Diversification plan accelerates

STV Interim Results – 5th September 2023

Screw series 2,
STV Studios for C4

Agenda

Introduction	**Paul Reynolds**
Overview	**Simon Pitts**
Finance review	**Lindsay Dixon**
Strategic update & outlook	**Simon Pitts**
Q&A	

Diversification plan accelerates

Excellent revenue growth; profit impacted by weak linear advertising, as expected

- Total revenue +21% with adjusted operating profit -33%
- Growth areas more than offset expected linear advertising revenue decline
- Studios revenue almost quadruples even before positive effect of Greenbird acquisition in H2
- Strong Digital growth with STV Player streams +25% and new registrations +65%
- Good on-screen performance, STV the largest peak time TV channel for 6th half year in a row
- Advertising outlook improving, with Q3 TAR expected to be up 3-5%
- Group now expects over 60% of 2023 earnings to come from outside broadcasting, well ahead of 50% target
- Board proposes interim dividend of 3.9p, in line with 2022

Finance Review
Lindsay Dixon

H1 2023 key financials

Total Revenue		Total Advertising Revenue		Regional Advertising Revenue		Digital Revenue		Studios Revenue	
£75.3m		£45.8m		£7.3m		£10.1m		£27.2m	
2022	+21%	2022	-14%	2022	-14%	2022	+9%	2022	+294%

Adjusted Operating Profit		Adjusted Operating Margin		Adjusted Basic EPS		Net Debt		Net Debt/ EBITDA	
£8.0m		11%		14.8p		£16.3m		0.6x	
2022	-33%	2022	-8pps	2022	-26%	Dec 2022	£15.1m	Dec 2022	0.5x

Group Results

Excellent revenue performance; profit impacted by ad market and cost inflation as expected

	H1 2023 £m	H1 2022 £m	Change
Broadcast	38.0	46.0	-17%
Digital	10.1	9.2	+9%
Studios	27.2	6.9	+294%
Total revenue	**75.3**	**62.1**	**+21%**
Total advertising revenue	*45.8*	*53.2*	*-14%*
Adjusted operating profit*	**8.0**	**11.9**	**-33%**
Adjusted operating margin	*11%*	*19%*	
Share of associates	(0.1)	-	
Finance costs (excl. IAS19)	(1.0)	(0.7)	-65%
Adjusted PBT**	**6.9**	**11.2**	**-38%**
Adjusted EPS (pence)**	14.8p	20.0p	-26%
Statutory basis			
Adjusted operating profit*	**8.0**	**11.9**	**-33%**
Exceptional items	(2.8)	-	
HETV tax credit	(5.2)	-	
Statutory operating profit	**-**	**11.9**	**-100%**

- Revenue growth from Digital and Studios far exceeds linear advertising revenue decline
- Adjusted operating margin reflects flow through of declines in higher margin advertising revenue, and cost inflation, partly mitigated by savings
- Finance costs reflect higher base rate; margin payable under RCF same as last year
    - Interest cover 24x (covenant min 4x)
- Exceptional items relate to new digital agreement with ITV; tax credits for drama deliveries in period

* Excluding exceptional items and inclusive of HETV tax credits (2023 only)
** Excluding exceptional items and inclusive of HETV tax credits (2023 only) and excluding IAS19 pension costs (both periods)

Exceptional costs

	H1 2023 £m
ITV	
Commencement & tech fees	2.6
Restructuring costs	0.2
	2.8

- H1 costs relate to new agreement with ITV
  - Expect balance of legal costs in H2 re finalisation of Long Form Agreement
- One-off costs in H2 re acquisition of Greenbird on 6 July
  - Legal and financial diligence c.£1m
  - Potential other costs associated with integration / synergy realisation

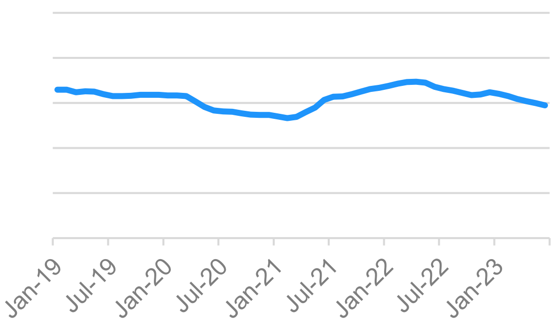
Total Advertising Revenue (TAR)

Looking through the volatility of recent years, traditional linear advertising remains resilient with VOD advertising on a steady growth trajectory

