBC has undergone a big budget cut and moved BBC3 online.

But there have been calls for more change. [Lord Puttnam's report into the future of public service broadcasting \(PSB\)](#), published in June 2016 with Goldsmiths, University of London, called for a levy on the largest digital intermediaries, for internet service providers (ISPs) to help fund other forms of public creative content, and for the license fee to be replaced by either direct taxation or a household levy.

What happens to the biggest corporations affects everyone. After all, the likes of Sky, the BBC and ITV each turn over billions of pounds annually.

About 85% of UK investment in new TV production is accounted for by the public service broadcasters BBC, ITV1, Channel 4 and Channel 5, according to [Ofcom](#). But their combined total investment fell by £400m in real terms between 2008 and 2014 while investment in TV production across the world is increasing.

Some forms of TV have been under particular pressure. As fewer broadcasters have invested in children's TV, annual spending on new, UK-originated production fell by 45% in a decade to £77m in 2015, according to Ofcom's 2016 annual PSB review.

## Studio audience

The creation of BBC Studios as a separate commercial entity has led to concerns amongst some independents that they might be squeezed out. But the [recent agreement between the BBC and PACT](#), the trade body for independent film and TV producers, saw the BBC promise to increase the proportion of programmes commissioned from independent producers. [Ofcom](#) estimated this could provide a £157m boost to external producers (about a tenth of private production income). The BBC has also reaffirmed that its production arm will not receive a cross-subsidy from BBC Public Service.

Discussions about how the ongoing relationship between the BBC as a broadcaster, the BBC as a content commissioner, BBC Worldwide and new-look BBC Studios will work out in practice have been almost a weekly feature of (BBC) Radio 4's *The Media Show* – as has an ongoing operational reorganisation of BBC TV and radio.

Alongside this, ITV's series of acquisitions of major producers (see page 13), along with the rise of 'on-demand' TV in various forms, is transforming the sector in the UK.



## BBC's leading role

Many factors have secured the BBC's position at the centre of Britain's culture – and the country's TV industry – according to *Imagi-nation: the business of creativity*, a review by Ian Livingstone and PwC.

1. The **BBC** acts as the 'investment arm' for British culture and creativity.
2. It generates demand and output in related creative sectors, such as music.
3. It strengthens the productive capabilities of the whole creative sector – talent, training, skills, anchoring creative clusters.
4. **BBC TV's** services are a 'shop window' to the world for British creativity – **BBC Worldwide** is the largest distributor of finished TV – including productions by 250 independent TV studios outside of the US major studios.
5. **BBC Worldwide**, the profit-making arm of the corporation, turns over more than £1bn per annum and runs international channels such as **BBC First**, **BBC Earth** and **BBC Brit**; it has launched **BBC Store** as a platform for consumers to buy and keep programmes from a 7,000-hour back catalogue.
6. Big recent global hits have included *Sherlock*, *Doctor Who*, *War & Peace* and *Orphan Black* (a **BBC America** co-production).



**Laura Franses**

**Head of Growth Fund, Channel 4**

Under Laura Franses' leadership, Channel 4's £20m Growth Fund has taken stakes in ten up-and-coming British TV production companies since the fund was launched in 2014.

Franses sees plenty of room for them to expand: "Producers are much less constrained than they were when there were only a few channels here. There are now a lot more channels and the world feels like a much bigger place for UK television.

Big shows and formats such as *The Island*, *Hunted* and *Human* are in demand – as is comedy. Franses would like to add an entertainment format producer and a drama maker to the Growth Fund's portfolio. She's also keen to find more prospective investments outside of London and the South East.

"We're looking for businesses that are successful and profitable. A lot of growth will also come from international markets. Arrow Media and Lightbox for example generate most of their revenues from the US. But some of our other investments are early-stage businesses, so they are mainly targeting the UK for now."

The Growth Fund's also cultivating new ventures – such as Renowned Films, an indie producer of factual entertainment and documentaries founded by twenty-somethings Max Welch and Tim Withers with Radio1Xtra presenter Duane Jones. Franses says: "They've got incredible energy and visual storytelling power".



