

A BROADCAST AND CINEMATOGRAPHY EQUIPMENT MARKET UPDATE

WHITE PAPER

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MARKET TRENDS



Introduction

The UK film and television markets led the world with leading talent, fully-utilised stages and buoyant used equipment markets. Now with evident rationalisation and consolidation, used equipment values are suffering. What happened?



In the pre-Covid decade, strong

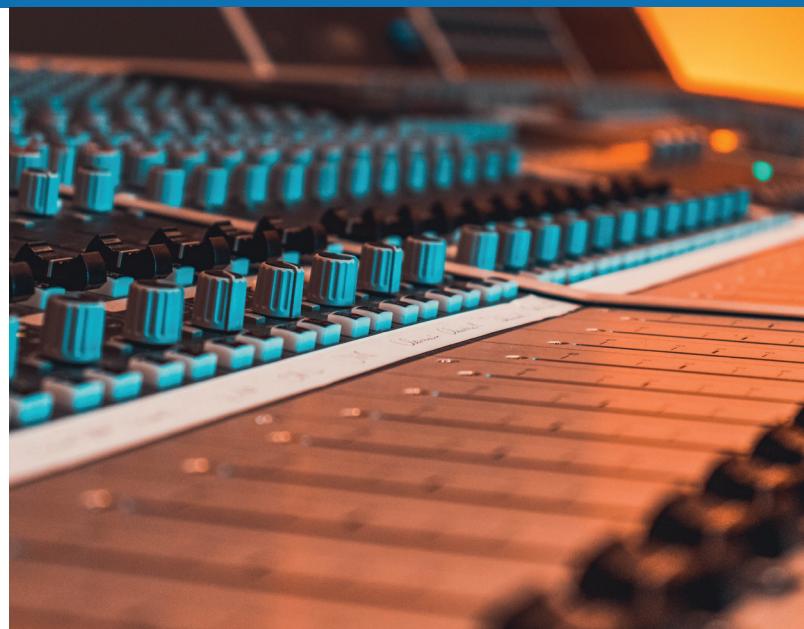
growth in the film and television markets was evident in the UK and its contribution to GDP was even recognised by government as it provided increased financial support to the creative sector. Continued market confidence led to a slew of investments in high-end cine equipment and studio facilities, which were fully booked long into the future. The streaming giants took centre stage battling for market share by creating more compelling content for their ever growing global audiences. And in outside broadcast, operators invested heavily into remote production providing cheaper coverage for more global televised live events with lower carbon credentials. In equipment markets, OEM discounts were rare and new and used equipment prices followed with increased demand and strong pricing.

“In practical terms the sector survived by developing effective remote production teams that brought semi-professional equipment into the mainstream”



The Covid-years are well documented and in television and cinema CBILs loans and equipment lessor payment holidays largely supported the sector, albeit technical talent evaporated.

In practical terms the sector survived by developing effective remote production teams that brought semi-professional equipment into the mainstream. Like many sectors equipment values flat-lined awaiting a recovery.





The post Covid resurgence brought much needed demand as postponed productions were completed, new content prioritised to fill the programme void and OB televised events came back online. With no sign of any increase in interest rates in sight, the market reacted by buying new equipment to meet demand, however supply chains became constrained as a result of the chip shortage and the Ukrainian conflict leading to inflation in used equipment prices.



“A levelling out of used equipment prices and a reduction in new sales has impacted upon value”



In 2022/23 a levelling out started fuelled by increased interest rate hikes, a reduction in commissioning from the Streamers and C4 and over-capacity in an already over geared equipment hire sector. From an equipment perspective this is evidenced by a reduction in turnover (8.5%) of the UKs major equipment supplier during this period.

Not unsurprisingly these factors impacted the residual values of film and television equipment, evidenced by auctions that followed including Arena Television, Procamtake2 and more latterly Televideo and Video Europe where Hickman Shearer provided asset valuation and sales services.



