

# CASO Impact of COVID-19

## Survey Results

April 23, 2020

Prepared for:



COMPUTER ANIMATION STUDIOS OF ONTARIO

Prepared by:

**Nordicity**



CASO is a non-partisan, not-for-profit industry association committed to the growth and international competitiveness of Ontario's animation and visual effects industry, through advocacy, professional development, and marketing initiatives.

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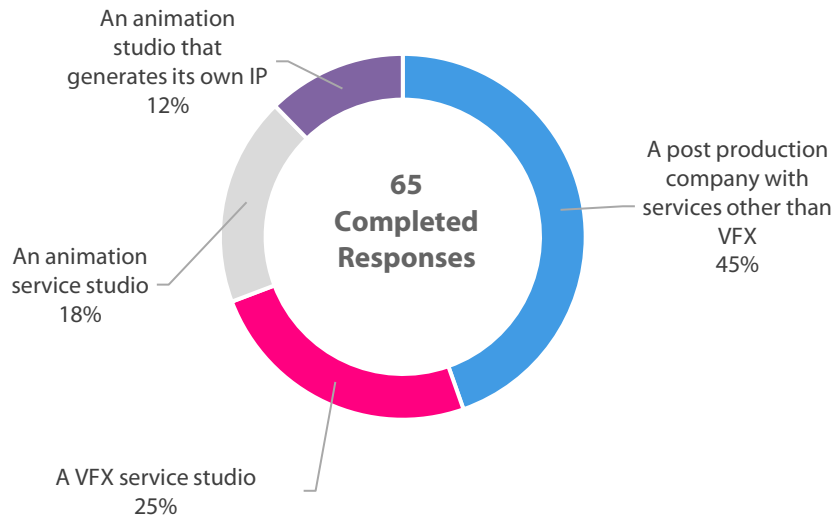
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## 1. Response Rate

The survey was open between March 31, 2020 and April 6, 2020. Over that time, data was collected from **65 Ontario-based VFX, animation, and post-production companies**.

**Figure 1: Responses by type of company**



n = 65

Nordicity estimates that the responses account for **61% of employment in Ontario’s animation and VFX industries**. This figure was derived by starting with the number of direct employees reported in CASO’s 2019 report entitled *Ontario’s Computer Animation and Visual Effects Companies, 2018* (5,290 FTEs), which reported upon companies’ 2017 fiscal year.<sup>1</sup> Nordicity then assumed that animation and VFX companies grew at the same pace as the wider screen-based sector in Ontario (36%) between 2017 and 2019. As such, the estimated total employment for March 2020 is assumed to be 7,185 FTEs. Survey respondents represented 4,378 employees. Accordingly, any gross results (e.g., jobs at risk) have been adjusted (by a factor of 1.64) to represent the industry as a whole.

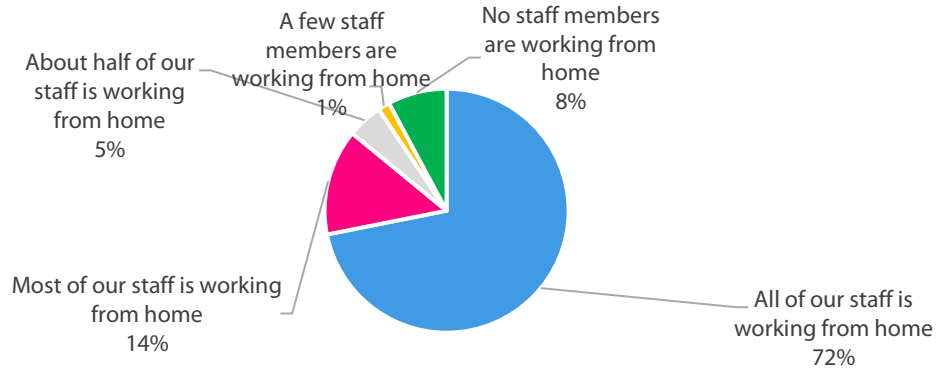
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<sup>1</sup> See Business Intelligence: Ontario's Computer Animation and Visual Effects Companies, 2018, (January 2019), pg 41.