**Iain Pelling**

**Managing Director, Arrow Media**

In only five years Arrow Media has established a reputation for high-quality factual entertainment and documentaries – broadcast by the likes of Discovery, National Geographic, Channel 4 and BBC Two. Its list of past and current productions includes *Live from Space*, *Ultimate Airport Dubai*, *Sherpa*, *Battle of Britain* and *Burma's Secret Jungle War with Joe Simpson* (the climber who wrote *Touching the Void*).

The company was founded in 2011 by an ex-Endemol team. All had successful track records in TV – including managing director, Iain Pelling (who is also a chartered accountant by training). It was that high level of experience that encouraged Channel 4's Growth Fund to take a stake in the business in 2014. That "put turbo boosters" on the company, says Pelling.

Arrow is now turning over about £12m annually, employs more than 100 people on different projects and is pushing even harder into the US market – having recruited Howard Swartz (ex-Discovery Channel) to lead development and production there.

"By their nature, our programmes sell around the world," explains Pelling. But the next moves have to be about innovation in content and new markets: "It's a very disrupted business for the global players because of pressure on audiences and advertising for traditional TV, including a much tougher US market."

The likes of Netflix and Amazon are starting to commission factual programming. Shorter formats are also in demand. Arrow Media has just made its first programme (*Destination: Jupiter*) for CuriosityStream, which describes itself as 'the world's first SVOD [streaming video on-demand] service for premium factual content.'

Pelling says: "Every resource decision has to be about growing the IP from the creative teams you have. So a lot of investment decisions tend to be about the recruitment of talent – being fleet of foot with people."



# Screen international

Some people fear that overseas acquisitions of UK television companies could be a drain on risk capital and talent. But the signs are that M&A has boosted investment – at least in the short term.

In an important and widely reported speech at the Edinburgh International Television Festival in 2014, Channel 4's chief executive David Abraham warned that UK television was under threat from US tech and media giants: "TV is clearly now a combat vehicle for tech and mobile companies and platforms to compete with each other, rather than a sovereign industry in its own right."

Abraham called for Britain's public service broadcast system to be strengthened so that its creative risk capital in UK-originated programming would be protected: "This special landscape of ours did not happen by accident, so we should not assume that left purely to the market it will continue to thrive."

There have been several major acquisitions of British broadcasters and producers by non-UK buyers. Some of the UK's biggest assets are foreign owned. But inward acquisitions have also meant inward investment, attracted by the popularity of many UK-originated scripted TV and unscripted formats.

It's difficult to see at this early stage whether leaving the EU will make UK entertainment acquisitions more or less attractive – but so far foreign acquisitions have in several cases led to more not less of the "creative risk capital" that Abrahams wanted to see.

## Big brother

Several major multinationals own big UK TV assets.

- 21st Century Fox – 39% stake in Sky plc; Endemol Shine (via a joint venture with Apollo Asset Management)
- AMC – 49.9% stake in BBC America
- Banijay Group – Zodiak Media, including Bwark, IWC Media, RDF Media, Red House, Touchpaper Productions
- Bertelsmann – FremantleMedia, including Boundless, Newman Street, Retort, Talkback, Thames
- Discovery – 50% of All3Media; Raw TV
- Liberty Global – 50% of All3Media; Virgin Media; 9.9% stake in ITV
- NBCUniversal – Carnival; Chocolate Media; Lucky Giant; Monkey Kingdom
- Sony Pictures Television – Electric Ray, Gogglebox Entertainment, Left Bank Pictures, Stellify Media
- Scripps Network – UKTV 50% stake in joint venture with BBC Worldwide
- Time Warner – Warner Brothers Television Productions UK (formerly Shed Media)
- Viacom – Channel 5

Source: Companies' websites

## Two-way channel

M&A has not only been one way – and there will be many acquisition opportunities around the world for UK-based companies.

ITV bought Gurney Productions in the US for an initial \$40m for a 61.5% stake in 2012. It then paid \$360m for 80% of US cable-producer Leftfield Entertainment in July 2014 and acquired Dutch group Talpa Media (*The Voice*) for an initial €500m, (rising to a potential €1.1bn) in February 2015.

### Deal... or no deal

The UK is likely to remain a busy M&A market for film and TV companies – but acquirers are likely to become even more selective in their strategies given current political and economic uncertainties.

