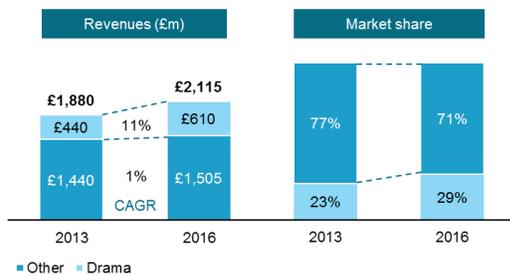


## 2017 Indie Survey – Drama an indie success story?

The UK drama sector is growing strongly, stimulated by new investment, rising values and international talent flocking to the small screen. However, the sector is not as diverse as it should be, with a small number of players dominating the genre. In this context, will a new generation of drama producers be able to emerge and grow?

Prospero and CIL’s analysis of the Broadcast Independent Production Survey show how strong the last four years have been for drama. Drama producers have outperformed the rest of the indie sector; up 35% since 2013 to account for nearly 30% of all survey revenues. By comparison, the rest of the market has been broadly flat.

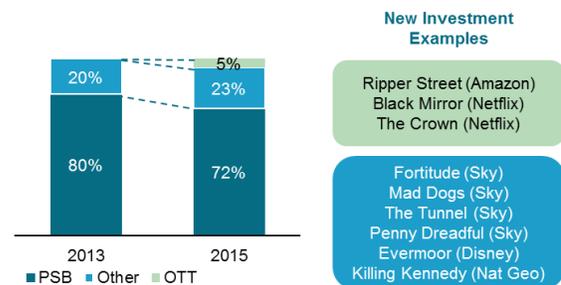
Exhibit 1: Growth in Drama revenues



Source: Prospero and CIL analysis, Broadcast surveys  
Note: Excludes Time Warner and IMG

This growth has been driven by a number of factors. First, drama is no longer the preserve of the PSB channels. From Ripper Street to the Crown and Penny Dreadful, Amazon, Netflix and Sky have all increased their investment in the genre, with OTT and pay channels now accounting for nearly 30% of total drama hours commissioned.

Exhibit 2. Drama commissions (hours)

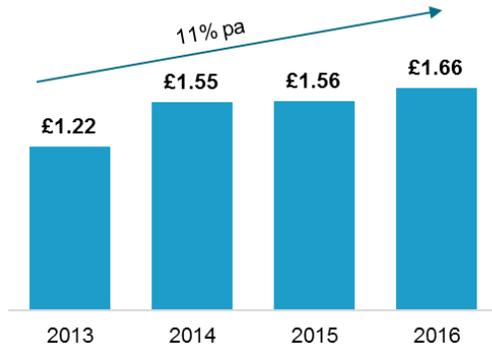


Source: Greenlight, Broadcast, Prospero and CIL analysis

Second, despite ITV Studios and BBC Studios flexing their muscles, indie producers appear to be taking market share from in-house production arms. In 2015, in-house studios (including ITV-owned Mammoth) accounted for just 19% of drama hours commissioned, down from 25% in 2013.

Third, increased competition for top-end drama, aided by UK tax breaks, has been a catalyst to rising investment per hour, up over 35% since 2013.

Exhibit 3. Drama revenues (£m / hour)



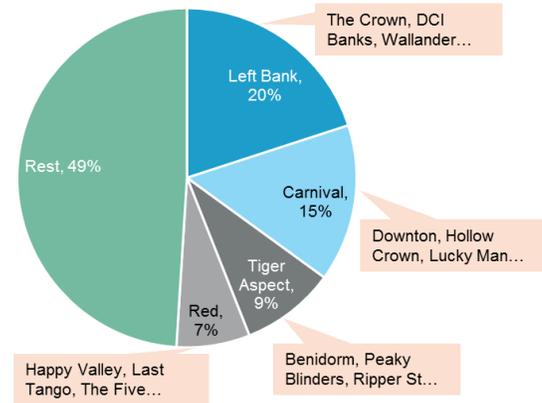
Source: Prospero and CIL analysis, Broadcast Surveys  
 Note: Only includes "pure play" drama companies

Small wonder, then, that indies previously known as pure comedy players are stepping into this lucrative market. The Secret and Doctor Thorne for ITV helped Hat Trick deliver a 16% growth in revenues in the 2017 Survey, while Big Talk led the successful revival of ITV comedy-drama Cold Feet and secured its first US drama, the Fox/ITV co-production Houdini and Doyle.

