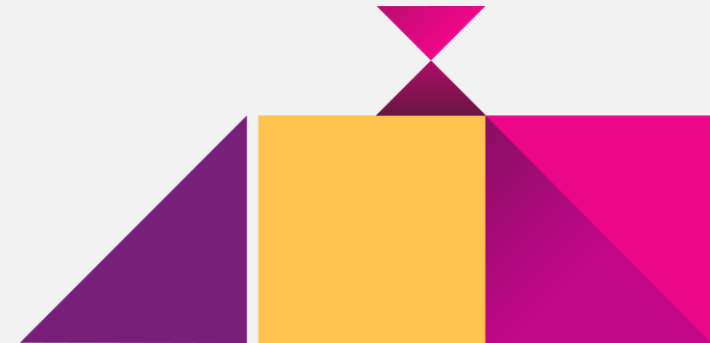


# APFI Report: USA Television Market Landscape

- Focusing on Serialised Drama
- See Separate Focus Report for Childrens



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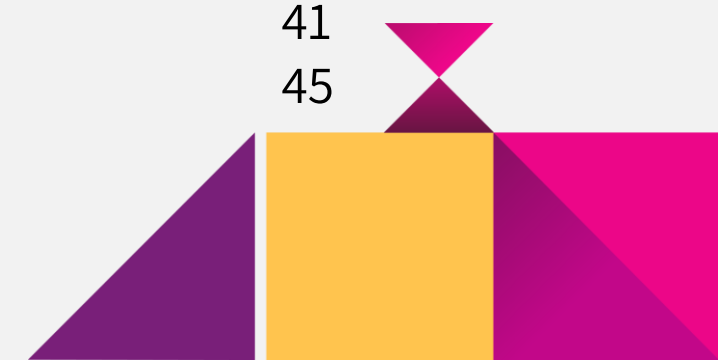
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# Market landscape: consumers and content

“On average, US consumers spend 38 hours watching video content each week, *15 hours* (or 39 percent) of which is streamed.”

“Ten years ago (2007), consumers reported watching about 15 hours of broadcast TV content per week; that number has now grown to 23 hours.



# Market landscape: current issues

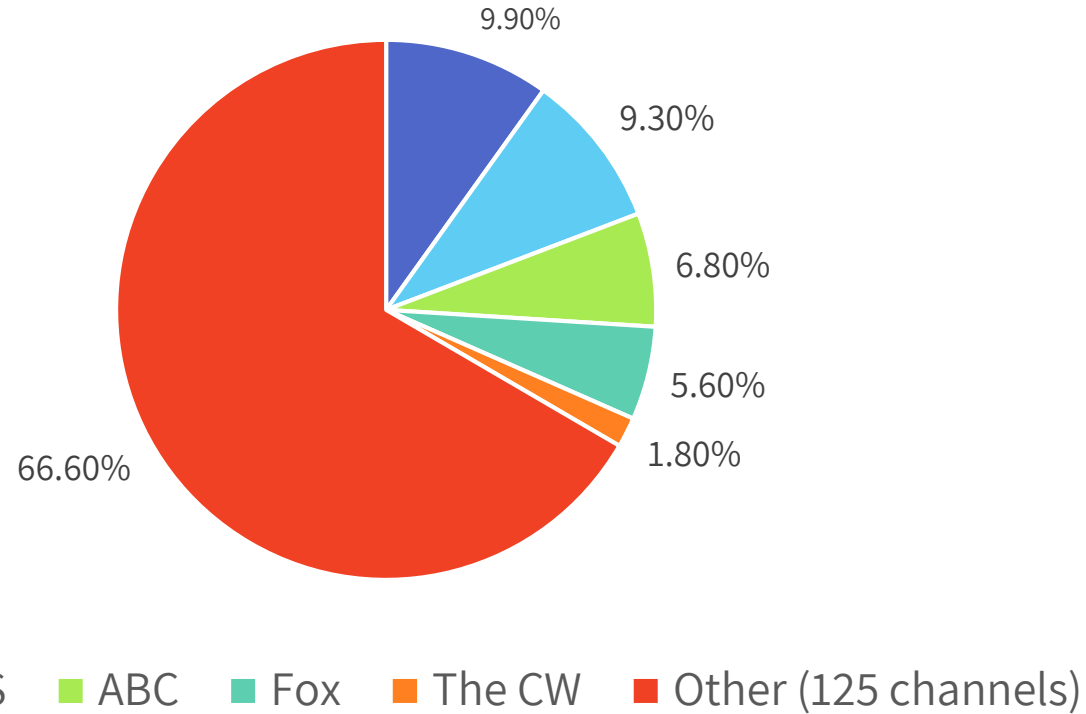


- US broadcasters are under pressure from ratings decline, competition from digital platforms and declining ad dollars.
- “From 2012 to 2017, Nielsen’s measure of average percentage of people ages 18-34 using television has declined from 16.1% to 10.5%. The drop-off was most severe among teenagers.”
- “The only growth has come in people ages 50 and up and 65 and up. The declines can be largely attributed to shifts toward digital viewing, particularly among younger viewers, as well as to audience fragmentation stoked by digital competition.”
- Pay TV channels are also suffering from the drift of their subscribers to other streaming services.
- With over 200 streaming options available, and the same content on offer via different packages, subscribers are increasingly challenged by bills for streaming services approaching the same levels as pay tv.
- Industry players are seeking better audience measurement systems than are currently available to inform their strategies as it becomes more of a direct to consumer business.



# Market landscape: channels and share

Chart 1: %age share based on figures for the most watched networks of 2018

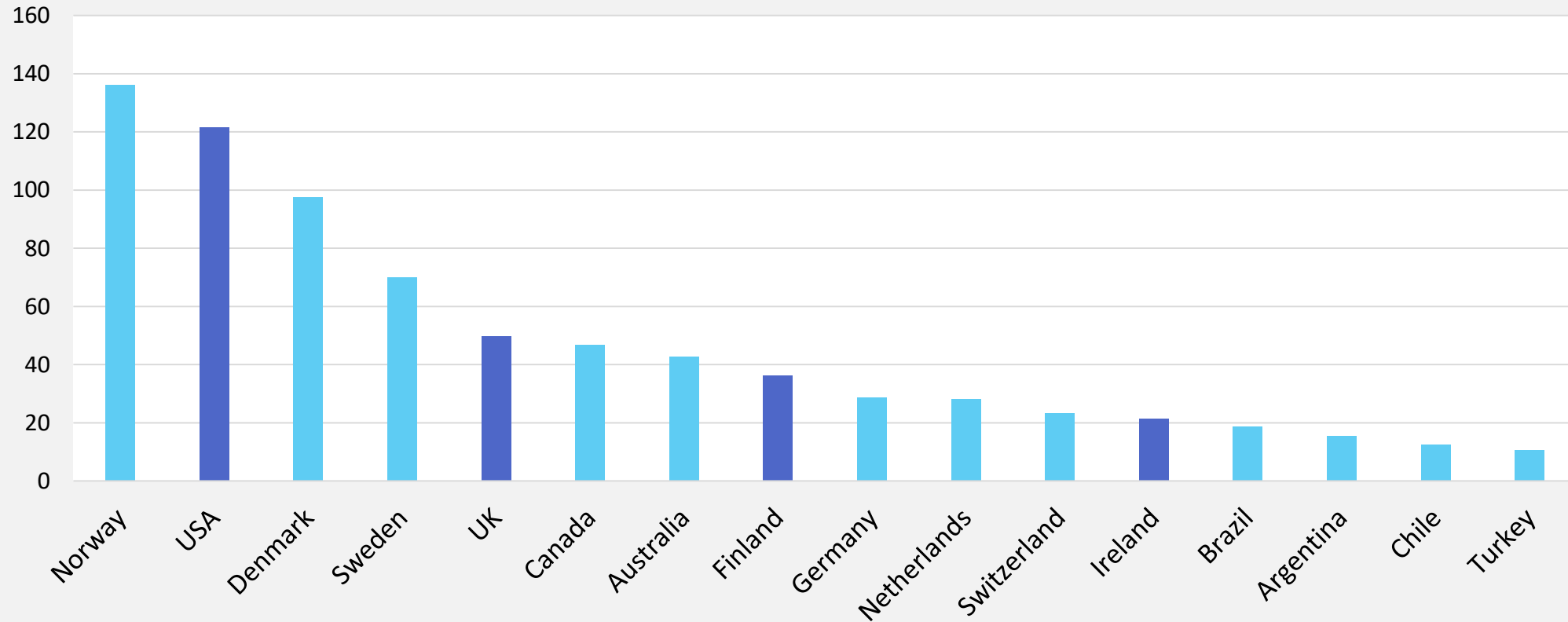


Source: Nielsen, NPM (01/01/2018-12/02/2018 vs. 12/26/2016-12/03/2017) Mon-Sat 8pm-11pm/Sun 7pm-11pm, ad-supported networks, Live+7. Ranked by 2018 Year-To-Date.



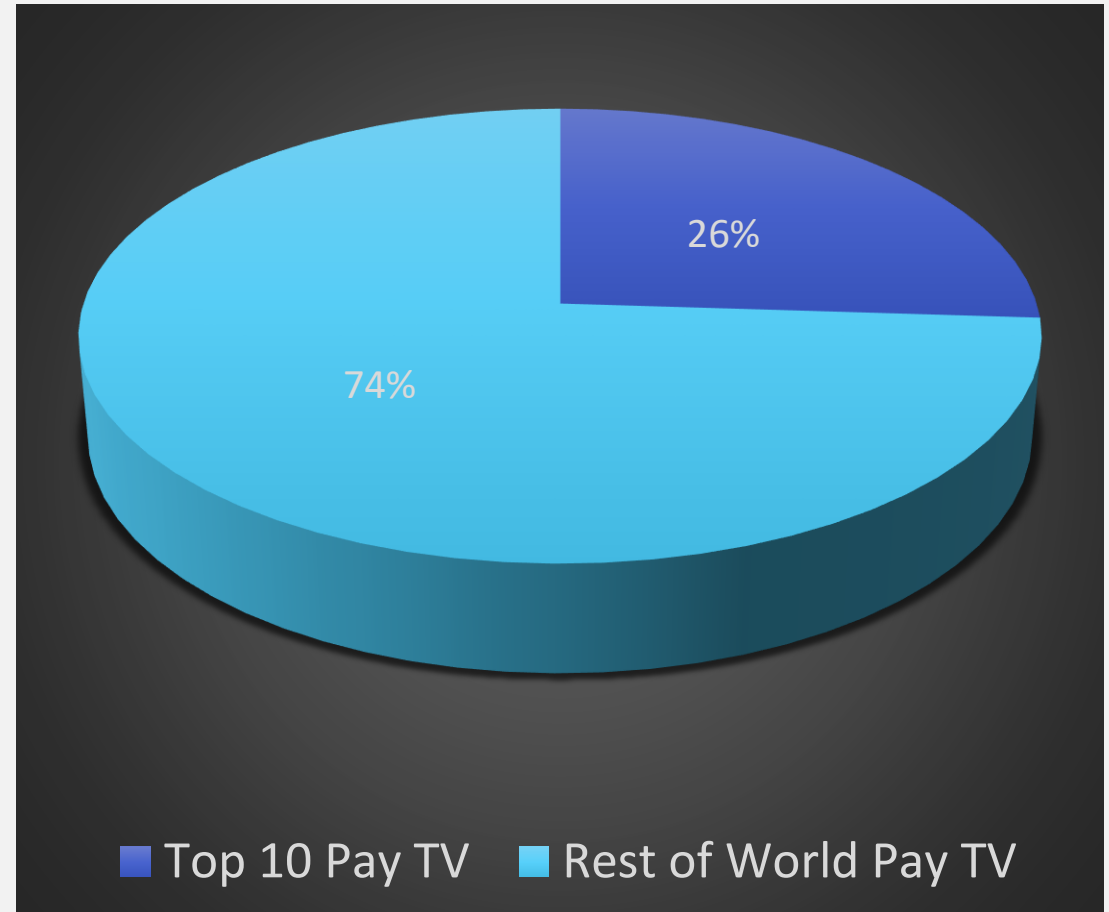
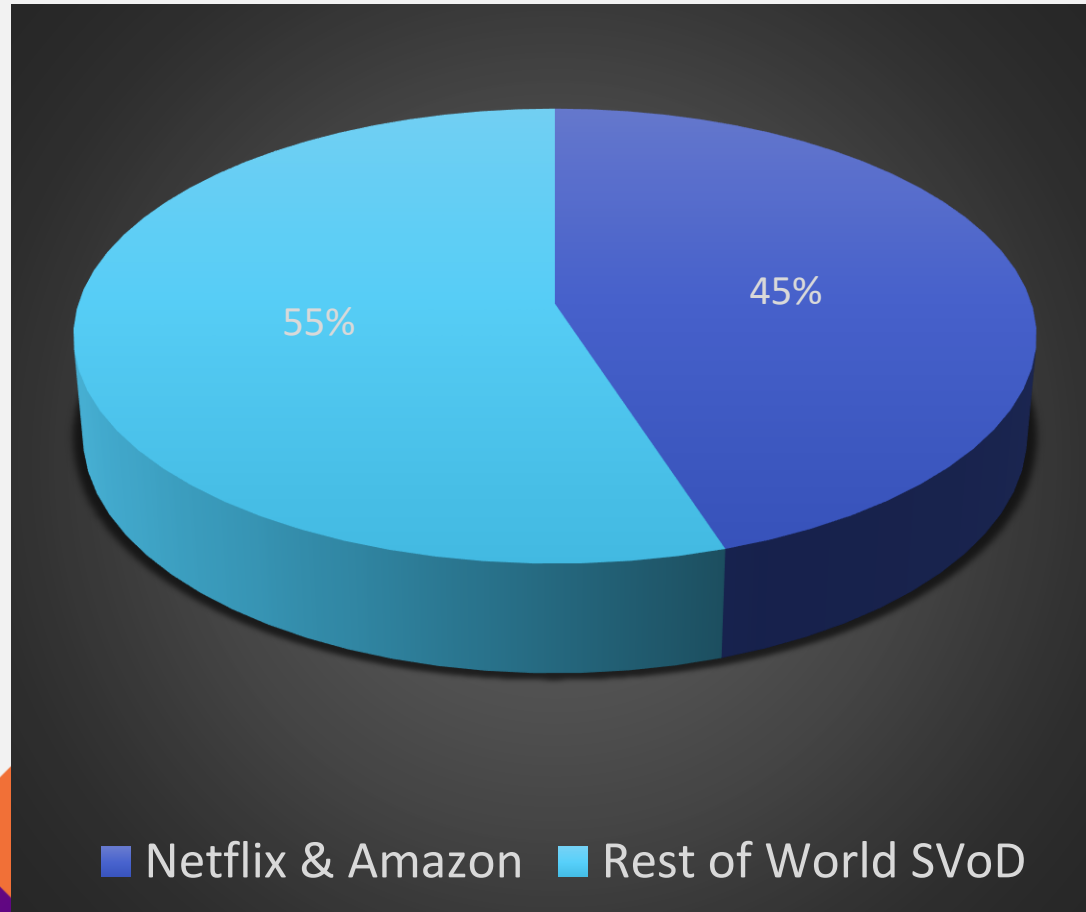
# Americans 2<sup>nd</sup> highest spenders on SVoD; Finns 8<sup>th</sup>