Biggest acquisitions of UK television companies since 2010

1. Liberty Global stake in ITV (2014) **\$824m**
2. Viacom acquisition of Channel 5 (2014) **\$760m**
3. Discovery and Liberty Global acquisition of All3Media (2014)  
– reported to be worth ‘more than **£500m**’.
4. News Corp buy out of Shine (2011) **\$673m** – subsequently merged with Endemol and Core Media, co-owned by Apollo Asset Management (2014)
5. Scripps Network acquisition of a 50% stake in UKTV (2011) **\$555m**

Source: Thomson Reuters; various



Stewart Mackinnon,  
Principal, **Headline Pictures**

When Amazon first uploaded *The Man in the High Castle* in 2015 it was not only its ‘what if Hitler had won the war?’ premise that caught the eye, or the fact it was based on the weird-but-wonderful storytelling of Philip K Dick. It was also visually striking, carefully paced, sombre in tone and morally ambiguous.

Stewart Mackinnon, co-founder of Headline Pictures, the British company behind the drama, says that making programmes on this scale is exciting but challenging. Amazon wanted an initial ten episodes shot – and Headline is now shooting another ten.

He explains that the US studios and digital platforms have embraced the global demand for returning drama series and can fully fund them. European producers have to pull together finance from different sources for every series, including from national broadcasters, pre-sales, equity investors and gap finance.

“They are all working to very different timeframes and different national broadcast agendas. It’s slow, costly and inefficient. Whereas in the US, it might be as rapid as: ‘We want the pilot shot in three months and then we’ll invest the money for ten episodes.’”

“TV’s a global market of new technology but Europe is way behind,” argues Mackinnon. “In Europe, [TV’s] a fragmented business. But we have a deep culture and we can tell stories. We need to look a few years into the future and think about TV as a huge industry.”

The UK’s principal regulated broadcasters – BBC, ITV and Channel 4 – have the core objective of serving British audiences, but have now woken up to the huge global market, says Mackinnon. Meanwhile, “there’s an enormous wave of US expansion, with American studios setting up in Europe, commissioning, making acquisitions. They’re big players with deep pockets. There’s a huge appetite for drama that looks different – not American – so they want to work with British and other European producers.”

Mackinnon also wants the City to wake up: “There’s a real opportunity for investors over the next few years to back and develop sizeable studios here that can sell drama around the world – but drama that has a unique European sensibility and can compete with the very best in the world.”



**Tobi de Graaff**  
**Executive Vice-President Western Europe,**  
**BBC Worldwide**

“British television has always innovated by creating new ideas – by finding new ways of doing things,” enthuses Tobi de Graaff, who’s one of BBC Worldwide’s frontline execs selling the BBC’s programmes.

He explains that although TV is about risk-taking, the BBC’s UK reach means it can demonstrate that an idea was a success with British audiences before taking it abroad.

“The Brits have led in formats for a long time,” he says, pointing to *Dancing with the Stars* and *Bake Off* (which has shed its “Great British” union-flag apron to be adapted for local consumption in 20 territories around the world).

De Graaff also points out how ambitious some recent big-budget co-produced dramas have been – *War and Peace* and *Wolf Hall* were both big international hits.

Once upon a time, producers had to make long runs to fill terrestrial TV slots over many weeks. But now there’s a lot more flexibility: “The arrival of video on-demand and time-shifted viewing means we can tell stories over six, or eight or ten episodes. That’s a major impetus for the creative sector in the UK.”

Many viewers – of all ages – want intense experiences and deep engagement with a scripted show, sometimes watching several episodes in one go. “A story doesn’t always need to be told in 22 episodes just because of scheduling.”



Orphan Black Series 3 © BBC Worldwide 2015

## Vision mixer

The UK will continue to stand out on the world map of M&A. And there will also be some good opportunities for British TV companies for international expansion.

There has been a fair degree of consolidation in the UK's television sector over recent years. Even regulator **Ofcom** expressed concern when it found that the number of independent British production companies had dropped from 450 in 2006 to 250 in 2014 – although 84 new producers had been launched in 2014.

But there is still a great diversity of business models in UK television. Many corporates continue to combine content creation, distribution, service provision and even broadcasting infrastructure development and management.

There's also an argument that bigger TV corporations have the bargaining power to do better deals with the big global brands and media agencies that dominate advertising.

The international search for top-quality content and wealthy consumers will mean the UK will still be highlighted on the M&A map. Meanwhile, UK-based TV companies that expand their global activities could outperform those that remain nationally focused – taking advantage of their English-language roots, cultural depth, fast technology connections and strong relationships with London's powerful advertising, marketing and communications sector.



