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**STV Group plc**

**Press Release 0700 hours, 6 July 2023**

**Acquisition of Greenbird Media for initial cash consideration of £21.4 million**

**Accelerates STV's strategy to grow its production business, further diversifying its earnings from outside linear broadcasting and driving long-term shareholder value**

**Acquisition highlights:**

- **STV acquires 100% of major UK unscripted production network Greenbird Media through existing bank facilities**
- **Greenbird's portfolio – which includes majority stakes in leading unscripted companies Crackit Productions and Tuesday's Child and minority positions in 13 other producers - not only brings immediate scale and earnings enhancement but also the potential for future growth through consolidation of minorities**
- **Significantly boosts STV Studios returning series from 12 to almost 40, including international series**
- **Transaction is margin accretive for STV Studios and materially earnings enhancing for STV Group from day 1, as well as offering scope for future revenue and cost synergies**
- **Takes STV beyond its diversification target of 50% of earnings from outside traditional linear broadcasting by end 2023, with estimated out-turn of at least 60%, while keeping the group well within its financial covenants.**

STV Group plc ("Company" or "STV") today announces it has acquired, through its wholly-owned subsidiary STV Studios Limited, 100% of the issued share capital of unscripted television production network Greenbird Media Limited ("Greenbird") for a total cash consideration of approximately £24 million, of which £21.4 million was paid on completion.

As well as helping its network of investee production companies to accelerate their growth plans, Greenbird is also a service provider, offering a bespoke back-office solution to enable creatives to focus on pipeline development and programme production.

**Strategic benefits:**

***Accelerates the growth of STV Studios by more than trebling the number of returning series, strengthening STV's existing rights catalogue and future creative pipeline***

- **Founded by respected television executives Jamie Munro and Stuart Mullin in 2012, Greenbird has built the largest independently-owned network of high quality producers in the UK, with an archive of 2,000+ hours of content, and will this year produce over 350 hours of new programming across 25 returning series.**

- Greenbird network companies are behind such hit shows such as *LEGO Masters* (C4, Fox in the US), *The Hit List* (BBC One), *Animal Casualty 24/7* (C5), *The Misadventures of Romesh Ranganathan* (BBC Two), *Late Night Lycett* (C4) and *Mortimer & Whitehouse: Gone Fishing* (BBC Two).
- Greenbird directly owns majority stakes in two of the UK's leading unscripted production companies, Crackit Productions (75%) and Tuesday's Child (51%), founded and run by award-winning creative leaders Elaine Hackett (ex Endemol UK board member overseeing Big Brother) and Karen Smith (ex MD of Shine TV and co-creator of Strictly Come Dancing) respectively. Tuesday's Child in turn owns a majority stake in Interstellar (51%). Greenbird also holds minority positions in a further 12 production companies, including Rumpus Media (40%), Glasgow-based Hello Halo (30%) and Flicker Productions (40%), offering significant scope for future consolidated growth.

***Delivers scale benefits for STV Studios as one of the largest UK production groups and further diversifies STV Group's earnings***

- The acquisition will make STV Studios one of the largest production groups in the UK, is a major step towards our stated objective of becoming the UK's No.1 nations & regions producer, and accelerates the STV Group's overall diversification strategy.
- We now expect to comfortably exceed our diversification target that at least 50% of STV's operating profit should come from outside linear broadcasting by the end of FY23, transforming STV into a more balanced, resilient media company offering both linear and digital reach, and the creation and ownership of valuable IP in the growing global content market.

***Provides significant opportunities for further growth***

- The acquisition will materially enhance the future growth prospects of STV Studios creatively, commercially, and internationally.
- STV Studios production labels will more than double from 9 to 24 forming an unrivalled network of senior creative leaders and a significantly expanded forward pipeline of new programme ideas, a number of which have already been greenlit for 2024. The enhanced scale of the group will allow STV Studios to realise more value from a combined programme catalogue of 5,000+ hours in the distribution and secondary sales markets.
- The enlarged STV Studios will also pursue an international growth strategy to generate maximum value from its shows outside the UK and build on the recent success of *LEGO Masters* (20 territories including UK and US) and *Bridge of Lies* (16 territories including UK & Spain).
- The group will have expanded bases in Glasgow and London, as well as offices in Belfast, Cardiff, Manchester and Brighton, strengthening our ability to take advantage of the continuing strong growth of production in the nations and regions.
- STV Studios is also one of the few multi-genre production groups of scale in the UK with the capability to produce high quality programming across scripted and unscripted, with our drama companies delivering three high-profile new series in 2023: the acclaimed *Blue Lights* for BBC One, series 2 of prison drama *Screw* for C4, and Peter Capaldi/Cush Jumbo thriller *Criminal Record* for Apple TV+.