## 2. Employment

Most (72%) of respondents indicated that all of their employees have transition to “work-from-home”.

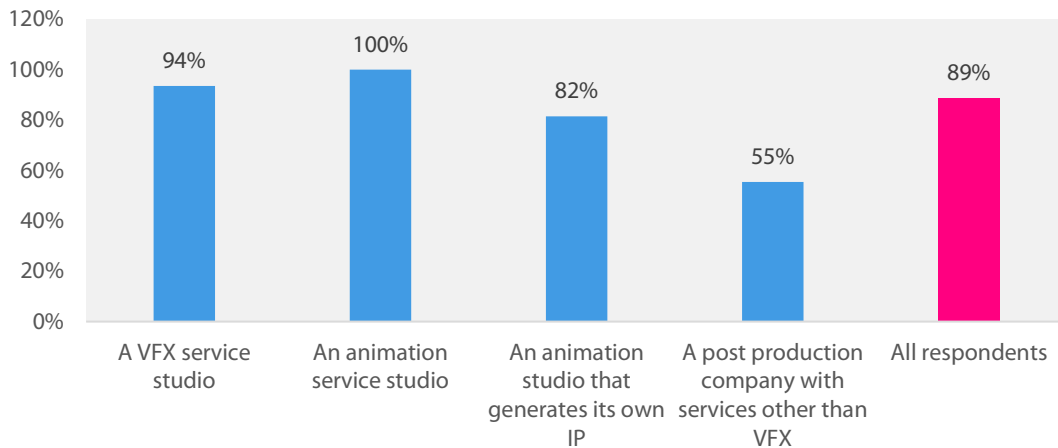
**Figure 2: Working from home**



n = 64

When weighted by size of firm, almost all employees are now at home, with post –production companies as the notable exception to the rule.

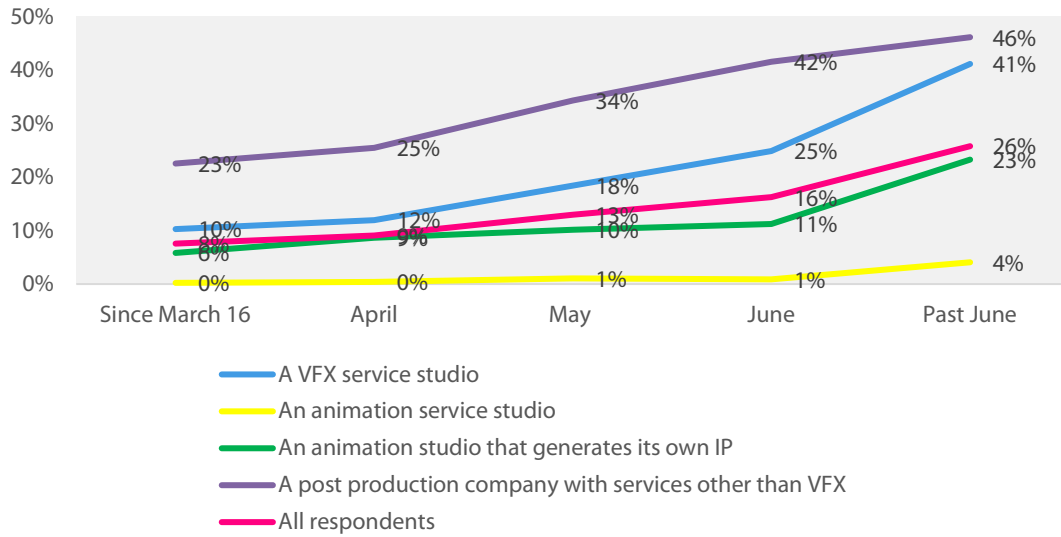
**Figure 3: Working from home by type of company**



n = 64

If physical distancing lasts beyond June up to 26% of the total industry employment is at risk of being laid off. The biggest impacts are being seen in post-production companies and VFX studios.