Alistair Levack

UK Media & Entertainment Deals, PwC

Alistair Levack has advised on more than 30 TV production deals at PwC – including for big names such as ITV, All3Media, Zodiak, Endemol and Fremantle – as well as advising TV channels such as Discovery and ProSieben. He's therefore got a sharp eye on what's driving corporate transactions.

The UK market in TV has slowed down after a burst of M&A over the past few years, so attention has switched to a new generation of up-and-coming businesses, he says.

"Although the barriers to entry are quite low in TV production, it does take a few years to build something that becomes an attractive acquisition target. At the moment, there are a few more talent-led deals about in the UK. These are about the seed and development capital to fund new productions and new ideas. That can include backing for on-screen and writer-led talent, or for new producers."

Further afield, Levack says there are some good M&A opportunities in the US – still quite a fragmented market – and in some European territories, including France, Scandinavia and Central Europe.

Unlike many other business sectors, M&A in TV production has not been driven by private equity (PE) investors. "One of the features of any portfolio of programmes made by a TV producer is that it can be hard to get every engine firing all at the same time. In any one year, some programmes can go forwards as others go backwards. There's not necessarily steady, consistent growth across a whole group that private equity investors like to see. It can also be difficult to build UK-facing groups organically beyond a certain size – say between £15m and £30m value. These factors make it difficult for PE – but not impossible."



Tom Betts

Director of Corporate Strategy,  
Mergers & Acquisitions, ITV plc

Tom Betts' 25-year career in television has included buying and selling programmes, developing new media, working on major transactions at ITV for the past seven years and working on the group's broader strategy. "That's now all about developing ITV's position in the global market," he says.

Betts has led some of the biggest recent deals in the TV business, including ITV's \$360m acquisition of an 80% stake in Leftfield Entertainment, its £355m deal for Talpa Media and its £100m takeover of UTV.

"Everyone's talking about two 'C' words," he explains, "convergence and consolidation." On the one hand, the convergence of on-demand with traditional broadcast TV means that the likes of Netflix and Amazon are significant new customers for ITV as a content producer. On the other, big broadcasters/distributors are still doing deals to acquire large producers of IP. Betts points to Comcast's \$3.8bn acquisition of DreamWorks and Lions Gate's pending \$4.4bn merger with Starz as examples.

Successful deals in the TV sector depend on assessing IP ownership very carefully, he explains: does the company you're buying own the rights it claims to own?; how does it split revenues from shows with third parties?; how does it exploit those rights?; and is it more than a link in a production chain? "It's really about getting down to the actual flow of cash, at the end of the day." PwC works with ITV on many aspects of due diligence for 'content' acquisitions.

On the 'people' side of an acquisition, Betts says it is critical for the acquirer to understand the motivation and incentives – and therefore how to retain creative talent after a deal. "It's sometimes very difficult to predict that, after only a few meetings when the management of the business you're buying have been in 'sales' mode." With US deals, it's more common that some equity ownership is retained by the vendor with the acquirer taking performance-based put-and-call options on the stake in the business it does not yet own. In Europe, it's more common that the acquirer will buy the whole business, but with an earn-out for the sellers.

Betts says it's also vital to engage the company as a whole, not only the main shareholders. For example, when it acquired Talpa, ITV included an incentive scheme that covered the entire senior management team, based on the same performance thresholds as those agreed in the earn-out for the owner, John de Mol. "It's important to look at the next level too, below the owner – and sometimes the level below that as well – in terms of retaining people."

## ITV buys

- Gurney Productions (US) – **\$40m** for an initial 61.5% with a put-and-call option for the remaining 38.5% over three to five years – December 2012
- Big Talk (UK) – initial **£12.5m** – July 2013
- Leftfield Entertainment Group (US) – **\$360m** (80%) – May 2014
- Talpa Media (Netherlands) – **£355m** – March 2015
- Mammoth Screen (UK) – terms not disclosed – ITV acquired the 75% it did not already own
- Twofour Group (UK) – an initial **£55m** for 75% – and an initial 51% stake in MainStreet Pictures (UK) - June 2015
- UTV (UK) – **£100m** – October 2015

# Behind the scenes

TV companies will have to adapt even more quickly to fast-changing political, economic and business conditions – and also to the new international opportunities these changes create.