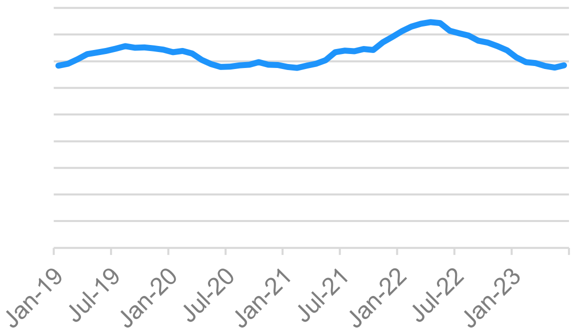
Linear advertising revenues

Digital advertising

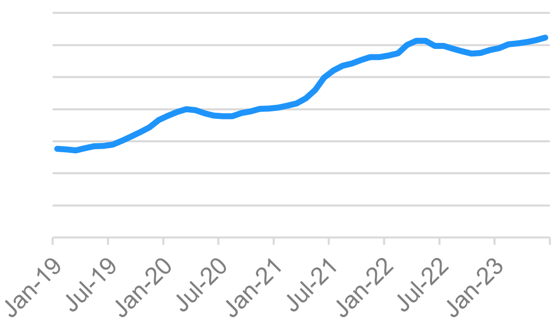
National Advertising Revenue (12m rolling avg to June 2023)



Regional Advertising Revenue (12m rolling avg to June 2023)



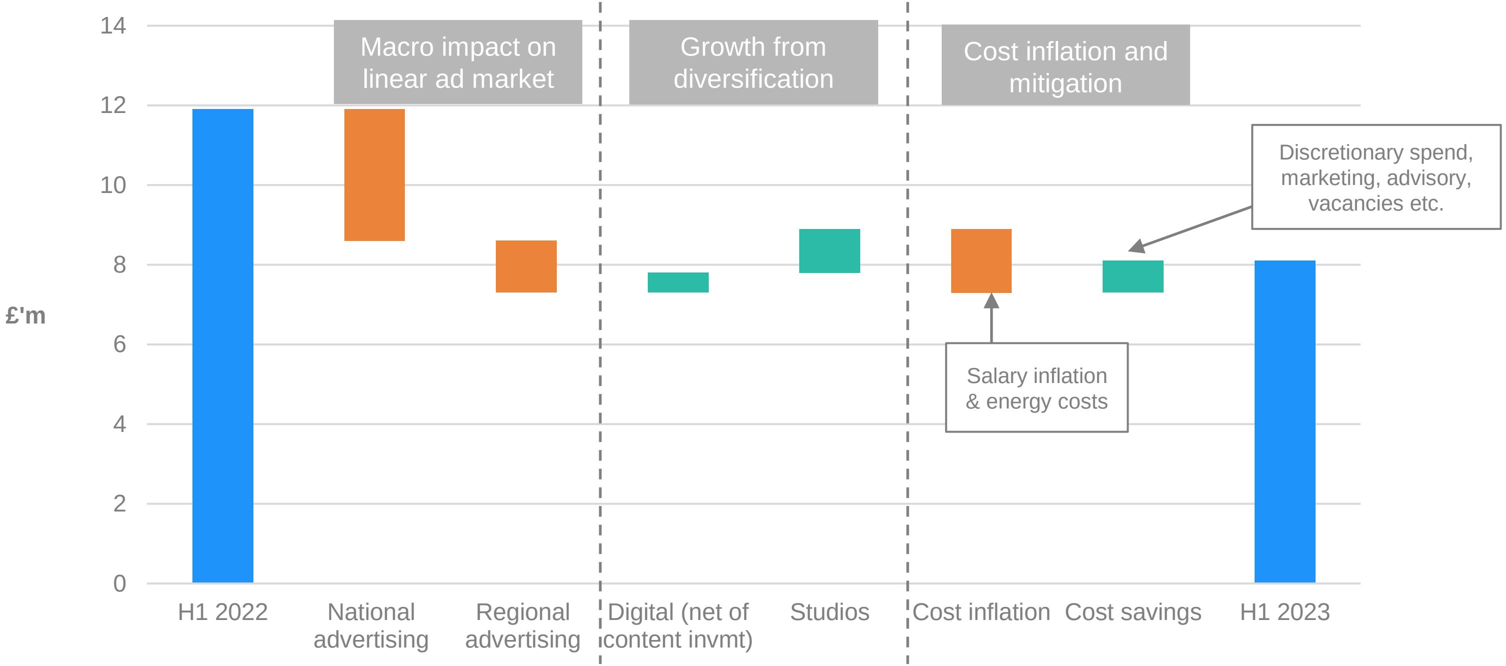
VOD Advertising Revenue (12m rolling avg to June 2023)



Notwithstanding the long-term resilience of advertising, year on year TAR performance in 2023 is expected to be highly variable:

- Q1 -15% and Q2 -13% combine to an H1 -14%
- Q3 expected to be up 3-5% with July +1%, August +4% and September +5-7%
- October should benefit from the Rugby World Cup but the FIFA World Cup in the comparators for Nov/Dec present a challenge for Q4

A combination of growth and cost savings have meaningfully mitigated the impact of the linear ad market on H1 adjusted operating profit



The Group is continually reviewing its cost base to identify savings that can be made, without having a detrimental impact on the growth strategy or operational resilience/efficiency.