Chart 1a - 2017: SVoD Revenue per Broadband Household (\$)





# The OTT sector is massively more concentrated than the Pay TV market



# Market landscape: current issues

- Despite being the most robust TV advertising market in the world, spending on online advertising overtook it in 2016 and continues to grow much faster.
- Google and Facebook alone attracted almost \$30bn advertising revenue in 2017 – more than a third of the size of the entire US television market.
- The main players are looking to generate revenue from alternative streams, including their extended on-demand services which are offering more original content.
- Data released in December by FX Networks Research in their annual report for 2018 calculated a total of 495 scripted originals had aired across streamers, broadcast, basic cable and premium cable. For the first time ever, the largest number of shows, 160, aired on streaming platforms instead of broadcast.



# Market landscape: current strategies



- Major players are seeking scale to compete with Netflix and Amazon. Key moves include Disney's acquisition of 21st Century Fox, designed to pump content to Disney's plans for a global streaming service to be launched in 2019, and AT&T's acquisition of Warner with similar intentions.
- Increasing the number of international partnerships for coproduction to spread the costs of the rising amount of original series being made in response to the global interest in drama.
- Adapting original language formats and trying out reboots and revivals.
- Competing to secure deals with star talent to compete with streamers' moves to lock-up talent (e.g. Netflix's exclusive deals with US creators Shonda Rhimes and Ryan Murphy). Indications are that deals with international creative talent will increase. In turn, US creators are more open to international projects if these may enable them to have a position on rights they wouldn't receive from a US deal.
- Broadcasters are shifting priorities to alternatives such as high rating live sports and live entertainment, e.g. Fox NFL's "Thursday Night Football" and the WWE's "Smackdown"
- The CW Network has expanded its original programming to 6 nights a week increasing its ad revenue.
- NBC Universal has succeeded in developing a premium ad strategy that reduces the amount of ad time in a one-hour slot, charges an above premium rate to advertisers but has proved to provide a more effective targeted reach. A win for the viewers, networks and advertisers.

# US Channel Profiles

## Including:

- Channel and Drama Strategies
- Channel Profiles for Majors, Mini-Majors, Independents and PBS



# Channel and Drama Strategies



- **Broadcast Channels** target mainstream, family entertainment addressing the broadest of audiences across all age demographics but generally resulting in skewing well above 40. Broadcast is traditionally the home of the 22 episode returning drama series with up to 6 act breaks per hour though short orders of 10-13 episodes and 'straight to series' orders have become more frequent.
- **Basic and Premium Channels** are either genre or target audience specific with corresponding age and economic demographics. Shorter seasons of 10-13 episodes featuring serialised drama, character defining shows and edgier topics - but still with returning seasons - are the blocks on which the cable networks have built their brands.
- The basic and premium cable networks have used slogans to distinguish their brands from what they see as the 'softer' and more procedural style of the broadcast channels. These include FX's 'Fearless', USA Network's most recent 'We The Bold', Starz's 'Obsessable' and IFC TV's 'Always On, Slightly Off'. Genre channels SyFy and History define their channels further with 'It's a Fan Thing' and 'Made Every Day'. HBO is so established that it no longer needs to use past tagline 'Simply The Best'. But their current slogan 'It's the New HBO' defines how HBO now needs to position its services in the crowded marketplace.
- It is debatable how much attention the average viewer in the age of streaming actually gives to the brand of a channel and whether it is their slogan or a hit series, like AMC's THE WALKING DEAD or OUTLANDER on Starz, which defines a channel's brand and draws the viewer. The channels certainly consider their drama series are identifiable with their brand.



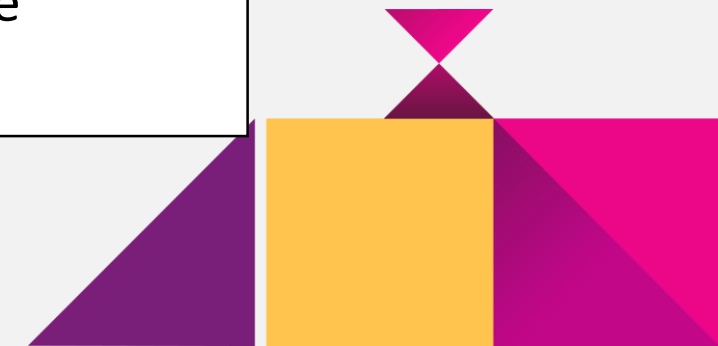
# Channel and Drama Strategies

- **The Studios own the IP**, pitch, develop and produce the shows as well as provide the deficit financing and in general operate as the sales distributor, whether to other channels in the family portfolio or third parties.
- Most of the ‘majors’ have a studio that principally services the broadcast networks and a separate studio to service cable and streaming content. This was originally due to perceptions about different business models and cost per hour for the different types of buyer. Whilst the practice and differing budget figures still hold, the current situation is that shows from both studios are ending up on the streaming services under exclusive and non-exclusive windows of varying durations.
- Many of the cable network ‘newcomers’, such as FX and AMC, started their own production arms and distribution alliances to feed content to their growing number of platforms and with the aim of providing revenue to offset dwindling advertising and subscriber rates.



# Channel Profiles

- **The Channel Profiles** summarised on the following pages focus on channels which show original drama content. They are grouped by their parent company to give context because most have more than one drama channel in their portfolio.
- Each profile includes a note of how they currently offer catch-up and on-demand services.
- Most of the channels' parent corporations also have news, sports, factual, film, documentary, reality, lifestyle or childrens channels and HD (including simultaneous transmission) options in their portfolios.
- Many have other business interests in the media and telecommunications industry.
- Each of the 'Majors' includes one of the big Hollywood film studios of the past. The exception is CBS whose US channel and studio interests are equivalent to its competitors amongst the 'Majors'



# Channel Profiles: Major Studios

## Disney

### Disney (Disney-ABC Television Group)

<b>Broadcast Channels</b>	ABC (skewing female)
<b>Basic Cable channels</b>	Freeform (14-34 demo, transitional/aspirational, home of PRETTY LITTLE LIARS)
<b>Premium Cable Channels</b>	n/a
<b>Catchup/On Demand Services</b>	abc.com freeform.go.com Hulu (30%)
<b>Studios</b>	ABC Studios ABC Signature ABC Studios International
<b>Other</b>	<p>Disney has acquired Fox. Official announcements are that the two studios will be run separately for the present.</p> <p>ABC was one of the earliest broadcast networks adapting formats, e.g. UGLY BETTY, and continues to seek out formats fitting their brand.</p> <p>Operating out of the UK, ABC Studios International's first 2 Originals are coproductions: REEF BREAK for France's M6 and HARROW for Australia's ABC (no relation). HARROW is 1 of a 5 series deal between UKTV and Disney. ABC, US has picked up REEF BREAK for 2019 transmission.</p>



# Channel Profiles: Major Studios

## Fox



### Fox (21<sup>st</sup> Century Fox) – now owned by Disney

<b>Broadcast Channels</b>	Fox (skewing male)
<b>Basic Cable channels</b>	Fox Networks Group: FX and FXX (18-49, edgy) Nat Geo (jointly owned with NatGeo) Jointly owned with Hearst: Lifetime and A&E Networks (including History)
<b>Premium Cable Channels</b>	n/a
<b>Catchup/On Demand Services</b>	fox.com fxnetworks.com FXNow (ad supported) FX+ (ad free) Hulu (30%)
<b>Studios</b>	Twentieth Century Fox Studios Fox 21 TV Studios FX Productions A&E Studios (50%)
<b>Other</b>	Acquired by Disney. Further restructuring of these two ‘majors’ is awaited. Fox Networks Group, i.e. basic cable also includes the Fox subscription channels in other countries. DARK STATE, the first Original series from Fox Network, Europe and Africa, will actually play in the US on Lionsgate’s premium channel Epix.



# Channel Profiles: Major Studios

## NBC Universal



### NBC Universal (Comcast Corporation)

<b>Broadcast Channels</b>	NBC (home of THIS IS US), Telemundo (Spanish language service)
<b>Basic Cable channels</b>	USA Bravo SyFy E!
<b>Premium Cable Channels</b>	n/a
<b>Catchup/On Demand Services</b>	nbc.com usanetwork.com syfy.com/shows eonline.com/shows Hulu (30%)
<b>Studios</b>	NBC Universal Television (Broadcast) Universal Cable Productions (Cable and Streaming)
<b>Other</b>	Comcast/NBC acquired Sky's pay channels and platforms in 2018 and also has its free-to-air, archive channels, including The Universal Channel, running in the UK and other parts of Europe



# Channel Profiles: Major Studios

## CBS



### CBS (CBS Corporation)

<b>Broadcast Channels</b>	CBS (home of the most successful procedurals) The CW (jointly owned with Warner (offered on multiple platforms to maximise its 18-34 demo)
<b>Basic Cable channels</b>	Pop TV (jointly owned with Lionsgate) (home of SWEDISH DICKS)
<b>Premium Cable Channels</b>	Showtime
<b>Catchup/On Demand Services</b>	cbs.com cw.com CBS All Access (options for AVOD or subscription service without ads) sho.com, Showtime on demand, Showtime Anytime and via Hulu
<b>Studios</b>	CBS Television Studios
<b>Other</b>	Although not currently associated with one of the original studios of the golden age of Hollywood, it is equivalent to the other studios in this category.



# Channel Profiles: Major Studios

## Viacom



### Viacom

<b>Broadcast Channels</b>	n/a
<b>Basic Cable channels</b>	The Paramount Network BET
<b>Premium Cable Channels</b>	n/a
<b>Catchup/On Demand Services</b>	Paramountnetwork.com
<b>Studios</b>	Viacom Digital Studios (launched in 2018 producing original content for the younger demo on Snapchat, YouTube, etc)
<b>Other</b>	The Paramount Network, a new premium brand, including US drama originals, launched in 2018 to the US and 11 other countries. It is provided free-to-air on the digital platform in UK where it is managed by its UK sister broadcaster Channel Five.



# Channel Profiles: Major Studios

## Warner Media



### Warner Media (AT&T)

<b>Broadcast Channels</b>	The CW (jointly owned with CBS and offered on multiple platforms to maximise its 18-34 demo)
<b>Basic Cable channels</b>	TNT TBS
<b>Premium Cable Channels</b>	HBO Cinemax
<b>Catchup/On Demand Services</b>	cw.com, tnt.com, tbs.com hbo.com, cinemax.com HBOGo (for cable subscribers) HBONow (stand-alone subscription) Hulu (10%)
<b>Studios</b>	Warner Brother Studios Warner Horizon Studios
<b>Other</b>	AT&T recently acquired Warner. AT&T owns US direct satellite broadcaster DirectTV. Warner owns HBO Europe, HBO Nordic and Turner Broadcasting Systems (managing the international portfolio of Turner channels). HBOGo is now offered in parts of Europe as direct to consumer SVOD.