UK television companies are adjusting to new content, platforms and different viewing patterns around the world.

Funding TV productions has become more complicated in the past few years. The gap between what a commissioning domestic broadcaster might be prepared to pay and total production costs now has to be filled by various combinations of a co-production partner (such as a US network), an international distributor who might offer a non-refundable advance to the producer, tax credits such as those provided by the UK government, and regional incentives that encourage producers to shoot in certain countries or regions. Effectively, the producer takes on the risk of the production costs and fills the gap between the total costs and the contribution by the commissioning broadcaster with various forms of 'deficit financing'.

In this context, flexible operations, effective capital allocation and recruiting and retaining the right skilled staff are all high on boardroom agendas.

Talent is at a premium in TV when it comes to managers who can understand creativity, various media, platforms, formats, distribution and brands – and who can react quickly to change.

Diligent financial management, control, reporting and clear corporate finance planning – especially when M&A deals are in the offing – are coming to the fore at the top of organisations. The best CFOs and FDs are in demand by recruiters.

## Play your cards right

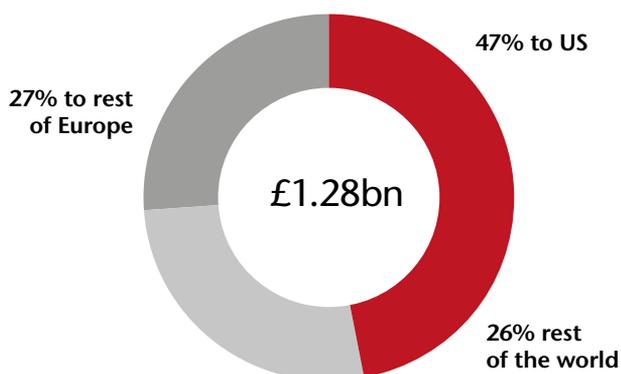
UK television companies also expect their business advisers to help them shape new strategies, plan investment, access international markets and prepare for corporate deals.

Europe will remain a hugely important TV market and it's very likely that EU regulation would still influence many aspects of business.

For example, it remains unclear how planned changes to media rights to allow consumers across Europe to buy on-demand and other internet TV services from any part of the new 'digital single market' could still affect producers in Britain and how they invest.

## Opportunity knocks

**£1.28bn** – total estimated value of revenues in 2013–14 from international sales of UK TV programming and associated activities, according to **PACT**.





## Euro vision

How businesses and their advisers can plan ahead in the face of Britain's withdrawal from the EU.

1. **Strategy** – establish the impact of Brexit in terms of economic slowdown, co-production and media rights deals, new opportunities and potential M&A.
2. **Talent** – make contingency plans for the retention and recruitment of staff in the UK, from the EU and worldwide – including remuneration and T&Cs.
3. **Work with business advisers** to plan investment funding needs, new sources, financial risk management and due diligence for corporate deals.
4. **Legal, tax and accounting** are all likely to see big changes for British television companies over the next few years.



**Julian Freeston**

**Chief Financial Officer and Chief Operating Officer  
UK/Belgium/Netherlands, Banijay Group**

Multinational media group Banijay owns Zodiak Rights, RDF Television, IWC Media, Touchpaper Productions, The Comedy Unit, Zodiak Kids Studio UK and Bwark Productions in the UK. Its output covers international hit entertainment formats, documentaries, factual entertainment, comedy and scripted – with well-known shows including *The Inbetweeners*, *Tipping Point*, *Robson Green's Extreme Fishing*, *Secret Life of 4 Year Olds*, *Dickinson's Real Deals*, *Location, Location, Location* and *Eat Well For Less*. Zodiak was also part of the Canal+ led co-production of historical drama *Versailles* which has been sold in 135 territories to date.

Julian Freeston, CFO and COO of the Banijay's operations in the UK, Netherlands and Belgium, says it's now concentrating on organic growth – increasing its market share – rather than new acquisitions: "The UK's a key market for Banijay. We're not looking to pay big money for a big established entity. We can't see a good return on that sort of investment at the high prices people have been paying."

North America is the main territory for production groups. Freeston says there is still a lot of room for growth in the US. A successful launch in that territory can lead to worldwide success elsewhere both in terms of format and finished-programme sales.

