

# IABM Brexit Survey

September 2016



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# **Introduction**

## **About this document**

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The IABM Brexit Survey aims at assessing the impact of the Brexit vote on the broadcast and media industry to provide IABM members useful insights on the future of the sector following the referendum outcome.

Brexit is an abbreviation of "British exit" from the European Union (EU). On Thursday 23 June 2016, the UK decided to leave the EU with the Leave side winning by 52% to 48%.

This survey aims at assessing the impact of Brexit on the global broadcast and media technology industry with a particular focus on the views from the UK and continental Europe. We understand that Brexit primarily concerns European media professionals but we also believe that it is a global issue with its effects reaching companies that may be based outside of Europe but who do business in Europe or, more importantly, have invested in Europe.

We understand that the implications of Brexit are difficult to predict, particularly at this time when little is known. Our view is, however, that uncertainty will play a role in affecting important indicators such as business investment and exchange rate volatility.

## **Report Contents**

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This analysis is undertaken by our Research Analyst Lorenzo Zanni. The contents of this report are as follows:

- Brexit: What Has Happened So Far
- What Does Brexit Mean for the Broadcast and Media Industry?
- Trade Relationships: Possible Scenarios in a Post-Brexit World
- Impact on Investment
- Financial Effects: Stock Prices, Exchange Rates, Revenues & Costs
- Impact on Broadcast & Media Skills Shortages in the UK
- Anecdotal Feedback
- Respondent Demographics and Glossary

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For login assistance contact us on +44 (0)1684 450030 or email [info@theiabm.org](mailto:info@theiabm.org).

## An Overview of Respondent Demographics

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In this chapter, we provide an overview of the respondent demographics for this survey. Readers interested in knowing more about the characteristics of the sample for this report can find more information in the Appendix. The Appendix of this report not only includes more information on the different categories of respondents but also contains visual representations of the demographic data.

The most important characteristics of the sample are reported below:

- We received a total of 120 responses for this survey. 89 were complete and 31 were partial, representing a completion rate of 74.2%
- The most important job role among respondents to this survey was “CEO/Managing Director” (34.3%), followed by “Sales management” (22.2%) and “Other main board director” (11.1%)
- Most research participants (81.5%) work for companies with a number of employees ranging from 1 to 250
- 82.4% of research participants work for private companies
- The majority of respondents to this survey (80.8%) work for broadcast and media technology product vendors or service providers
- The majority of respondents to this survey (71.4%) work for companies based in EU Single Market countries/EEA countries<sup>1</sup>



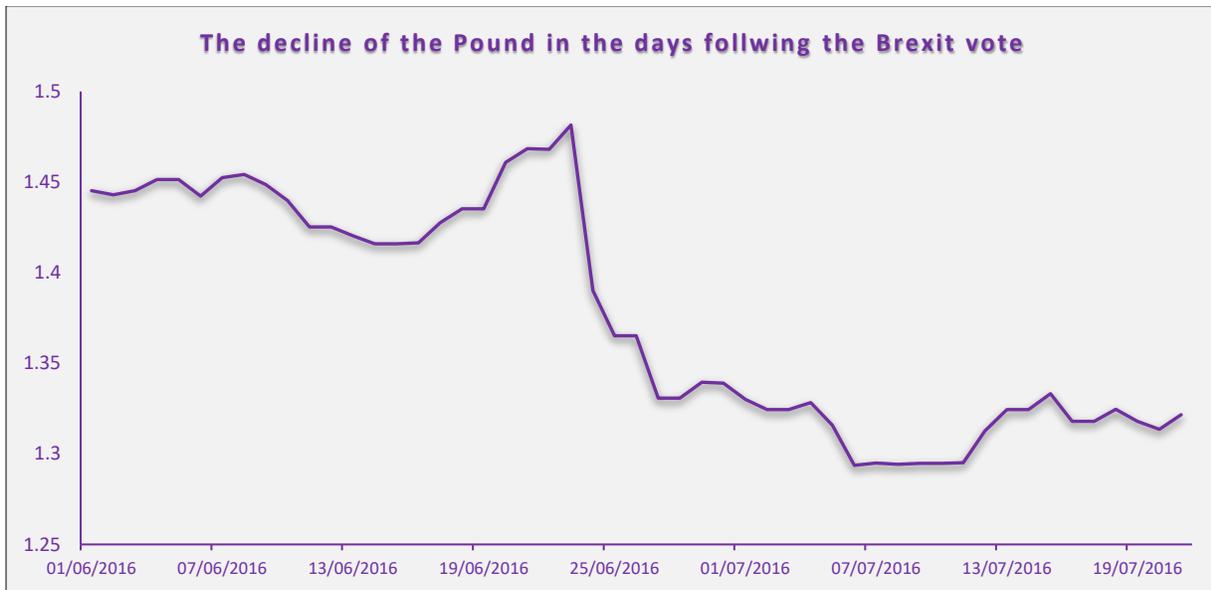
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<sup>1</sup> The European Economic Area (EEA) provides for the free movement of persons, goods, services and capital within the internal market of the European Union (EU) between its 28 member states (includes UK), as well as three of the four member states of the European Free Trade Association (EFTA): Iceland, Liechtenstein and Norway. Switzerland is not part of the EEA but part of the single market thanks to over 120 bilateral trade agreements

## Brexit: What has happened so far?

On Thursday 23 June 2016, the UK decided to leave the EU with the Leave side winning by 52% to 48%.

The public announcement of the vote triggered an immediate sell-off of the Pound (see figure below) in the days following the referendum results. Stock prices plunged to record lows but soon bounced back to previous levels. The volte also gave rise to unprecedented political fallout in the UK.



Source: OANDA

On the morning of Friday 24 June 2016, immediately after the announcement of the referendum outcome, the UK Conservative PM, David Cameron, resigned. Most EU leaders expressed disappointment at UK people's choice to leave the EU but determined to uphold the principle of free movement of people within the union borders at any cost. Scotland's PM, Nicola Sturgeon, raised the prospect of a second Scottish independence referendum as most Scots voted to remain in the EU. Fears of tension in Northern Ireland mounted as Brexit could imply the re-introduction of the old border between Eire (Ireland) and Northern Ireland. Populist political movements gained momentum throughout Europe as an exit of their countries from the EU no longer appeared inconceivable. The immediate political backlash of the referendum was immense.

In the first weeks of post-Brexit Europe, it became clear that the negotiations between Britain and the EU would hinge on two key elements: free trade and immigration. The UK would push for restrictions on immigration from EU countries while the EU would defend one of its founding principles: free movement of people within its borders. All in all, the main theme of the Leave campaign was "take back control". Leavers argued that Britain would prosper outside of the EU as it would regain control over immigration, budget and regulation. Therefore, it became clear that, during the negotiations, Britain would focus its efforts on gaining some control over the number of EU migrants that decide to cross its borders.

Theresa May emerged as Cameron’s Conservative successor about three weeks after the announcement of the referendum result pledging to “make a success” of Brexit. She said that “Brexit means Brexit” to distance herself from the rumours according to which Britain’s political establishment did not intend to follow the people’s mandate.

At the beginning of August 2016, the Bank of England’s monetary policy committee decided to cut interest rates for the first time since the financial crisis. Rates were lowered from 0.5% - the so-called “emergency rate” set in March 2009 – to 0.25% to ease the impact of the economic upheaval caused by Brexit. The base rate cut caused further depreciation in the Pound.

At the end of August 2016, Mrs May confirmed that restricting immigration will be at the heart of the negotiations with the EU. Restrictions on EU immigration to the UK would undermine the opportunity for Britain to remain a full member of the European Economic Area (EEA).



*The UK Prime Minister, Theresa May (left), at the opening Brexit talks with German Chancellor, Angela Merkel (right)*

At the beginning of October 2016, Mrs May announced that the UK government will trigger Article 50 of the Lisbon Treaty by the end of March 2017. This means that formal negotiations with the EU

on an UK exit must be completed by early 2019 unless an extension is agreed. The UK government will introduce a Great Repeal bill in the Queen’s Speech next year. This means that all existing EU laws will be transposed into domestic legislation. The bill, which will take effect when Brexit is completed, will also end the jurisdiction of the European Court of Justice in the UK.

Days after Mrs May’s announcement, the Pound plunged by more than 6% against the US dollar in a matter of minutes. Analysts have tried to explain the plunge in October with a variety of theories – including “fat-finger trade” and automated algorithms – but it is safe to say that it may have been related to a hardening of the UK government position on Brexit.

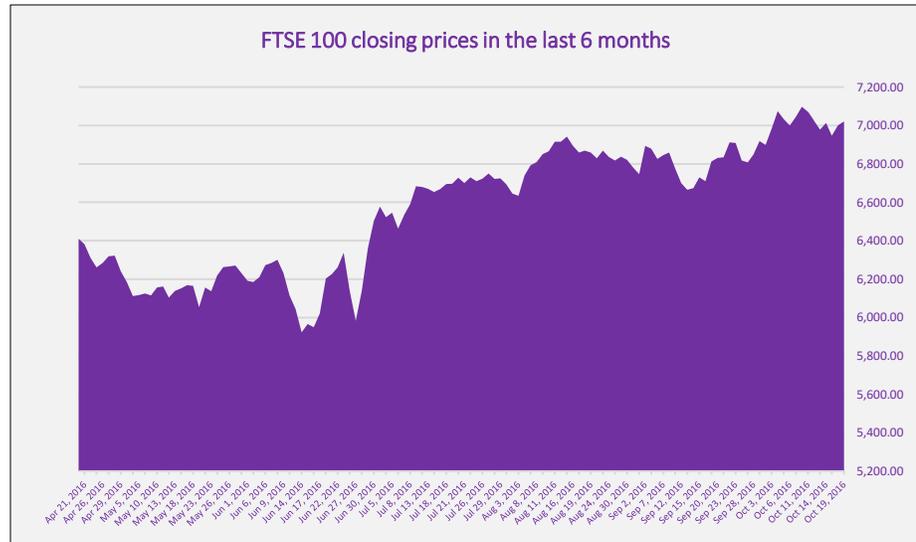
So far, the economic effects of Brexit on Britain’s economy have not been particularly pronounced – the same can be said about the EU’s. Uncertainty is playing a role in shaping firms’ decisions such as investing in a new product launches or recruiting new talent. However, the real impact of this event has been minimal compared to the economic forecasts made before the referendum. Two real economic consequences of Brexit have been the depreciation of the Pound and the base rate cut by the Bank of England. These have already influenced both companies and banks’ decisions. The decline in the Pound and the rate cut have produced a 3.4% increase in inflation expectations for the next ten years. The FTSE

100, which is mostly made up by large companies operating internationally, has climbed to record highs as a result of the Pound depreciation - see chart.

