

A man with grey hair and a woman with short dark hair are standing outdoors in a city setting. The man is on the left, wearing a dark jacket, and the woman is on the right, also in a dark jacket. They are both looking towards the right. In the background, there are buildings and a green fence. A semi-transparent grey banner is overlaid across the middle of the image, containing white text.

Diversification targets exceeded; new 3-year growth plan

STV Full Year Results – 5th March 2024

Criminal Record
Tod Productions, Apple TV+



Agenda

Introduction

Paul Reynolds

Overview

Simon Pitts

Finance review

Lindsay Dixon

Strategic update, targets & outlook

Simon Pitts

Q&A

Diversification plan delivers

- Diversification strategy continues to accelerate:
 - Total revenue growth of 22%, with growth areas more than offsetting linear ad revenue decline
 - Studios revenue and operating profit trebles
 - Digital revenue +6% and digital operating profit +16%
 - 75% of Group adjusted operating profit outside broadcasting, well ahead of 50% target
- Adjusted operating profit of £20.1m impacted by linear advertising and cost inflation, as expected
- Strong on-screen performance, with STV Player streams +28% and STV the largest peak time TV channel for 5th year in a row
- Advertising outlook improving, with Q1 TAR expected to be up around 5%
- New 3-year targets set to drive STV's profitable growth
- Board proposes final dividend of 7.4p and a full year dividend of 11.3p, in line with 2022



Finance Review Lindsay Dixon



FY23 key financials

Total Revenue		Total Advertising Revenue		National Advertising Revenue		Regional Advertising Revenue		Digital Revenue	
£168.4m		£97.3m		£64.1m		£15.1m		£20.2m	
2022	+22%	2022	-12%	2022	-16%	2022	-9%	2022	+6%

Studios Revenue		Adjusted Operating Profit		Adjusted Operating Margin		Adjusted EPS		Net Debt	
£66.8m		£20.1m		11.9%		28.2p		£32.3m	
2022	+182%	2022	-22%	2022	-6.8pps	2022	-33%	Dec 2022	£15.1m

Group Results

Balance of revenue and profit swings towards Digital and Studios

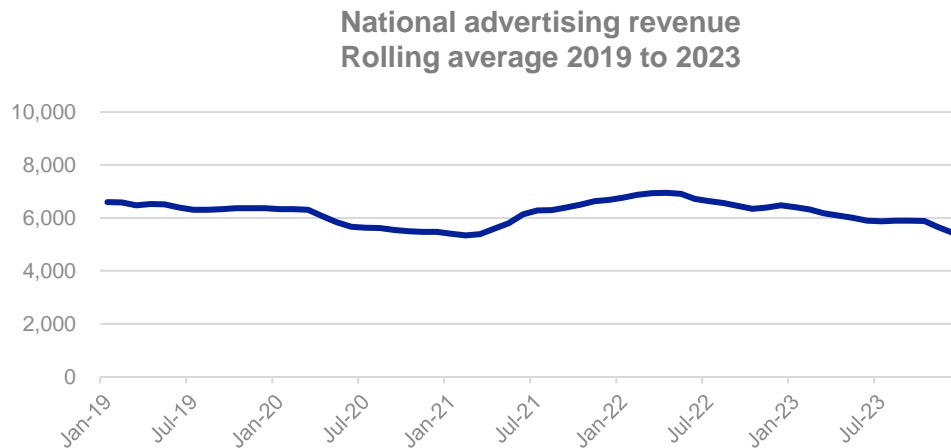
- Revenue from Digital and Studios more than 50% of Group total for first time
 - Excluding Greenbird, Group revenues grew 11%, even in tough linear ad market
- Adjusted operating profit reflects flow through of declines in higher margin linear advertising revenue, and cost inflation partly offset by savings
- Targeted cost savings of £2.5m achieved
- Adjusted operating margin lower due to:
 - mix effect, with 40% revenue and 21% profit contribution from Studios
 - reduction in linear advertising revenue
- Finance costs reflect higher base rate and incremental debt following Greenbird acquisition

	2023 £m	2022 £m	Change
Revenue			
- Broadcast	81.4	95.1	-14%
- Digital	20.2	19.0	6%
- Studios	66.8	23.7	182%
	168.4	137.8	22%
Adjusted operating profit	20.1	25.8	-22%
<i>Adjusted operating margin</i>	<i>11.9%</i>	<i>18.7%</i>	
Share of associates	(0.2)	(0.1)	
Finance costs (excl. adjusting items)	(2.9)	(1.6)	
Adjusted PBT *	17.0	24.1	-30%
Adjusted EPS (pence) **	28.2p	42.3p	-33%
<u>Statutory basis</u>			
Adjusted operating profit*	20.1	25.8	-22%
Adjusting items:			
ITV partnership costs	(3.1)	(0.5)	
Greenbird acquisition and integration	(2.4)	-	
High end TV tax credits	(7.7)	-	
Acquisition amortisation	(0.5)		
Statutory operating profit	6.4	25.3	-75%
* Reflects adjusting items listed above and adjusting finance costs (IAS19 interest and unwind of discount)			
** Reflects adjusting items above (except for High end TV tax credits) and adjusting finance costs (IAS19 interest and unwind of discount)			

Total Advertising Revenue

VOD advertising continues to perform strongly; linear impacted across year by broader macro environment

	2023 v 2022		
	H1	H2	FY
National	-19%	-14%	-16%
Regional	-14%	-3%	-9%
VOD	+14%	+1%	+7%
TAR	-14%	-9%	-12%

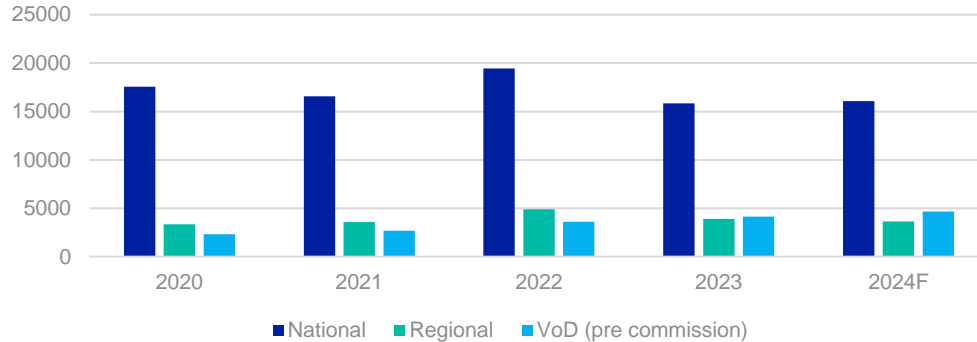


- Weak national market across most sectors caused by economic downturn
- Regional performance masks different dynamics across Scottish Government and core SME customers
 - core customer base down only 1%
 - SG down 38%
- 2023 was first year of ITV representing STV for national VOD