When it comes to some new platforms, such as YouTube, the issue is cost versus quality.

"New platforms want terrestrial-channel quality without paying terrestrial-channel prices. The budgets can't be at the same level as for traditional broadcasters, unless we want to lose money."

Freeston says one of the biggest challenges facing all production groups is recruiting and retaining the talent that can create new content and sell unproven shows to customers. Executives who also understand brand-funding and product placement are also commanding a premium, he says.

"This business is completely relationship and talent driven. The brands also want to feel they're driving a creative idea alongside the TV producers, so we need people who can bridge that gap." It's a different way of working and thinking to more traditional models.

# Looking ahead

Content continues to be “king” in television as the new distribution platforms compete with traditional broadcasting platforms for audience attention.

But sustainable, profitable growth for content is increasingly meshed with data analytics and a need to deliver a seamless, personalised experience for viewers – meaning that platforms and their underlying technologies remain key components of the industries success and growth.

The new world of TV is one where viewers find content variously by:

- search (you already know what you want);
- recommendation (by friends, social networks, news sources or advertising); or
- brand (places you trust to collate or curate content you’ll value – TV channels or aggregators).

This means that the interaction between creative idea makers, production skills, on-screen talent, commissioning, promotion, distribution and interaction with audiences is more complex, faster-paced and more competitive than ever.

Media businesses that understand their audiences and put compelling, differentiated – and valuable – programmes and other content in front of them can gain competitive advantage.

The UK’s television industry has a rich tradition of creativity, innovation, skills and talent that has made it a worldwide leader.

Ensuring even more success for the UK’s television industry over the next decade will as ever need a clear focus on pairing of creativity with business acumen, as well as securing skills and finance to develop great creative ideas.

## Find out more



**Creative industries – routes to finance**  
[icaew.com/creativeindustries](http://icaew.com/creativeindustries)

**Corporate Financier magazine**  
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**PwC Entertainment & Media**  
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**Global Media & Entertainment Outlook 2016–2020**  
[pwc.com/outlook](http://pwc.com/outlook)

**Imagi-nation: the business of creativity**  
A report by Ian Livingstone and PwC

**Brave New TV World**  
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# About the authors

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### Partner; Entertainment & Media and Creative Industries Leader, PwC

Phil leads PwC's UK Entertainment & Media sector practice and its wider creative industries practice, with a focus on the quality and service of the firm's work with companies across our assurance, tax, deals and consulting.

Phil's clients span television production and broadcasting operations, music, radio, advertising and market research groups, consumer publishing activities and sports, and they include FTSE 100, FTSE 250, privately-owned, private-equity backed companies as well as UK subsidiaries of multinational groups.

He is on the editorial panel of PwC's annual *Global Entertainment & Media Outlook* publication with particular responsibility for television, film, advertising, broadcasting and publishing. He speaks frequently at conferences and board strategy events across the world.

## Shaun Beaney

### Corporate Finance Faculty, ICAEW

Shaun develops stakeholder and member communications for the Corporate Finance Faculty to support ICAEW's public policy and advisory work, particularly in the areas of 'access to finance', growing businesses and venture capital.

He devised, researched and co-authored *Creative industries – routes to finance* and he is currently researching the investment challenges and opportunities for IP-led businesses, including those in the technology, advanced engineering, design and creative industries.

He is a member of the Financing Growth working group of the UK government-sponsored Creative Industries Council.

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## About PwC Entertainment & Media

PwC's Entertainment & Media practice works with businesses to address both the challenges and opportunities presented by digital transformation. It works with clients across a wide range of key industry sectors including: television, film, music, Internet, video games, advertising, publishing, radio, out of home advertising, sports, business information, gaming, and more.

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The Corporate Finance Faculty's professional network includes 7,000 members and more than 80 member organisations, drawn from major professional services groups, specialist advisory firms, companies, banks, private equity, venture capital, law firms, brokers, consultants, policy-makers and academic experts. More than 40 per cent of the faculty's membership is from beyond ICAEW.

The faculty is ICAEW's centre of professional excellence in corporate finance. It contributes to policy development and many consultations by international organisations, governments, regulators and other professional bodies.

The faculty provides a wide range of services and media, including its magazine *Corporate Financier* and publications such as the *Business Finance Guide* and *Creative industries – routes to finance*.

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