

It has been another successful year for BBC Worldwide as we continue to transform the business. The shifts underway in our markets have, if anything, accelerated in the past 12 months.

CHIEF EXECUTIVE'S
REVIEW

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Transformation from a strong base



Tim Davie
Chief Executive, BBC Worldwide
and Director, Global

As a global premium content business we are fortunate not to be uniquely dependent on any single brand, programme, platform or market. Nonetheless, we need to keep actively managing our activities towards the areas of highest growth, in order to sustain the commercial and financial success we enjoy today.

Results

This transformation is easier to effect from a strong base. Therefore I am particularly pleased that in 2016/17 BBC Worldwide produced headline sales of £1,059.9m (2015/16: £1,029.4m), up 3.0%, and headline profit of £157.3m (2015/16: £133.8m), up 17.6%. Organic growth was 6.4% at headline profit, excluding a foreign exchange gain of £14.9m.

As the Director-General states, our £210.5m (2015/16: £222.2m) cash return to the BBC Group was in excess of £200m for a third year. Excluding disposal proceeds this was above the previous year. This is an important contribution, equating to 12.2% (2015/16: 13.1%) of the BBC's total spend on television content in the year. I am also pleased with our cash management, with free cash generation improving to £90.8m (2015/16: £38.1m). This is outlined in more detail by Tom Fussell, BBC Worldwide's Chief Financial Officer (CFO), on page 17, along with the steps we have taken to match our content's balance sheet profile to the shape of the business we have today, set out on page 17.

£90.8m

Free cash generation
(2015/16: £38.1m) +138.3%

12.2%

**Returns to the BBC as a
% of total BBC Television
content spend**
(2015/16: 13.0%) -0.8%



TOP GEAR

'This is one of the best moments of my year so far!'

Top Gear S24 © BBC 2017

Strategic achievements

These results demonstrate the effectiveness of the strategy we set out in 2013: to focus our content investment into premium titles; to invest in our portfolio of BBC branded services and franchise brands; and to enter the world of digital direct-to-consumer services. The intervening three and a half years have seen us significantly refine our content investment into key genres and titles, with a move to premium hours; upgrade our linear channels portfolio with new BBC brands, marketing and schedules, while securing the long-term future of BBC AMERICA in a joint venture relationship with AMC Networks (AMCN); and develop a number of digital propositions and partnerships around the world.

Premium content

Specifically in the year, our progress remained strong across these three core areas. We had a healthy slate of content deliveries, including *Planet Earth II*, *Sherlock S4* and *Top Gear S24*. In content sales, we were recognised in September by *Broadcast* magazine as Distributor of the Year. Our excellent content sales momentum saw us pass our internal £400m target one year early, with growth of 9.9% taking us to £422.4m (2015/16: £384.2m). We entered partnerships with five world-class talent-led British indies, principally at the start-up stage: supporting British entrepreneurship and IP generation, while enhancing the future

of our own content supply. This move benefits indies and BBC Studios alike, as additional volume in content sales lets us invest more in world-class sales tools and services.

Global brands

Our branded services and channel Joint Ventures (JVs) performed well, despite pressures on pay TV, particularly in developed markets. Among our JVs, BBC AMERICA was the only US cable channel to post 12 straight years of prime time ratings growth, UKTV grew Share of Commercial Impacts (SOCi), revenue and profit, while BBC Earth debuted strongly as a JV in India and a channel partnership in Canada in the final quarter. Meanwhile, in our owned and operated channels, BBC Earth benefited from the year's blue chip natural history titles. BBC First topped its competitor set in Benelux and extended its reach in the Netherlands, where it took advertising for the first time. BBC First led a portfolio of strongly performing channels in Australia, which includes established local brands UKTV and BBC Knowledge. CBeebies was expanded across Africa, the Middle East and Taiwan and BBC Brit cemented its position in South Africa.

In addition to the superb performance of *Planet Earth II* around the world, we were also pleased to see a return to strength for *Top Gear S24*, achieving consolidated audiences of around 5m in the UK and significantly surpassing slot average on BBC AMERICA. In an otherwise quiet year for new *Doctor Who*

content, the Christmas special proved BBC AMERICA's top-performing title in the period, while *Doctor Who: The Power of the Daleks*, a specially commissioned animation for a newly discovered classic sound-track, proved a welcome innovation for fans everywhere.

Digital progress

On the digital front, channel companion TV Everywhere (TVE) app, BBC Player, launched on a number of new platforms in Asia. We also agreed a significant partnership with ITV plc for BritBox, a subscription video on demand service built around British television. Launched in the USA in March, with AMCN a minority shareholder, the service features the largest collection of Classic *Doctor Who* as well as continuing dramas such as *EastEnders* and *Emmerdale* within 24 hours of UK transmission. As outlined in the UK business update, download-to-own (DTO) service BBC Store will cease later this year, reflecting the dominance of subscription in the digital market.