Advertising outlook

Visibility remains limited but there are some signs linear advertising may be stabilising

Q1 advertising trends



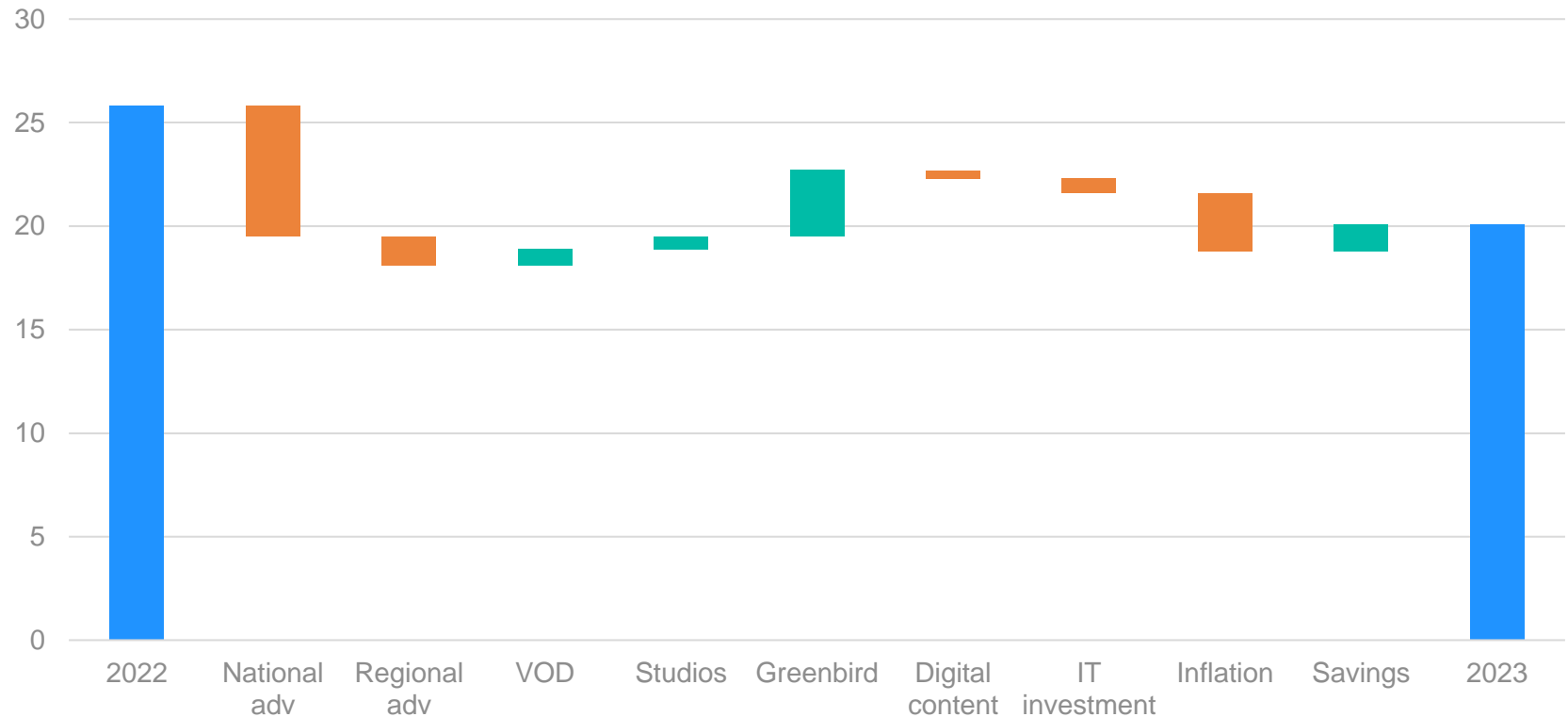
Total Advertising Revenue



- National linear showing growth in Q1 with greater activity across wide range of sectors
 - expected to be up around 2%
- Total VOD (pre commission) continuing to show good growth, up around 12% for Q1
- Regional impacted by Scottish Government (SG) spending down around 4%:
 - Q1 2024 SG down c.60%; core business growing by 6-8%
- TAR improving and forecast to be up around 5% in Q1 (pre commission)
 - Including commission, TAR up around 2%

Adjusted operating profit

Positive contribution from growth areas and cost savings as planned



Studios

Continued momentum and acquisition delivers revenue, profit and margin growth

	2023 £m	2022 £m	Change
Revenue	66.8	23.7	+182%
Operating costs	(61.6)	(22.3)	
Adjusted operating profit	5.2	1.4	+280%
Adjusted operating margin	7.7%	5.7%	+200bps

- Key programme deliveries include *Criminal Record* (AppleTV+), *Screw S2* (Channel 4), *Catchphrase* (ITV), *ART/CART* (BBC), *Casualty 24/7* (C5) and *The Hit List* (BBC)
- Secondary sales revenue of c.£7m at high gross margin (2022: £4m)
- Margin improvement as business continues to build momentum

Greenbird Media

Business delivering in line with acquisition business case

ACQUISITION FINANCIALS

	£m
Payment on completion:	
- consideration	21.1
- surplus cash	0.3
	21.4
Deferred consideration Dec-23 (surplus cash)	0.5
Total cash payment 2023	21.9
2024 payments:	
- earn-out 1 payable H1-24	0.9
- surplus cash	0.5
2025 payment: earnout 2 payable H1-25 (est.)	0.7
Total est. cash outflow	24.0

GREENBIRD TRADING

	H1 2023 £m	H2 2023 £m	FY 2023 £m
Revenue	12.4	15.0	27.4
Costs	(12.4)	(11.8)	(24.2)
Operating profit	-	3.2	3.2
<i>Operating margin</i>	<i>0.0%</i>	<i>21.1%</i>	<i>11.6%</i>

- Greenbird H1/H2 split similar to STV
- H2 margin benefitted from higher-than-expected distribution income

Digital

Excellent cost control converts revenue growth to higher margin

	2023 £m	2022 £m	Change
Revenue	20.2	19.0	+6%
Operating costs	(10.3)	(10.5)	-1%
Operating profit	9.9	8.5	+16%
Operating margin	48.9%	45.0%	

- VOD advertising revenue c.75% of total
 - grew +7% year on year
 - commission payments to ITV for national VOD started on 1.1.24
- Cost savings delivered across marketing and ad serving
- Margin very strong at 49%

Broadcast

Linear advertising decline and cost inflation impact division's results

	2023 £m	2022 £m	Change
Revenue			
- National advertising	64.1	76.4	-16%
- Regional advertising	15.1	16.5	-9%
- Other	2.2	2.2	2%
	81.4	95.1	-14%
Operating costs	(71.6)	(74.4)	-4%
Operating profit	9.8	20.7	-53%
<i>Operating margin</i>	<i>12.0%</i>	<i>21.7%</i>	