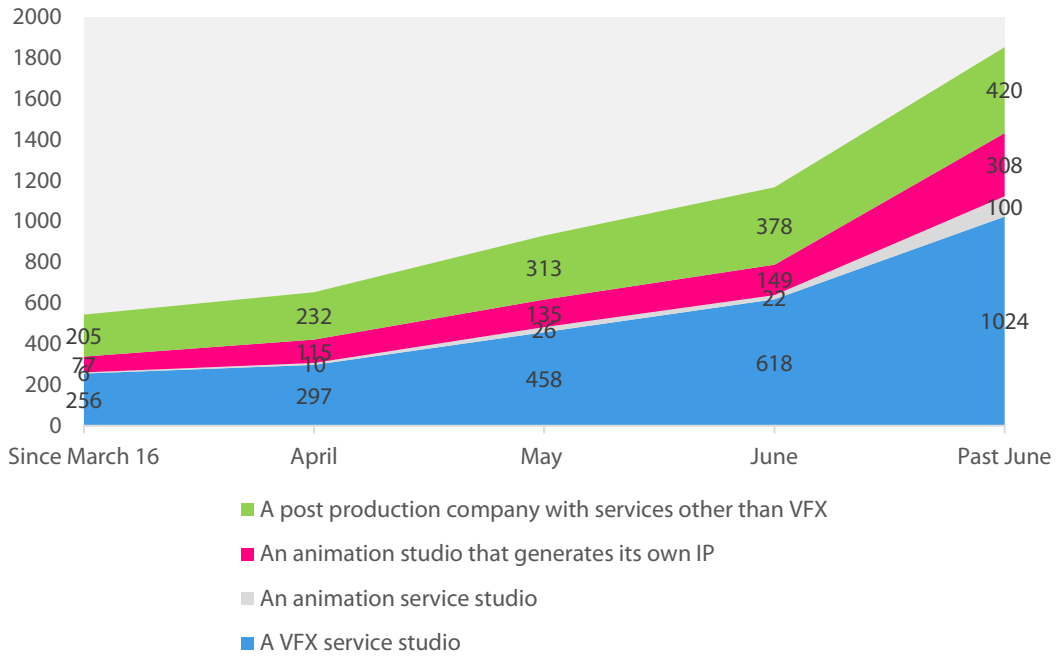
**Figure 4: Percentage job losses over time by type of company**



n = 64

When translated to actual jobs, most of the job losses would be from VFX studios.

**Figure 5: Jobs at risk by type of company**



n = 65

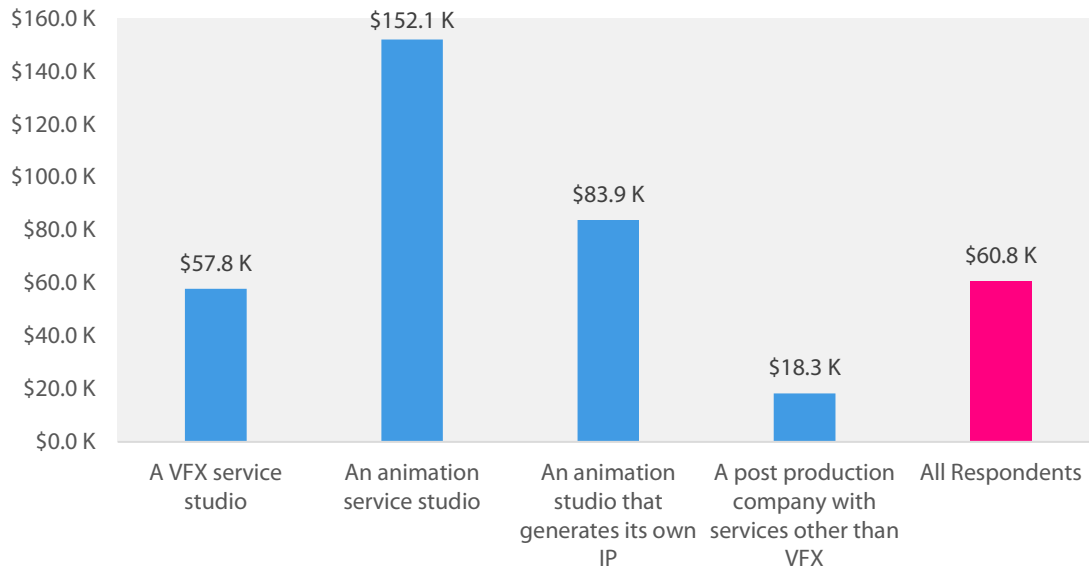
Should physical distancing last beyond June, **up to 1853 jobs are at risk.**