### ***Further strengthens STV Group's management team***

- Following the acquisition, Greenbird founders Jamie Munro and Stuart Mullin will join the board of STV Studios in the roles of Chief Commercial Officer and Finance & Integration Director respectively, working alongside Chief Operating Officer Paul Sheehan under the leadership of Studios Managing Director David Mortimer, with a brief to drive the expansion of STV Studios both in the UK and internationally.
- The founders and creative leaders of the key Greenbird production companies will remain with their businesses under long-term incentive arrangements, forming an unrivalled network of creative leaders across STV Studios.

### **Key financials:**

STV has acquired 100% of the issued share capital of Greenbird from Keshet International (60% shareholder) and Greenbird's founders, Jamie Munro, Stuart Mullin and Karen Smith (the "Founders"), for a total cash consideration of approximately £24 million.

An initial cash payment of £21.4 million includes £11.5 million for the repayment of loan notes to Keshet at completion, a cash adjustment of £0.3 million, and the balance payable to the existing shareholders, equivalent to 86% of the equity, including Keshet's entire equity interest. Deferred consideration in relation to the balance of 14% of the equity, currently estimated to be £1.6 million, is payable to the Founders based on agreed EBITDA targets over the two years ending 31 December 2024. The remaining consideration of c.£1 million relates to surplus cash balances held by the majority companies (being Crackit, Tuesday's Child and Interstellar) at completion, which will be paid to the existing shareholders at the point in future when STV, through Greenbird, owns 100% of their equity or when monies are divided by them to Greenbird.

### ***Immediately earnings enhancing and further diversifies STV's revenues and profits***

- The acquisition will be materially earnings enhancing, in terms of STV Studios and STV Group's revenue, profit and margin, as well as STV Group's EPS.
- On a proforma basis and in line with Greenbird's 'percentage of completion' revenue recognition policy, Greenbird generated consolidated revenues of c.£32 million, consolidated operating profit of c.£3.5 million and consolidated profit before tax of c.£2.9 million in the year ended 31 December 2022 (excluding share of associates). Greenbird's gross assets as at 31 December 2022 were £18.5 million. The total revenue generated by entities in which Greenbird held an investment in 2022 was c.£64 million.
- Under STV's ownership, Greenbird will report in accordance with STV's episodic delivery revenue recognition policy. On that basis, the proforma FY22 results would have been revenue of c.£28 million, operating profit of c.£3 million and profit before tax of c.£2.5 million. Furthermore, Greenbird is forecast to deliver revenue of £20-25 million and operating profit of £3-3.5 million in H2 2023, which will be consolidated into the STV Group financial statements for FY23. As the corporate structure of Greenbird includes entities who are not wholly owned, there will be an allocation of profit, via reserves, to minority interests that we expect to be c.£1 million in H2 2023.
- We expect the enlarged STV Studios division to deliver revenue of £70-75 million and adjusted operating profit of £6-6.5 million in FY23, taking the STV Group well beyond its

diversification target of achieving 50% of operating profit, to at least 60%, from outside traditional linear broadcasting by the end of 2023.

- STV expects to deliver significant revenue and cost synergies across the enlarged STV Studios business of at least £750k p.a. from 2024.

### ***Significant headroom remains in bank facility and key financial covenants***

- STV has funded the acquisition entirely from its existing £60 million revolving credit facility. The Group has also released £10 million from its accordion facility to provide additional liquidity headroom although does not currently anticipate using this incremental funding capacity.
- The enlarged group's net debt<sup>1</sup> on day 1 will be approximately £32 million, which comprises net debt in the existing STV Group of c.£38 million and cash balances in the Greenbird network of c.£6 million, of which £2 million is available to the Group on completion. Greenbird currently funds working capital through existing cash reserves and without external bank facilities, and this is expected to continue for the foreseeable future.
- STV Group's key financial covenants are net debt to EBITDA (maximum of 3 times) and interest cover (minimum of 4 times). In accordance with STV's debt facility, the Group expects net debt to EBITDA to be c.1 times and interest cover to be at least 10 times at the end of FY23.
- STV expects to continue to generate adequate cash resources to fund future growth. Its dividend policy will remain unchanged.