Broadcast

H1 result impacted by linear advertising decline and cost inflation

	H1 2023 £m	H1 2022 £m	Change
Revenue			
- National advertising	29.5	36.3	-19%
- Regional advertising	7.3	8.5	-14%
- Other	1.2	1.2	0%
	38.0	**46.0**	**-17%**
Operating costs	(33.1)	(35.3)	+6%
Operating profit	**4.9**	**10.7**	**-54%**
Operating margin	*13%*	*23%*	

- Majority of decline in regional advertising relates to Scottish Government, down c.55% in H1
  - Underlying core regional business down only 2% year on year
- Largest single operating cost is contribution to ITV for national programming budget
- Under agreement with ITV, this flexes with national advertising revenue
- Impact from cost pressure most meaningful in Broadcast given scale of physical footprint and number of staff

Digital

Strong delivery of revenue growth and cost savings driving margin up to 50%

	H1 2023 £m	H1 2022 £m	Change
Revenue	**10.1**	**9.2**	**+9%**
Operating costs	(5.1)	(5.2)	+2%
Operating profit	**5.0**	**4.0**	**+26%**
Operating margin	*50%*	*43%*	

- VOD revenue up 14% year on year
- Continued investment in new content, including first payments to ITV for exclusive premieres
- Savings realised in marketing and ad serving, alongside continued investment in STV Player development

Studios

Drama rich programme delivery driving c.300% growth in revenue and first time H1 adjusted operating profit, albeit full year profit still heavily H2 weighted

	H1 2023 £m	H1 2022 £m	Change
Revenue	**27.2**	**6.9**	**+294%**
Operating costs	(27.1)	(7.9)	-243%
Adjusted operating profit	**0.1**	**(1.0)**	**+106%**
Adjusted operating margin	*0%*	*(-14%)*	

- H1 programme deliveries include:
  - 5/8 eps *Criminal Record* (AppleTV+)
  - 5/6 eps *Screw* S2 (C4)
  - 3/6 eps *Alan Must Win* (E4)
  - *Celebrity Catchphrase* S10 (ITV)
  - *Antiques Road Trip* S26 (BBC)
- *Criminal Record* is a co-production with TOD Productions; 100% of the revenue is recognised by STV as the contracting party with a profit share to TOD in line with our agreement
- Studios profit continues to be heavily H2-weighted. For example, £11m revenue and £1.5m production margin already delivered across July and August, showing strong momentum, including:
  - 3/8 eps *Criminal Record*
  - 1/6 ep *Screw* S2
  - 3/6 eps *Alan Must Win*
- Further deliveries are scheduled across the balance of the year

Only adjusting item in 2023 is HETV tax credits associated with Criminal Record and Screw, totalling £5.2m. On a statutory basis, this amount would be recognised as a tax credit with the statutory loss for the division being £5.1m.

Working capital cash flows unwind; net debt remains well within facility and with significant leverage headroom

- Operating cash conversion above 100% as working capital cash outflow in 2022 unwinds
- Two Cities production financing facility repaid in full
- Dividends paid reflects final FY22 dividend of 7.4p per share, paid in May 2023
- Significant headroom against financial covenants
- Facility size increased by £10m to £70m on Greenbird acquisition with covenants unchanged; net debt on completion was c.£32m, including c.£6m cash in Greenbird companies

	H1 2023 £m	H1 2022 £m
Adjusted operating profit	**2.8**	**11.9**
Exceptional items	(2.8)	-
Depreciation and amortisation	2.2	2.5
EBITDA	**2.2**	**14.4**
Share based payments	0.3	0.1
Working capital	3.9	(3.8)
Operating cash flow	**6.4**	**10.7**
Operating cash conversion	*128%*	*91%*
Other cashflows:		
Capital expenditure	(0.5)	(2.2)
Interest and refinancing fees	(0.9)	(0.6)
Corporation tax received / (paid)	0.5	(0.1)
Lease payments on assets	(1.0)	(1.1)
Pension deficit recovery contributions	(4.8)	(4.7)
Contingent pension payment	-	(2.4)
Two Cities production finance loan	3.0	(2.4)
Investment in and loans to associates	(0.6)	(0.9)
Dividends	(3.4)	(3.3)
Net cash movement in the period	**(1.2)**	**(6.9)**
Net debt	**(16.3)**	**(6.6)**
Net debt / EBITDA (covenant basis)	0.6x	0.2x
Covenant (maximum)	3x	3x