**Table 1: Jobs at risk by type of company**

Type of Company	Since March 16	April	May	June	Past June
A VFX service studio	256	297	458	618	1024
An animation service studio	6	10	26	22	100
An animation studio that generates its own IP	77	115	135	149	308
A post-production company with services other than VFX	205	232	313	378	420
<b>All Companies</b>	<b>544</b>	<b>654</b>	<b>931</b>	<b>1167</b>	<b>1853</b>

### 3. Costs to Companies

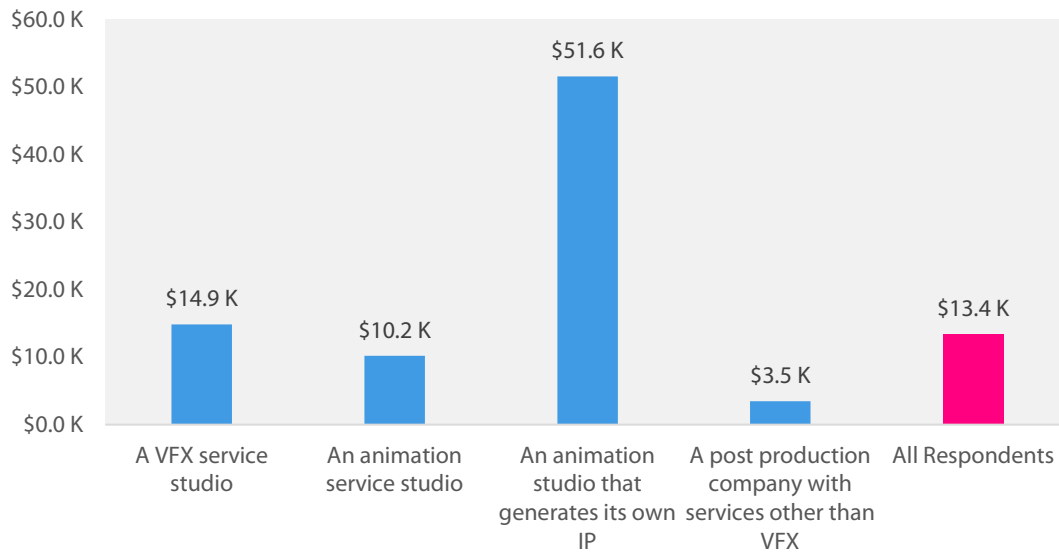
Ontario-based animation, VFX and post-production companies have spent roughly **\$6.5 million so far on cost related to COVID-19**. Animation services studios have experienced the highest average costs.

**Figure 6: Average COVID-19 costs to date by type of company**


n = 65

Each month, Ontario's animation and VFX industries will spend just over **\$1.4 million on on-going COVID-19-related costs**. IP-generating animation studios report the highest average monthly costs.