# Channel Profiles: Major Studios

## Sony Pictures Television



### Sony Pictures Television

<b>Broadcast Channels</b>	n/a
<b>Basic Cable channels</b>	n/a
<b>Premium Cable Channels</b>	n/a
<b>Catchup/On Demand Services</b>	Crackle (AVOD service)
<b>Studios</b>	Sony Studios: home to a stable of Creators and their shows ranging from David Shore (The Good Doctor, ABC) to Vince Gilligan (Better Call Saul, AMC)
<b>Other</b>	Sony has significant international channel and studio operations around the world including majority ownership of Left Bank Pictures, the UK production company of Netflix's THE CROWN



# Channel Profiles: Mini-Majors

- MGM and Lionsgate are currently the only Mini-Majors to own channels.
- Other stakeholders include independent film and TV financing, production and distribution companies who are considered productive and influential enough to equate to mini-majors status, but who do not own any channels. These include: Sonar (DAS BOOT and upcoming THE HUNT), Entertainment One (Robert Kirkman's upcoming and ambitious multi-country project 5 YEAR), Blumhouse (SHARP OBJECTS for HBO) and Chernin Entertainment (ARE YOU SLEEPING for Apple and P-VALLEY for Starz for 2019/20)



# Channel Profiles: Mini-Majors

## MGM Studios



### MGM Studios

<b>Broadcast Channels</b>	n/a
<b>Basic Cable channels</b>	n/a
<b>Premium Cable Channels</b>	Epix
<b>Catchup/On Demand Services</b>	n/a
<b>Studios</b>	MGM
<b>Other</b>	MGM has partnered regularly with Irish and Canadian production companies on shows such as VIKINGS. Among recent TV versions originating from its film library are FARGO (FX), THE HANDMAID'S TALE (Hulu) and GET SHORTY (Epix).





# Channel Profiles: Mini-Majors

## Lionsgate



## Lionsgate

<b>Broadcast Channels</b>	n/a
<b>Basic Cable channels</b>	Pop TV (jointly owned with CBS) (home of SWEDISH DICKS)
<b>Premium Cable Channels</b>	Starz (home to Norway's MONSTER)
<b>Catchup/On Demand Services</b>	StarzPlay
<b>Studios</b>	Lionsgate
<b>Other</b>	Lionsgate also owns US talent management and production company 3Arts. Starz has a portfolio of international channels and services, recently launched in the UK and Scandinavia, and has been particularly successful in the Middle East competing on mobile and digital services with the region's key media interests.



# Channel Profiles: Independents

## AMC Networks and Ovation



### AMC Networks

<b>Broadcast Channels</b>	n/a
<b>Basic Cable channels</b>	BBC America (jointly owned with BBC Studios)
<b>Premium Cable Channels</b>	AMC Sundance TV (co-producers of DEUTSCHLAND 83 and 86) IFC TV
<b>Catchup/On Demand Services</b>	amc.com sundancetv.com ifctv.com AMC Premiere (subscription, ad free service) Shudder
<b>Studios</b>	AMC Studios
<b>Other</b>	AMC International actively seeks out drama coproduction projects from outside the US. Primarily, so far, these have been in the English language. AMC just acquired the parent company of Acorn Media (the US streaming service and co-production financier and a part owner in the Agatha Christie estate) and its sister service Urban Movie Channel (focusing on the best in Black film and TV'). The company also has a minority stake in 'best of British' US streaming service Britbox (with BBC & ITV)

#### Ovation:

- At the other end of the independent channel spectrum from AMC, is privately owned, arts focused, multi-channel, Ovation.
- A small acquisitions slate includes English language drama coproductions, VERSAILLES, ITV's THE HALCYON, Sky Atlantic's RIVIERA and CBC/UKTV's FRANKIE DRAKE MYSTERIES . Leading to speculation that Ovation may have future potential as coproduction partners.
- Ovation Now provides live streaming and on-demand services.

# Channel Profiles: PBS

## PBS

- The US public service broadcaster is a private, non-profit corporation.
- It receives government grants – currently \$445m pa which in 2014 was estimated as 7% of the PBS budget. This funding is the target of repeated calls by the current administration for total elimination, which have so far been unsuccessful.
- PBS gets the rest of its financial support from sponsorship, donations from charitable foundations and the public through audience membership drives.
- A federation of 350 member stations deliver PBS's national schedule across the 50 states. Economic cutbacks are forcing some stations to combine, like KCET and PBSSoCal in Los Angeles, or to fold.
- PBS provides a national schedule of programming with its member stations providing the local programming to complete a full schedule.
- PBS claims a reach through TV of 90m people and an online reach of 30m.

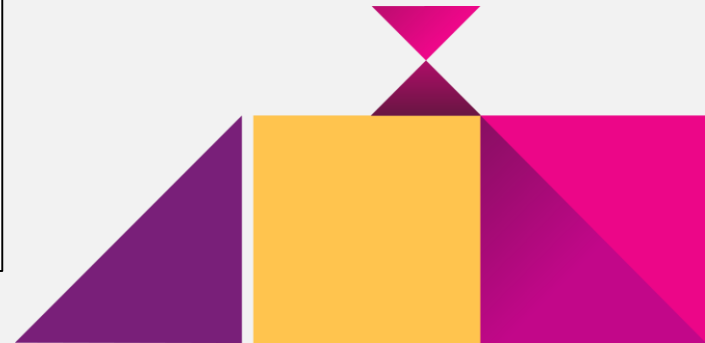
## PBS Drama

- WGBH Boston handles drama for all the PBS stations, coproducing and acquiring shows from DOWNTON ABBEY to POLDARK, ENDEAVOUR to LES MISERABLES.
- The free live streaming and catch-up service is provided at [pbs.org/wgbh/masterpiece](https://pbs.org/wgbh/masterpiece) and through platforms
- The PBS Passport provides more on-demand services to PBS station members including more box set series from Walter Presents.

**PBS is now the linear home of selected original language series through a deal with the US curated version of Walter Presents, the UK's Channel 4 service.**

### Source:

Variety '[PBS Federal Funding](#)' 2018 and [PBS announces primetime schedule for 2019](#)



# Appetite of the US audience

Including:

- Comparison of successful drama and non-drama shows
- Drama genre trends



# Appetite of the US audience: comparison of successful drama and non-drama shows



Chart 2: Top 100 shows of the US 2017-2018 season by total viewers – **drama series highlighted**

Top 100 No.	Title	Network	Total Viewers (m)
1	Roseanne	ABC	21,169
2	The Big Bang Theory	CBS	18,897
3	NFL Sunday Night Football	NBC	18,285
<b>4</b>	<b>This is Us</b>	<b>NBC</b>	<b>17,438</b>
<b>5</b>	<b>NCIS</b>	<b>CBS</b>	<b>17,097</b>
<b>6</b>	<b>The Good Doctor</b>	<b>ABC</b>	<b>16,722</b>
7	Young Sheldon	CBS	16,485
<b>8</b>	<b>Bull</b>	<b>CBS</b>	<b>14,533</b>
9	NFL Thursday Night Football	CBS/NFL Network	14,230
10	NFL Thursday Night Football	NBC/NFL Network	13,583

In millions. Source: Preliminary Live+7 Day, Prime, Original telecasts only, excludes FOX and CBS daytime football. Cable programs that premiered on or after 8/28/17 included (through Top 200, A18-49), Excl: Repeats, Specials, Movies and Pre/Post Sports, Post-Season Sports (i.e. playoffs), shows with fewer than five telecasts.

**SOURCE:** IndieWire 'Top 100 Most Watched Shows 2017-2018'

# Appetite of the US audience: successful drama shows



Chart 3: Highest rated dramas of the US 2017-2018 season from the top 100 shows by total viewers

Top 100 No.	Title	Network	Total Viewers (m)
4	This Is Us	NBC	17,438
5	NCIS	CBS	17,097
6	The Good Doctor	ABC	16,722
8	Bull	CBS	14,533
11	Blue Bloods	SBC	13,293
12	NCIS: New Orleans	SBC	12,637
14	The Walking Dead	AMC	11,813
17	Hawaii Five-0	CBS	11,311
19	Grey's Anatomy	ABC	11,116
23	9-1-1	Fox	10,746

In millions. Source: Preliminary Live+7 Day, Prime, Original telecasts only, excludes FOX and CBS daytime football. Cable programs that premiered on or after 8/28/17 included (through Top 200, A18-49), Excl: Repeats, Specials, Movies and Pre/Post Sports, Post-Season Sports (i.e. playoffs), shows with fewer than five telecasts.

**SOURCE:** IndieWire 'Top 100 Most Watched Shows 2017-2018'

# Appetite of the US audience: successful cable drama shows

**Chart 4: Top US cable channel shows: only 3 shows appear in the list of the top 100 shows for the 2017-18 season**

Top 100 No.	Title	Network	Total Viewers (m)
14	The Walking Dead	AMC	11,813
88	American Horror Story	FX	4,970
95	Fear The Walking Dead	AMC	4,551

In millions. Source: Preliminary Live+7 Day, Prime, Original telecasts only, excludes FOX and CBS daytime football. Cable programs that premiered on or after 8/28/17 included (through Top 200, A18-49), Excl: Repeats, Specials, Movies and Pre/Post Sports, Post-Season Sports (i.e. playoffs), shows with fewer than five telecasts.

By comparison, the CW's highest rated show was The Flash at No 151 with 3,046m. "The vast majority of shows on such standout channels as AMC and FX would be hard pressed to compete with all but the lowest-rated series on the CW."

Source: Ad Age 'season ratings results 2018'

- Ratings are not a primary concern for the premium cable channels.
- For example, HBO considers Westworld valuable as a broad-based show, which enhances HBO's reputation for 'prestige' shows and drives subscriptions. In support of this approach, HBO has reported the following figures for Westworld
  - Linear: average of 2.4m (live+3)
  - Adding in SVoD/streaming figures: 10m (cumulative estimate)
  - The reported budget for Season 1 was \$100m (\$10m per episode)

Source: Vulture [Westworld HBO ratings 2018](#)



# Appetite of the US audience: drama genre trends

## Science Fiction

Science fiction may be the US industry's hottest genre.

**Westworld** (Bad Robot/Bruckheimer/Warner for HBO) and **The Handmaid's Tale** (MGM for Hulu), anthologies such as **Black Mirror** (Endemol Shine owned Zeppotron for Netflix) and **Electric Dreams** (Tall Ship/Sony/Anonymous Content for Amazon), the retro feel of **Stranger Things**, the brand appeal of **Star Trek: Discovery** (CBS Studios for CBS All Access) and new entrants **Altered Carbon** (Skydance for Netflix) and **Counterpart** (Media Rights Capital/Anonymous Content for Starz) have all confirmed how sci-fi can help networks establish and build an identity.

Upcoming sci-fi series include season 2 of 1960s remake **Lost In Space** (Legendary for Netflix), movie spin-offs **The Purge** (Blumhouse/Universal for USA) and **Snowpiercer** (ITV USA's Tomorrow Studios for TNT), the Robert Zemeckis-produced **Project Blue Book** (A&E Studios for History), Jordan Peele's reboot of **The Twilight Zone** (CBS Studios for CBS All Access), JJ Abrams' **Demimonde** (Bad Robot/Warner for HBO) and an as-yet-untitled space drama for Apple from Battlestar Galactica/Outlander writer Ronald D Moore (Tall Ship/Sony).

“The genre has always been not just a US fascination, but a global fascination,” says *Paul Buccieri, president of A+E Studios* and producer of **Project Blue Book** for sister channel History. “It has international potential and it has a long shelf life because you can resell it over and over again”



# Appetite of the US audience: drama genre trends

## The return of the procedural

“Procedurals including **The Good Doctor** (Sony/ABC Studios for ABC), **Gone** (NBCUniversal International Studios, Germany’s RTL and France’s TF1 for WGN America and Universal Channels in the UK and Australia), **9-1-1** (from writer-producer Ryan Murphy/20<sup>th</sup> Century Fox for Fox) and **Instinct** (CBS Studios for CBS and the first US broadcast drama with a gay lead) have all made a mark.”

An initial order for **FBI** (from procedural king Dick Wolf and CBS Studios for CBS) has led to a full season of 22 for 2018/19.

**LA’S Finest**, Sony’s action spin-off from the **Bad Boys** movies, starring Gabrielle Union and Jessica Alba, was surprisingly dropped by NBC. The pilot was the most expensive of the year at \$12m. Sony subsequently secured a 13 episode pick up from Charter Communications as part of their new programming strategy. The series will launch as the first original for Charter’s cable service, Spectrum.

“the broadcast networks have succeeded with procedurals and then struggled with procedurals. Hopefully we’re now in a slightly upward trending moment.”

*Ted Miller, CAA*

# Appetite of the US audience: drama genre trends

## Diversity Focus: Women

- “Female-led and female-driven series make up the US industry’s most topical programming trend, thanks in part to the spotlight that the Time’s Up and #MeToo movements have trained on gender issues in society as a whole.”
- While this sparked a number of female-led reboots, the feminist remake of **Charmed** (Propagate/CBS Studios for The CW) will survive into 2019. But the result for others was not so positive with cancellations for the updates of **Roseanne** and **Murphy Brown** (Warner for CBS) and no current pickup for the pilot of a new version of **Cagney & Lacey** (CBS/MGM for CBS). A redo of 1970s black female cop show **Get Christie Love!** (Lionsgate/Universal for ABC) is being offered elsewhere.
- Cable networks and streamers, meanwhile, have been busy signing up for series from big-name female stars and creators, among them Jenji Kohan (**American Princess**, A&E Studios for Lifetime), Amy Adams and Marti Noxon (**Sharp Objects**, Blumhouse/**E1 for** HBO), Reese Witherspoon and Kerry Washington (stars and executive producers of Hulu’s **Little Fires Everywhere**) and Nicole Kidman (with David E Kelley on HBO’s **The Undoing**).