The long-term effects of Brexit are likely to be more pronounced if free trade between the UK and the EU is limited in some way. Given the UK government's determinedness to

restrict EU immigration, it is safe to assume that free trade may be limited in some way. A restriction to current trade agreements would undoubtedly represent a blow for the British economy.

In the next section, we examine the links between Brexit and the broadcast and media industry.



Source: Yahoo Finance

# What Does Brexit Mean for the Broadcast and Media Industry?

Brexit is indeed a global issue. In the increasingly globalized world we live in today, it would be short-sighted to say that Brexit is irrelevant to companies based in countries other than the UK or EU members. Certainly, the size of the Brexit-related effects varies from country to country and the impact of this referendum on the UK and Europe will be greater. Nonetheless, foreign companies with some sort of interest in the EU market – they might export/import in/from the UK or EU and/or have offices or subsidiaries in the region – are worried about a change in trade relationships between the UK and the EU. It is therefore the objective of this survey to assess the likely impact of Brexit on the global broadcast and media industry with a focus on the UK and Europe.

This section aims at setting out the possible effects of Brexit on the broadcast and media industry. We will first examine the likely impact of the referendum on the suppliers of broadcast and media technology’s business and then move onto the customers’ business.



## Broadcast and Media Technology Suppliers

The broadcast and media technology sector is a global vertical as most of suppliers in this industry have a geographically diverse customer base. The largest non-EU companies in the sector have a geographical presence in the European market (with offices in the UK or continental Europe) whereas the smallest have a network of third party resellers, service providers or system integrators they use to reach the European region.

The introduction of tariff and/or non-tariff barriers to trade of broadcast and media technology hardware equipment, software and/or services would have an impact on these companies’ trade channels strategies. For example, a US company with offices in the UK may decide to open a new office in Europe to be able to reach both the UK and the EU without incurring any trade costs. It would however have to invest in a new facility, set-up costs for the new office and relocate personnel to a new country. The short-term cost would therefore be quite high with some companies likely to consider alternative strategies.

Aside from the considerations on trade channels, the global broadcast and media technology supply chain is also highly affected by exchange rate movements. The latest edition of the IABM DC Global Market Valuation & Strategy Report (GMVR) has shown that currency fluctuations played an important

role in shaping the final results of the report. The depreciation of the British Pound vis-à-vis the US Dollar and the Euro will certainly continue to influence revenues and profits of both exporters and importers. For example, a European broadcast and media technology supplier exporting a relevant share of its products to UK customers would suffer from continued depreciation of the British Pound vis-à-vis the Euro as this would mean lower revenues in Euros. A UK supplier sourcing components from the US market would experience a substantial rise in costs in the case of a continued depreciation of the British Pound vis-à-vis the US Dollar. These effects have started to come into play since the day after the referendum and the following steep depreciation in the Pound. As far as the Euro is concerned, the common currency might continue to depreciate vis-à-vis the US Dollar as a result of the relative weakness of the EU economy - exacerbated by Brexit – compared to the US economy. This carries implications for companies trading between the US and EU.

Also, demand from broadcast and media technology customers such as broadcasters and content aggregators could be lower as a result of uncertainty or lower customer revenues. We discuss the impact of Brexit on customers’ businesses in the next chapter.

## **Broadcast and Media Technology Customers**

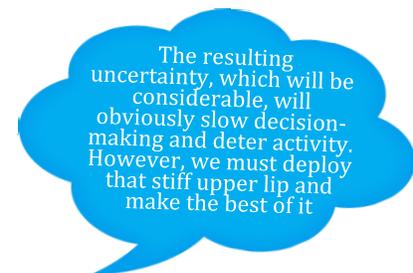
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Broadcast and media technology customers are broadcasters and other users of professional broadcast and media technology products and services.

Traditional media organizations typically fund their businesses through advertising, subscriptions and/or licence fees. In particular, Brexit has put a big question mark on advertising funding as evidence demonstrates that advertising revenues are correlated with general economic conditions. More specifically, advertisers are inclined to cut back on advertising spending in difficult times. Subscriptions and licence fees can be also influenced by the state of the economy to the extent to which government and subscribers decide to cut back on their media and entertainment spending.

As far as advertising is concerned, Sir Martin Sorrell, CEO of WPP, the world’s largest marketing and communications agency, said that the vote for Brexit was “not good news”. He also said:

*“The resulting uncertainty, which will be considerable, will obviously slow decision-making and deter activity. However, we must deploy that stiff upper lip and make the best of it”*



*Sir Martin Sorrell, CEO of WPP, on Brexit*

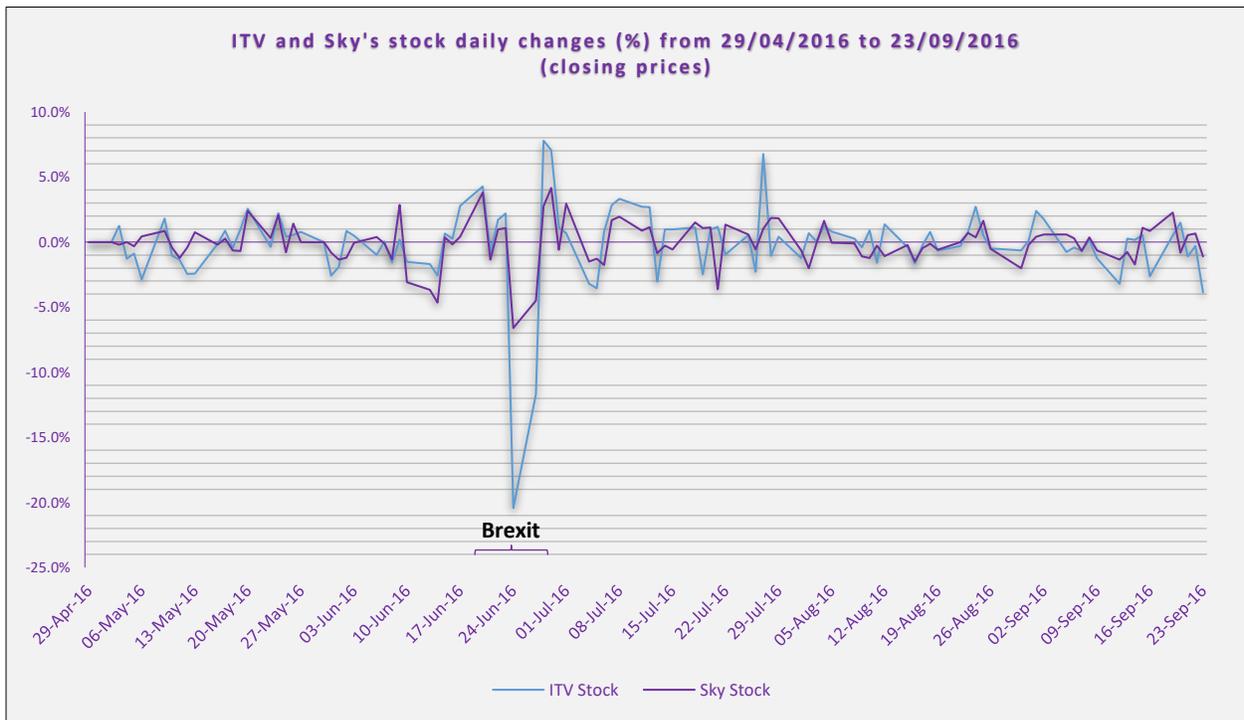
If we look at what has actually happened to media organizations after the Brexit vote, most of the fallout from Brexit has hit UK public media organizations in the form of declined stock prices. However,

most of these organizations have recovered from the initial declines in stock prices and been resilient from then on.

ITV, one of the UK’s leading broadcasters, was the principal target of media stock sellers after the referendum result was announced. Other companies such as Sky plc also lost some ground although a dependency on advertising revenues was deemed as more of a vulnerability to Brexit compared to a dependency on subscription revenues.

An analysis of ITV and Sky’s most recent filings show that investors’ fears may have been exaggerated, but not wrong. ITV reported flat advertising revenues between H1 2015 and H1 2016 and stated that “advertising categories such as Retail and Finance have seen declines with supermarkets and traditional banking decreasing spend across the first half of 2016”. As far as Sky is concerned, annual figures to June 2016 showed that the number of subscribers in the UK and Ireland actually grew by 4%.

A comparison of ITV and Sky’s stock daily changes in the period before and after the referendum result was announced corroborates the theory according to which investors turned their spotlight onto the commercial broadcaster after Thursday 23 June 2016. ITV’s stock price declined by -20.4% between Thursday 23 June and Friday 24 June 2016 – wiping £1bn off its market capitalization - while Sky’s stock declined by “only” -6.6%.



Source: Yahoo Finance

ITV’s stock price recovered part of its losses in the following months with a better than average performance. This was mostly due to the strong prospects of its production arm ITV Studios – although ad revenues still account for over half ITV’s revenues. The chart above also shows that both the

companies' stock prices have been relatively stable from mid-July onwards. This is indicative of an exaggeration of industry fears in the few days following the referendum result.

The CEO of Liberty Global, Mike Fries, told the FT before the referendum that its company was likely to hold back its plans to further invest in the UK in the case of a Leave vote – Liberty Global is the parent of Virgin Media in the UK. After the announcement of the vote, he dismissed its previous statements saying that its company was still committed to investing in the UK.

Many pro-Remain multinational companies based in the UK have stated that they plan to move some of their offices from the UK to continental Europe or Ireland. However, no relevant changes to these companies' location strategies have happened yet. Some changes may happen in the future in the case of trade and/or immigration restrictions between the UK and the EU.

