

MEDIA PRODUCTION BOOM

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The ways in which people view film and TV are changing – as are the types of business that are producing the content. *Tim Chapman, specialist plant and equipment valuer at Hickman Shearer, offers his view on the rise of new platforms using film and recording equipment*



The last five years have seen rapid rates of diversification and expansion in the broadcast and film equipment sector.

Streaming subscription services such as Amazon Prime and Netflix mean online platforms increasingly feed a massive appetite for content, alongside traditional



Steve Knight, Pixipixel

TV broadcasters and studio-produced feature films. As an example, Netflix spent over \$13bn producing original content in 2018, making over 70 new feature films, compared to fewer than a dozen by Disney and around 20 by Warner Brothers.

Broadcast technology is also now crucial for major sports events, live streaming of music concerts and conferences, as well as content for social media – whether it be advertisements for YouTube or Facebook audiences or the in-house corporate video markets.

In this environment, UK tax breaks and a reputation for skill and creativity continue to attract international productions here. The UK film industry already employs more than 80,000 people, according to the British Film Institute.

Meanwhile, the technology needed to produce filmed content continues to evolve – requiring equipment manufacturers, lessors and hire companies to stay on top of the latest technological developments by big players like Sony, Arri and RED.

In this fast-paced sector, Hickman Shear provides specialist knowledge in appraising assets, responding to the evolving needs of production houses in acquiring new equipment.

Jon Fry, sales director at leading UK pro camera and equipment distributor CVR, also sees the potential for growth in the sector.



John Openshaw, Paragon B

“We’re investing in the business because we think it has longevity and depth,” he says. “Our inventory has to cater for companies like Netflix, which wants content shot in the latest 4K high-definition format, but for other TV companies that’s not essential. We need to have new assets that are future proof, yet still serve customers who want slightly lower spec.”

At Hickman Shearer, specialist skills targeted at lessors are key to assessing asset value, understanding resale markets and in knowing when the assets will become technically obsolescent.

Steve Knight, director at London-based camera and lighting equipment rental company Pixipixel, is certain that staying on top of the technology is key. “Specialist knowledge is crucial,” he explains.

“We invested in LED lighting systems quite early on, and they’re a staple on our equipment list – because they need far less power on set, and are much more adaptable for location shooting.”

John Openshaw at Paragon Bank (Technology Finance) believes his business can add value to the asset finance market, with a growing proportion of its book in hard camera equipment, lighting and sound systems for live events, including LED screen technology.

“This sector is genuinely exciting, and financing is growing at around 26% per annum – and may well increase further,” he says. “Our product range includes hire purchase and leases all the way through to discount of receivables’ transactions. Broadcast and media financing needs the same sort of in-depth asset and valuation expertise that IT and telecoms needed perhaps 20 years ago.”

GLAMOUR FACTOR

Is lending in any way influenced by the glamour of big film productions? “No. Like any bank, we assess assets dispassionately,” Openshaw continues. “We’re careful to match customer cash flow to their requirements – seasonal fluctuations may require lower payments for part of the year.

“We understand that cameras, for example, are usually up to 70% of the value in any deal, in spite of the number of extras or peripherals that this kit involves.”

Increasingly, banks are using specialist valuations by Hickman Shearer to underpin their asset financing calculations. Lessors should know that a camera or lighting package can consist of up to a hundred different components – everything from SD



Adrian Young, Presteigne Broadcast Hire

cards or cables costing just a few pounds all the way through to camera bodies costing £50,000 each. Some camera lenses, for example, can hold their value for 20 years – as compared to other assets that may be obsolescent in two years.

Adrian Young, chief operating officer at Presteigne Broadcast Hire, sees growth in

“It won’t immediately replace RF [radio frequency] transmission of filmed content at events,” says Young. “But if the phone companies invest sufficiently in the required infrastructure, it could mean that 5G becomes an equal player.

“One of the challenges with the current RF system is that you will have different teams at the same event being allocated frequencies quite close together, and often there’s a shortage of clear channels available. Those sorts of developments will obviously bring about the development of new kit which clients will want.”

FLEXIBILITY

Some lessees express frustration that lenders may require a lot of ‘form-filling’, and there is inflexibility in asset finance contracts. They would welcome a revolving facility allowing them to draw down funding based on invoices and asset valuations. Asset financing is a critical issue, given the relatively high cost of cameras, lenses and a whole suite of peripherals.

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key areas like live sports – and has provided equipment for the Women’s Soccer World Cup, the Cricket World Cup and will be working on the Rugby World Cup in Japan later this year.

“We want an asset funder that knows the industry, and understands that income often comes in cycles, and that a big asset acquisition spending burst will often be followed by a lull before it picks up again,” he explains. “Our spend this year is probably half what it was in 2018, yet our hiring activity has seen an upturn. Asset lenders tend to want to tie their loans in for three years and impose penalties for early redemption, but some assets will still be earning six, seven and eight years down the line.”

Equipment hire companies are also keeping an eye on major advances in broadcast technology. Young points out that the planned roll-out of 5G mobile phone systems may well impact on filming, especially when it comes to delivering content to a broadcast centre or relaying live events to a conference audience.

Paul Fazakerley, of InterBay Asset Finance, part of specialist lender OneSavings Bank, believes it is important that lenders apply a degree of flexibility. “Broadcast equipment is a fast-growing and important part of our portfolio, with our main products being HP and Finance Lease,” he says. “We’re keen to structure deals to match the customer’s cashflow by using VAT deferrals and structured payment profiles.”

In supporting equipment lessors, Hickman Shearer provides verification of day-one cost and residual value asset profiles through to year seven, as well as commentary on asset lives and resale markets. This helps lessors provide flexible facilities so funding levels are maximised and costs minimised.

Hickman Shearer is also increasingly valuing owned and end-of-lease rental fleet assets to allow refinancing to improve working capital.

Valuing end-of-lease assets also requires a forensic level of inventory interrogation to reassure lenders that those assets are genuinely free of finance. ■