**Figure 7: Average COVID-19 monthly costs by type of company**



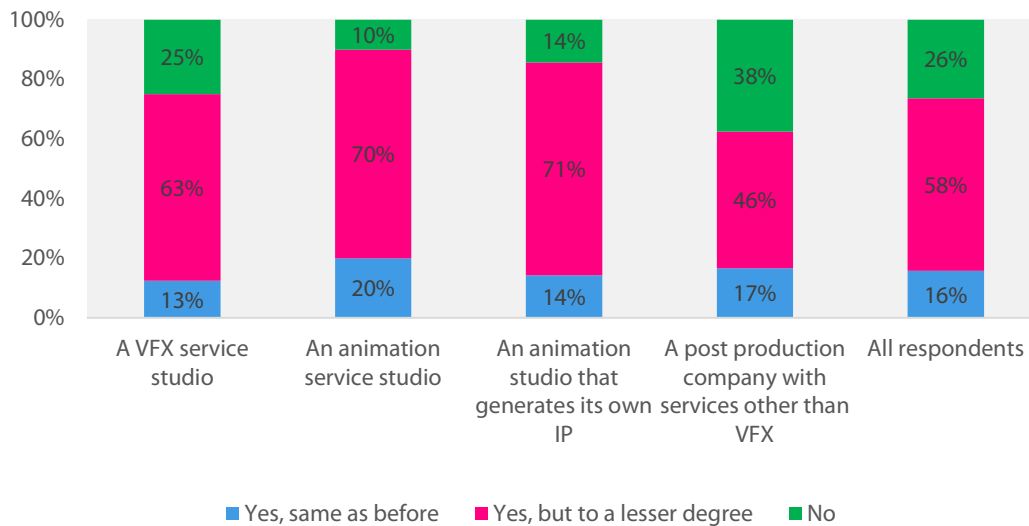
n = 65

Although too few companies provided insight into the factors driving these costs to identify a definite trend, **increased licensing and internet/bandwidth costs** were cited by almost all such respondents.

## 4. Business Challenges

COVID-19 is hampering the ability of some companies in their *attempts* to secure new business (whether successful for not). That said, most companies are still trying in some capacity.

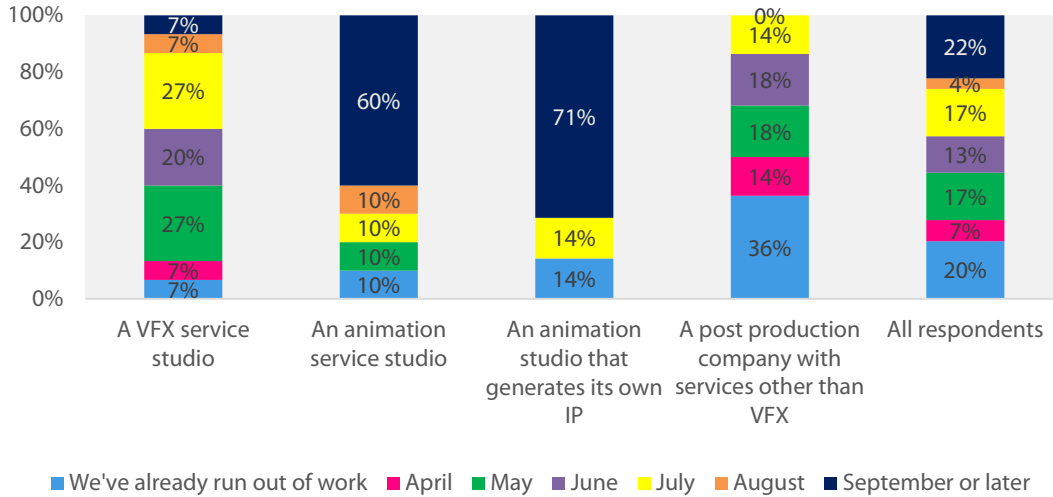
**Figure 8: Ability to pitch new work by type of company**



n = 57

At their current work rate, companies will run out of work at a variety of times, as there is not clear trend. That said, IP-generating animation and animation service studios seem to be most bullish about their workloads.