As far as the UK production sector is concerned, Brexit has created a sense of fear that barriers to trade and the absence of EU media funding might undermine UK production activity in the future. The UK production sector exports an annual £376m of content to European broadcasters. Funding for a plethora of British content production projects has been provided by the EU's Media Desk – for example, Sky's drama "The Last Panthers" received £770,000 from it – with specific content genres such as children's programs and drama particularly benefiting from EU's financial aid. Michael Ryan, chairman of the Independent Film and Television Alliance (IFTA), said of the Brexit vote:



Producing films and television programs is a very expensive and very risky business and certainty about the rules affecting the business is a must

*"The decision to exit the European Union is a major blow to the UK film and TV industry. Producing films and television programs is a very expensive and very risky business and certainty about the rules affecting the business is a must.*

*"As of today, we no longer know how our relationships with co-producers, financiers and distributors will work, whether new taxes will be dropped on our activities in the rest of Europe, or how production financing is going to be raised without any input from European funding agencies"*



Michael Ryan, chairman of IFTA, on Brexit

It is interesting to note how some industry experts highlight that good content is not a "common" occurrence but rather a "rare" one. It is safe to say that if the quality of your content is high enough, customers will still knock at your door despite the trade barriers. However, some promising production projects may not see the light if the funding were to cease.

## **Trade Relationships: Possible Scenarios in a Post-Brexit World**

As mentioned earlier, the main theme of the Leave referendum campaign was “take back control”. Towards the end of the campaign, it became clear that the focus of this sentence was on taking back control of the UK’s national borders to restrict immigration from EU countries. It is not the objective of this report to thoroughly discuss the political facets of the Leave campaign but it is useful to mention the focus on restricting immigration from the EU because this has created a precise mandate to be considered in the Brexit negotiations.

In fact, free movement of people within EU borders is one of the pillars of the EU single market. Even countries that are not EU members such as Norway accept it in order to take advantage of the benefits of the free economic area. With restrictions on immigration from EU countries, this principle would be violated with expected consequences on the trade relationships between the EU and the UK.

The UK government has highlighted that a British exit from the free trade zone would be damaging for both the UK and the EU. In September 2016, the UK PM said:

*"I think a good deal for the UK can also be a good deal for the other member states because I believe in good trading relations and I want the UK to be a global leader in free trade."*

However, it is highly unlikely that Britain will get what it wants without suffering restrictions on the free trade agreements currently in place. It is more likely that UK and EU negotiators will find a compromise between the mandate given to the UK negotiators by the British people and the EU’s willingness to preserve its principle of the free movement of people. EU leaders fear that allowing Britain to restrict immigration from the bloc without limiting its access to the single market area would set a precedent and prompt other countries to leave the union.

The worst case scenario where no deal is reached is highly unlikely as it would be too damaging for both parties. For the UK, the final balance between immigration and free trade concerns is dependent on a plethora of factors and impossible to predict at the moment.

This section aims at assessing broadcast and media professionals’ views on the likely outcome of the negotiations, how trade restrictions would influence their companies and if their organizations are making any strategic plans to respond to any possible change in trade relationships between the UK and the EU.

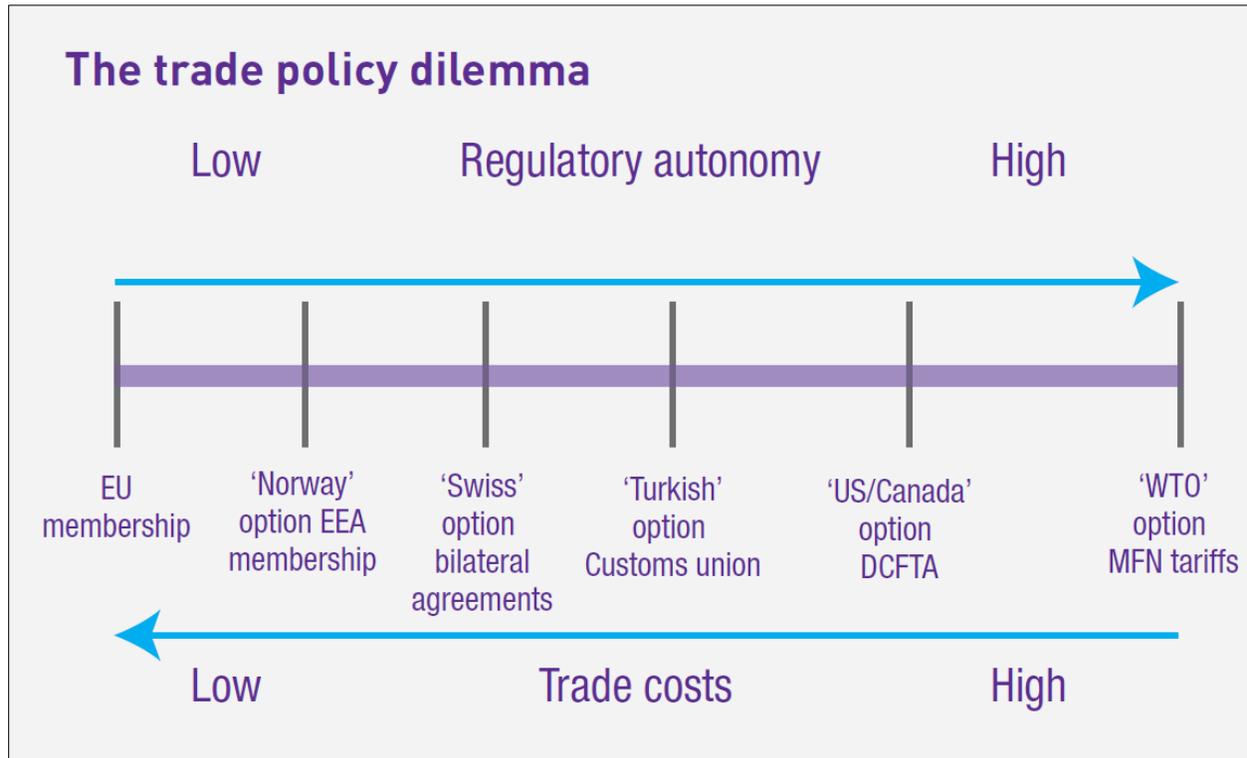
### **Trade Scenarios**

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It is important to remember that, as mentioned earlier, post-Brexit trade relationships between the UK and the EU may take various forms. In the negotiations, there will be a trade-off between policy independence and trade costs. In fact, the trade models guaranteeing the most control over budget, regulation and immigration also impose some kind of tariff and non-tariff barriers to trade.

The figure below (from the NFU), well captures the “dilemma” facing UK negotiators. This model has been built from a UK perspective although it can easily be applied to the EU’s. In fact, for the EU, the trade-off is between defending the free movement of people principle and trade costs.

The role of the negotiators will be about narrowing the differences and stressing the common ground in order to achieve the optimal outcome.



Source: NFU

Below, we briefly present the trade models considered in the figure above:

1. **EU Membership:** In this scenario, the UK would not follow the mandate of the British people and remain a member of the European Union. This is nearly impossible as Theresa May, the UK’s new PM, has declared that: “Brexit means Brexit”
2. **‘Norway’ option, EEA membership:** In this scenario, the UK would exit the EU but remain a member of the European Economic Area (EEA)/single market. To remain part of the single market, the UK would still make a contribution to the EU budget, accept free movement of people and EU regulation – the things contested by the Leave campaign
3. **‘Swiss’ option, bilateral agreements:** Switzerland is not part of the EEA and is not an EU member. However, over 120 bilateral agreements have been negotiated between the EU and Switzerland to guarantee free trade between the two parties. The Swiss people voted in a referendum in February 2014 to introduce immigration quotas. If these are actually implemented by the Swiss government, the validity of the bilateral agreements would terminate

4. **‘Turkish’ option, customs union:** The EU and Turkey have been commercially linked by a Customs Union Agreement since 1995. This trade agreement makes sure that all industrial goods can travel between the EU and Turkey without any customs restrictions (common external tariffs apply) but does not cover agriculture, services or public procurement
5. **‘US/Canada option, DCFTA:** The EU is currently negotiating trade agreements with both Canada and the US. The negotiations for Transatlantic Trade and Investment Partnership (TTIP) with the US have fallen out as a result of increased disagreement over some of the terms between the EU and US negotiators. The EU has also been negotiating a free trade agreement with Canada – Comprehensive Economic and Trade Agreement (Ceta) – for over seven years. This would eliminate most trade tariffs for Canadian exporters who would effectively have access to the single market incurring only minor non-tariff barriers. However, some goods and services are not covered by this deal. The “Ceta” model may therefore not cover key UK sectors such as financial services
6. **‘WTO’ option, MFN tariffs:** If no deal is struck before Brexit comes into effect, Britain and the EU might continue to trade under WTO rules. Tariffs and non-tariffs barriers would consequently apply

We asked respondents to our survey what kind of deal the UK is likely to strike at the end of the Brexit negotiations with the EU. This question was only asked to respondents working for companies with HQs in the EU or with some investment in the UK.

In our survey, we decided to give respondents three options:

- **Norwegian-style deal:** represents the situation described in scenario 2
- **Hybrid deal:** to avoid complexities, we summarized scenarios 3, 4 and 5 in a unique scenario
- **No deal/WTO rules:** represents the situation described in scenario 6

We decided not to include scenario 1 (EU Membership) as we do not consider it a possible outcome of the negotiations. This question was asked only to participants who work for companies based in a single market country or with an interest in the UK (branch offices and/or subsidiaries). Results for this question are shown in the chart below:

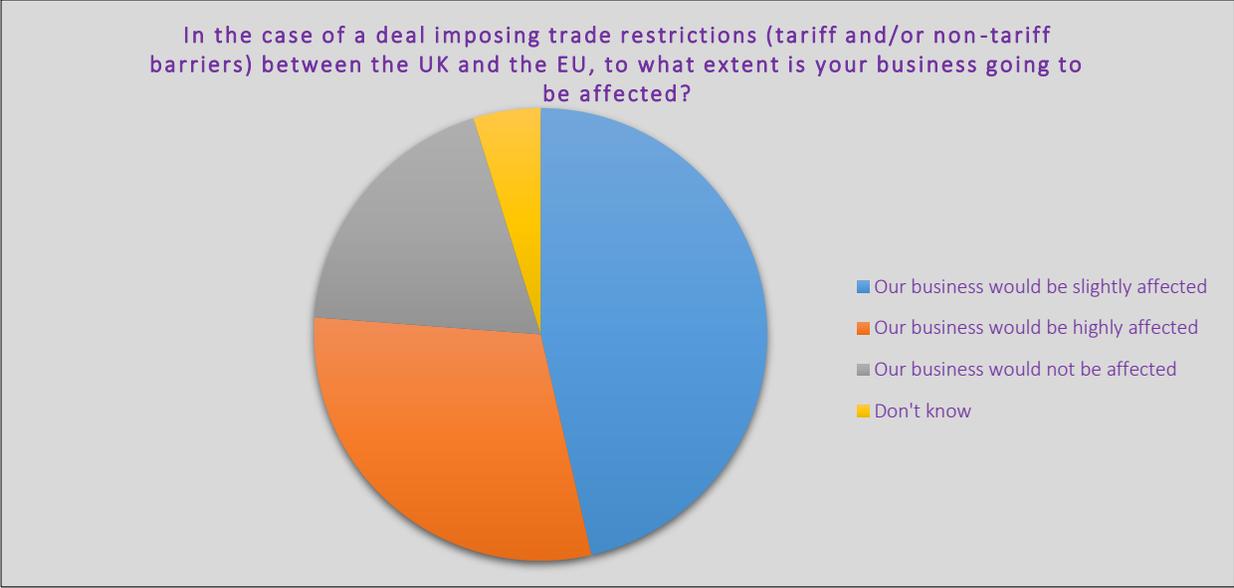


As expected, most respondents (65%) favoured a hybrid deal with 14% opting for a WTO scenario and only 6% choosing the Norwegian-style option. 15% of respondents answered “don’t know” to this question.