Pensions

Accounting deficit reduces on year end as a result of increased discount rate

	H1 2023 £m	FY 2022 £m	H1 2022 £m
Assets (£m)	276.3	289.8	350.8
Liabilities (£m)	(331.3)	(352.9)	(393.1)
Deficit (£m)	**(55.0)**	**(63.1)**	**(42.3)**
Key assumptions:			
Discount rate	5.35%	4.85%	3.85%
RPI	3.40%	3.45%	3.35%

- Increasing corporate bond yields over H1 result in higher discount rate, driving down the value of the liabilities
- Regular, active engagement between Company and Trustees, including through Investment Sub-Committee
- Next triennial valuation due at 31 December 2023 and expect to be completed through 2024

Strategic Update & Outlook

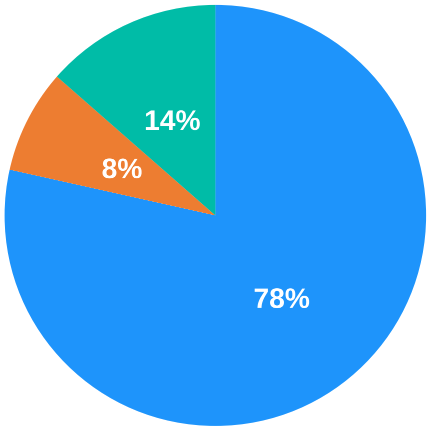
Simon Pitts

We are on track to deliver our 2023 diversification targets

STRATEGY	2023 TARGETS	ON TRACK?
BUILD WORLD CLASS STUDIOS	*Quadruple Studios revenue to £40m*	WILL EXCEED
DRIVE DIGITAL	*Double digital revenues to £20m and registered users to 5m*	WILL EXCEED
MAXIMISE BROADCAST	*Grow STV-controlled broadcast revenues to £20m*	X DUE TO LINEAR AD DOWNTURN
GROUP	*At least 50% of operating profit to come from outside traditional broadcasting by 2023*	WILL EXCEED

The enlarged STV Group is a more diversified, balanced business

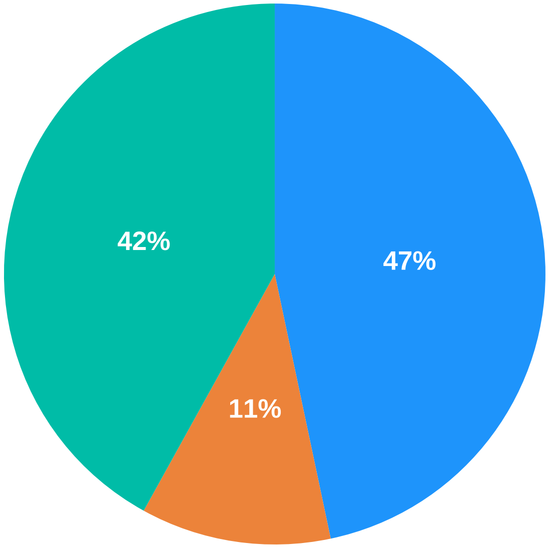
STV Group Revenue FY18



50% revenue growth in 5 years

Studios
Digital
Broadcast

STV Group Forecast Revenue FY23



- **Studios now similar in scale to Broadcast in terms of revenue**
- **Broadcast, Digital and Studios will each contribute materially to Group operating profit in 2023**

KPIs demonstrate continued strong momentum in 2023

H1 2023

STUDIOS (incl. Greenbird)	New commissions	New, returnable series	Returning series
	29	**4**	**39**
	2022: 25	2022: 9	2022: 9
DIGITAL	Online streams	Player-exclusive streams	Monthly active users
	+25%	**+46%**	**+5%**
	2022: -13%	2022: -20%	2022:+7%
BROADCAST	Viewing share	ITV viewing outperformance	New advertisers
	19.6%	**+10%**	**50**
	2022: 19.6%	2022: +8%	2022: 43

STV Studios: Transformed scale, profitability and creative firepower

PI PRODUCTIONS	Riverdog PRODUCTIONS	interstellar	stv Studios Drama	FLICKER PRODUCTIONS	TUESDAY'S CHILD
RUMPUS	GOAT FILMS	MIGHTY	crackit PRODUCTIONS	KALEL PRODUCTIONS	HELLO HALO
stv Studios Entertainment	LITTLE DOOLEY	Big Light	owl power	TOP HAT	stv Studios Factual
BAREFACED TV	PR1MAL	TWO CITIES TELEVISION	T O D PRODUCTIONS	HELLO MARY	ROCKERDALE STUDIOS