<sup>1</sup> – excluding lease liabilities

Simon Pitts, STV CEO said: *"Growing STV Studios into the UK's #1 nations and regions production company is one of our core strategic objectives. This transformative acquisition represents a major step towards that goal, adding significant scale and creative firepower to the group and immediately accelerating STV's overall diversification in terms of both revenue and profit. We're delighted to be partnering with Greenbird and to welcome their incredibly talented network of creative leaders to the STV family as we jointly aim to grow our production base in the UK and internationally."*

David Mortimer, Managing Director of STV Studios said *"Over the last 4 years we have transformed STV Studios' creative and commercial performance, so now feels like the right time to take our next big step towards becoming one of the UK's most successful production groups. I've known and worked with many of the team at Greenbird and their associated companies previously and can't wait to get on with the job of integrating these great production companies into the STV Studios family. Jamie and Stuart have built a brilliant business and they'll bring unrivalled commercial expertise as part of our senior management team. Over the next few years, we will be making some huge television shows for broadcasters and streamers both here in the UK and around the world, so this feels like an exciting new era for STV Studios."*

Jamie Munro and Stuart Mullin, Greenbird founders, said: *"This is an exciting new chapter in Greenbird's history. We are hugely proud of the Greenbird incubator model we have built. It has given creatives space to flourish and deliver some of the most innovative, entertaining and loved programmes in the UK. Their creative power is unrivalled and has been recognised*

*by viewers, critics, awards panels and through the volume of international sales that their shows have generated.*

*We're delighted to be working with Simon and David at STV. We look forward to a future together helping a wider network of creatives realise their ambitions."*

There will be a presentation for analysts and investors today, 6<sup>th</sup> July 2023, at 12.30pm, via Zoom. Should you wish to attend the presentation, please contact Angela Wilson, [angela.wilson@stv.tv](mailto:angela.wilson@stv.tv) or telephone 0141 300 3000.

### **Further information**

The Greenbird network comprises the following production investments:

#### Majority positions

Crackit Productions (75%)

Tuesday's Child (51%), which in turn owns 51% of Interstellar

#### Large minority positions

Flicker Productions (40%)

Rumpus Media (40%)

Pi (40%)

Riverdog (37.5%)

Hello Halo (30%)

Kalel Films (25%)

#### Small minority positions

Top Hat (5%)

Goat Films (5%)

Owl Power (5%)

Little Dooley (5%)

Big Light (5%)

Rockerdale Studios (3.2%)

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This announcement contains inside information for the purposes of Regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310 (as amended). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

Under the FCA Listing Rules, the acquisition of Greenbird constitutes a Class 2 transaction and, as such, this announcement is made in accordance with STV's disclosure obligations pursuant to Chapter 10 of the FCA Listing Rules. For the purposes of LR 10.4.1 R (Notification of Class 2

transactions), the gross assets of the Greenbird network were £18.5 million at 31 December 2022 and profits for the year then ended were £2.5 million.

## **Notes to Editors**

### **STV Group plc**

STV Group plc is Scotland's home of news, entertainment and drama, providing audiences with top-quality programming on air, online and on demand.

STV's broadcast channel reaches 3 million viewers each month, with a packed schedule across the day. STV's fast-growing streaming service, STV Player, offers viewers across the UK home-grown and international drama box sets and a vast array of factual entertainment series. Production company STV Studios - one of the UK's leading content businesses - has an impressive track-record of success across a wide range of broadcasters and streamers, with productions including BAFTA-winning Elizabeth Is Missing for BBC One and prison drama, Screw for Channel 4, quiz format Bridge of Lies for BBC One and much-loved returning series Celebrity Catchphrase (ITV and STV) and Antiques Road Trip (BBC One).

### **Greenbird**

Greenbird is both an investment business and a services business to help production companies achieve their full potential. Founded in 2012, it invests equity capital to accelerate companies' growth plans, and provides a bespoke back office solution to ease the process of running a business as well as offering commercial advice.

With more than 30 years' experience in television production, Jamie Munro and Stuart Mullin provide producers with access to innovative funding models, offer expertise in the commercial exploitation of intellectual property and licensing deals; give strategic and operational support and provide administration services including business affairs, IT, legal, accounting and HR.

Since 2012, Greenbird has helped 22 unscripted indies deliver approximate 2,000 hours of programmes – an estimated £300m worth of production activity.