It is not surprising that the majority of respondents view a hybrid deal as the most likely given the various interests governing the fate of the negotiations. These results show that most respondents (79%) think that there will be some changes to the existing trade arrangements.

### Trade Restrictions Vulnerability & Strategic Planning

Different broadcast and media companies vary in terms of their vulnerability to possible trade restrictions. For example, a UK supplier of broadcast and media technology hardware equipment and software whose customer base is mostly from continental Europe is likely to be more hit by trade restrictions than a similar business with an American customer base. The previous chapter has showed that most respondents think that some sort of trade restrictions will be imposed after the negotiations but what is most relevant to them is the extent to which they will be affected by these restrictions. We asked respondents this in the following question, the results of which are shown below:

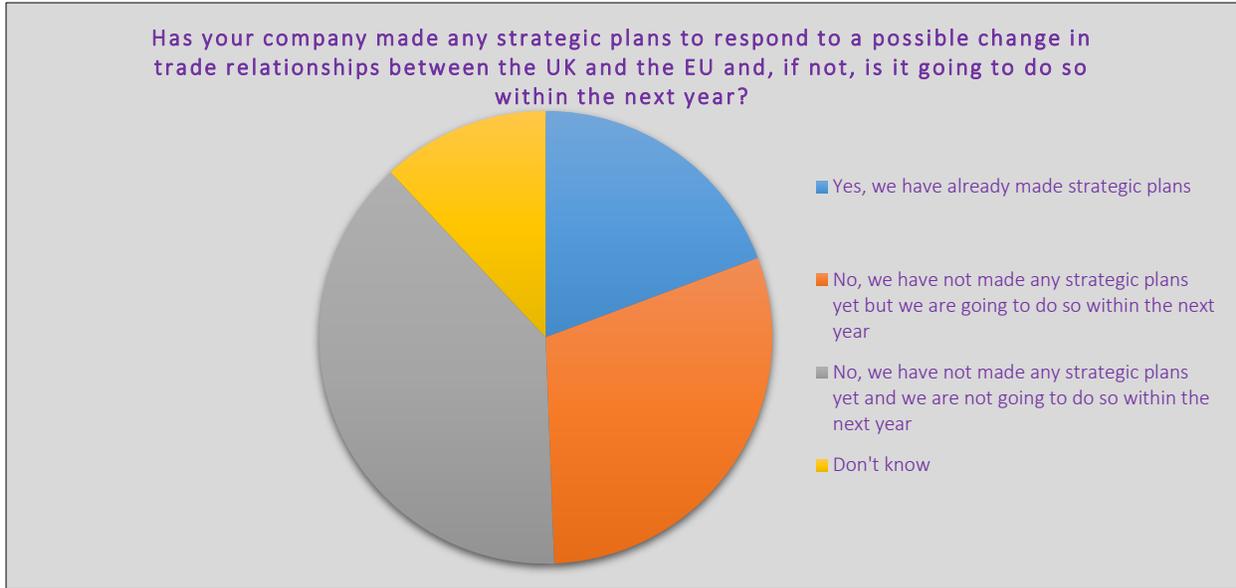


Most respondents (46%) said that their companies would be slightly affected by trade restrictions with 30% saying they would be highly affected. 19% said that their companies would not be affected by trade restrictions with 5% answering “don’t know”.

Therefore, 76% said that their companies would be in some way affected by trade restrictions. This is not surprising as tariff and/or non-tariff barriers would be damaging for broadcast and media technology trade between UK and the EU. Anecdotal feedback shows that some EU suppliers are heavily dependent on UK customers.

In the following question, we asked respondents if they had already made any strategic plans to respond to any possible change in trade relationships between the UK and the EU and, if not, if they were going to make such plans within the next year.

The results of this question are shown below:



It is interesting to see that despite a 76% saying that their companies would be affected by some sort of trade restrictions between the UK and the EU, only 49% have already made strategic plans or intend to do so within the next year. 39% said that their companies have not made any strategic plans do not intend to do so within the next year with 12% answering “don’t know”.

## Impact on Investment

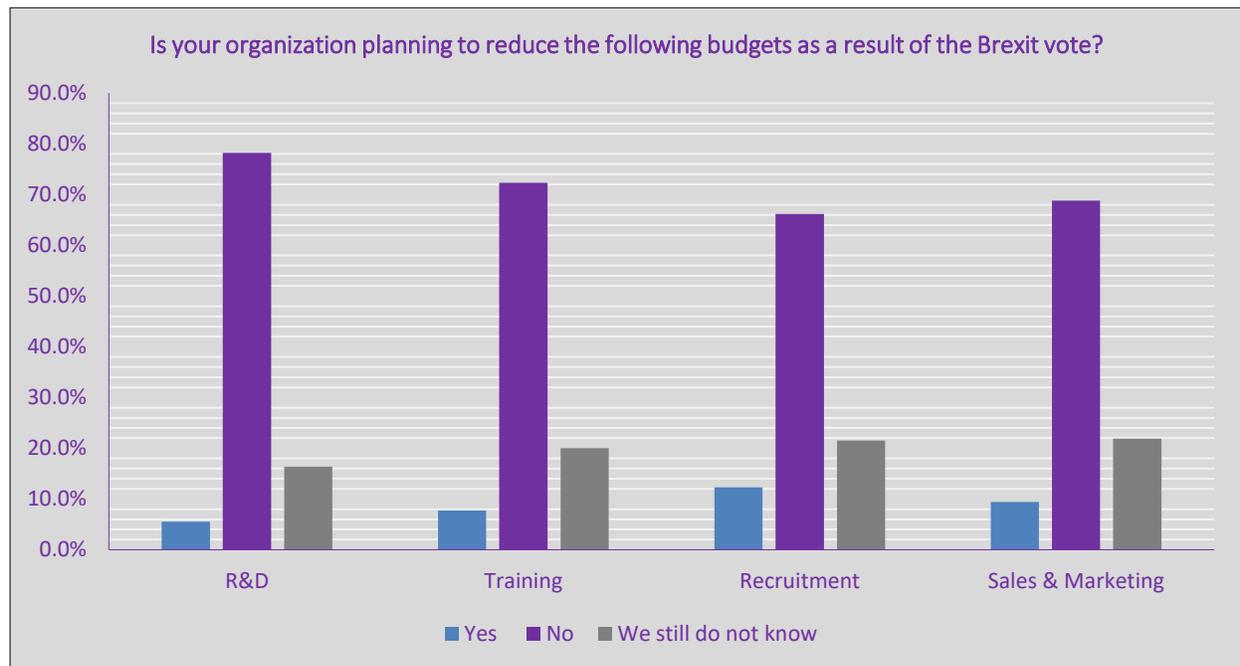
Brexit has already had an impact on some companies’ budgetary decisions such as investing on R&D, recruitment or broadcast and media technology. Some companies have also declared that they might move their offices to continental Europe or Ireland in case trade and/or immigration restrictions are introduced at the end of the negotiations.

This section aims at assessing companies’ investment plans following the UK’s decision to leave the European Union.

### Brexit Impact on Budgets: R&D, Training, Recruitment, Sales & Marketing

Brexit has already had some effects on some companies’ budgetary decisions. For instance, data from Adzuna, a job-search website, showed that one-quarter fewer jobs were advertised in the week following the Brexit vote.

In this chapter, we aim at assessing if this is true for broadcast and media companies. We asked respondents if their organizations were planning to reduce some of their key budgets as a result of the Brexit vote. The results for this question are shown below:



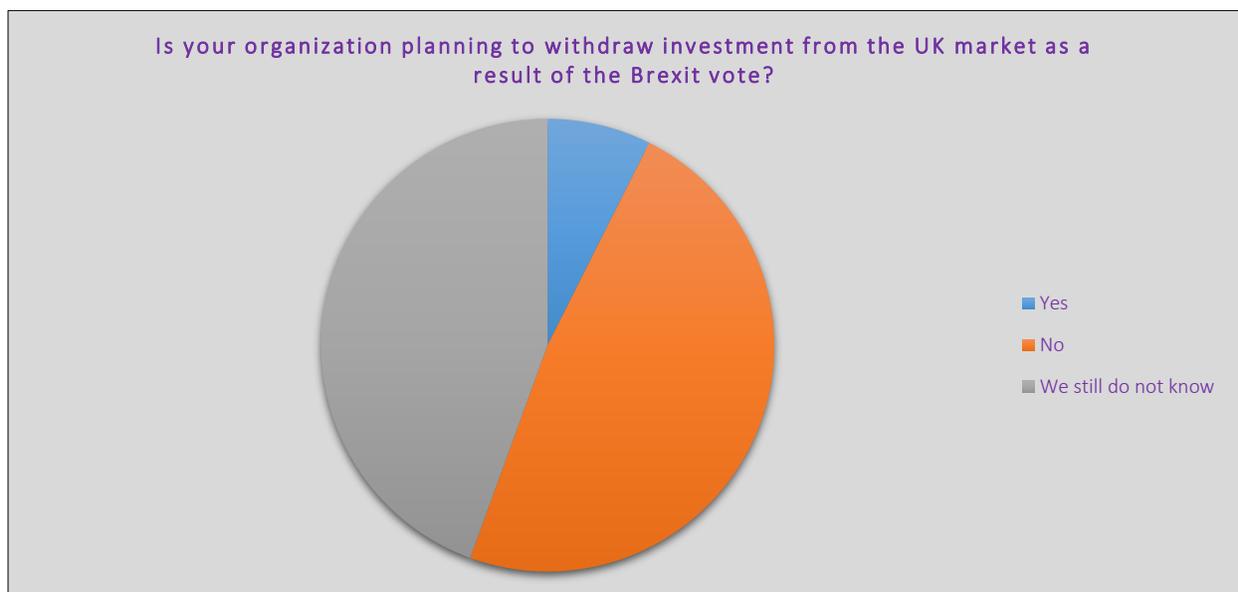
The chart above shows that most companies do not plan to reduce any of their budgets as a result of the Brexit vote. The R&D budget is the least likely to be reduced whereas the Recruitment budget is the most likely to be reduced. Companies may curb recruitment “to save for a rainy day”, as they do not know the trade environment in which they are going to operate in the future. However, they still need

to invest in R&D to keep up with the technological requirements of the ever-changing broadcast and media industry.