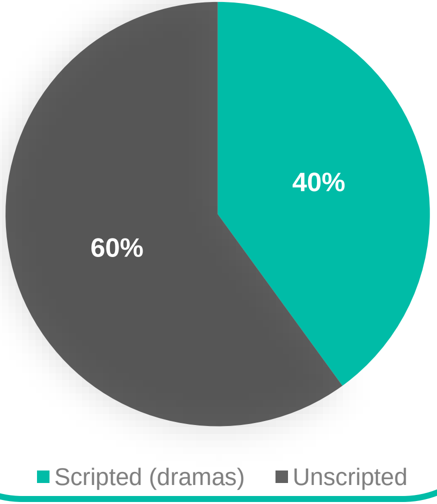
The enlarged STV Studios will be a £70m+ revenue business in 2023

Now 24 creative labels across scripted and unscripted, 9 of which are majority-owned

MAJORITY-OWNED £70M+ REVENUE IN 2023

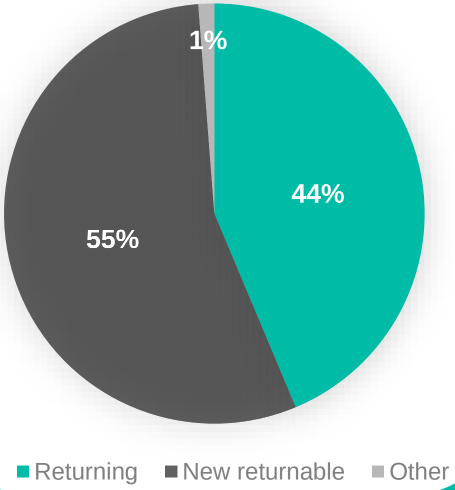
BROADLY EVENLY SPLIT ACROSS SCRIPTED AND UNSCRIPTED

Forecast % of Studios revenue, 2023



RETURNING SERIES PROVIDING A STRONG FOUNDATION

Forecast % of Studios revenue, 2023



We also have 15 minority investments bringing significant scope for further consolidation and growth

LARGE MINORITIES
£30M+ REVENUE IN 2023

TWO CITIES TELEVISION (25%)

HELLO MARY (25%)

MIGHTY (40%)

(40%)

HELLO HALO (30%)

PI (40%)

FLICKER PRODUCTIONS (40%)

KALEL PRODUCTIONS (25%)

Riverdog PRODUCTIONS (37.5%)

SMALL MINORITIES
SUB £5M REVENUE IN 2023

owl power (5%)


(5%)

TOP HAT (5%)

ROCKERDALE STUDIOS (3.2%)

GOAT FILMS (5%)

Big Light (5%)

- Prescribed routes to control exist for certain minorities and not others
- We will look to consolidate ownership as companies become profitable

Two Cities Television is likely to be the first minority to consolidate given stellar success

5.7m

average audience for *Blue Lights* series 1

77%

up on timeslot average for 16-34s

- *Blue Lights* series 2 now filming in Belfast
- Nominated for best new drama at 2023 National TV Awards
- Two Cities has a strong drama slate with further commissioning success expected shortly

We expect Two Cities to be meaningfully profitable in 2023, triggering our consolidation of the business from 25% to 51% on pre-agreed terms

Blue Lights, Two Cities for BBC1

The recent Greenbird acquisition has given STV Studios further creative momentum

7 new commissions announced since the acquisition in July

4x new commissions for Rumpus Media

- New *Late Night Lycett* (C4)
- 4th series of *The Misadventures of Romesh Ranganathan* (BBC2)
- 8-ep *Romesh & Tom Take Takeshi's Castle* (Amazon Prime)
- Additional episodes of true crime/ comedy format *The Misinvestigations of Romesh Ranganathan* (BBC2)

3x new entertainment commissions for Tuesday's Child & Interstellar

- New large-scale reality event launching in 2024 on ITV, *The Fortune Hotel*, hosted by Stephen Mangan
- New comedy / reality game show, *Battle of the Box*, for UKTV's Dave, hosted by Jimmy Carr
- New digital commission for Channel 4's YouTube channel, *Bad Baby*

International growth is a key focus for our expanded Studios division

Lego Masters is an established international hit

- Sold to 20+ territories worldwide
- Series 4 of the US version will run on Fox later this month
- International versions also made in China, South America and Europe

Bridge of Lies also selling internationally

- Already sold to 15+ territories worldwide
- New Spanish version “El Puente de las Mentiras” just announced for TVE
- Further versions in pipeline

Our international strategy will further monetise our growing slate of programme IP

We are making good progress with the Greenbird integration

Workstreams focused on growth, integration & synergies

- Operational integration
- Cost synergies
- Culture & Governance
- UK growth strategy
- International development strategy
- Commercial IP strategy

We expect significant progress on integration by year end and to deliver revenue and cost synergies of at least £750k p.a. from 2024, as guided

There is no ceiling for the growth of STV Studios

VISION

A world class producer for the biggest networks and global streamers

The UK's #1 nations and regions production company by turnover, profit and reputation