**Figure 9: Month when work runs out by type of company**

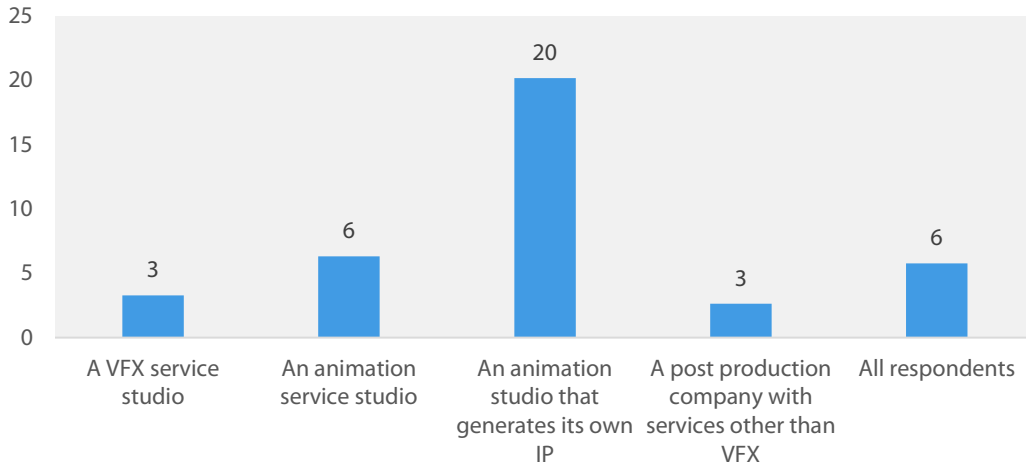


n = 54

Note: "We've already run out of work" reflects company realities during the survey period (March 31 to April 6).

Combining workload and expenses, companies report an average of **six months of "runway" before their reserves run out**. That said, the average runway is far shorter for VFX and post-production companies (at three months).

**Figure 10: Months of runway by type of company**

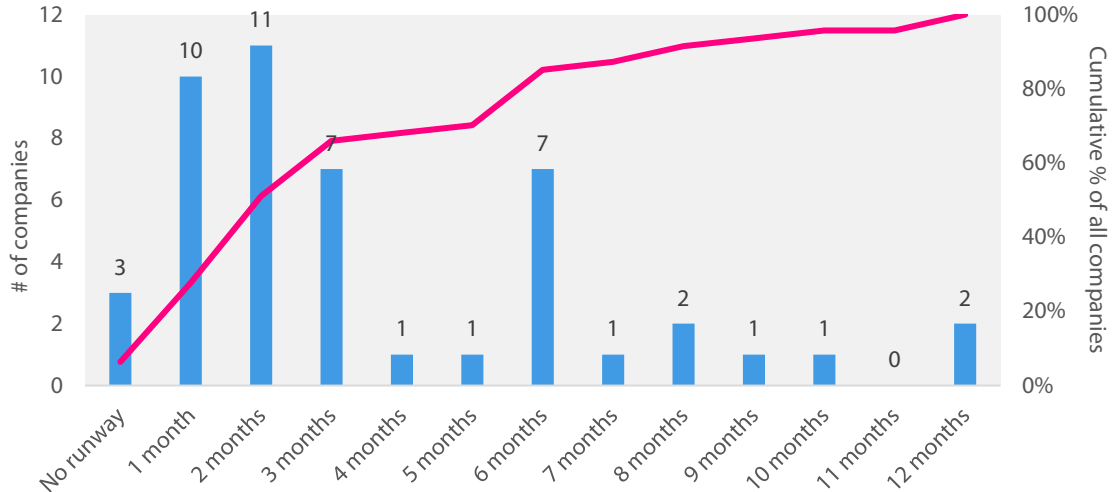


n = 54



When one excludes IP-generating animation companies (who may be able to continue collecting revenue from the exploitation of existing and new IP), **most (66%) of respondents will run out of runway in three months (i.e., after June).**