- Revenue down across the division due to market conditions
- Largest single operating cost is payment to ITV for national programme budget
- Under our agreement this flexes with national revenues; saving in 2023 was c.£6m
- Cost inflation pressures most evident in Broadcast given property footprint and headcount
- Operating leverage of business means relatively small improvements in revenue have a meaningful profit effect

Operating cash conversion 169%

Year end net debt and leverage in line with guidance

- 2022 working capital outflow unwound in 2023; current year outflow driven by Studios and cash timing of 2023 NAA saving
- Across last 3 years, operating cash conversion averaged 107%
- Interest cost reflects higher base rate and net debt, particularly over H2
- Year end net debt includes production financing facility drawdowns of £3.3m, outside Group RCF
- Covenant leverage was 1.2x; excluding the production financing, leverage was 1.1x
- £70m RCF matures in March 2026; refinancing expected by Q1 2025

	2023 £m	2022 £m
Operating profit	6.4	25.3
Depreciation and amortisation	5.2	4.8
Share based payments	0.6	0.8
EBITDA	12.2	30.9
Working capital	(1.3)	(19.4)
Operating cash flow	10.9	11.5
<i>Cash conversion</i>	<i>169%</i>	<i>45%</i>
Other cashflows:		
Capital expenditure	(1.2)	(3.9)
Interest and refinancing fees	(2.3)	(1.1)
Corporation tax received	5.0	0.2
Lease payments on assets	(1.8)	(1.8)
Pension deficit funding payments	(9.7)	(9.5)
Contingent pension funding contributions	-	(2.4)
Two Cities Television production loan	2.6	(2.4)
Investment in Greenbird Media (net of cash received)	(15.0)	-
Investment in associates	(0.3)	(0.9)
Dividends	(5.4)	(5.1)
Net cash outflow in the year	(17.2)	(15.4)
Opening net debt	(15.1)	0.3
Net cash flow	(17.2)	(15.4)
Closing net debt	(32.3)	(15.1)
Net debt / EBITDA (covenant basis)	1.2x	0.5x
Covenant (maximum)	3x	3x
Interest cover (covenant basis)	12.9x	42.8x
Covenant (minimum)	4x	4x

Pensions

Accounting deficit reduces by 13%

	2023 £m	2022 £m
Assets	295.4	289.8
Liabilities	(350.2)	(352.9)
Deficit	(54.8)	(63.1)
Key assumptions:		
Discount rate	4.50%	4.85%
RPI	3.15%	3.45%




- Deficit reduction a result of updated mortality assumptions
- Asset valuation increases year on year
- Work underway on Dec 2023 triennial valuation; expect to conclude in H2



Strategic Update & new 3-Year Plan Simon Pitts



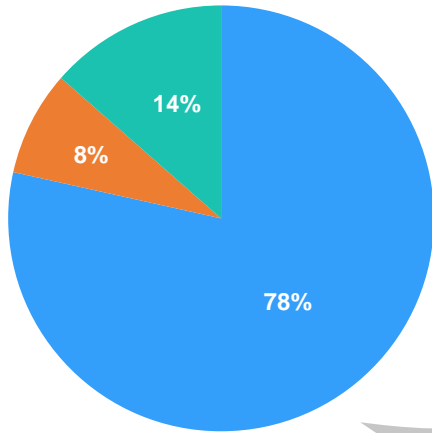
We have exceeded our 2023 diversification targets

STRATEGY	2023 TARGETS	ACHIEVED?	RESULT
BUILD WORLD CLASS STUDIOS	<i>Quadruple Studios revenue to £40m</i>		£67m
DRIVE DIGITAL	<i>Double digital revenues to £20m and registered users to 5m</i>		£20.2m 5.7m registered users
MAXIMISE BROADCAST	<i>Grow STV-controlled broadcast revenues to £20m</i>	NOT ACHIEVED	£17.2m
GROUP	<i>At least 50% of operating profit to come from outside traditional broadcasting by 2023</i>		75%

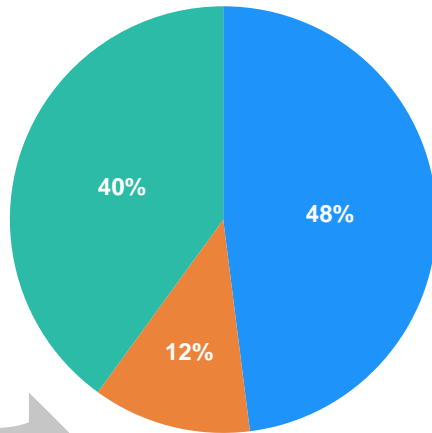
We have transformed the revenue and earnings base of STV over the last 5 years