STRATEGIC OBJECTIVES »

1. ACCELERATE RETURNABLE AND RETURNING SERIES
2. CONTINUE TO EXPAND CUSTOMER BASE IN UK & INTERNATIONALLY
3. GROW EXISTING MAJORITY LABELS AND CONSOLIDATE MINORITIES IN SUCCESS

Bridge of Lies, STV Studios for BBC1

We have delivered another excellent streaming performance in H1 2023

More people	Watching more	For longer	= More success
New registrations +65%	70.2m streams	32.8m hours	Revenue £10.1m, +9%
Active registered users +38%	+25%	+25%	Profit £5.0m, +26%
VIP users +24%			

2023 targets

5m registered users	✓
Double digital viewing to 140m streams	ON TRACK
Double digital revenues to £20m	ON TRACK

The Twelve, STV Player (coming soon to STV)

Our new *STV Player Exclusive* content is performing well and changing the way people watch

Top 15 VOD titles on STV Player, H1 2023

	Total streams
Brookside	**7.6m**
Emmerdale	5.8m
Coronation Street	4.4m
The Bay	1.7m
Unforgotten	1.7m
Crime	**1.4m**
Redemption	1.2m
Malpractice	1.1m
The Twelve	**926k**
Without Sin	**884k**
Six Four	**867k**
I'm a Celebrity... South Africa	807k
Britain's Got Talent	693k
Vera	595k
Rush	**865k**

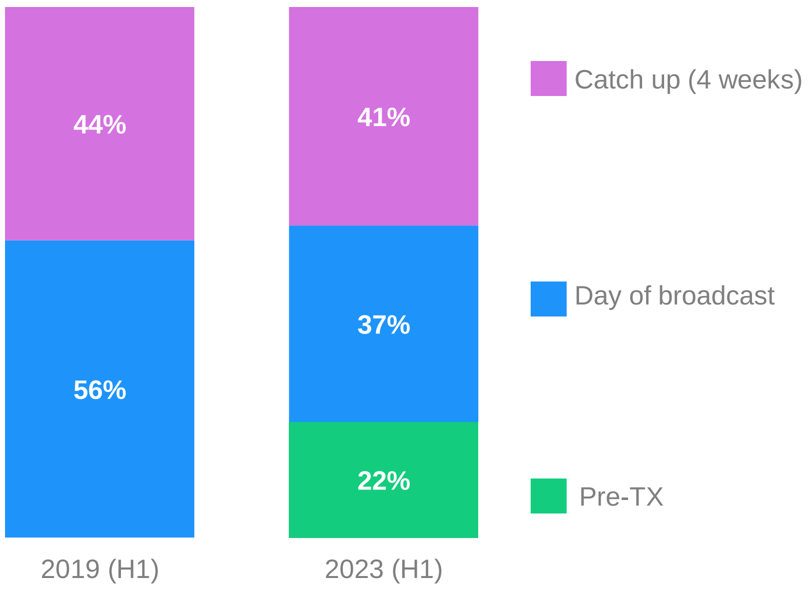
STV Player Exclusive (acquired/archive)

STV Player Exclusive (Network)

Source: Adobe Analytics & FreeWheel, Jan-Jun 2023

Nearly a quarter of all drama viewing is now in the preview window

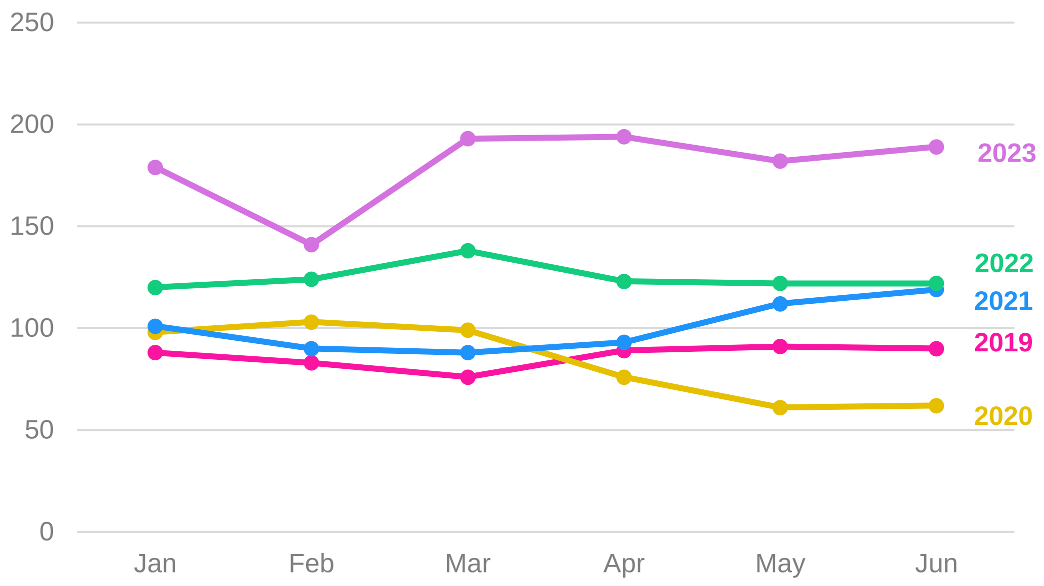
Shape of 16-44s Drama consumption, 2023 vs 2019