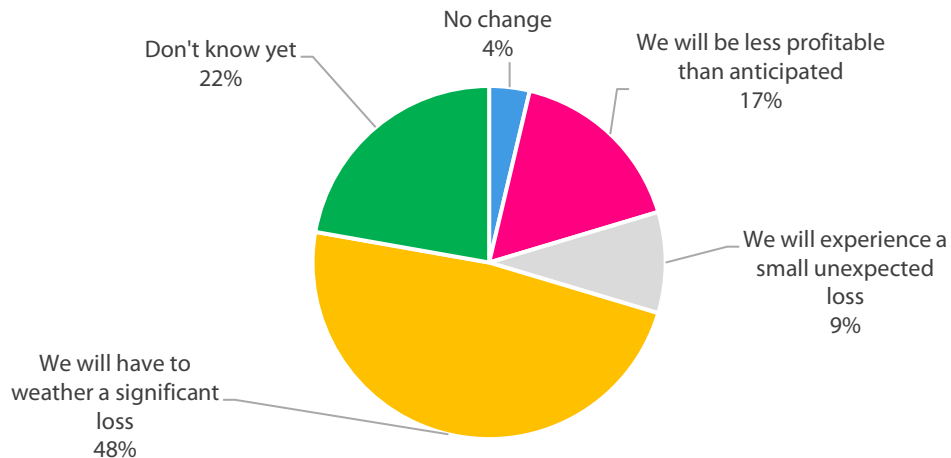
**Figure 11: Months of runway and % of all companies (excluding animation studios that generate IP)**



n = 47

As a result of the increased costs and reduced ability to secure new work, **most companies (74%) are anticipating less profitability and/or unexpected losses in their current fiscal years.**

**Figure 12: Expected impact on profitability by type of company**



n = 54

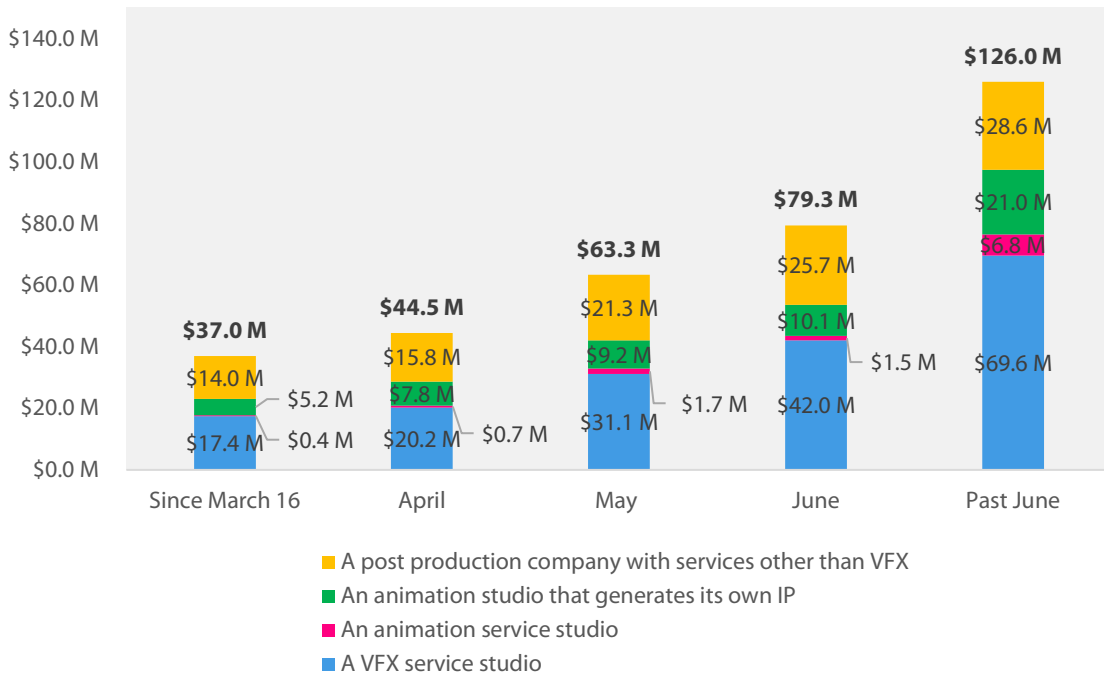
When asked to quantify that loss, companies reported at **total unexpected loss of corporate profits of \$50.0 million in 2020** (combining reduced profits and absolute losses).