## Brexit Impact on Foreign Investment in the UK

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Many multinational companies set up an office in the UK as a gateway to the European market. With Brexit and the possible introduction of trade and/or immigration restrictions, these plans might be jeopardised with some of them deciding to withdraw their investments from the UK. In the second question in this section, we asked respondents working for companies with investments (branch offices and/or subsidiaries) in the UK if they were planning to withdraw them as a result of the vote. The results for this question are shown below:



48% of respondents said that their companies do not plan to withdraw their investments from the UK as a result of the Brexit vote with 7% saying that they plan to do so. 44% answered “we still do not know” to this question.

These results show that broadcast and media companies are still in a “wait and see” approach as most of them do not plan to move their investments out of the UK or still do not know. It is still interesting to note that 7% of respondents to this question say that their companies are currently planning to move their investments out of the UK.

## Broadcast and Media Technology Investment

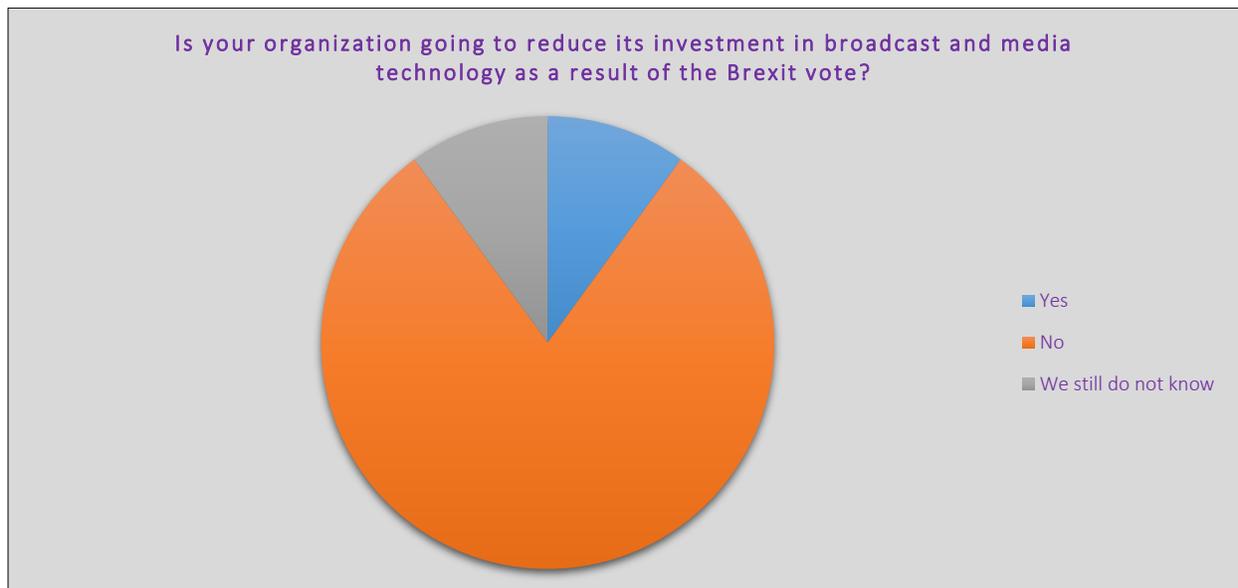
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As we mentioned in an earlier section, broadcast and media technology end-users’ revenue sources might be under pressure as a result of the Brexit vote. This particularly applies to media organizations overly reliant on advertising revenues. Broadcast and media technology service providers also invest in broadcast and media technology products and services. For example, outside broadcast service

providers invest in broadcast and media technology software and hardware to equip their fleets while OTT platforms rely on CDNs for their solutions.

Some end-user companies might respond to potentially declining revenues with a reduction in their investment. If they decide that broadcast and media technology investment is the one to cut back, suppliers are left with a lower demand.

We asked end-user organizations if they planned to reduce their broadcast and media technology investment as a result of the Brexit vote. This question was not asked to broadcast and media technology product vendors. The results are shown below:



An overwhelming majority (80%) said that their organizations are not going to reduce their investment in broadcast and media technology as a result of the Brexit vote. 10% said that they are whereas another 10% said that they still do not know.

These results show that broadcast and media technology investment is considered critical to media organizations' future success. Therefore, it is not likely to be reduced.

### Exchange Rates' Effects on Ability to Invest

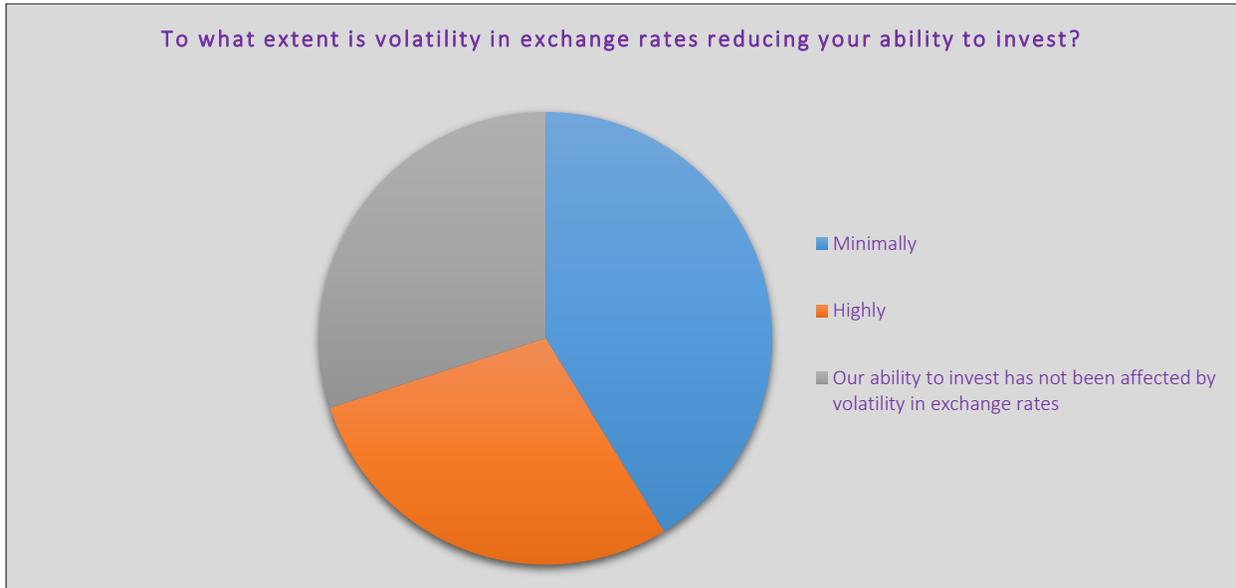
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The plunge in the Pound following the Brexit vote may have contributed to harming companies' incentives to invest. In a sector with typically longer sales cycles such as broadcast and media technology, the effects of exchange rate volatility on a company's commitment to investing may be stronger.

A UK broadcaster looking to buy broadcast and media technology equipment from a foreign vendor for its new studio may cancel to or delay its purchase due to exchange rate volatility. In fact, a drop in the value of the Pound would increase the final price at the time of payment. A UK supplier may decide to

buy less components and reduce its inventory in order to avoid paying higher prices due to a drop in the value of the Pound. Excessive movements in exchange rates may deter companies from making investment decisions they would otherwise make.

We asked respondents to what extent their ability to invest is harmed by the volatility in exchange rates. The results for this question are given below:



41% of respondents said that their companies' ability to invest is being minimally affected by exchange rate volatility with 29% saying that it is being highly affected. 30% said that their companies' ability to invest is not affected by exchange rates volatility.

These results demonstrate that for 70% of research participants exchange rate volatility contributes to reducing investment incentives.

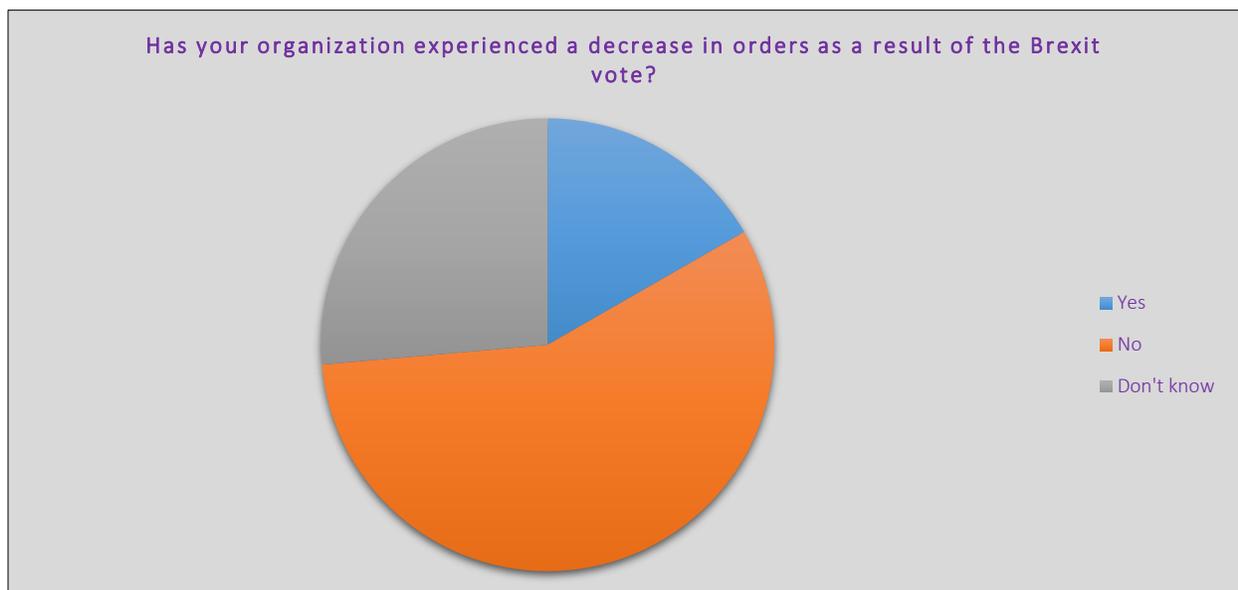
## Financial Effects: Orders, Stock Prices, Revenues & Costs

Brexit initially caused chaos in financial markets, triggering a decline in stock prices and a plunge in the value of the British Pound. As we have shown earlier, the reaction of the financial markets was exaggerated and stocks recovered from their losses in the weeks following the referendum. The British Pound recovered as well but it is still less valuable than it was before the referendum. Some broadcast and media technology suppliers also experienced a decrease/delay in orders as a result of the Brexit vote.

