

2018 was a year of strong performance for Channel 4 both creatively and commercially. Against the background of a changing media landscape and a challenging economy, I am pleased to report that Channel 4 continues to be seen as a compelling brand to viewers, advertisers, producers and talent. Our digital viewing and revenues enjoyed another year of rapid growth and Channel 4 delivered high levels of public service impact measured against our public remit obligations.

## Chair's Statement

# Charles Gurassa

Channel 4 delivered a £5 million financial surplus in 2018 and remains in robust financial health, despite the challenging economy. We retain a strong balance sheet with cash reserves of £180 million and have a £75 million additional credit facility available should it be required. We are therefore well prepared to navigate any Brexit-related volatility in the advertising market over the coming months.

We budgeted prudently in 2018 against the backdrop of continuing economic and political uncertainty. As a result of this, content spend declined from £675 million in 2017 to £662 million in 2018 but still represents our third highest-ever level of spend. In the previous two years, we had deficit-funded record levels of content investment.

Despite challenging trading conditions with the TV advertising market declining by -0.5% in 2018, commercial performance was strong with the Channel 4 Sales House sustaining TV ad market share in a very competitive environment. Overall, Channel 4 revenues grew from £960 million to £975 million, driven mainly by digital revenue growth of 11% and strong performance from Film4 in 2018, underlining our ambition to grow revenues outside of the traditional TV model.

Influenced in part by changing viewer habits, we saw some declines in our audience perception remit trackers. However, Channel 4 continued to outperform its PSB competitors in all of these measures.

Channel 4 continued to punch above its weight creatively in 2018, with Oscar-winning films, agenda-setting journalism, brilliant new comedy and drama and ground-breaking new programme formats. We were delighted to see the News and Current Affairs team winning eight RTS Journalism Awards early in 2019, including a record seven awards for *Channel 4 News*, four of which were for the Cambridge Analytica story, which made headlines around the world.

It was also a particularly strong year for Film4, with BAFTA and Oscar success for *Three Billboards in Ebbing, Missouri*. *Three Billboards* was the first production coming out of the new strategy to take bigger financial stakes in key films, generating further revenues for Channel 4 and Film4. Film4's good performance has continued into 2019 with the success of *The Favourite*.



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## Chair's Statement (continued)



The year also saw Channel 4 announce its ambitious strategy to further enhance its contribution to the UK's Nations and Regions, through its '4 All the UK' plan. In March 2018, we launched a tender process where cities and regions from across the UK were invited to bid to become the homes of our new National HQ and Creative Hubs.

There was extraordinary interest and enthusiasm across the country to host Channel 4 and all of the shortlisted cities would have made worthy winners. In October, after careful consideration, the Board approved the final decision to select Leeds as the home of the new National HQ, and Bristol and Glasgow as the homes of our new Creative Hubs. The inspiring visions and passion for Channel 4 articulated in these bids shone through – and we now begin the real work of bringing that vision to life.

4 All the UK is the start of a significant new chapter in Channel 4's history and an opportunity to enable new voices, new talent and new perspectives from across the UK to flourish. We are looking forward to working closely with all of our partners to ensure that we fully realise the potential of these changes.

The breadth of our output, our contribution to the creative industries around the UK and our championing of alternative views, new British talent and minority voices all underline the continued importance of Channel 4's role as a public service broadcaster.

At a time when global media and technology giants are increasingly influencing what people see and concerns about the impact of 'fake news' continue to grow, public service broadcasting has never been more important. It is why we are working closely with the other UK public service broadcasters to find ways in which together we can ensure the continuing ease of access and availability of our schedules and programmes in the digital landscape, and are calling on policy-makers to urgently address the issue of prominence. We believe it is critical to modernise the current regulations that underpin the public service broadcaster framework to ensure that public service broadcasters receive appropriate prominence regardless of how, when and where audiences are viewing television content.

Looking ahead to 2019 and beyond, the priority of the Board is to ensure that Channel 4 remains creatively dynamic and financially sustainable at a time of continued political and economic uncertainty, while also driving significant digital transformation. This means making sure that Channel 4 is responsive to these market changes – by accelerating its investments in its digital capability, responding rapidly to changing viewer habits, nurturing a culture that is creatively vibrant and distinctive, building partnerships across the sector and continuing to manage its finances prudently. Above all, we are committed to delivering distinctive, thought-provoking, engaging and entertaining content to British audiences.