# Appetite of the US audience: drama genre trends

## Diversity focus: “minorities”

- “Projects from creators with diverse points of view are now on the list of things that networks are looking for.” *Marci Wiseman, co-president, Blumhouse TV*
- Minority diversity could be the driver for the US industry’s next programming trend. According to a recent UCLA study, minorities, making up nearly 40% of the US population, have even more to gain in the TV industry than women. The report found that only 15.7% of creators of scripted streaming series came from minority groups, with the levels dropping to 7.3% in cable and 7.1% in broadcast.
- Nielsen found shows with a predominantly black cast or a main storyline focused on a black character are drawing substantial non-black viewership.
- A number of series with minority leads and creators — from comedies **Insecure** (HBO), **Black-ish** (ABC) and spin-off **Grown-ish**, through comedy dramas such as **Dear White People** (Lionsgate for Netflix) and **Atlanta** to dramas **The Chi** (Fox 21/Kapital for Showtime) and **Queen Sugar** (Warner Horizon for OWN)... as well as Latin drama **VIDA** (Lionsgate for Starz)... — have already made a mark in the US and others will certainly result from writer-producer Shonda Rhimes’ big deal last year with Netflix and multi-hyphenate Tyler Perry’s pact with Viacom.”

# Appetite of the US audience: drama genre trends



## Original language series

- The US is becoming a more significant market for subtitled non-English-language drama.
- Netflix has been considered the catalyst with LILYHAMMER and NARCOS initially shaking up US perceptions as well as the global scene. In April 2018, Netflix was able to confirm that the first quarter's screening of Spain's LA CASA DE PAPEL was the "most watched non-English series on Netflix ever,"
- Basic cable's Sundance Channel was not far behind in picking up France's LES REVENANTS in 2015.
- Premium cabler Starz picked up Norway's MONSTER for its SVoD and TV Everywhere services as well as other series from Italy, Germany and Spain.
- US focussed streaming services Hulu and Acorn are now serving up original language series from Israel, Holland and other countries..
- Walter Presents, the curated original language series service from the UK has been launched in a limited but effective way with a linear and VoD deal with PBS as well as featuring on Amazon Prime.
- The range of current original and multi-language productions, such as HBO's MY BRILLIANT FRIEND, FX's TRUST and Sundance Channel's DEUTSCHLAND '86, are part of a wave of coproductions with European partners.
- On broadcast and basic channels, 4 seasons of the CW's JANE THE VIRGIN and 6 seasons of FX'S THE AMERICANS retained the languages of their characters and stories as an organic feature of each show. ALTERED CARBON on Netflix follows the same line.
- The conclusion is that these series appeal to exactly the age demographic - 18 to 49 - that channels are seeking to retain and are most keen to sample new shows.
- English language adaptations and remakes have been harvested with varying success. More shows have been optioned than have made it through. Successful adaptations range as far back as AMC and Netflix's four seasons of Denmark's THE KILLING, NBC's two seasons of Spain's THE MYSTERIES OF LAURA up to the recent premiere of Norway's MANIAC on Netflix.

**Source:** Hollywood Reporter '[HBO's My Brilliant Friend](#)' September 2018, New Statesman '[Netflix revolutionized foreign language series](#)' August 2018 and Screen Daily '[How America became key market for foreign language tv drama](#)' March 2018

# Appetite of the US audience: drama genre trends

## The Podcast

- “When television came into existence, there were radio shows that migrated to television. Podcasts have become very popular. There are audience figures to look at, and you can figure that those people who are appointment listening to podcasts will at least test it out on television or streaming video.” Brad Adgate, Media Consultant.
- Hollywood Film and television producers interest in the medium has intensified. Production companies are hungry for IP with a built-in audience.
- Apple Podcasts, which have exploded in popularity recently, feature more than 500,000 active podcasts, including content in more than 100 languages. Where just five years ago only 12% of Americans 12 and older listened to podcasts in the last month, that audience is now up to 40%, or roughly 112 million people, according to a survey by Edison Research.
- In 2017 Amazon released “Lore,” a hybrid anthology series of real life stories from Aaron Mahnke’s hit podcast. Produced by Valhalla (The Walking Dead) and Propagate (Charmed) it has been renewed for a second season.
- It was followed up by a two season order of “Homecoming,” a scripted political thriller produced by Sam Esmail (“Mr. Robot”) starring Julia Roberts. Played out in fall 2018, it was produced by Universal Cable Productions and Anonymous Content with Season 2 due in 2019.

Source: Variety [‘Podcasts Film TV development’ February 2018](#) and Digiday UK [‘Why podcasting companies are getting more into Scripted Shows’ September, 2018](#)

# Appetite of the US audience: drama genre trends



## Half-hour drama series

- While the half-hour has traditionally been the format for comedy, many of the US and globally successful half-hours are darker, dramatic comedies such as ATLANTA (FX), FLEABAG (BBC, Amazon and now IFC TV), BARRY (HBO), TRANSPARENT (Amazon) and, most recently, Jim Carrey in KIDDING (SHOWTIME).”
- HOMECOMING on Amazon is just one of a flurry of new half-hours that really are dramas. Amazon also has FOREVER and Facebook has SORRY FOR YOUR LOSS. Netflix’s MANIAC (remade from TV2 Norway’s original) has episode running times varying from just under 30mins to over 40mins.
- “Each of these shows have the traditional trappings of an hourlong, and yet they’re shorter and punchier and all the better for it. Many of Homecoming’s positive reviews focus on its superb pacing and persistent forward momentum. Both of these are facilitated by the show’s shorter run time.”

**Source:** The Guardian [‘Half hour TV dramas’](#) (6 November 2018) and Quartzly [‘The 30 minute TV drama revolution is here’](#) (November 3, 2018)



# The penetration of competing global and US OTT/SVoD platforms

## Including:

- US channels' own catch up and SVoD services
- Figures for competing US OTT/SVoD services
- Content strategies of competing US OTT/SVoD services



# US channels own catch up and SVoD services

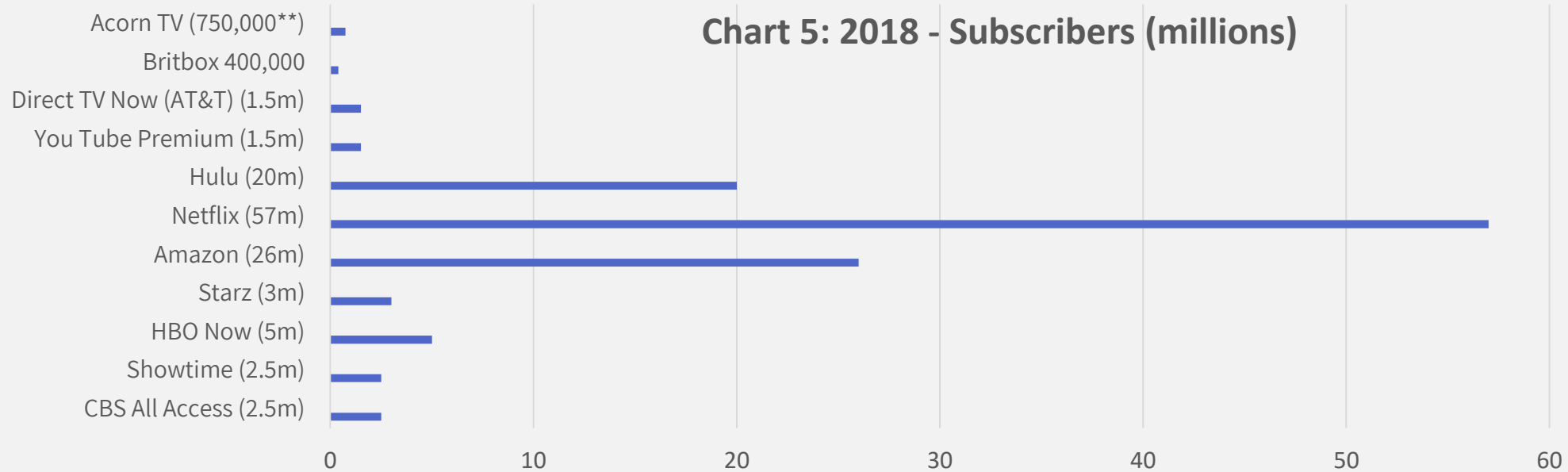


- **US broadcast channels and basic cable networks** offer live streaming and catch up services through free to access, AVoD services via the channel's website. There can be limits to the number of episodes available (between 3 and 5), when they will be available (sometimes not until 24 hours after transmission) and the amount of time they will remain available (ranging from 7 days to up to 2 months). The channels have refashioned their business models to make sure audiences can access their content without restriction.
- **US audiences are more accustomed to paying for packages** from their cable providers and streaming services for greater on-demand access.
- **CBS All Access offers an ad free service** for an additional subscription and only recently added a 'download and play later' feature charging yet another subscription for this option. CBS All Access also offers original programming. It's linear sister channel, The CW, with its younger demographic massively increases its audience numbers through its streaming audience.
- **PBS Passport** offers 'members', who are eligible if they have donated above a certain amount to their local public service station, extended access to shows including the Masterpiece dramas, e.g. Downton Abbey and a wider selection of original language series from Walter Presents.
- **The Hulu streaming service is jointly owned by Disney, Fox, NBC**, with **Warner** holding the minority stake of 10%, Catch-up and archive programming options from each of their programme libraries is equally, if not more, available on this OTT service, which is limited to the US. Hulu places a premium on exclusivity
- **Disney's acquisition of Fox now makes it the majority shareholder in Hulu.** Despite this making the position of Hulu in the US potentially unsettled, Hulu has moved forward, increasing subscribers and original programming hours as well as adding the new service 'Hulu with Live TV' which allows subscribers to stream a range of broadcast and cable channels live.





# Figures for competing US OTT/SVOD Services



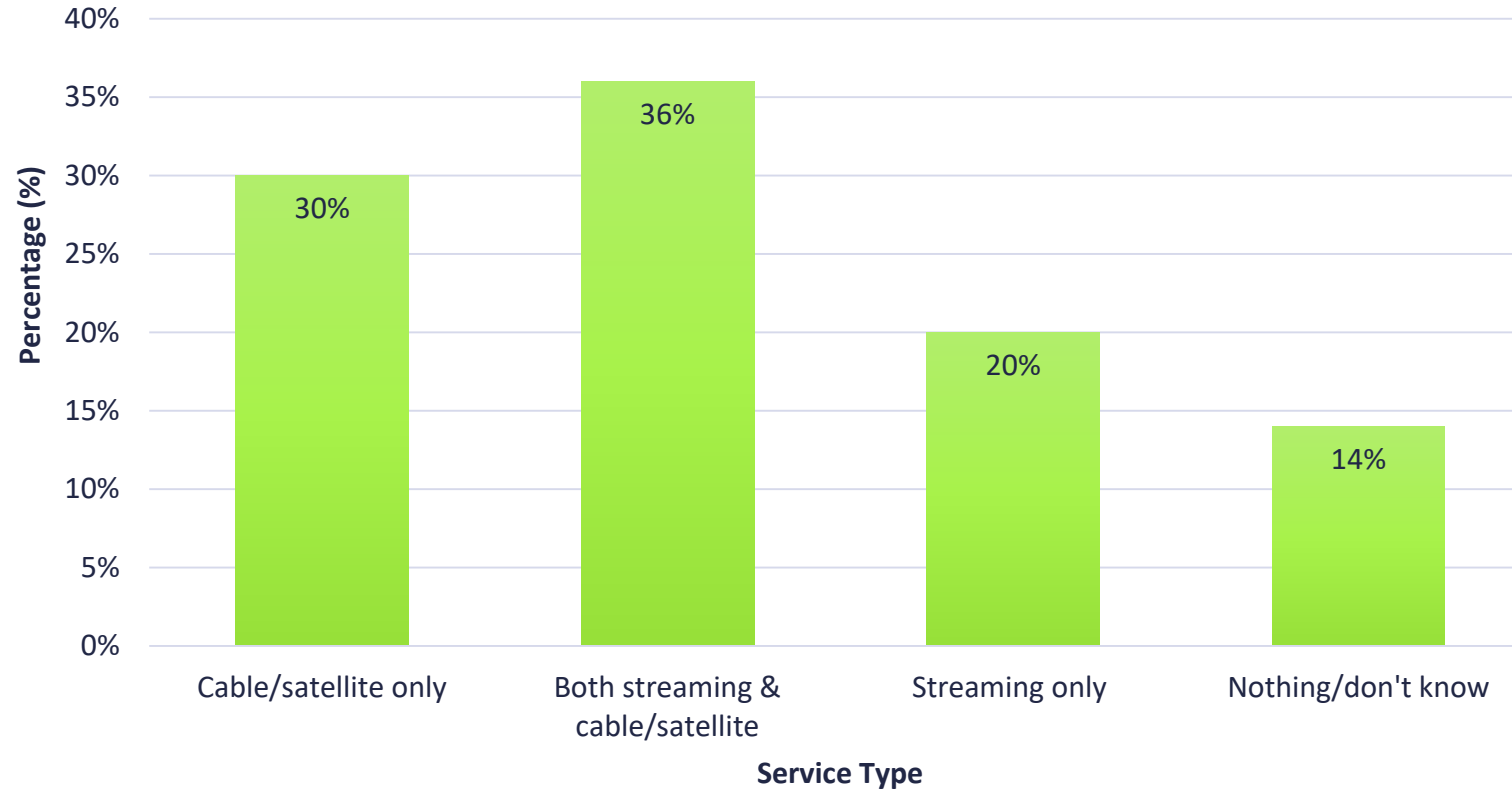
**\*\* The figure for Acorn TV is a combined figure including sister channel Urban Movie Channel  
Pending: 2019 launch of services by Apple, Disney+, Warner Media  
Comparative subscriber figures not available for Sony's Crackle and Facebook Watch**

**Sources:** [Variety – Media Streaming Services](#); [Deadline Hollywood Britbox makes 400,000 subscribers](#) ; [Multichannel News Acorn TV Branches Off](#) and [The Wrap/Reuters Report Amazon, Netflix, Hulu Subscribers](#)



# Competing US OTT/SVOD services: Figures for subscribers for streaming services and/or cable

**Chart 6: Percentage of Americans with Streaming Services and/or Cable, 2018**



# Competing US OTT/SVOD Services:

According to Parks Associates' OTT Video Market data:

- One-third of U.S. broadband households subscribe to multiple OTT services.
- More than 200 OTT video services are available in the U.S. today.
- Over 87% of OTT video services in the U.S. offer some type of subscription option today, including freemium, ad-free premium tiers, and other blended business models.