Now a much more balanced business with strong growth drivers

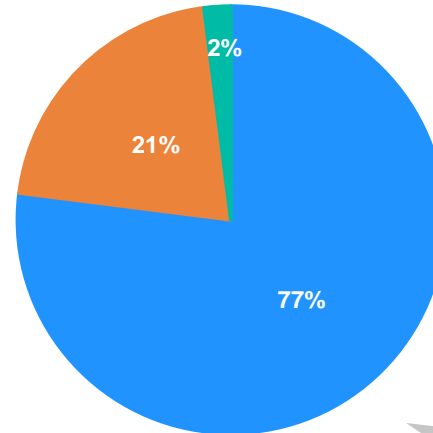
STV Group
Revenue FY18



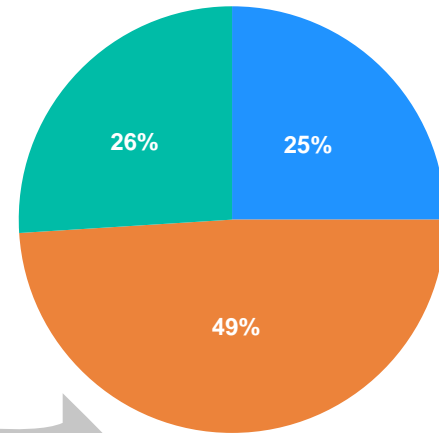
STV Group
Revenue FY23



STV Group Operating
Profit FY18



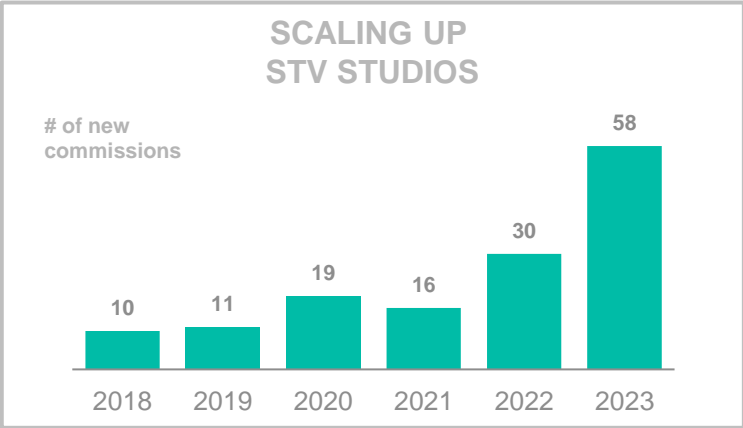
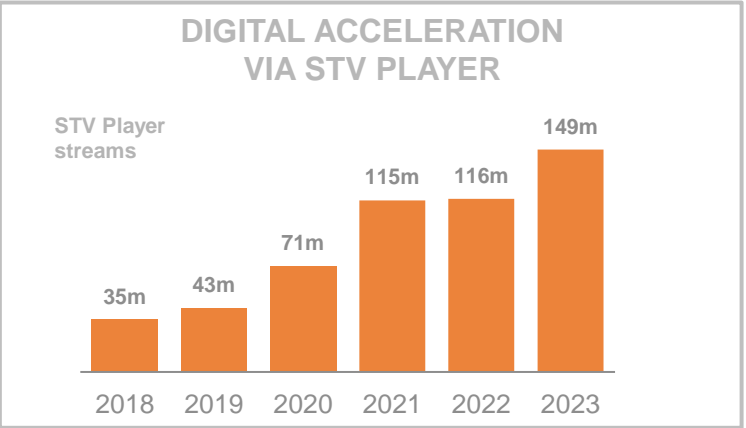
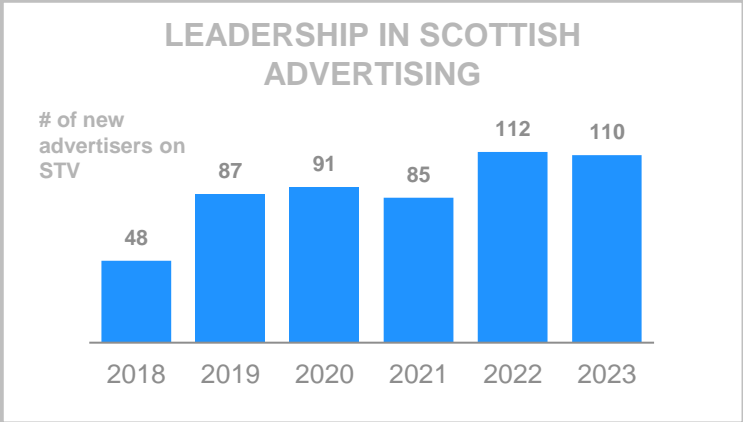
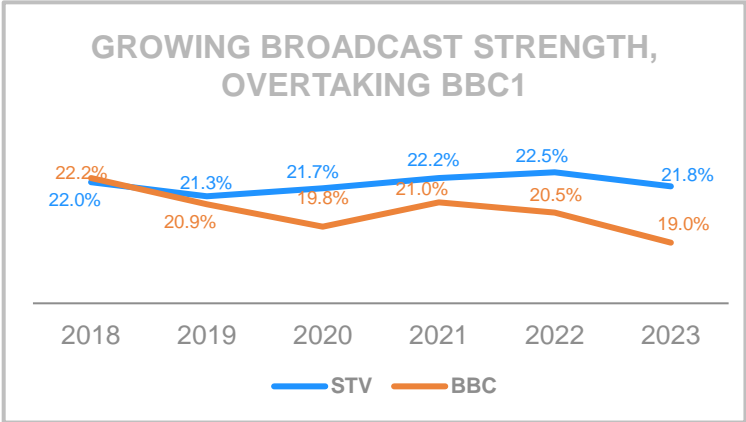
STV Group Operating
Profit FY23



STUDIOS ■ DIGITAL ■ BROADCAST ■

We have also laid strong foundations for the next phase of STV's growth

Reinvigorating the core business and building strong growth pillars



Phase 2 of STV's transformation is about accelerating growth

Our new strategic objectives reflect our evolving business model

1. CONTENT

**Accelerate UK &
international
Studios growth**

2. AUDIENCE

**Drive streaming
growth and maximise
total STV viewing**

3. MONETISATION

**Maintain advertising
leadership and grow
new revenues**

4. ORGANISATION

Modernise and simplify business for digital-first world

STV Studios is now a leading UK production group

24 creative labels across scripted and unscripted, up from 9



Studios / Entertainment
Factual
Drama



TWO CITIES
TELEVISION



TUESDAY'S CHILD



crackit
PRODUCTIONS



FLICKER
PRODUCTIONS



Riverdog
PRODUCTIONS



LITTLE DOOLEY



ROCKERDALE
STUDIOS

Big Light

58 new
commissions
in 2023

68 series
produced in
2023

34
returning
series

620 hours of
TV in
2023, +154%

#1 production
company in
Scotland

#2 Nations &
Regions
production
company in
UK

Production Group of the Year at Edinburgh Festival TV Awards 2023



Our expanded drama slate shows how far we've come in Studios

Now producing premium drama for the best in the business



Our Studios investment model is delivering significant returns



- £3.2m operating profit contribution in FY23, ahead of guidance
- On track to deliver at least £900k p.a. of synergies
- Continued momentum into 2024



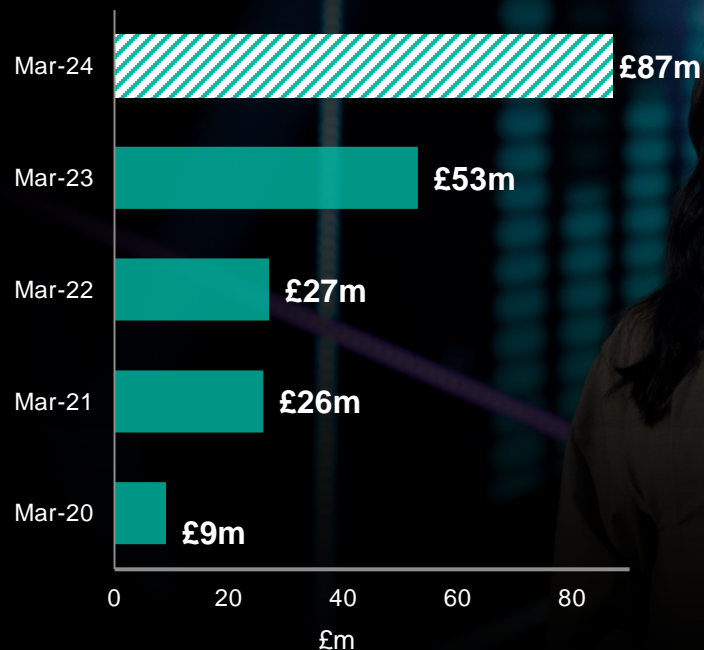
- £55m+ of future revenue already secured
- Series 3&4 of *Blue Lights* and new drama *Amadeus* recently confirmed
- Exciting pipeline of future projects