I would like to thank all the Members of the Board for their continued stewardship of Channel 4. I would particularly like to thank Dan Brooke, who has stepped down from his role as Chief Marketing and Communications Officer and from the Channel 4 Board. Dan has been a great champion of Channel 4 and contributed greatly to its successes of recent years.

Finally, I would like to thank everyone who works at Channel 4 and all its creative partners for their tremendous efforts throughout 2018. It is their dedication, imagination and commitment to the organisation that make it such a unique place, and ensures that against a backdrop of rapid change, Channel 4 continues to matter.

**Charles Gurassa**  
Non-Executive Chair

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## Chief Executive's Statement

# Alex Mahon

My first full year as Chief Executive has been marked by key turning points for Channel 4, including the beginning of the most radical transformation that the organisation has ever been through, 4 All the UK.

Our 4 All the UK plan will see us establish our National HQ in Leeds and open two new Creative Hubs in Bristol and Glasgow in 2019. We are looking forward to now delivering on this plan, following several years of heightened political scrutiny. This will not only be the biggest organisational change in our history, but it will fundamentally transform Channel 4's range of voices and on-screen representation. It will see us work more closely with independent production companies across the UK's Nations and Regions, helping the UK fortify its talented production industry outside of London. Thank you to all of the cities and regions that took part in the process throughout the year. You can read more about our 4 All the UK plans on p46.

At a time when fast broadband, mobile technology and streaming are transforming consumer behaviour around viewing, we need to accelerate some behaviours, stop others and drive change faster than ever before.

In order to navigate through these structural and behavioural changes, I unveiled a new strategy for Channel 4 in 2018. Its three pillars – to accelerate digital, supercharge our impact with young people and build a strong, inclusive creative culture – will transform the organisation and its long-term future, while ensuring that we retain our unique and distinctive role in British life.

This role is very much recognised by our viewers and our brand remains strong. Viewers associate Channel 4 with being the most independent-minded, forward-thinking, alternative, experimental, edgy and British public service broadcaster. We are also perceived to be the most youthful, exciting and surprising channel, which sets us in good stead for the future.

As this report demonstrates, we continued to deliver strongly to our remit in 2018.



Chief Executive's Statement  
(continued)

# It is a huge privilege to lead this phenomenally important publicly-owned asset, whose mission is more important than ever before.

**£975m**

corporation revenue (2017: £960 million), helping to deliver a £5 million financial surplus (2017: £17 million deficit)

Despite a very challenging market and competitive context, we delivered great results in 2018.

It was a strong year commercially, with revenues of £975 million helping deliver a £5 million financial surplus in the business, following two years of planned deficits in which we drew on our reserves to boost investment in content.

At £662 million, our total content budget fell slightly by 2% in 2018 but was still the third highest in our history. This enabled us to increase Channel 4's distinctiveness by commissioning more innovative, risk-taking and challenging programmes, alongside our popular returning series.

2018 witnessed mixed linear performance. Lower ratings in some of our long-running titles and experimental new formats, alongside growing competition from digital TV channels and a summer in which the BBC and ITV received a World Cup boost, resulted in our portfolio viewing share declining marginally, by 0.3 percentage points, to 10.2%. Our share of 16-34-year-olds also fell, by 0.5 percentage points, to 15.9%. We face a challenge as young people's viewing habits evolve and we are committed to addressing this.

However, we did see strong performance in digital, which continues to play a growing role for Channel 4. Digital revenues reached a record £138 million (up by 11% and now making up 14% of total corporation revenue), thanks to the outstanding performance of our streaming platform All 4.

All 4's success reflects the mixture of expert curation, increased demand for catch-up programming from our strong linear schedule and the success of our large collection of archive and exclusive box-sets. We also invested heavily in improving the All 4 user experience, which has helped it grow in usage and frequency.



**Our strength must be in our distinctiveness and what Channel 4 stands for – and for us to be even clearer that we are here to provide innovative, purposeful and popular content, delivered at scale. Particularly to young audiences.”**

Viewing on our apps and platforms increased by 26% in 2018 to reach a record 915 million views over the year. This is the highest year-on-year growth in percentage terms since 2010; and in absolute terms, this year’s increase – of 187 million views – is the largest annual rise we have ever recorded.