Meanwhile, former drama power players have re-entered the market in a big way and are now making their mark, from Jane Featherstone's Sister Pictures to Sally Woodward-Gentle's Sid Gentle Films, Jane Tranter and Julie Gardner's Bad Wolf and Sally Hayne and Laura Mackie's Mainstreet Pictures.

This 2017 survey identifies 25 labels who are either drama "pure plays" or have significant drama revenues. The top four labels (Left Bank, Carnival, Tiger Aspect and Red Productions) account for 50% of the survey's drama revenues.

Exhibit 4. PVR impact on network demand



Source: Prospero and CIL analysis, Broadcast Surveys

However, more importantly, the survey shows that it is the big groups or studios, that are increasingly monopolising this genre. They are doing this through a combination of acquisitions (e.g. All3Media's purchase of Neal Street and more recently, Two Brothers Pictures); nurturing and launching (or re-launching) talent (e.g. Endemol with Artists' Studio, Wild Mercury and Fifty Fathoms, All3Media with New Pictures) and by investing significantly in deficit funding to secure key productions.

Consequently, drama is increasingly dominated by the big "studios". Only 15% of drama revenues in the Broadcast Survey go to smaller players.

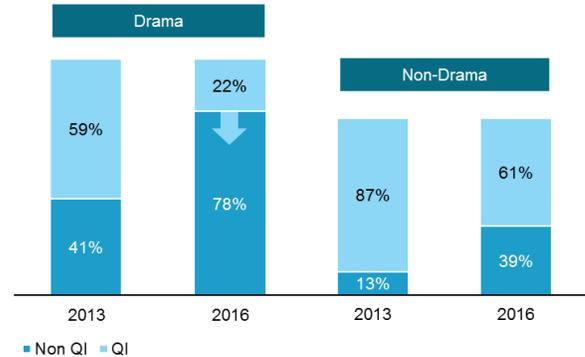
Exhibit 5. Share of consolidators 2016

Rest 15%	Eleventh Hour; Hartswood; Hat Trick (%); World Productions; Leopard; October; Red Planet; Rollem; Rondo (%); Touchpaper
Studio Canal 7%	Red Productions
NBCU 15%	Carnival
All3Media 20%	Bentley; Lime (%); Neal Street; New Pictures; Two Brothers
Sony 19%	Left Bank
Endemol Shine 24%	Artist's Studio; Bandit Television; Fifty Fathoms; House of Tomorrow (%); Kudos; Tiger Aspect

Source: Prospero and CIL analysis, Broadcast Surveys  
Note: Estimates for multi-genre players with significant drama marked as %

The Broadcast survey somewhat overstates this consolidation as some producers (such as The Ink Factory, Drama Republic and Lionsgate) do not submit returns. However, even so, the data shows that the level of ultimate ownership by broadcast groups is significantly higher in drama than in other genres. 78% of drama revenues are accounted for by non-qualifying indies (owned by broadcasters) versus just 38% for non-drama genres.

Exhibit 6. Qualifying share by genre



Source: Prospero and CIL analysis, Broadcast Surveys  
Note: Non-qualifying indies owned over 25% by an operator of a UK TV license cannot bid for the 25% of PSB commissions reserved for qualifying indies

This analysis raises some interesting questions about how the market will develop in the future. Will it be possible to create a drama indie without the financial and distribution clout of a major studio? How will the PSBs deliver their indie quotas in drama? And, how quickly will the next generation of drama companies get snapped up by the global groups?

### Tabitha Elwes

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