Other minority stakes in the Group

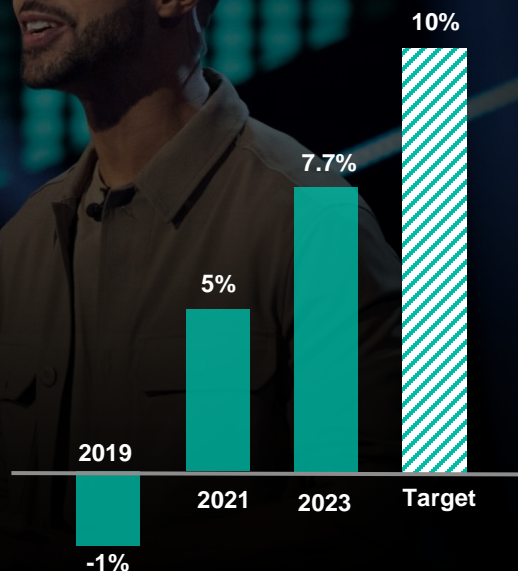


Our Studios forward order book is greatly enhanced, and margin is improving

Secured future Studios revenue



Clear progress towards our 10% margin

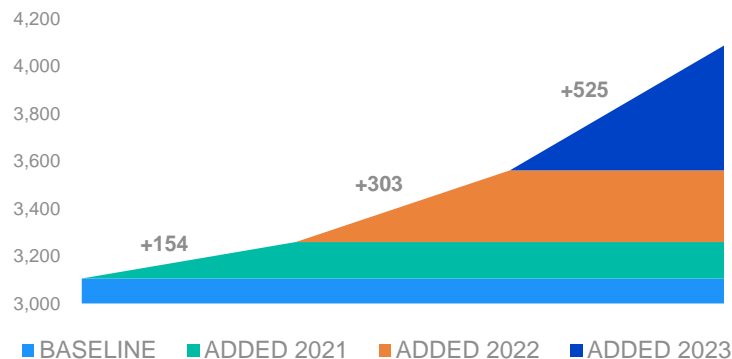


STV Studios is also becoming a more internationally-focused business

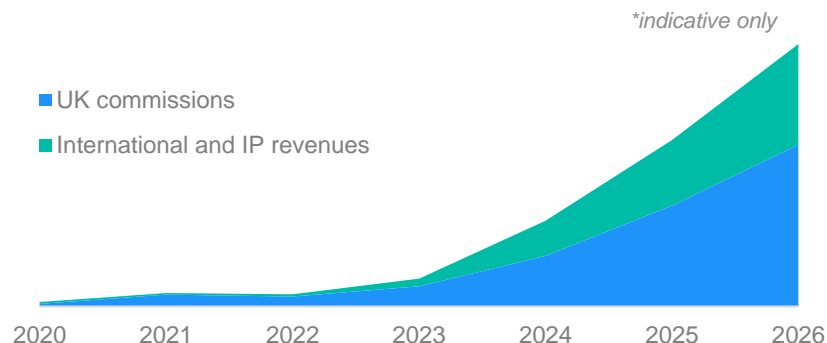
Increased emphasis on international formats and IP revenues

Stronger catalogue driving IP revenues

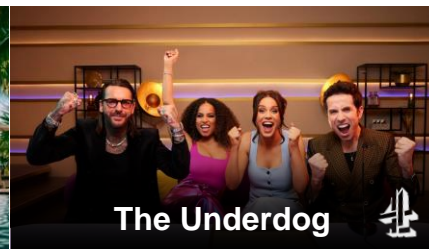
Increasing hours in distribution over time



STV Studios of tomorrow – more IP and internationally-focused



Internationally-focused formats



There is no ceiling to 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*

1

**FOCUS ON LARGE-
SCALE
RETURNABLE AND
RETURNING SERIES**

2

**CONSOLIDATE
PRODUCTION
LABELS TO DRIVE
PROFITABILITY**

3

**GROW
INTERNATIONAL
PRODUCTION AND
DISTRIBUTION
BUSINESS**

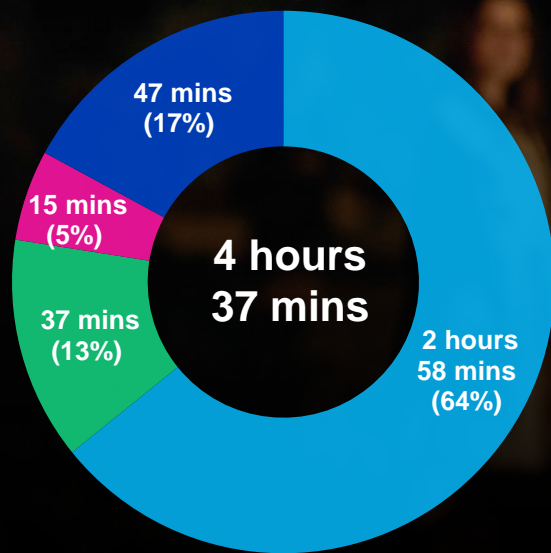
**REFRESHED
STRATEGIC
OBJECTIVES**



Broadcast channels and their streaming services still dominate video viewing

Average Scot spent 5x longer watching broadcaster content than the SVODs in 2023

2023 TV set viewing in Scotland

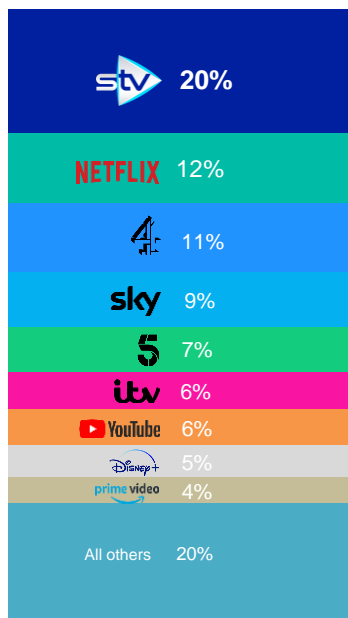


64% of all TV set viewing still to broadcasters and their VOD services in 2023

- Total Broadcaster/BVOD, e.g. STV/STV Player
- Total SVOD/AVOD, e.g. Netflix
- Total Video-Sharing, e.g. YouTube
- Unknown/other