Source: Barb, UK Jan-Jun 2019 vs Jan-Jun 2023, (excluding any drama repeats)

Our new digital advertising partnership with ITV is already paying off

Digital brand count up 50% in 2023



Digital yield up

55% increase in STV's VOD sales price (cost per thousand)

Addressable advertising up

90%+ of STV Digital campaigns now targeted

STV already benefitting from ITV's scale and targeting capability under new long-term deal

We continue to innovate the STV Player product to ensure prominence in every home

New Sky Q app gives STV more control, data & prominence in 8m+ Sky homes

The UK Government's new Media Bill would guarantee that STV Player is prominent on all major platforms

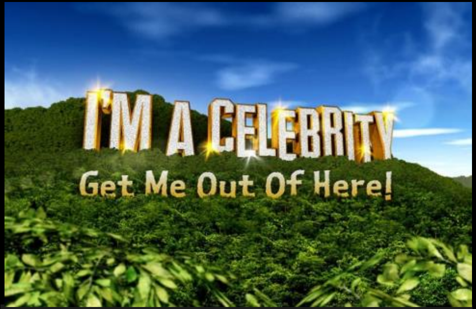
Our H2 content line-up is already helping to stimulate an advertising recovery

Player-exclusive drama

The Winter King

Three Little Birds

Entertainment



I'm a Celebrity

My Mum, Your Dad

Sport

(Photo by Richard Callis/Eurasia Sport Images/Getty Images)

FIFA Women's World Cup

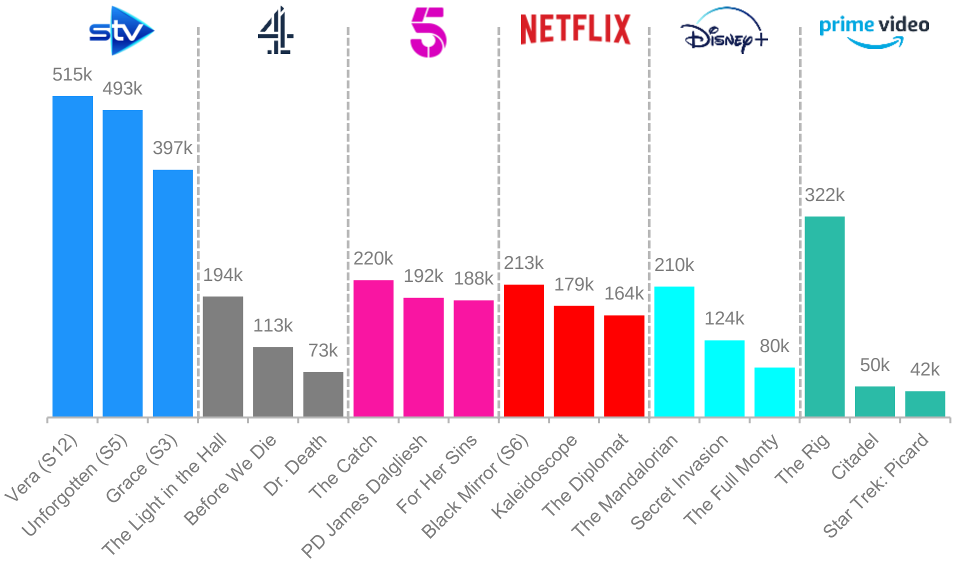
(Photo by Ian MacNicol/Getty Images)

Men's Rugby World Cup

STV's broadcast performance still way ahead of the competition

STV dominated drama launches in H1 across all commercial competitors

Biggest drama launches by service, Scotland, H1 2023



Top 500	
380	STV
95	BBC1
14	Ch4
0	Netflix

Source: BARB/Dovetail Jan-Jun 2023, TV set viewing of episode 1 on the day of release + 7 days catch-up, individuals, STV Macro area

Source: Barb Jan-Jun 2023, individuals, TV sets, individual TXs/episodes, 28-day consolidated viewing (new programmes only), excludes drama pre-TX

STV has an unrivalled commercial platform in Scotland

STV was the most watched commercial channel in Scotland for 180 out of 181 days in H1 2023

Source: Barb Jan-Jun 2023 (09:30-24:00), commercial channels, individuals
*10th Jun: UEFA Champions League Final