## 5. Economic Impact

There are two components of the “direct” economic impact: labour spending and corporate profitability.

Per Section 2, the **lost employment could have an impact of up to \$126.0 million on Ontario’s economy** (if physical distancing lasts beyond June).

**Figure 13: Economic impact of lost labour spending by type of company**



These figures were derived by multiplying the number of jobs lost by the full-time salary found in CASO’s most recent industry report (\$68,000/a).<sup>2</sup>

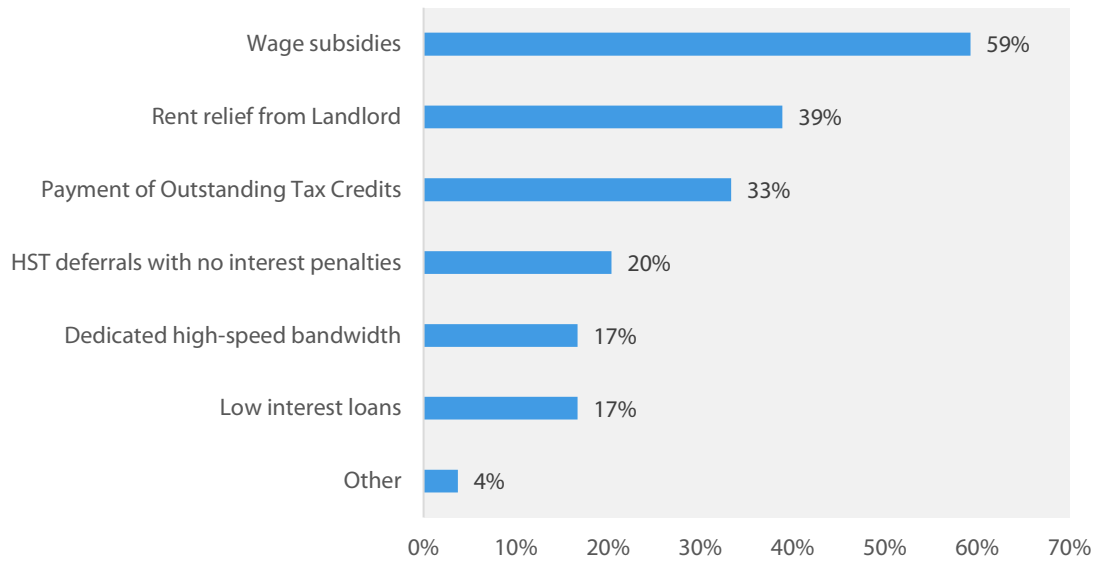
When one adds in the impact of the loss of profitability (per Section 4), **the total impact on Ontario’s GDP could be up to \$176 million** depending on how long physical distancing lasts.

<sup>2</sup> See Business Intelligence: Ontario's Computer Animation and Visual Effects Companies, 2018, (January 2019), pg 43.

## 6. Support Measures

When asked what support measures would be most effective in sustaining their businesses, responding companies were noticeably more in favour of wage subsidies than other forms of support.

**Figure 14: Types of support by % of total respondents**



n = 54