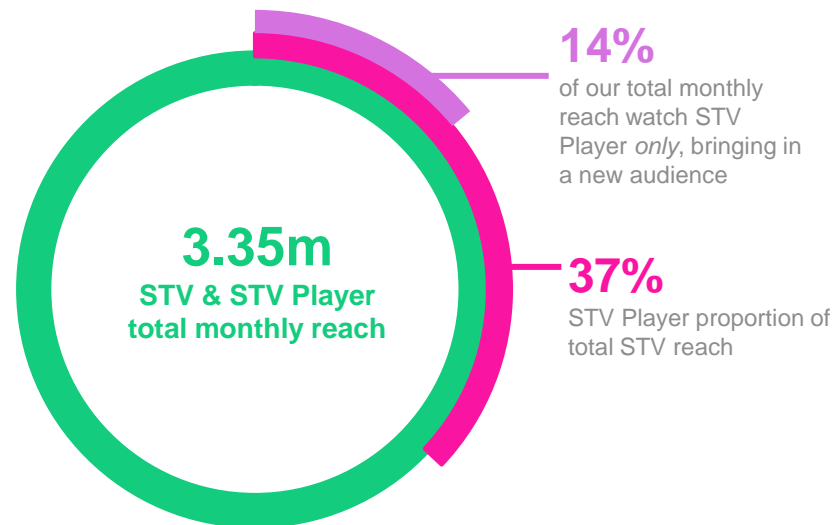
Combined impact of STV & STV Player maintains market leadership

STV the clear No.1 for commercial audience share in Scotland in 2023



Source: Jan-Dec 2023, share of commercial channels (including BVOD), SVOD, and video sharing services, peak time (18:00-22:30), individuals

STV Player now 37% of STV's total reach and growing....

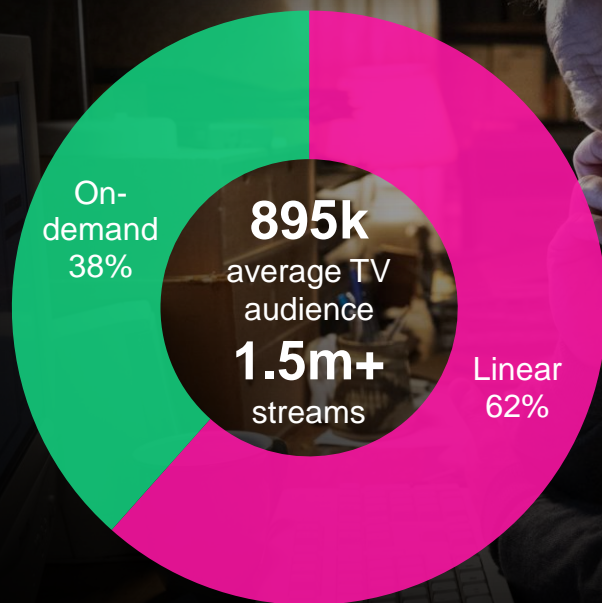


Source: Barb (As-viewed)/Adobe Analytics/FreeWheel Jul-Dec 2023, total reach includes UK-wide viewers of STV Player

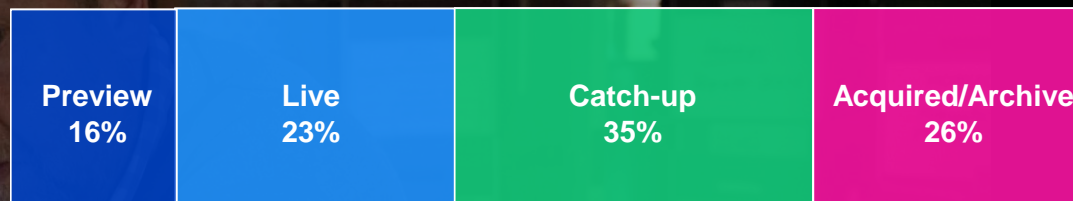
Mr Bates vs The Post Office shows the power of linear + on demand

Mr Bates vs The Post Office

STV Player viewing in 2023



Source: Barb (As-viewed), individuals



Source: Adobe Analytics & FreeWheel, Jan-Dec 2023

stv Player
71.4m
Total hours viewed

2023 was another year of strong growth for STV Player against all key metrics

More people	Watching more	For longer	=	More success
5.7m registered users +17%	149m streams	71m hours		Digital revenue £20.2m, +6%
Active registered users +20%	+28%	+25%		Digital profit £9.9m, +16%
VIP users +33%				

2023 targets

5m registered users



Double digital viewing to 140m streams

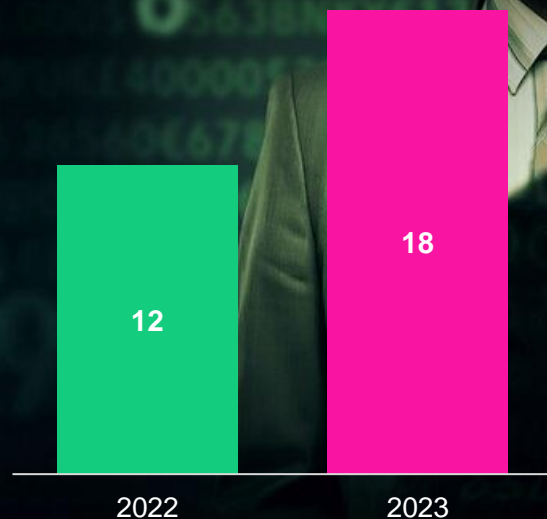


Double digital revenues to £20m



2023 saw a step change in our streaming performance, driven by new drama

More big shows than ever
(# programmes with 1m+ streams on STV Player)



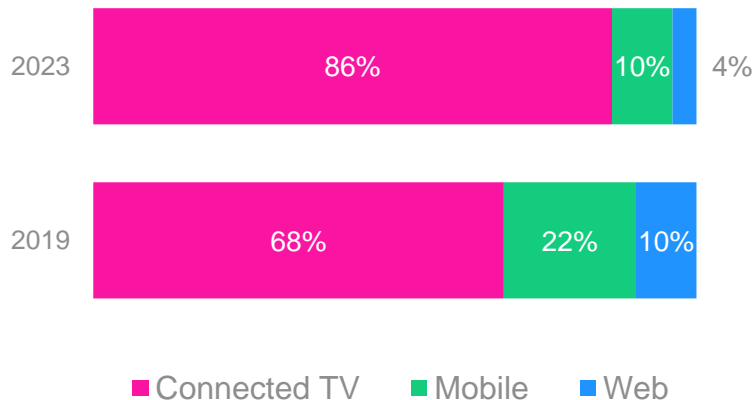
Drama consumption up 34% YoY



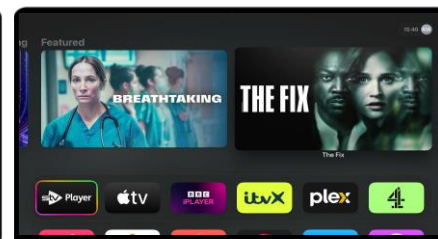
STV Player development is focused on where the growth is: connected TVs