# Competing US OTT/SVOD Services:



- 30% of adults stream an SVOD service daily – compared to 29% in 2017, and 16% in 2015
- 52% of ages 18-34 stream an SVOD service daily – compared to 31% of ages 35-54, and 11% of ages 55+
- 28% with Netflix agree that their subscription is shared with others outside their household – compared to 22% with Hulu, and 10% with Amazon Prime
- 46% of adults watch video on non-TV devices (including home computers, mobile phones, iPads, tablets, and eReaders) daily – up from 41% in 2016, and 27% in 2013

**SOURCE:** Variety 'Snapchat Sets Slate of New Scripted Originals and Docu-Series, Doubling Down on Mobile TV' (October 10th, 2018)



# Competing US OTT/SVOD Services: numbers of original TV shows

Netflix is still far in the lead in producing the most shows. It has more than 250 TV shows in its Netflix Originals pipeline for the coming years — more than all of its existing originals combined — according to data from Ampere Analysis

Chart 7: Number of Original TV Shows		
	Current	Upcoming
NETFLIX	245	257
AMAZON	80	97
HBO GO	69	64
YOUTUBE	60	50
HULU	34	53
FACEBOOK WATCH	45	27
SHOWTIME	40	29
STARZ	-	18
APPLE	-	23

# Acorn TV strategies: content

- In the US, Acorn TV is a subscription streaming service, “it reaches highly-targeted audiences with popular content” and is expecting to reach 1 million subscribers in 2019.
- Offering the “best of British television programming from the United Kingdom, as well as Ireland, Canada, Australia, and New Zealand”. Acorn is part owner of the Agatha Christie Literary Estate.
- AMC’s deal acquiring full ownership of Acorn TV and Acorn Media’s parent company RJI adds Acorn TV and its sister channel, UMC (the Urban Movie Channel) to its portfolio.
- The platform launched in 30 countries in November 2018 and is now live in Australia and New Zealand, India, Spain, the Nordics, the Benelux countries and South Africa. It is a key part of AMC’s strategy for ‘direct to consumer’ streaming services.
- Acorn is now a significant coproduction partner, funding English dramas, including 2018’s BLOOD (with Virgin Media Ireland and Viacom’s Channel 5 in the UK).
- Foreign-language dramas have also been added to its US line-up such as Scandinavia’s Rebecka Martinsson and France’s L’Accident. “We’re doing it slowly and trying to pick the shows that we think would engage our audience,” says Mark Stevens, chief content officer for Acorn brands at parent RLJ Entertainment.



**Source:** Screen Daily [‘How America became a key market for foreign language tv drama’](#) (March 2018) and [AMC wraps purchase of RLJ Entertainment](#) (November 2018)



# Amazon strategies: content

## US Originated Content

- First-look deals with seasoned and prolific producers
- A broader programming footprint –reaching out to the female-driven audiences
- IP where there is already a rabid fanbase, including a multi-season commitment for a series/prequel based on **Lord of the Rings** (Amazon Studios and Warner/New Line) and **Jack Ryan** (Skydance/Paramount)
- Amazon Prime Originals such as **The Marvelous Mrs Maisel** (Amazon Studios)
- US Amazon Prime members are offered such foreign language series as German thriller **You Are Wanted** (in subtitled and dubbed versions), Spanish drama **Infielos** and Icelandic mystery **Trapped**

Amazon Prime – Upcoming TV Shows (by genre)	
DRAMA	27%
SCI-FI & FANTASY	25%
COMEDY	16%
CRIME & THRILLER	11%
CHILDREN & FAMILY	7%
DOCUMENTARY	4%
REALITY	4%
ACTION & ADVENTURE	3%
OTHER	3%

# Apple strategies: content

Apple has budgeted approximately \$1 billion to date on their initial series development

- Name power in front and behind the camera
- Big IP/Fully packaged
- Want to tread lightly when it comes to sex, violence and controversy.
- Broader, more family-friendly fare at the outset of their originals push. Grounded shows like “This Is Us”
- Shows on its slate include a Kristen Wiig series, a “Time Bandits” series and the limited drama series “Defending Jacob” a gripping, character-driven thriller based on best-selling novel by William Landay.

## Apple’s 23 Upcoming TV Shows, by genre

COMEDY	26%
CRIME & THRILLER	26%
DRAMA	22%
SCI-FI & FANTASY	17%
OTHER	9%





# Britbox strategies: content

- Britbox describes itself as a ‘mass niche’ service curating current and past British series from the libraries of its UK owners, BBC Studios and ITV plc.
- Making the most of its parent company’s linear successes in the UK its first original series, *BLETCHLEY CIRCLE: SAN FRANCISCO*, was a spin-off to the ITV mystery/crime drama based around women code-breakers in 1950’s England. Shot in Vancouver, coproduced by ITV Studios’ World Productions and OmniFilm, Canada, it played out as an exclusive original series for Britbox in the US, ITV in the UK and CityTV in Canada.
- *DARK HEART*, a crime thriller based on the books featuring detective Will Wagstaffe, will follow the same template having been produced by ITV Studios’ Silverprint Pictures playing out on both ITV and Britbox.

# CBS All Access strategies: content



- CBS All Access is nearly doubling its production of original content, as it expects 8 million subscribers by 2022 - increasing its total of original projects from seven in 2018 to 10 in 2019.
- Making the most of its linear successes, more spin offs of the Star Trek franchise will be coming along in 2019. “Star Trek: Discovery” one of CBS All Access’s early originals has been reported as having a per-episode budget between \$8 million and \$8.5 million, figures more in line with premium cable or streaming shows. Netflix distributes the series outside of the US and it is assumed that this deal offsets the costs for CBS and provides Netflix with another prestige series.
- A third season of “The Good Fight” and a second season of “Strange Angel”, a period drama based on George Pendle’s book, are evidence that the strategy for originals is working. Both shows come from Scott Free TV.

# Facebook Watch strategies: content

- Developing only a minimal amount of drama content, Facebook Watch has ordered a second season of SKAM, AUSTIN, based on the Norwegian original.
- “The drama landscape at Facebook Watch may be changing slightly with the recent series pickup of “Limetown” (produced by Endeavor Content, Midnight Radio and star Jessica Biel’s Iron Ocean Productions).
- “Based on the hit podcast of the same name produced by Two Up, “Limetown” follows Lia Haddock, a journalist for American Public Radio (APR), as she unravels the mystery behind the disappearance of over 300 people at a neuroscience research facility in Tennessee.”

Facebook Watch’s 27 Upcoming TV Shows, by genre	
NEWS & CURRENT AFFAIRS	30%
ENTERTAINMENT	19%
REALITY	19%
DOCUMENTARY	15%
DRAMA	7%
COMEDY	7%
HORROR	4%



# HBO strategies: content

- Most of HBO's programming is available via HBO Go and HBO Now at the same time as its original broadcast.
- The difference is in the way a viewer subscribes, HBO Go comes with the HBO subscription, requiring authentication and registration. HBO Now is a stand alone package.
- Overall, HBO's approach to content is selective and seeks to better cater to each of its show creators. Companies with big libraries of programming can't afford to respond to show creators' concerns as closely as companies with smaller libraries.
- The company looks to cut down costs and boost time efficiencies by being more calculated in the amount of content it acquires.

HBO's 64 Upcoming TV Shows, by genre	
DRAMA	39%
COMEDY	20%
CRIME & THRILLER	9%
SCI-FI & FANTASY	17%
DOCUMENTARY	6%
OTHER	8%



# Hulu strategies: content

## Originals:

- Continuing to “double down on big, broad, hopefully event-series television in both comedy and drama” — “core content”
- “Brand elevating” content aimed at garnering critical acclaim and awards recognition following on from their success with THE HANDMAID’S TALE.
- “Emerging content,” lower-cost, shorter originals that will help Hulu “incubate new digital talent”
- VERONICA MARS will return as part of the Hulu Original drama slate in 2019. As part of the deal with Warner, Hulu will have SVOD rights to all past episodes of the series.

In addition Hulu’s service now offers its subscribers four premium channel add ons — Warner’s HBO and Cinemax, CBS’s Showtime, and Lionsgate’s Starz.

Hulu’s 53 Upcoming TV Shows, by genre	
COMEDY	36%
DRAMA	26%
CRIME & THRILLER	15%
SCI-FI & FANTASY	9%
OTHER	13%



# Netflix strategies: content

- 85% of its \$8 billion content investment in 2018 will go to original content
- Netflix is also expanding its unscripted and film offerings
- Unscripted programming accounts for just 7% of Netflix's domestic viewing, but it accounts for 40% of TV viewing.
- Films account for about a third of viewing across Netflix's entire global footprint.
- Prioritizing originals to ensure that its service remains flush with diverse content. Netflix must ensure that its content library is consistently broad, to keep people continuously locked into the service.

## Netflix – Upcoming TV Shows (by genre)

DRAMA	16%
SCI-FI & FANTASY	20%
COMEDY	21%
CRIME & THRILLER	13%
CHILDREN & FAMILY	8%
DOCUMENTARY	10%
REALITY	5%
OTHER	7%



# Netflix strategies: local originals



- Netflix offers its US subscribers a foreign-language library including Icelandic thriller **Case**, Brazilian local productions **3%** and **The Mechanism**, German period drama **Babylon Berlin** (acquired for the US) and supernatural mystery **Dark**, the streaming service's first original German drama production.
- In a recent letter to shareholders, Netflix said that besides doing well in its home territory, **Dark** “has also been viewed by millions of members in the US”. And that, noted the company, shows that “high-quality content can travel globally, irrespective of language”.
- Netflix announced it is aiming for 100 local language originals by 2020.

# Snapchat strategies: content



Snapchat has a slate of more than a dozen new original series.

- The new serialized shows span drama, mystery, horror, comedy, and docu-series, and they're all produced exclusively for Snapchat.
- Snap also has animation, romance and additional young-adult drama series in the pipeline, building on what to date has largely been a lineup of unscripted news and lifestyle shows.
- Snap Originals come from producers including Bunim/Murray Productions, the Duplass Brothers, Brad Weston's Makeready, and Mark Boal ("Zero Dark Thirty," "The Hurt Locker"), with writers from shows like "Riverdale" and "Friday Night Lights."



# Showtime and Starz: streaming strategies



## Showtime

- Showtime has been a stand alone streaming service since 2015 due to its parent CBS's ambitious strategies for its entertainment, sports and news channels. CBS and Showtime are currently showing at a combined 5m subscribers in Chart 5, with their target for 2019 reported as 8m.
- “Original series continue to attract and retain audiences, no matter how they watch,” said Chief Operating Officer Joe Ianniello, noting CBS now produces 13 hours of original programming a day to feed its various entertainment platforms.
- Streaming likes serialised dramas and Showtime's successes are definitely long running with BILLIONS (4 seasons), THE AFFAIR (5 seasons), SHAMELESS (9 seasons), HOMELAND (8 seasons) and RAY DONOVAN recently renewed for season 7.

## Starz

- Starz feeds its premium subscription channel programming through 17 premium pay TV channels and associated on-demand and online services. It is the latest premium channel add-on to Hulu in the US.
- Flagship show POWER (10x1hr), a New York-based crime drama from CBS Studios, will enter its 6<sup>th</sup> season in 2019. Season 4 figures averaged 9.3m multiplatform viewers per episode with an average of 7.4 m for all four seasons.
- Starz' success in returning, serialised drama is consolidated by OUTLANDER (Tall Ship, Left Bank, Sony) which Starz picked up through Season 6 in 2020. Season 5 premiered in time to link in to Starz being made available on Hulu.
- Deals to carry its international, premium channel Starzplay on Virgin Media in the UK and Amazon in the UK and Europe will have series premiering at the same time as the US, starting with J K Simmons in season 2 of COUNTERPARTS.