STV the biggest peaktime channel in Scotland for 6th H1 in a row, ahead of BBC1

97% of the top 500 audiences on commercial TV were on STV in H1

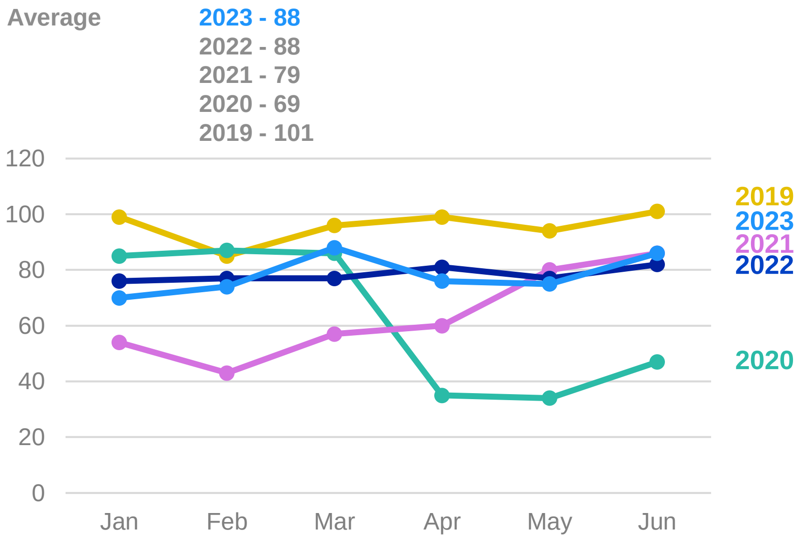
STV's peak time share has outperformed ITV for 51 months in a row

Unforgotten, STV & STV Player

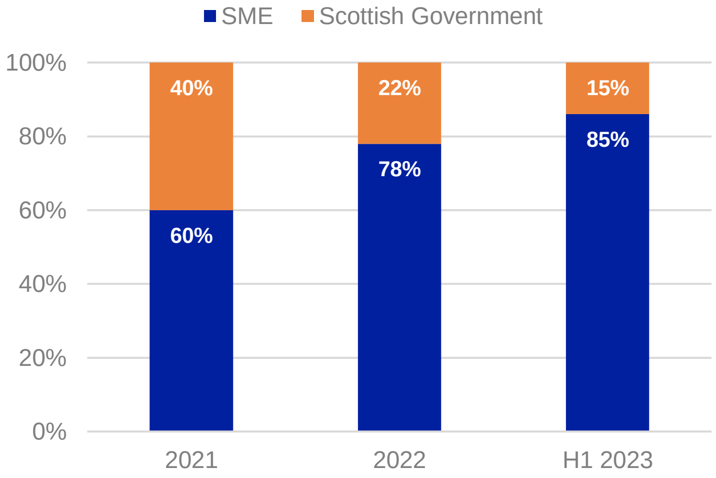
Scottish advertising continues to track ahead of National, with Q3 growth expected

Regional advertising down 14% in H1, but underlying SME only -2%

Regional brand count healthy through the cycle



Return of SME spend is encouraging



GrowthFund

- 1150+ Growth Fund deals since launch allocating c.£26m
- Further 180 deals in 2023 so far, with over 70% rebooking from 2022
- Regional advertising expected to continue to outperform national

Improving outlook

Greenbird acquisition helps accelerate diversification

Revenue

- Expecting at least 25% increase in total revenue for FY 2023
- Total advertising revenue expected to be up 3-5% in Q3 driven by strong sporting events
    - Q4 TAR impacted by tough comparators due to FIFA Men's World Cup with full year expected to be down
- On track to hit target of £20m Digital revenues in 2023
- Organic Studios revenues will be £50m+ (£70m+ with Greenbird), well ahead of £40m target and despite commissioning slowdown

Adjusted operating profit

- Linear advertising decline will mean FY adjusted operating profit lower than 2022
- Strong profit growth in Digital & Studios, with cost mitigations of £2.5m in 2023
- H2 performance more positive on back of improving TAR and Studios profits
- Confirming previous Studios guidance of £6-6.5m adjusted operating profit in 2023

Diversification

- STV now expecting to deliver at least 60% of earnings from outside linear broadcasting in 2023, comfortably ahead of 50% target

Strategy & targets

- New targets for the next phase of STV's diversification strategy will be confirmed in due course

Summary

Accelerating STV’s diversification to boost resilience and growth

- Excellent revenue growth shows diversification is working despite weak H1 advertising
- Key strategic areas of Digital streaming and Studios continue to flourish
- Transformative Greenbird acquisition turns STV Studios into major UK production player
- H2 performance more positive on back of improving TAR and Studios profits
- 60%+ of STV's total earnings will come from outside traditional broadcasting in 2023
- Strong foundation for the next phase of STV's diversification & growth