The effects of these events on companies' finances are the subject of this section. We aim at assessing the impact of various financial phenomena on our respondents' businesses.

### Broadcast and Media Technology Orders

In the first question, we asked broadcast and media technology suppliers if they had experienced a decrease in broadcast and media technology orders as a result of the Brexit vote. The results for this question can be read together with the results of the question in the previous section on broadcast and media technology investment by end-users. The results for this question are shown below:



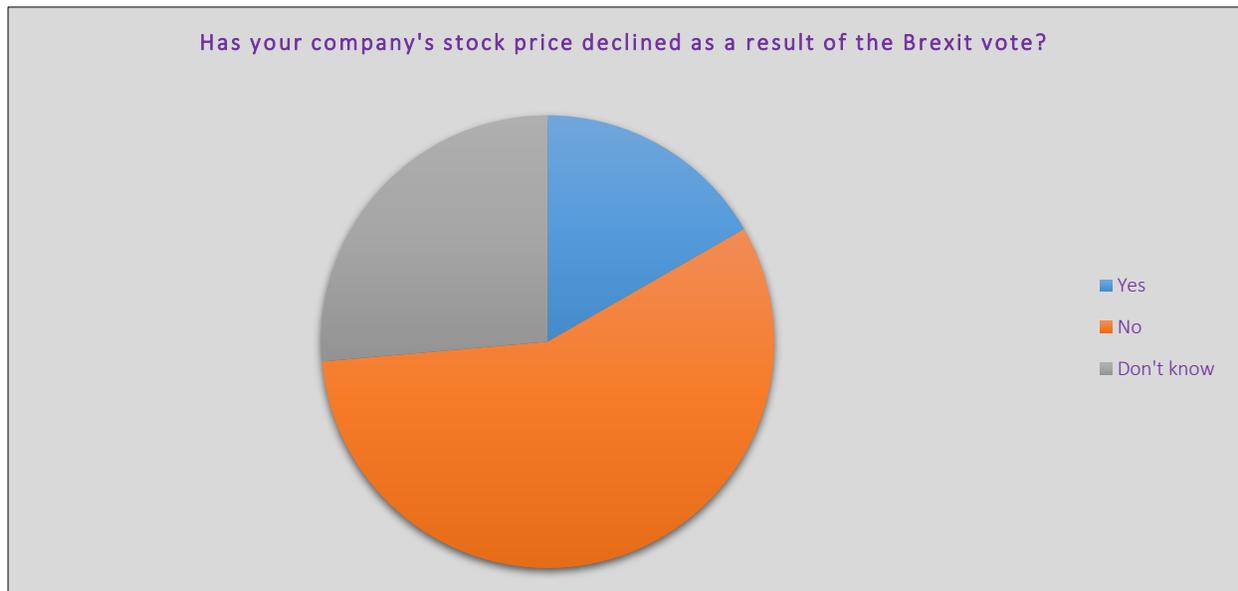
57% of respondents said that their organizations did not experience any decrease in orders as a result of the Brexit vote while 17% said that they did. Some respondents highlighted that their organizations often experienced delays associated with Brexit rather than decreases. 26% of respondents answered "don't know" to this question.

It is understandably difficult for research participants to establish any causality between Brexit and decreases in orders their organizations might have experienced. However, it useful to see that almost a fifth of them think that these are related in some way.

## Stock Prices

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In the following question we asked publicly listed broadcast and media organizations if their companies' stocks experienced a decline as a result of the Brexit vote. In a previous section, we have shown that ITV and Sky's stock prices declined as a result of the Brexit vote although they have been stable from then onwards. It is important to remember that a company's stock price is representative of the current valuation and future prospects of that company. The results are given below:



57% said that their companies' stock prices did not decline as a result of the Brexit vote with 17% saying it did. 26% answered "don't know" to this question.

The results for this question show that most companies did not experience any decline in their stock prices following the Brexit vote.

## Exchange Rates' Effects on Revenues and Profits

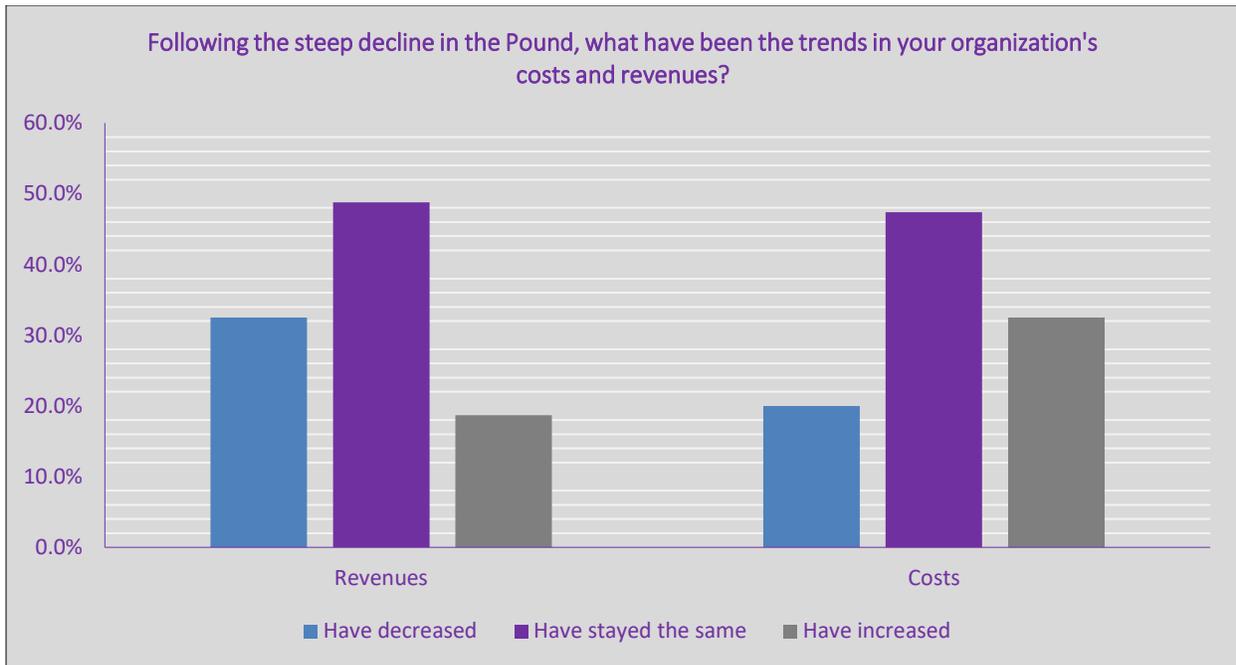
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In the previous section, we have shown how exchange rate volatility is harming the ability of companies to invest. This chapter focuses on the real effects of post-Brexit exchange rate volatility on companies' accounts.

The steep decline in the Pound following the vote boosted revenues for UK-based net exporters and produced a rise in costs for UK-based net importers. Companies with Euro-denominated accounts that are net exporters to the UK market experienced a decrease in revenues instead. The final effect on accounts depended on the import/export balance for companies with Pound-denominated accounts and on the import/export balance with the UK for companies with Euro-denominated accounts.

We asked research participants what were the trends in their companies' revenues and costs following the steep decline in the Pound. This question was only asked to respondents working for companies

based in the UK or with investments in the UK and to companies that export/import to/from the UK. The results are given in the chart below:



Most companies did not experience any revenue (49%) or cost (47%) change. However, more companies have experienced revenue decreases than revenue increases and more companies have experienced cost increases than cost decreases. This is indicative of a worse situation in terms of finances for a relevant share of companies participating to this survey.

## Impact on Broadcast & Media Skills Shortages in the UK

As we highlighted in the section on trade relationships, Brexit poses the threat of possible restrictions on EU immigration. In an industry such as broadcast and media technology, this may exacerbate skill shortages of talented EU graduates and experienced professionals looking to work in the UK.

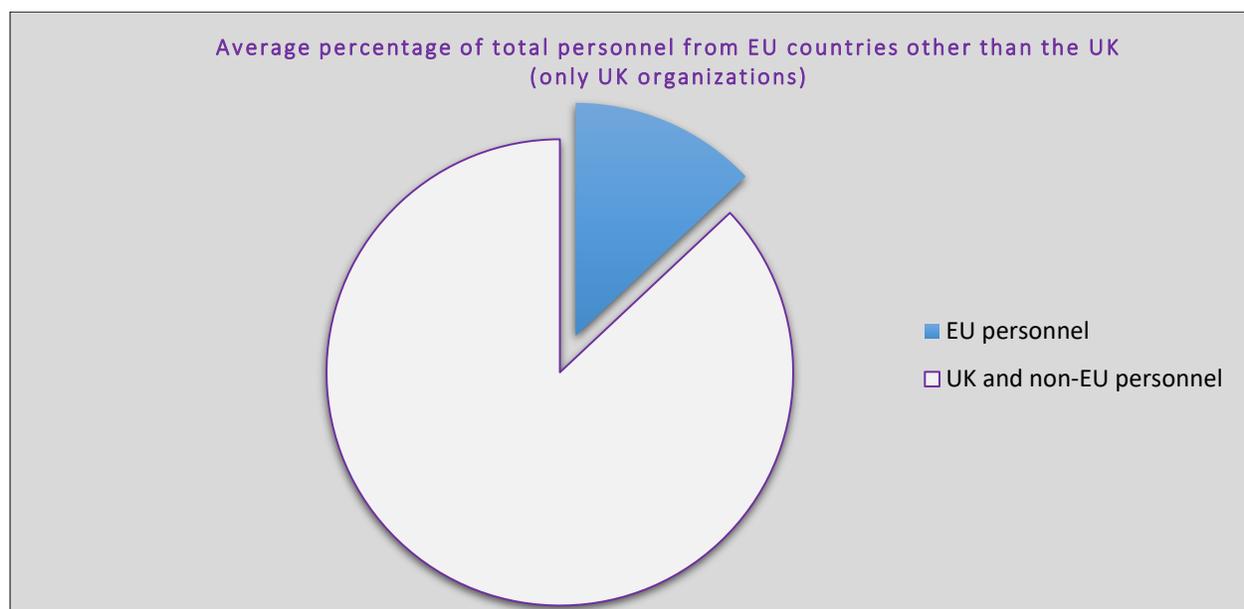
Many Brexit supporters advocated the use of an Australian points-based immigration system during the referendum campaign. This system is already applied in the UK to non-EU immigrants and essentially classifies new entrants on the basis of their skills. More specifically, immigrants are divided into four groups on the basis of their skills (e.g. Tier 1 includes exceptionally skilled immigrants) and a certain number of them (e.g. Tier 1 immigration cap is 1,000 per year) are admitted to the country if they match specific requirements (e.g. Tier 2 immigrants need to have a job offer in order to apply for a visa) and score enough points – the score is based on a variety of criteria such as knowledge of the English language.