# Warner and Disney streaming strategies



- Both studios will launch new streaming services in 2019.
- WarnerMedia’s upcoming streamer will be a US-only platform until the company unravels “complicated” international distribution relationships”, according to chairman and CEO Randall Stephenson. Sky “have, in their line-up, a lot of HBO content. So, you can’t just go put a product out there tomorrow. We’re going to have to figure this out.”
- Warner will focus on existing Warner Bros., HBO and Turner content.”Stephenson said Warner Bros will not replicate Netflix’s style of content creation. “It’s not a content warehouse like Netflix...You must develop a direct relationship with your viewers. And if you’re a communications company, you can no longer rely exclusively on oversized bundles of content,“.
- The expected three-tiers will include an entry-level bundle to come from WarnerMedia offering a starter movie package. A premium service will offer original programming and blockbuster movies. A third service bundles content from the first two streaming packages, with library content from WarnerMedia and eventually more content licensed from third parties.
- Disney is currently prepping a family-friendly subscription video service that it plans to bundle with other streaming products ESPN+ and Hulu.
- Disney will have similar content issues with its popular Marvel and Star Wars and other Disney content licensed around the world, but has already taken steps to remove its programming from Netflix in preparation for a late 2019 launch.

**Source:** [TBI Vision ‘UBS media conference Netflix Warner Media CBS’ \(December 2018\)](#) and [Hollywood Reporter ‘Warner Media rolls three tier streaming offering’ \(November 2018\)](#)

# You Tube Premium strategies: content

- YouTube is “expected to scale back its scripted output beginning in 2020” reversing its subscription strategy.
- “The YouTube Originals budget, said to be in the hundreds of millions annually, has always been overshadowed by those of Netflix and Amazon”.
- Second seasons of *Cobra Kai*, the *Karate Kid* reboot, and the Bourne Identity based series *Impulse* are said to be continuing.
- Plans are reportedly for the model for Originals to be changed over the period to 2020 from a solely premium basis to offer free and premium options.

YouTube’s 43 Upcoming TV Shows, by genre	
COMEDY	40%
REALITY	21%
DOCUMENTARY	19%
DRAMA	12%
OTHER	9%

# Sources of financing and funding

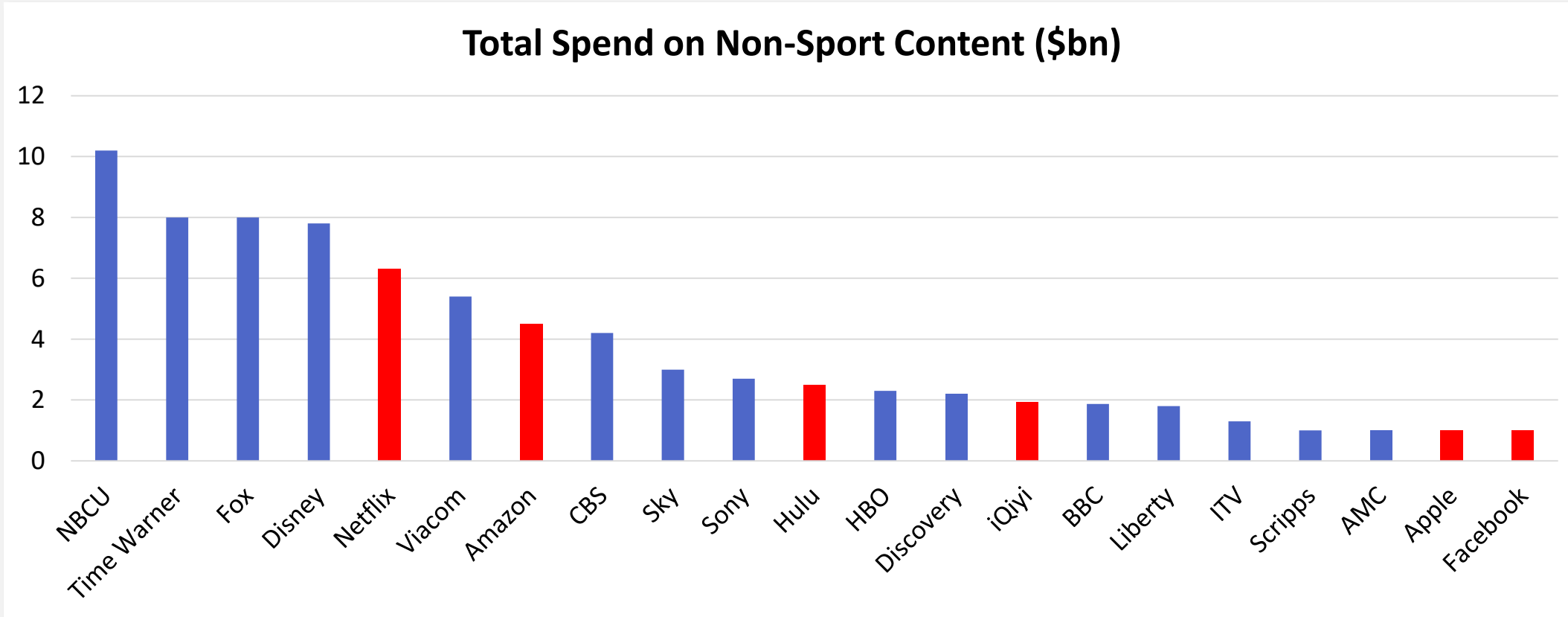
Including:

- Figures on content spend
- Sources of financing and funding including:
  - Broadcasters and distributors
  - Streaming services
  - Budget/tariff examples
  - Examples of deal terms
  - Examples of US coproduction/distribution options
  - Strategies for deal terms: exclusivity and windows examples



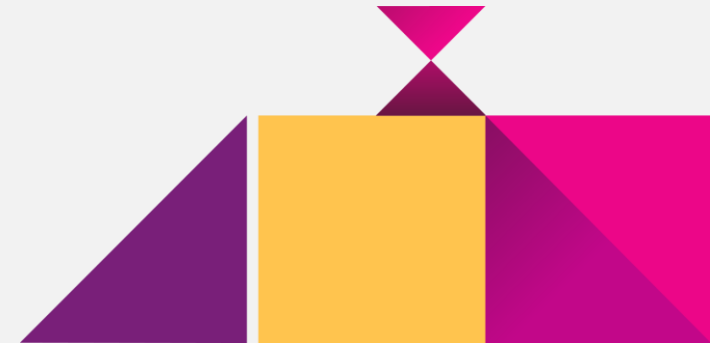
# Sources of financing and funding: content spend by the major TV and streaming companies

Chart 8



# Sources of financing and funding: broadcasters and distributors

- The major and mini-major studios and independent production/distribution companies take on the role of financing in order to secure the IP, all rights including distribution. Production companies, producers and creators with deals with the studios will negotiate a back end share.
- Netflix takes a similar position and, when fully funding, provides a significant production fee to buy the producer out leaving Netflix with all rights in perpetuity, which is their preferred method.
- Unlike Netflix, US broadcasters do not fully fund a series budget as they are, in the main, sister companies to the studios.
- Tax incentives and production rebates play a key role and a summary of selected US state incentives forms a later section of this report.
- Bank loans, gap financing, venture capital and investment funds make themselves available most easily to established production entities and studios. Navigating partnerships that will provide access to these players for a non-US producer takes an investment of time and a regular physical presence in the US.

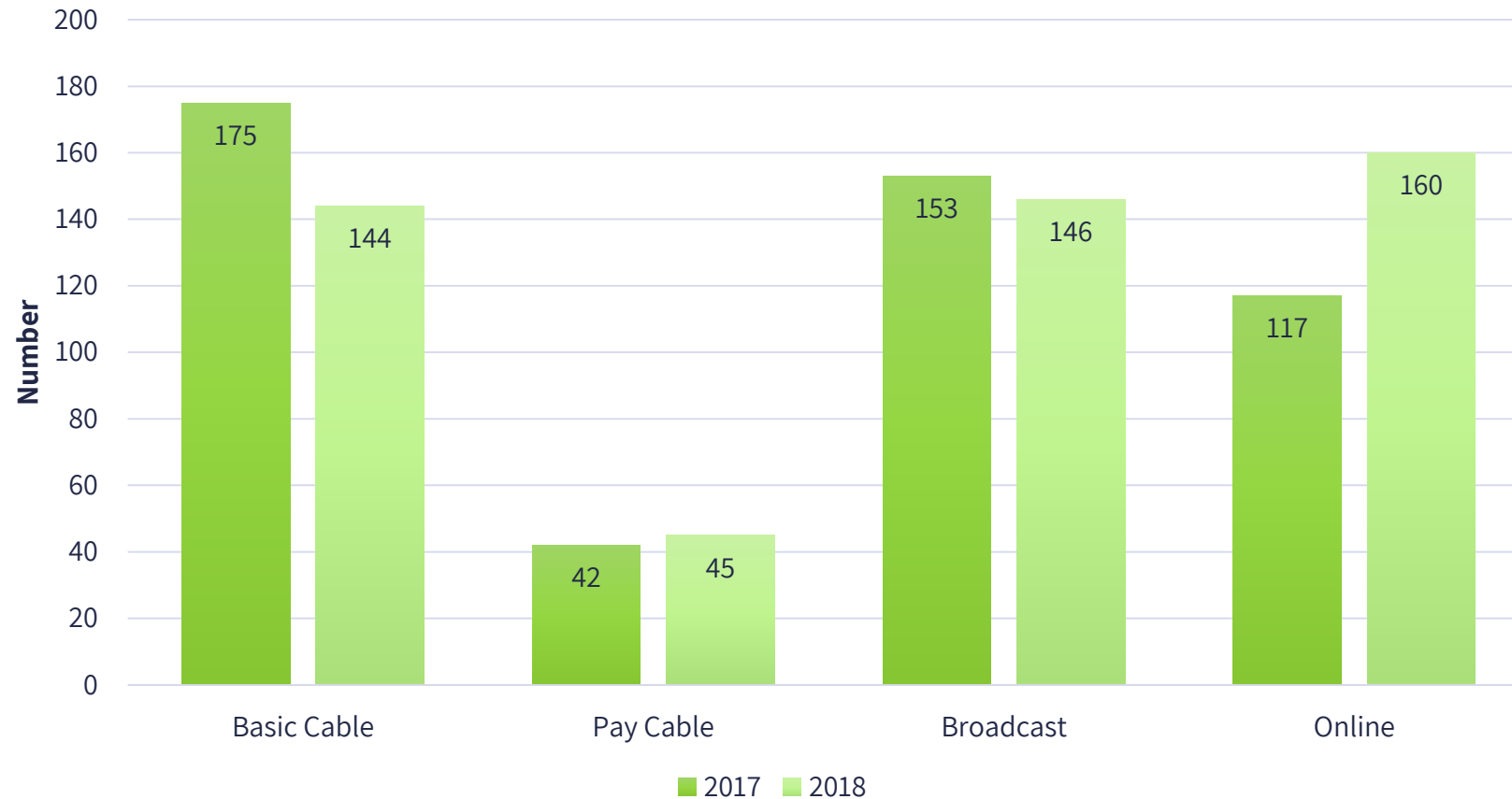


# Sources of financing and funding: streaming services

- In April 2018, Reed Hastings outlined Netflix's 2018 spend on original content as \$7.5-8b, including a significant 2018 spend on local originals. An increase of \$1.2-1.7 b more than the 2017 spend.
- As can be seen from the numbers in the Chart 9, the streamers – for the first time ever – have commissioned the largest number of dramas - 160. Broadcast and basic cable have cut back while pay cable has held reasonably steady. Balancing the value of drama as a driver for audiences against the revenue returns is a key consideration.
- “Budget levels for Netflix often depend on whether they believe a local show might become a bigger hit across territories. The Polish series “The Witcher,” adapted from a popular fantasy book series, is expected to be a global hit straight off the bat. That convinced Netflix to invest in the series and cast a star in Henry Cavill, who will make around \$400,000 an episode (per Variety).”
- YouTube Premium, however, is reassessing its subscription strategy in the face of heavy competition, potentially in favour of AVoD, which will impact on its scripted drama plans.
- It is clear that just as many of the US players are seeking coproduction deals and alternative sources of revenue streams as their European counterparts, for the same financial reasons.

# Sources of financing and funding: original, scripted series commissioned by major TV and streaming companies

Chart 9: Estimated Number of Scripted Original Series  
2017-2018 Comparison





# Sources of finance and funding: budget/tariff examples

Channel type	Average budget range US\$m per hour (specific channels)	Channel example	Specific budget/show examples	Exceptions, i.e. final season or star attraction
<b>Broadcast</b>	\$3.5m			\$4.5m
<b>High End Cable</b>	\$5-7m	TNT	\$5-6m (Will) \$7.5 (The Alienist)	
	(\$6m)	HBO		\$15m (Game of Thrones) \$10m (Westworld)
	(\$3.5-4m)	FX		\$6 (9-1-1, Ryan Murphy)
		Starz		\$8m+ (American Gods)
<b>High End Streaming</b>	\$4-8m			
		Netflix	\$5m (13 Reasons Why) \$6m (Stranger Things Season 1) \$7m (Altered Carbon)	\$10-13m (The Crown) \$8m (Stranger Things Season 2)
		Amazon	\$7-8m (Man in the High Castle)	\$10m (Jack Ryan) \$20m estimate (Lord of The Rings)
		Hulu	\$2m per h/h	
		Facebook Watch	\$3m per h/h	

# Sources of finance and funding: examples of deal terms for US productions

## US Originals:

- The per hour cost for US series is not fully funded by a network but deficit financed by the studio.
- US networks generally default to buying from the studio that is part of their corporate family. The economic reality is that this promotes the best value chain for the parent company who retain all the rights, advantages and revenue of distribution.
- This has resulted in an aggressive enhancement by networks of deal terms and licence fees for shows. Where a show is produced by an outside studio or production company, networks are making their commitments to pilot and returning season orders conditional upon three key issues:
- ‘stacking rights’ to enable the network to play a show across its catch up and on-demand services, including deals they have struck with third party platforms/OTT, leaving the studio/producer with very little distribution options or revenue
- a position of control on whether these rights will be exclusive or non-exclusive and a say on whether, and which, competing services will be licenced secondary windows and rights
- negotiating for shared ownership of shows to provide the networks with a share of revenue from any distribution by the outside studio or production company.
- In the past, where a show is produced by an outside studio or production company, the network has ensured that their own sister studio is brought on board as a partner studio. This may involve varying degrees of actual creative involvement but can provide a means of protecting potential renewals and involvement in back end revenue.