“Scripted drama commissions remain challenging as television advertising revenues migrate with Gen-Z to social media”

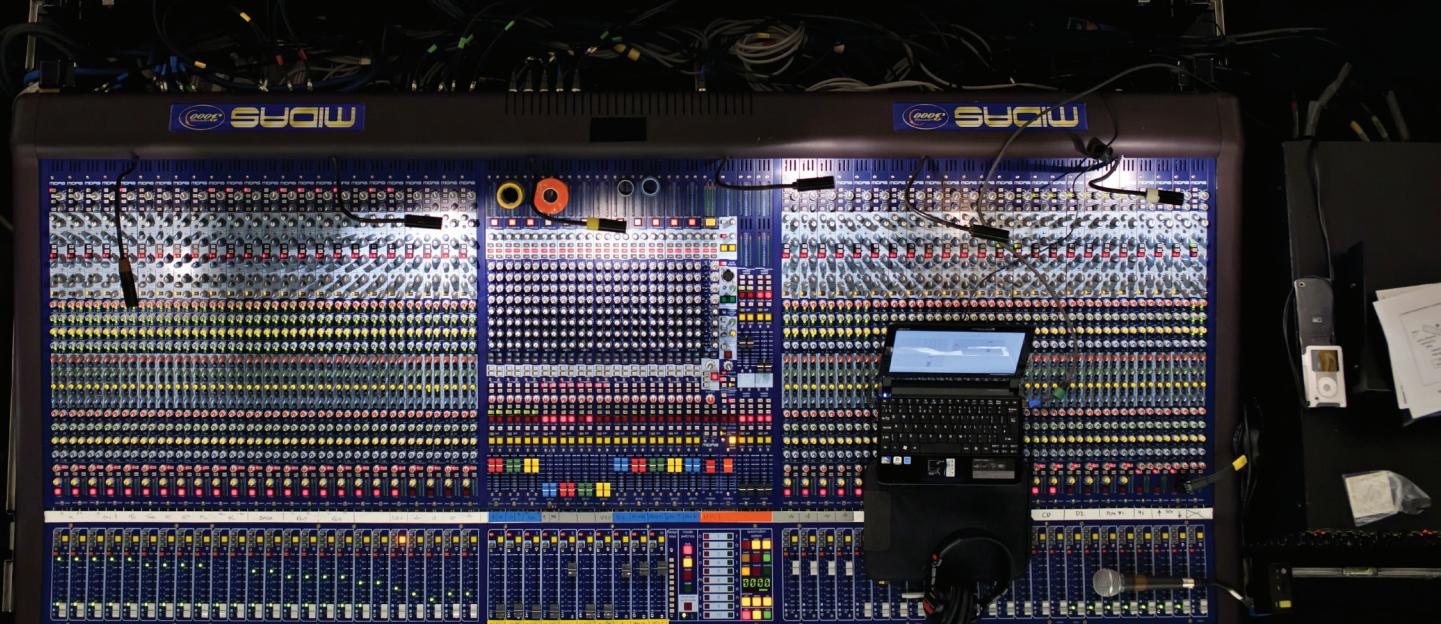


In 2024 we now see evidence of consolidation and rationalisation in the broadcast sector in the UK with the EMG Gravity merger and the Televideo and Presteigne insolvencies, and although the sector will be buoyed in the short term by an up-tick in large televised events, most notably the Euros and the Paris Olympics, many commentators expect these market conditions will continue in the medium term.

Similarly, it was surprising to see Stage50 become insolvent after such strong demand for film studio space and whilst cine equipment rental company failures (ProMotion Hire and Shift 4) have found buyers and Sunbelt continue to acquire strategic operations, scripted drama commissions remain challenging as television advertising revenues migrate with Gen-Z to social media.

EQUIPMENT MARKET TRENDS





Evidence from auction results shows that residual values of equipment have been materially eroded during this later period:

Cine Equipment

- PL and E lenses that traditionally have enjoyed very strong residual values have suffered some price erosion.
- Unfortunately, camera values have suffered more but also as a result of 'feature creep' and wider technical obsolescence.
- Grip is a longer-life asset and typically does not change in design like other assets and hence, residual values tend to remain strong.

Television Equipment

- Market forces have impacted on B lenses with a softening of values.
- Similarly, as Grass Valley and Sony continue to compete for market share, used camera market equipment prices are experiencing further erosion.
- EVS and Calrec dominate their respective data and audio equipment markets, residual equipment values have not softened like other assets.
- Outside broadcast trucks remain illiquid assets with fluctuating demand predicated by new contract availability and seasonality

Whilst price erosion in cine equipment exists in the UK markets this is less significant in the other large film markets across Europe and Asia, where demand is stronger. Similarly, the increase in televised events in the Middle East and Africa have spawned a new calibre of operators who lead demand for used broadcast equipment.

Our auction data also shows that whilst there are still large number of auction sale participants, there are now fewer actual bidders, impacting demand and ultimately asset realisations.

ASSET VALUATION AND SALE

Hickman Shearer provide asset valuations and sales for operators and investors, banks and lessors to support M&A transactions, raise debt or facilitate restructuring.

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