86% of STV Player viewing now on a TV set

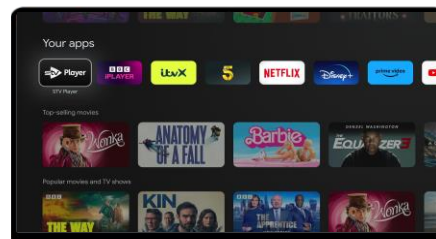
New app launches in 2023



sky Q



apple tv



Google TV



firetv

Source: Adobe Analytics & FreeWheel, Jan-Dec 2023

The UK Government's new Media Bill should guarantee prominence for STV Player on all major digital platforms

2024 has started strongly in STV Digital

H1 Highlights

Digital streams **+22%**
& online consumption
+19% so far this year

Already 6x shows with
1m+ streams



BREATH**TAKING**



TRIGGER **POINT**



CELEBRITY **BIG BROTHER**

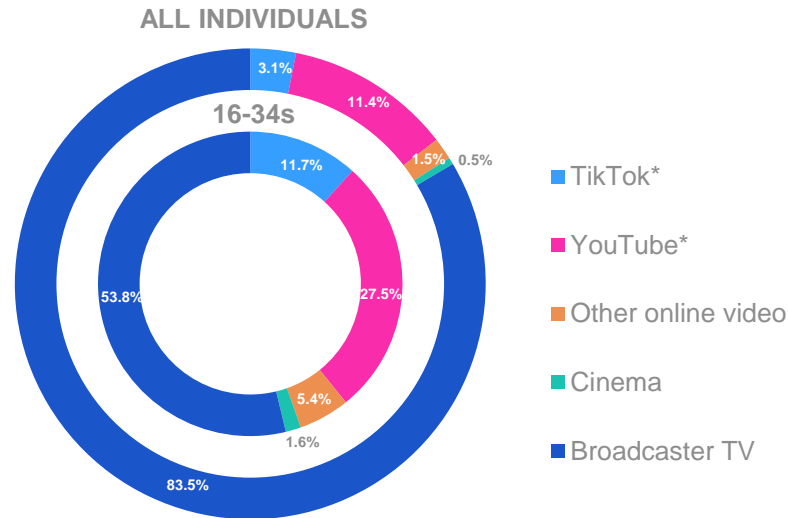


(Photo credit: SNS Group)

EURO 2024

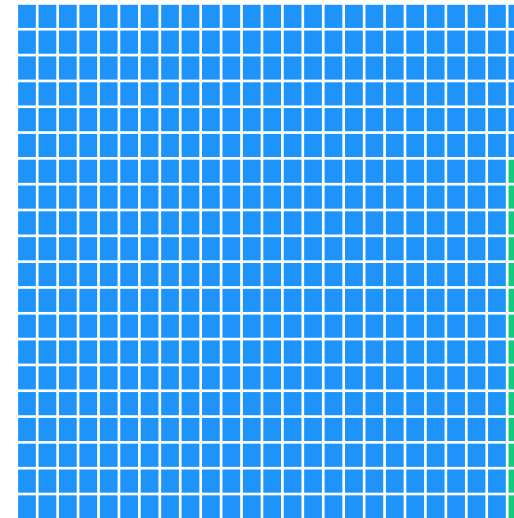
Video advertising still dominated by terrestrial players, with STV way ahead of commercial competitors

83.5% of video advertising still with Broadcast and BVOD in 2023



Source: 2023, Barb / Broadcaster stream data / IPA TouchPoints 2023 / UK Cinema Association / ViewersLogic to model OOH viewing time *YouTube ad time modelled at 4.1% of content time and excludes those estimated to be on the YouTube Premium tier, TikTok ad time modelled at 3.4% of content time using agency and broadcaster data, Other online modelled at 4% of content time)