# Sources of finance and funding: examples for deal terms for coproductions

## International Originals:

- Budgets for the recent crop of international coproductions, such as HBO/Rai's MY BRILLIANT FRIEND are undoubtedly higher than a US partner like Rai would have set if it was producing on its own. The dramas are stronger and the partnerships more evolved.
- For HBO, the budget on MY BRILLIANT FRIEND will not be far from their usual per hour figure for what is a game changing, first – and flagship – original language show for the US cabler.
- Premium drama series, with a combination of multi-location, high level cast, directing and writing talent, period settings, CGI, effects and stunts, which may have been budgeted at a high of up to **US\$1.5m** by their local producers are given a dramatic boost with the addition of international partners. Shows which attract the involvement of US cable networks can come in at budgets of between **US\$1.5-4m** per hour.
- These figures would apply equally to similar projects in Amazon or Netflix's slate. Add in the kind of original period features in a series like MY BRILLIANT FRIEND and it is easy to see how the budgets may range even above US\$4m.
- In the case of MY BRILLIANT FRIEND, HBO and Rai considered the model has achieved the kind of success which gave the partners the confidence to commission the second season before the first season had finished airing.
- An international coproducer is usually required to partner up or be matched with a US production entity. In the case of MY BRILLIANT FRIEND, HBO Entertainment is its own studio and performs that role.
- Distributors' advice has been for local producers to tailor their budgets to a production's needs. To budget ambitiously for what investment by an international partner can bring to the project. But to balance this against what will be good for the project and the creative control the local producer may wish to retain over a project. Not to inflate budgets because of any perceived expectations of what a Netflix budget should be.

# Sources of financing and funding: examples of US coproduction/distribution options



## Endeavor Content

- “Endeavor Content was established in 2017 to develop, package and distribute TV and film projects that hail from clients inside the Endeavor/WME orbit, as well as those from outside entities.” NIGHT MANAGER and LITTLE DRUMMER GIRL (AMC and BBC) and KILLING EVE (BBC America) are the most current, well known examples.
- Endeavor Content considers its role is “to serve as the matchmaker between creatives and the networks, studios or financiers needed to get a production before the cameras.” Not as a production company.
- Advisory services are offered “for WME and IMG clients on options for getting a greenlight, to putting up seed money to allow creative partners the time to develop material before shopping it on the open market.”
- In some instances, Endeavor retains an ownership interest in a project. Additionally, at times, Endeavor Content handles international sales and distribution of a movie or TV series. That became possible after Endeavor acquired IMG, which had an established international TV sales force .
- It is this disruptive crossover between Endeavor/WME getting an agency representation fee from a deal for a writer/creator as well as a ‘production company’ or distributor fee for its role in production and distribution to which the WGA objects



# Sources of financing and funding: examples of US coproduction/distribution options

## Imagine TV

- Ron Howard's Imagine TV is a US independent production company building itself a new model allowing the company to retain IP instead of relinquishing it to a major studio, as they would have done under their previous 15-year deal with Twentieth Century Fox.
- Imagine's \$100m television production financing venture with Hong Kong-based Television Broadcasts Limited is one example of how much international investment interest there is in the Hollywood industry, particularly with Chinese interests seeking opportunities.
- The new funding left Imagine free to cut a first look deal with CBS to "co-produce and co-own programming for CBS, CBS All Access and Showtime, as well as non-CBS affiliated platforms. CBS Corp. will have the first look at Imagine TV series, while CBS Television Studios will become a production partner and worldwide distributor for programming. Imagine will retain distribution rights in certain Asian territories including China, Taiwan, Hong Kong and Macau."

## Fabrik Entertainment

- Fabrik Entertainment is a Los Angeles independent production company for scripted series, including BOSCH on Amazon. Fabrik is majority owned by Germany's Red Arrow Studios.
- As one of 20 production companies in the Red Arrow group, Fabrik can call on the formats owned or acquired by Red Arrow, which it did successfully with THE KILLING (AMC Season 1-3, Netflix Season 4).
- Red Arrow provides access to funding to cover optioning material and development including scripts and has the capability to finance coproductions and operate as the studio and distributor.
- Upcoming projects include two from Swedish creators, with one – INTERROGATION – already ordered to series by CBS All Access with CBS Studios coproducing with Fabrik.

**SOURCE:** [Variety 'Television content producer m as ihs markit report' \(July 2017\)](#) and [Screen Daily: 'Fabrik chief talks opportunities for European creatives' \(October 9, 2018\)](#)



# Strategies for deal terms: exclusivity and windows

- The US commissioning channel exclusively shows the production in the US market across its premiere service and other platforms.
- The combination of the level of financial contribution and business interests of the commissioning channel and the studio/production company will determine how exclusivity, the primary window and secondary rights will be assigned.
- Partner channels or SVoD provider/s may show it in territories outside of the US on either a 'day and date' basis for impact or a premiere agreement basis. As Netflix and Amazon focus on their own global originals partnerships, examples of European SVoDs participating in this model are Sky, Viaplay, Virgin Media, Canal+, etc. Partner channels for HBO might include HBO's deal with Sky Atlantic or HBO's own services in Europe or the Nordics.
- For the partner channels and SVoDs, the production benefits from valuable additional funding and may offer opportunities for collaboration and creative input on high end coproductions.
- It maximises the amount of content available for their services and enables them to identify high quality 'original' projects with their own brand, assisting in increasing audience or subscriber base.



# Strategies for deal terms: exclusivity and window examples

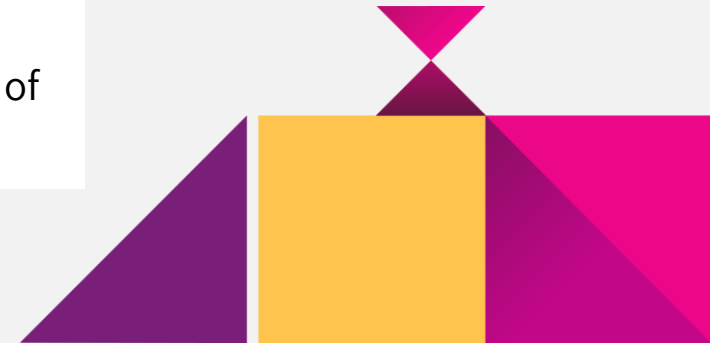
## **MY BRILLIANT FRIEND (*L'amica geniale*) (8x1hr):**

- An HBO/Rai coproduction produced by Wildside, Italy (owned by Fremantle. Producers of THE YOUNG POPE) and Fandango, Italy (holding the rights to all 4 books in the series. Producer of GOMORRA) in co-production with Umedia (Belgium) for HBO, Rai and TIMVISION (Italian online platform including Skam Italia as one of its new slate of Originals).
- Italy premiere: November 18, 2018 on Rai 1 and RAIPlayer. Dates not announced for TIMVISION
- US premiere: November 18, 2018.
- Europe premiere: November 18, 2018 by many of the show's buyers except Sky Atlantic who chose November 19 2018 and Canal Plus on December 13 2018
- Fremantle is the international distributor in association with RAI Com
- Together with the Netflix and Amazon practice of global premieres of their originals, MY BRILLIANT FRIEND also serves as an example of how 'day, date' premieres underpin the new global nature of viewing.

# Strategies for deal terms: exclusivity and window examples

## **KEEPING FAITH aka UN BORE MERCHER (8x1hour):**

- A co-commission between S4C and BBC Wales from Vox Pictures, co-financed by European independent About Premium Content/Nevision with a contribution from Acorn Media.
- UK Premiere:  
Welsh Language Version - November 2017 on S4C, followed by immediate release on BBC iPlayer.  
English Language Version Premiere: February 2018 on BBC Wales.  
Followed by release on BBC iPlayer, breaking viewing records on both platforms.  
Due to high ratings, the show was subsequently transmitted in July 2018 across the UK on BBC 1.
- US Premiere: Acorn TV has North American SVOD rights and will release it in 2019. Interestingly, Amazon took SVOD rights to France-only.
- A second season has been commissioned, again backed by BBC, APC and Acorn.
- KEEPING FAITH underlines how much impact catch up on other platforms can affect the future of a series.





# Strategies for deal terms: exclusivity and window examples

## THE TERROR (10x1 hour)

- AMC's anthology series produced by AMC Studios and Scott Free Television. Season 2 has been commissioned for 2019 for AMC, AMC Premiere and Sundance Now in the US.
- US Premiere: March 26, 2018 on AMC, with episodes playing weekly. Also on March 26, all episodes were 'binge-dropped' on ad-free, subscription service AMC Premiere using the same strategy as for the AMC/BBC series MCMAFIA.
- Global Premiere: simultaneously/near simultaneously with the US Premiere across AMC Networks International's channels.
- UK Premiere: April 24, 2018 exclusively on AMC, the European channel from AMC Networks International on BT TV and Sky subscription services. Episode 1 was made available free for 24 hours on YouTube on the same day.
- Distributed by AMC International to its international platforms.



# Strategies for deal terms: exclusivity and window examples

## NIGHTFLYERS (10x1 hour)

- Space horror series based on a George RR Martin book. Produced by Universal Cable Productions and Hypnotic for a multi-platform rollout for Universal's sister channel SYFY.
- Pilot was picked up to full series production off the back of Netflix joining as a coproducer of the series for its platform outside the US plus a secondary window in the US and Canada. Shot in Ireland with funding from Screen Ireland.
- US Premiere: debuted across all SYFY platforms timed to the beginning of the linear, basic cable network broadcast of the first episode on the SYFY channel, SYFY On Demand, SYFY.com and the SYFY app. Episodes 1-5 playing Dec 2 – 6 and 6-10 playing Dec 9 – 13 with marathons in the weekend after each of those dates and limited commercial interruptions. This is in line with NBC Universal, the multi-platforms' owner, strategy to reduce the number and minutes of ad breaks in their shows overall and to attract and retain fan-based audiences.
- US Secondary Window: Netflix, dates TBC.
- Netflix Premiere: TBC
- Distribution: not known how, or whether, this has been split between NBC Universal and Netflix.

# Strategies for deal terms: exclusivity and window examples

## THE CRY (4x1 hour)

- Independently produced, psychological drama, adaptation of Helen FitzGerald's bestselling book of the same name which follows a child abduction and the impact it has on the family as they face the scrutiny of the media.
- Produced for BBC 1 and ABC, Australia by Glasgow-based Synchronicity Films with the backing of the funding agencies Creative Scotland and Film Victoria, Australia, December Media and Sunbird Media Ltd. Filmed in Scotland and Australia.
- UK Premiere: September 30, 2018 on BBC 1 followed by a decent take up of plays on the BBC iplayer.
- US Premiere: November 8, 2018 exclusively on Sundance Now, AMC Networks' direct-to-consumer streaming video on demand service. To be followed by a secondary window on sister, linear, basic cable channel Sundance TV.
- Australia Premiere: February 3, 2019
- Distributed by DRG.



# Market specific aspects

Including:

- Distributors
- Other stakeholders and dealmakers



# Market specific aspects: including stakeholders and deal makers

Creators, writers, producers, companies and studios are always well-armed with representation, adding to the layers of the US process which international producers have to navigate.

- Agencies
- Entertainment Lawyers
- Managers
- management companies, who also operate as production companies,
- POD companies – non-writing producers with companies that have a studio deal, e.g. Warren Littlefield (THE HANDMAID'S TALE, FARGO) of The Littlefield Company at Fox.
- Showrunners/creators with their own companies attached to studio deals, Vince Gilligan (BREAKING BAD, BETTER CALL SAUL) with his High Bridge Productions at Sony.

The positive aspect of these additional stakeholders is that they have the potential to maximise the entry points to US drama buyers, even the lawyers. The downside is getting your voice heard in the noise and the packaging deals that are usually involved in the US market.

Studios and streamers will insist on using their own form of contracts with producers and talent.

# Market specific aspects: other stakeholders and deal makers

- FCC: the US telecommunications market, including TV, is regulated by the Federal Communications Commission, with cable operators also regulated by LFA (Local Franchising Authorities).
- NCTA: the Internet and Television Association is a trade association and lobbying organisation representing the interests of the cable market in the US.

## Guilds and Unions

- PGA: the Producers Guild represents all television, film and digital producers offering a range of events and services.
- The Writers Guild (WGA) and the Directors Guild (DGA) are the principal negotiators with the studios, tv channels and production companies setting the rates for their members.
- The Teamsters Union has an impact on the size of crews rates and the length of the production day and schedule.



# Other stakeholders and dealmakers: distributors

- The US distribution model for TV series is dominated by the interests of the major and mini-major studios and independents described in other sections of the report: Channel profiles and Sources of Finance and Funding.
- Examples of non-US media companies who play a global role in the number of international coproductions and sales of original language series, include companies such as Fremantle, Endemol Shine, ITV Studios, Banijay, BetaFilm, Studio Canal and Red Arrow.