Mrs May rejected the possibility of applying this system to immigrants from the EU, suggesting that a softer system might be used. Many sources suggest that British negotiators would aim at striking a deal that would grant the UK the possibility of using an “emergency brake” to curb sudden surges in immigration. However, at the moment, too little is known to make a meaningful judgement.

This section aims at assessing the dependency of UK organizations on EU personnel and how they see their skills shortages if immigration controls are imposed.

### Dependency on EU Personnel

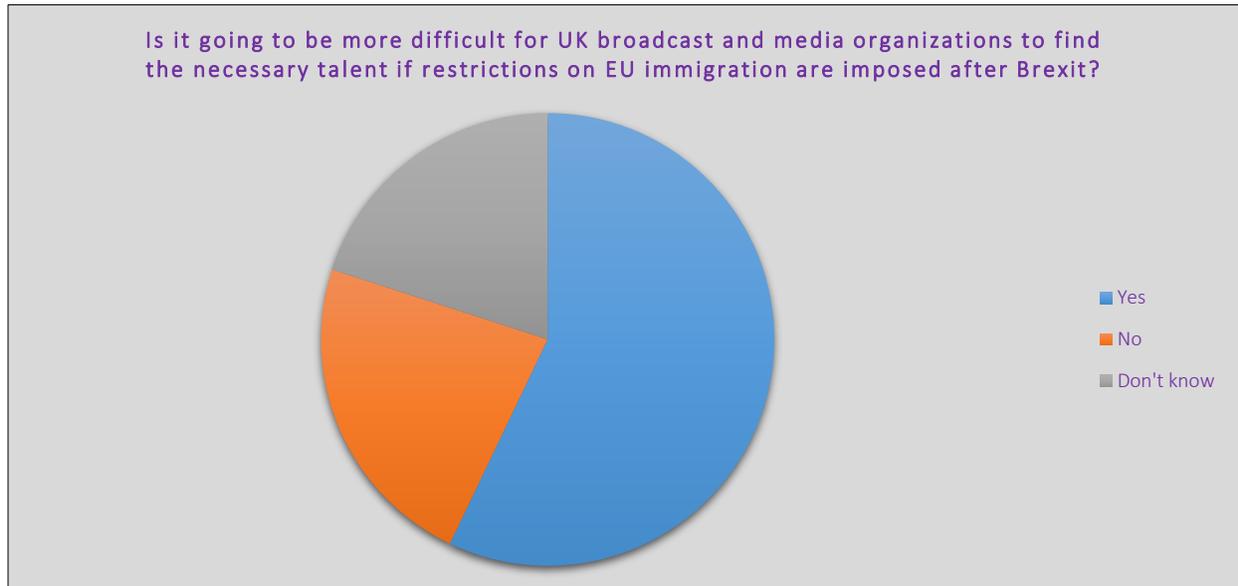
We first asked UK-based respondents what percentage of their organization’s personnel are from EU countries other than the UK. The results of this question are given below:



On average, 13% of UK-based organizations' personnel is from EU countries other than the UK.

## Recruitment of EU Personnel

We also asked respondents if it is going to be more difficult for UK broadcast organizations to find the necessary talent if restrictions on EU immigration are imposed after Brexit. The results are given below:



57% said that restrictions on EU immigration after Brexit would exacerbate skills shortages and make talent hunting more difficult. 23% said that it won't be more difficult to find talent if restrictions are imposed and 20% answered "don't know" to this question.

Some respondents lamented the fact that recruitment for certain job roles is mainly done in continental Europe and it would be difficult to draw from the same pool if immigration restrictions are introduced. These respondents are worried about the possible increase in the costs of sourcing employees from the EU. People who answered "No" to this question seem confident that skilled candidates will still be allowed to work in the UK despite the immigration restrictions.

In conclusion, most respondents are worried about the impact of possible immigration restrictions on the UK broadcast and media skills shortages. It is too early to tell how the negotiations will pan out – with regards to this, it is not surprising to see 20% answering "don't know" – but it is still useful to appreciate what broadcast and media organizations' opinions are on this.

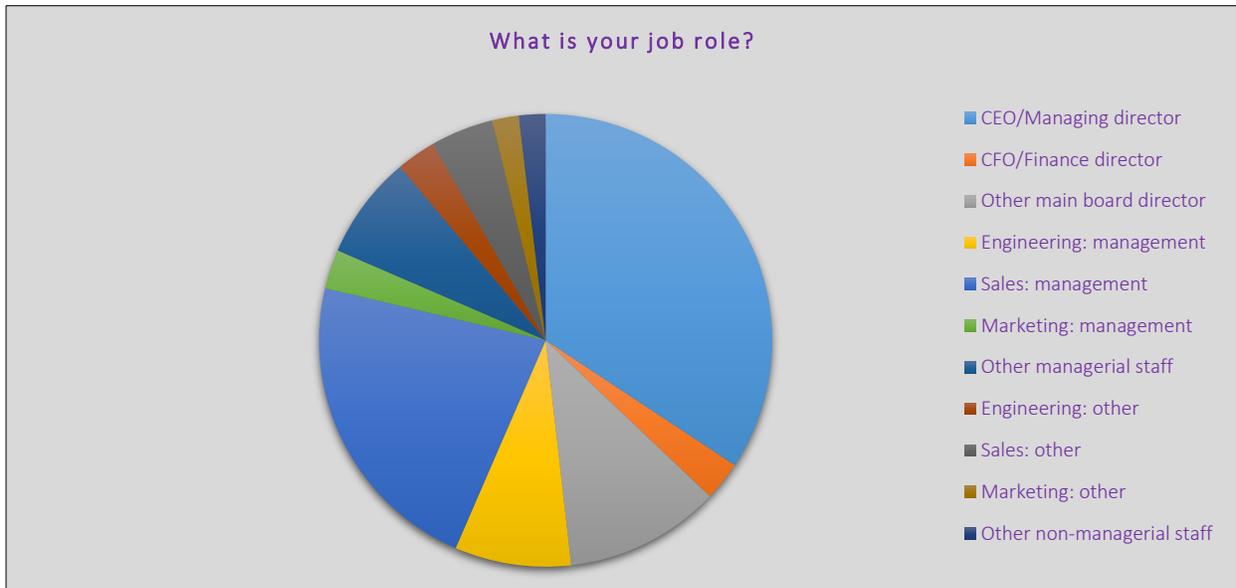


# Appendix

## Respondent demographics

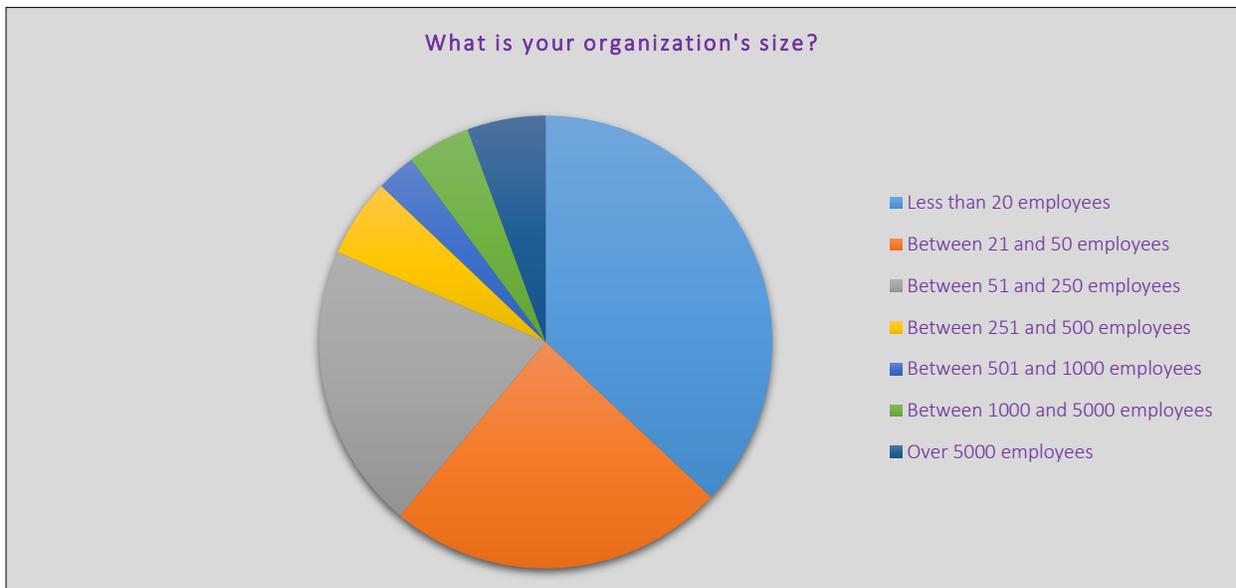
Below we provide a more detailed account of the characteristics of the sample for this report:

### Job Roles



Most respondents in the sample are CEOs (34%).