The year also saw the move of a number of features-led verticals on BBC.com from BBC Worldwide to BBC Global News Ltd, to be closer to the editorial functions of News, along with the move of BBC.com/earth to the Natural History Unit and the closure of Autos. It was pleasing to see that the verticals received seven of the BBC's 22 nominations and honorees in the prestigious 2017 Webby awards, with BBC Culture and BBC Earth winning the People's award in their categories.



BOWIE

**'I find only freedom
in the realms
of eccentricity'**

David Bowie: The Last Five Years © Jimmy King 2017

BBC commitments

At a Group level, our relationship with our shareholder, and the wider public service, remains strong. We have a high level of strategic alignment to the wider BBC, with the majority of our services carrying the master brand, and our major content investments and franchise brands – including *Doctor Who*, *Top Gear*, *Dancing with the Stars*, and natural history landmarks under the BBC Earth banner – all much-loved BBC titles in their own right. As the Director-General points out, the transition of BBC Studios to a commercial enterprise is a bold and significant move. With BBC Studios the principal supplier of BBC Worldwide's IP, this company could not be more invested in supporting its future success through very close collaboration and, of course, continued investment in its programmes.

Market shifts

While I am clearly happy with this progress, there is more to be done. On the face of it, our industry is stable and modestly growing. Television viewing (which does not include Video on Demand (VOD)) around the world remains fairly steady, averaging three hours a day in 2016, a small decrease on three hours 10 minutes in 2010¹. Meanwhile, estimates of global expenditure on TV and video over the next five years predict a Compound

annual growth rate (CAGR) of 2.5%, reaching US\$318bn in 2020, with a TV subscription CAGR of 2.8% just above trend². The rise of VOD services continues at pace, with Netflix and Amazon Prime now jointly boasting 168m subscribers, a year-on-year increase of 25.7%³. However, the world of increased choice brings challenges alongside opportunities, with increased competitiveness and margin pressure present in the majority of our established business areas.

Accelerating strategy

To remain successful, we need to accelerate our strategy. The next few years will see us become even closer to content makers – both BBC Studios and independents – as development, financing, production, and sales become ever more indivisible. We are also building on our history of pioneering in content financing,

bringing new relationships and third party capital to our existing expertise in content partnerships, windowing and financing structures. In the year these relationships included Benchmark Capital, with Lookout Point and Access Entertainment, and a slate deal worth up to £150m over three years with Anton, both investing in premium drama.

Other areas where we are pushing hard on strategy include ensuring we have the right branded service offer and structure for each of our markets; raising our ambition in the management of our core franchises; ensuring that we have the right degree of flexibility in international format production; and actively managing our portfolio of ancillaries. Underpinning these, we are focusing heavily on operating efficiently, with an aspiration to be towards the top of our industry.

1 One Year in TV, Eurodata, 2015

2 Global Entertainment and Media Outlook, PwC, 2016

3 SVOD Service Provider Forecast: Amazon, 2016-2022, Ovum, September 2016

4 BBC Staff Survey 2017, Ipsos MORI, 2017

5 UK Television Exports Report 2015-2016, PACT, February 2017

Culture and people

All this work, however, would be superfluous if we were not also concentrating hard on our company culture. We already ask a lot of our people, and time and again they impress with their originality, generosity and dedication. Success in the years ahead will require all this and more: a company and employees who are bold, agile, inclusive and resilient while delivering at pace. It was heartening to see our employee engagement score increase by three percentage points to 73.0% versus a global media norm of 58.0%⁴.

£146.4m

Payments to Indies
(2015/16: £116.1m) +26.1%

Meanwhile the BBC's UK-wide Diversity and Inclusion Census confirmed statistically that our self-reported performance is in line with or above BBC targets at 54.4% female; 20.3% BAME; 7.5% with a disability; and 10.7% LGBT.

However, reporting is only one part of the story, and alongside this we want to keep building an inclusive culture: actively encouraging different perspectives and ensuring everyone feels comfortable to do their best work.

The year ahead

We begin the new financial year facing a complex set of conditions. The outlook for our markets, facing geopolitical uncertainties and industry change, remains unpredictable, but demand so far has largely held up well overall. We are actively transforming our company to stay ahead of market developments. We have an exciting slate of content, backed by strong relationships with producers and customers alike, which will see us working with a cast of creators and on screen talent ranging from Jane Campion, Elisabeth Moss, Nicole Kidman, Chris Chibnall and Andrew Davies to Sir David Attenborough and Hans Zimmer, Conor Macpherson and Denise Gough (pictured below), Matt LeBlanc and William Fichtner. Altogether, we believe these are robust reasons to give our shareholder, partners and stakeholders confidence in our future prospects.

Supporting UK creativity

As well as 'soft power' benefits, the success of our industry beyond these shores brings hard financial benefits. Returns to indies, excluding equity investments, were £146.4m (2015/16: £116.1m), above the £100m mark for a fourth year running. Our catalogue continues to represent over 250 independents, with BBC Worldwide accounting for an important element of the UK's £1.33bn⁵ TV exports.

 www.bbcworldwide.com/celebratingsuccess



PAULA

'I know what you are'