# Key Production Centres & Tax Incentives

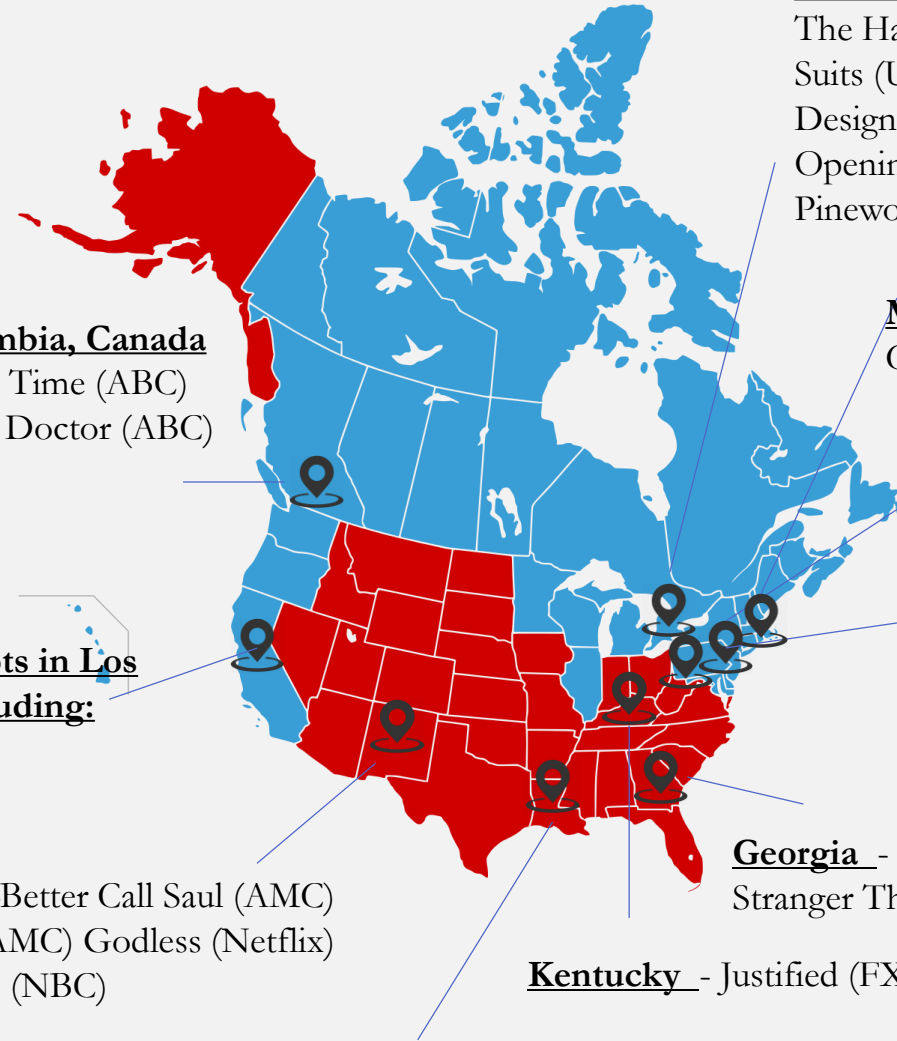
## Including:

- Maps summarising key production centres
- Top Canadian provinces for US TV production
- Top US states for tax incentives





# Key Production Centres: USA and Canada



## Vancouver, British Columbia, Canada

Arrow (CW) Once Upon a Time (ABC)  
Riverdale (CW) The Good Doctor (ABC)  
Bates Motel (A&E)

## California – all major studios have lots in Los Angeles and locations for series including:

The Fix (ABC) Mixtape (Netflix)  
The Rookie (ABC, straight-to-series)  
The Enemy Within (NBC)

New Mexico – Better Call Saul (AMC)  
Breaking Bad (AMC) Godless (Netflix)  
Midnight, Texas (NBC)

Louisiana – True Blood (HBO) Queen Sugar (OWN)  
True Detective (HBO)

Kentucky – Justified (FX) Outsiders (WGN)

Georgia – The Walking Dead (ABC) Watchmen (HBO)  
Stranger Things (Netflix) Dynasty (Netflix, CW)

New York Studios include Silvercup, Chelsea Piers and Brooklyn’s Steiner Studios and locations for series inc: Billions (Showtime) Bluebloods (CBS)  
The Marvelous Mrs. Maisel (Amazon)  
Tales of the City (Netflix)

Pennsylvania- Those Who Kill (FOX)  
Do No Harm (NBC) Cold Case (CBS)

Massachusetts – Salem (WGN) Fringe (Fox)  
Castle Rock (Hulu)

## Toronto, Ontario, Canada

The Handmaid’s Tale (Hulu) Orphan Black (BBC America)  
Suits (USA) American Gods (Starz)  
Designated Survivor (ABC)  
Opening soon: CBS Stages Canada and expanded  
Pinewood Toronto Studios

# Top Canadian provinces for US TV production



- Canada has long been a principal location for US ‘runaway’ production providing cost effective incentives and skilled production crews.
- “Studio space in **Toronto**, totalling about 2.2 million square feet, is stretched, according to real estate research firm Altus Group Ltd. TV and film production jumped 10 per cent to a record \$2.98 billion (US\$2.3 billion) in **Ontario** in the year to March 2017, and 42 per cent to \$2.99 billion in **British Columbia**, according to the Canadian Media Producers Association.
- CBS is expanding into Canada to support its growing output of shows, including “NCIS” and “Madam Secretary” for CBS, “Crazy Ex-Girlfriend” for the CW and “American Vandal” for Netflix. CBS Corp. leased 260,000 square feet (24,000 square meters) outside of Toronto to serve as its base in a burgeoning hub of film and TV production. The space, including six sound stages, offices and support facilities, is the largest studio opened by a U.S. broadcaster north of the border.
- CBS already shoots a handful of productions in Canada, including “Star Trek: Discovery,” the latest instalment of the popular science-fiction franchise. The new studio is expected to open in mid-2019.



# Top US states for tax incentives: New York and California

## New York

- The New York State Film Production Tax Credit program provides qualifying film and television productions a 30% credit for qualified production expenditures. All eligible productions shot in New York City may qualify for this program.
- Primetime TV/Online Episodic Shows and Mini-Series currently shooting in NYC include: Billions (Showtime) The Marvelous Mrs. Maisel (Amazon), Bluebloods (CBS), Tales of the City (Netflix)

## California

- The California Film Commission administers the Film & Television Tax Credit Program 2.0 which provides tax credits based on qualified expenditures for eligible productions that are produced in California.
- The \$1.55 billion program runs for 5 years, with a sunset date of June 30, 2020. Each fiscal year – July 1 to June 30 – the \$330-million funding is categorized in: TV Projects, Relocating TV, Indie Features, and Non-Indie Features.

# Top US states for tax incentives: New Mexico and Georgia

## New Mexico

- The New Mexico Film Commission provides 25% refundable credit to resident cast and crew, and in-state rentals, purchases and services from New Mexico vendors.
- 5% additional credit for qualified TV series. New Mexico Film Office: [www.nmfilm.com](http://www.nmfilm.com)
- Netflix is opening a production hub in Albuquerque, where it plans to produce some of its films and TV shows. It is in plans to purchase ABQ Studios, a facility with eight sound stages, production offices and a back lot in Albuquerque's Mesa Del Sol. Netflix says it will use the new studio for production dramedy Daybreak, supernatural drama Chambers, and drama Messiah.

## Georgia

- 20% transferable tax credit + 10% if production includes Georgia promotional logo in credits, or other negotiated placements.
- \$500,000 minimum spend through single or multi-projects in single year.
- Compensation included for non-residents, \$500,000 cap; however, PSC, loan out or 1099 contractor not subject to cap.
- Nonrefundable, transferable once in tranches of at least \$100,000 to multiple taxpayers.

# Top US states for tax incentives: Kentucky and Louisiana

## Kentucky

- 30% refundable tax credit on qualifying expenses, 35% for resident wages as well as for expenditures in certain rural counties.
- Only first \$1M of compensation paid to any single individual qualifies for the credit.
- No other caps.
- Minimum spend: \$250,000 feature films; \$100,000 commercials; \$20,000 documentaries.

## Louisiana

- 25% base rate redeemable tax credit for in-state expenditures (Louisiana vendor), with 5% increase to the base rate for 60%+ filming outside of the New Orleans metro area, and a 10% increase to the base rate if the production is based on a screenplay created by a Louisiana resident.
- Above-the-line resident and non-resident labor costs qualify.
- Additional 15% credit for Louisiana resident's payroll.
- Additional 5% credit on certain qualifying VFX expenditures.



# Top states for tax incentives: Massachusetts and Pennsylvania



## Massachusetts

- 25% credit, may be used to offset tax liability, redeemed at 90% from state, or transferred at market rate. Credits can be carried forward for 5 years pre-transfer.
- \$50,000 minimum spend.
- No annual or per production cap.
- Nonresident labor qualifies. Requires withholding taxes to be paid on qualifying wages, unless and until waiver is granted.
- Loan-outs are subject to withholding in order to qualify, arrangements must be made with payroll company to ensure compliance.

## Pennsylvania

- Nonrefundable, transferable 25% credit, plus an additional 5% if the production meets minimum use requirements of a qualified production facility.
- \$60 million annual cap (\$65M starting July 2017), \$12M cap per project, contact film office for current availability.
- 60% of total budget must be Pennsylvania expenditures, though can be waived with productions spending more than \$30M and use of qualified production facility.
- Nonresident labor subject to Pennsylvania withholdings and purchases through Pennsylvania vendors subject to state tax qualify.

# Conclusions & Recommendations



# Get serious about co-production

- ✓ Alternatives to Netflix-style all-rights deals will require flexible & sophisticated co-production strategies
  - ✓ Amazon generally more flexible & committed to co-production with shared rights
  - ✓ Study other Nordic case studies for best-practice learnings
- ✓ Ideal is to bring projects with other broadcasters or financing partners already attached
  - ✓ e.g. YLE & Elisa have good international recognition
  - ✓ Partners contributing <15% shouldn't necessarily be offered back-end position
- ✓ Is there scope to create a Nordic co-production alliance or 'club' like that formed by RAI, ZDF & FT?





# Exploit growing number of potential partners & fiscal measures

- 
- ✓ Number of potential UK, Eire & international broadcaster & platform partners is expanding
    - ✓ E.g. UKTV, C5, & Virgin Media all recent entrants to drama sector
    - ✓ Sky expanding drama investment & needs hits
    - ✓ Niche players like Acorn TV & Sundance TV becoming important partners alongside international channels (AMC, SyFy, Universal, etc)
    - ✓ Consider more established European & international platforms like HBO & Viaplay
  - ✓ Both UK & Ireland offer attractive tax breaks, but UK rules more restrictive
    - ✓ Screen Ireland also has fund specifically designed to seed international co-productions
    - ✓ Don't over-inflate budgets to meet tax thresholds
    - ✓ Some US states offer production incentives

# Understand the content strategies of potential partners

- ✓ Pay attention to local audience tastes & study commissioning strategies of target broadcasters & platforms
  - ✓ E.g. current focus on sci-fi, fantasy, female-centric stories, minorities, etc
  - ✓ Look for & exploit proven demand from other markets & other formats (e.g. podcasts)
  - ✓ Be flexible in thinking about show & series length (e.g. 10x10min, 10x30min, etc)
- ✓ US streamers & specialised channels are more open to foreign-language productions than ever before – but will still prioritise English
  - ✓ Potential to sell formats with an existing original language track record
- ✓ UK & Irish producers can act as ‘gateway’ to global English-language TV markets



# Its all about the story & the talent ...

- ✓ Look for ‘authentic’ local stories with potential to resonate with an international audience
  - ✓ Critical to find & work with writers who can tap into themes that appeal across national boundaries
  - ✓ Not everything has to be ‘dark’, ‘edgy’ & crime-based (e.g. Norwegian show *State of Happiness* & Amazon’s *Marvellous Mrs Maisel*) – although raising money for other genres may be harder
  - ✓ ‘Drama docs’ can be a good stepping point for ProdCos with documentary background
- ✓ Seek recognisable creative talent or IP to impress international partners
- ✓ Think about potential for spin-off merchandising & licensing



# Smarter commercial & financial strategies

- ✓ Inflationary trend in production budgets & most buyers expect to see high on-screen production values
  - ✓ Gap financing is typically only available to ProdCos with strong track records & other key deal elements already in place
- ✓ Established distributors (e.g. DRG, APC) & content packagers (e.g. Endeavor Content) can play key role at early stage in the development & packaging of projects
  - ✓ Secure coproduction partners & funding from multiple territories
  - ✓ Deficit financing to enable retention of distribution rights



# Seek solid advice to successfully navigate US (& other) partnerships

- ✓ Despite a greater open-ness to co-production, US networks generally default to buying from affiliated ProdCos so they can retain all rights
- ✓ When they do deal with indie ProdCos, they will usually require:
  - ✓ ‘stacking rights’ across all catch-up & on-demand services
  - ✓ Control over whether these rights will be exclusive or non-exclusive
  - ✓ Control licenced secondary windows & rights
  - ✓ Shared ownership of back-end distribution revenues
- ✓ ‘On-the-ground’ strategic help is critical to success with US partners
- ✓ Choose legal & other advisors wisely!