### Organization size



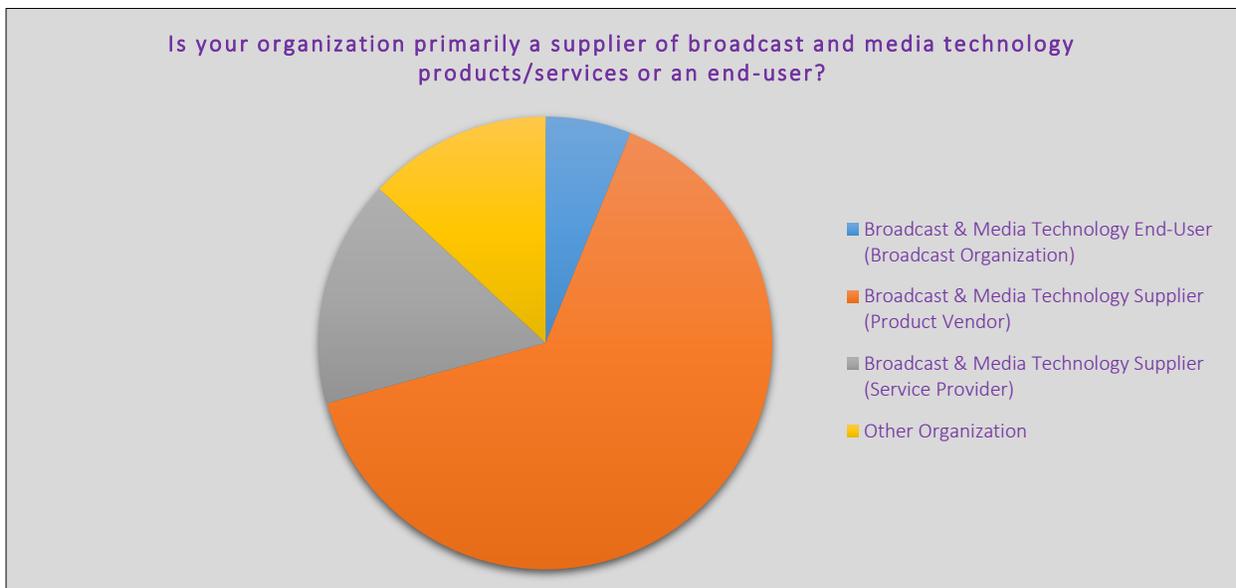
Most respondents in the sample (37%) work for companies that have less than 20 employees.

### Ownership Type



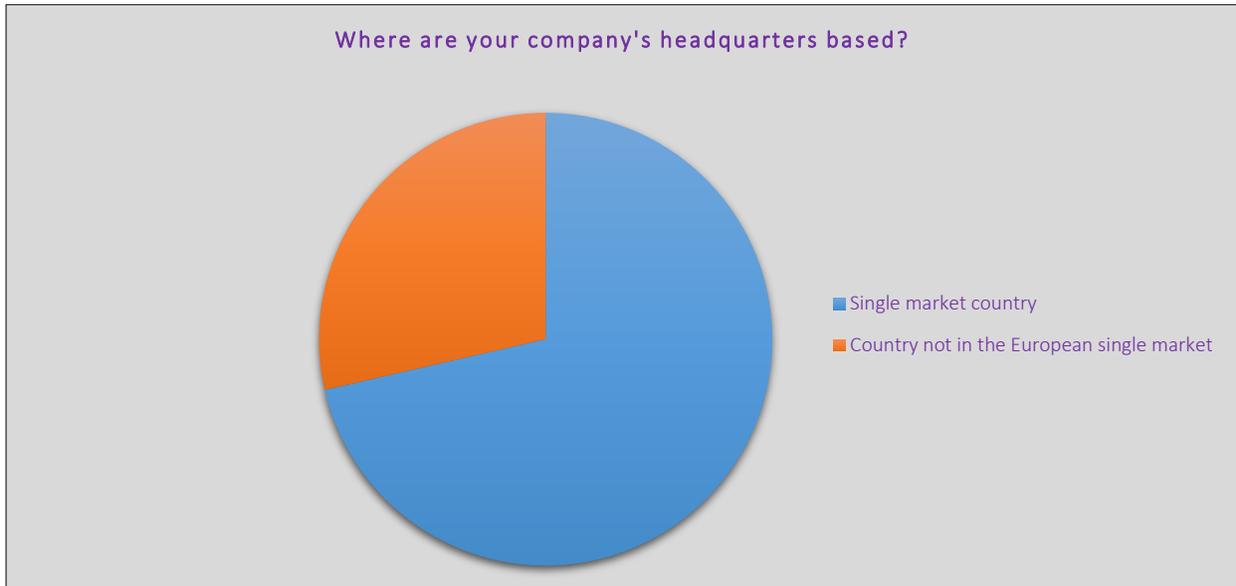
Privately held organization dominate the sample (82%) with 15% saying they work for a publicly listed organization and 3% saying that their organizations receive other funding (typically state funding).

### Organization Type



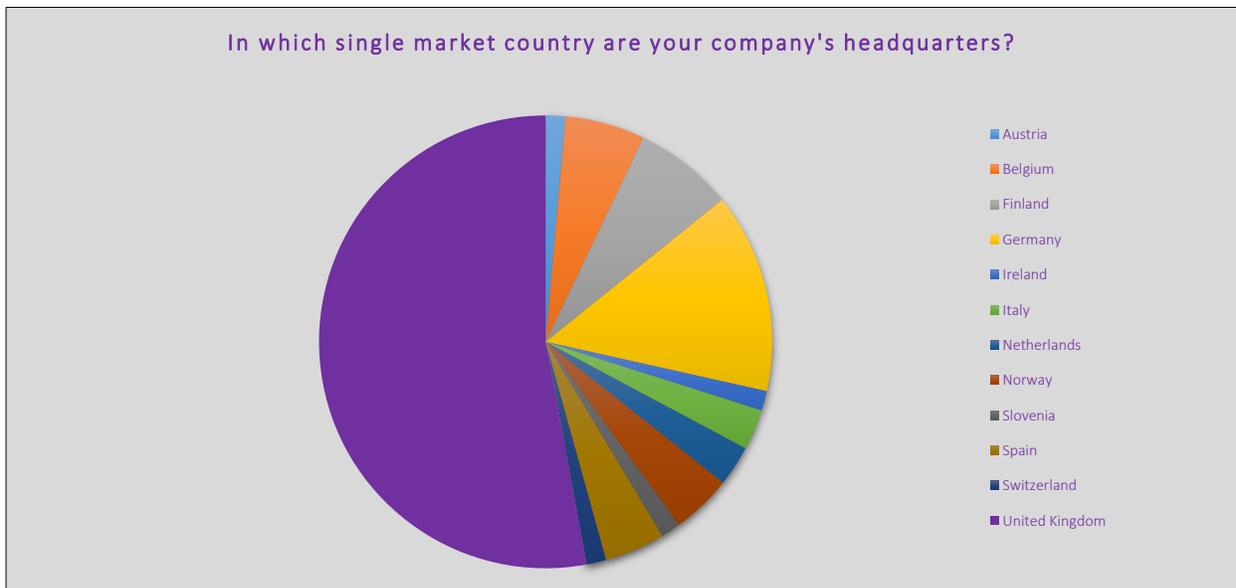
65% of research participants said that their companies are product vendors with 16% saying they are service providers. 6% said their companies are broadcast organizations with 13% answering "other".

## Single Market



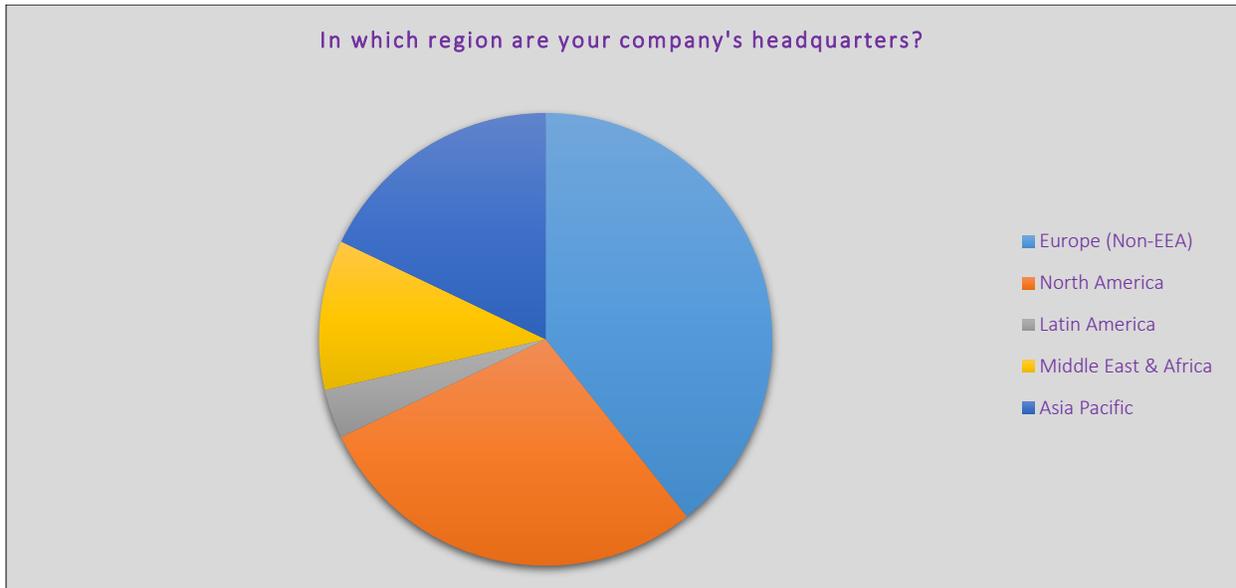
71% said they are based in a single market country with 29% saying they are not.

## Single Market Countries



Research participants saying that they are based in a single market country were asked which country they are based in. Slightly over a half (53%) of respondents are based in the UK with 47% from continental Europe.

## Region



Research participants saying that they are not based in a single market country were asked which region they are based in. 39% said that their companies are based in Europe (Non-EEA) with 29% saying North America and 18% saying Asia-Pacific. The rest of the sample is from Latin America and Middle East & Africa.

## Investment in the UK



We also asked research participants whose companies are not based in the UK (both in and outside of the single market) if their organizations have made some sort of investment (branch offices and/or subsidiaries) in the UK. 46% said "Yes" with 51% saying "No".

## About the IABM

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IABM is the international trade association for suppliers of broadcast and media technology. We support member companies with a comprehensive range of services across market intelligence, training, technology, exhibitions and best practices – all designed to help members do better business. IABM facilitates the important networking and interaction between suppliers that shape and define the unique ecosystem of the broadcast and media technology industry.

Further information about IABM and its activities can be found at [www.theiabm.org](http://www.theiabm.org).



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