In 2019, we are establishing a Digital Creative Unit (DCU) in Leeds to ensure that we have the right mix of digital and creative skills to reach more young audiences on social platforms. This ensures that we are taking our shows to where younger audiences are spending more of their time, and will enable us to experiment with new talent who may produce the Channel 4 shows of the future.

#### **Creative highlights**

One of the standout successes of 2018 has been the development and nurturing of our enviable slate of returning programmes, which has led to an unprecedented number of these delivering strong year-on-year growth. Sixteen of our biggest peak-time series increased their audience volume, including *Gogglebox*, *24 Hours in Police Custody*, *The Island with Bear Grylls*, *Hunted*, *Grand Designs* and *8 Out of 10 Cats*.

In addition to this spine of strong returning titles, we also successfully landed a number of new shows. These have ranged from critically-acclaimed scripted pieces to distinctive and innovative unscripted programming and ground-breaking investigative journalism. *Channel 4 News* had a standout year, breaking a number of impactful, award-winning stories that had a global impact. Of particular note are: the undercover investigation into Cambridge Analytica and its ties to social media giant Facebook; the plight of the Windrush generation; and the in-depth coverage of Brexit.

In scripted, *Derry Girls* supercharged our comedy slate and became our most successful new comedy since 2004. Created in the Nations and Regions, it was the biggest series on record in Northern Ireland on any channel since records began in 2002.

Jack Thorne’s drama series *Kiri* also gripped the nation at the beginning of the year and became Channel 4’s biggest drama series since 2002.

These were complemented by ground-breaking new formats and programmes throughout the year. Standout highlights include *The Big Narstie Show*, *Genderquake*, *Peng Life* and *Prison*.

*The Circle* also launched with huge hype in September, asking provocative questions about modern identity, how we portray ourselves and how we communicate through social media. It resonated hugely with young people, achieving a 16-34-year-old profile of 49% – the largest attained on any terrestrial channel since 2012.

The critical, awards, and box office success of *Three Billboards Outside Ebbing, Missouri* was the headline news for Film4 in 2018. The film, a joint production with Fox Searchlight, was a huge box office hit, pulling in more than \$160 million worldwide and winning hundreds of awards, including two Academy Awards and five BAFTAs. It acted as a superb advertisement for Film4 as a global player and creative force and demonstrated that our investment strategy is working.

Other standout films of the year include Pawel Pawlikowski’s gorgeous *Cold War* and Steve McQueen’s gripping *Widows*. *The Favourite*, our third film with director Yorgos Lanthimos, which was released in the US market in 2018 and in the UK in early 2019, has also done incredibly well, winning seven BAFTAs and one Academy Award in 2019.

Turning to 2019 and beyond, in addition to realising our 4 All the UK plans, we will continue to dial up the difference creatively. We have an ambitious slate of new programmes in 2019 that will support our stable of returning series – you can read more about them in our creative forward look on p102.

Alongside our drive for greater regional diversity, we have a clear focus on inclusion and diversity at Channel 4. We continue to play a leading role both on and off screen in reflecting diverse communities, whether through the lens of disability, social mobility, BAME communities or gender identity. We want our employees to feel that their individual talents are appreciated, that they can be themselves and be different. And we want our production partners to feel that Channel 4 enables them to tell the widest range of stories from different parts of the country.

Our strength must be in our distinctiveness and what Channel 4 stands for – and for us to be even clearer that we are here to provide innovative, purposeful and popular content, delivered at scale. Particularly to young audiences.

I’d like to thank all of our creative and commercial partners who helped us in 2018 and with whom we will be working in 2019. It is our deep relationships with the independent production community across the UK that ensures we are able to commission the best ideas and experiment with new formats and I am very grateful to them for their support.

It is a huge privilege to lead this unique publicly-owned asset, whose mission is more important than ever before. Public service broadcasting plays a critically important role in British life and we must ensure that public service content remains relevant – through our programming, our partnerships and our platforms.

I’m very lucky to have an amazingly talented and committed team at Channel 4 and colleagues across the industry helping us achieve our ambitions.

**Alex Mahon**  
Chief Executive