STV delivered 97% of the top commercial audiences in 2023 in Scotland



486 of top 500 commercial audience were on STV

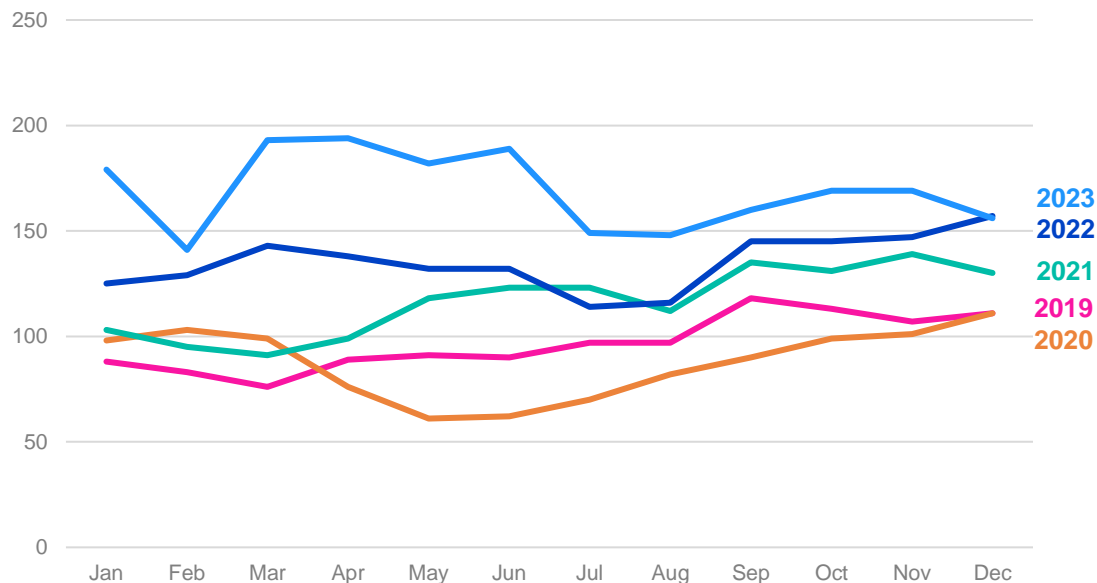


Source: Barb Jan-Dec 2023 (09:30-24:00), individuals, top 500 commercial TXs

A year on, STV's digital partnership with ITV is delivering results

Digital brand count up strongly in 2023

AVERAGE: 2023-169 2022-135 2021-117 2020-88 2019-97



Brand count up

Average brand count up over a quarter across the year

Addressable advertising up

90%+ of STV Digital campaigns now targeted

VOD advertising up

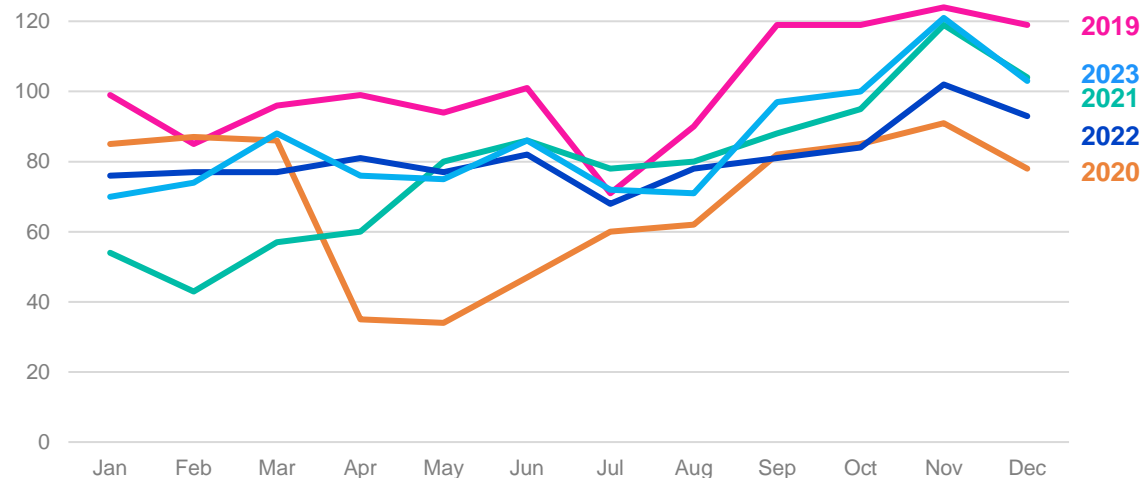
+7% in 2023
+12% in Q1 2024

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

Scottish advertising performance remains resilient despite tough economic climate

Regional advertising down 9% in 2023, but underlying SME spend only down 1%

AVERAGE: 2023-86 2022-81 2021-79 2020-69 2019-101



Brand count up

Average regional brand count +6%

SME advertising outperforming national

-1% in 2023, +6-8% in Q1 2024

Regional VOD up

+17% in 2023
+32% in Q1 2024

GrowthFund

- 1220 Growth Fund deals since launch allocating over £28m
- A further 245 deals secured in 2023, with 65% rebooking from 2022

We are developing new, profitable digital revenue streams

We see significant scope to grow STV Player+ subscription revenues



- Player+ rolled out to all platforms in 2023
- New payment options introduced, permanent in-app presence with direct ability to upgrade
- Subscriptions grew +50% and revenues +40% in 2023 at healthy margin
- Bundling STV Player+ with other pay services will drive subscriptions

ScotPulse is STV's B2B consumer research business



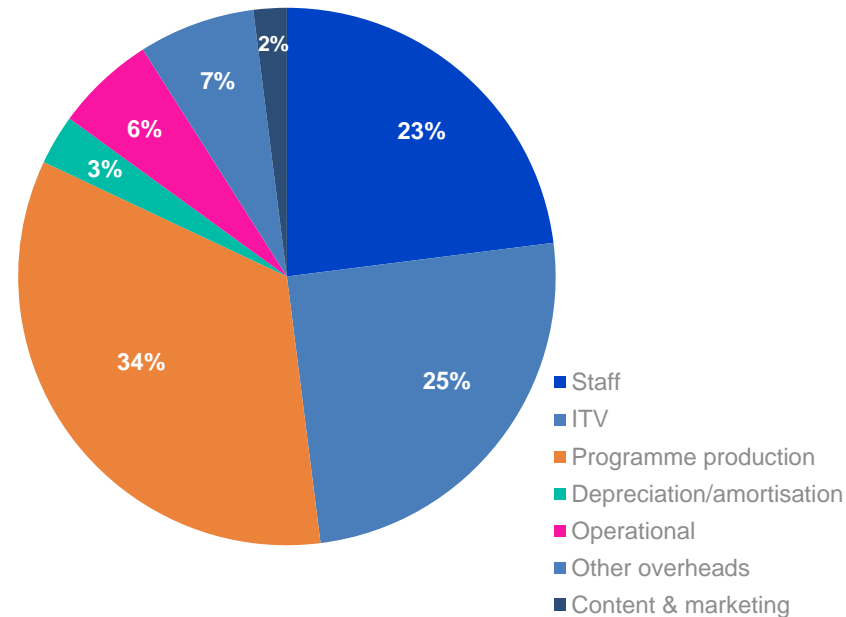
- Scotland's largest online audience panel with over 40,000 people
- Conducts research for STV and now 3rd party businesses
- Promoted on STV
- 130+ surveys in 2023, working with 77 businesses
- Revenues grew +35% in 2023; materially profitable

STV already has a uniquely variable cost base for a media business

c.65% of the Group's cost base is variable and linked to revenues

- Three largest areas of spend are:
 - programme production costs
 - payments to ITV
 - staff costs
- Operational costs include:
 - direct costs in Digital (ad serving, hosting etc)
 - Broadcast transmission
 - Studios overheads (inc. Greenbird Media group)
 - sponsorship/creative costs
- Other overheads include rent, rates, PLC costs, professional fees, insurance, pensions and regulatory costs.

Breakdown of the Group's cost base



Costs – inflation and mitigation

We have delivered our £2.5m targeted cost saving in 2023

- Savings exclude lower NAA fee which flexes with national advertising revenues
- Mix of permanent and temporary
- Main areas of cost increase:
 - salary inflation
 - energy costs (principally electricity)
- We have offset around half of the inflationary cost increases experienced in 2023 with savings, per guidance at start of year

Cost savings (£m)	FY23	FY22
Lower variable pay	0.3	2.2
Property savings	-	0.6
Pensions	0.8	0.4
Marketing	0.2	-
Ad serving	0.3	-
Broadcast operations	0.2	-
Enabling/support costs	0.3	0.1
Depreciation	0.5	-
	2.6	3.3

We will now aim to deliver a further £5m p.a. cost saving by 2026

We have a clear 3-year plan following a comprehensive cost review

Approach to Cost Review

- Deep review of Group cost base conducted across Q4 2023
- Zero-based exercise to identify alternative structures/approaches
- PMO set up and implementation well underway

Key areas of focus

Facilities & property footprint

Outsourcing & partnership opportunities

Scaling up in-house post-production

Studios/Greenbird integration

Team structures & discretionary spend

We will continue to invest to support delivery of our growth targets

Allocation of capital will be balanced across investment in the business and maintaining a sustainable, progressive dividend

- Main area of capex spend will continue to be Broadcast as we ensure operational resilience, but at lower levels than previously
- M&A in Studios will likely be limited to incremental investment in our existing family of production companies
- Budgets for the next 3 years include operating spend in support of content for the STV Player
 - Majority will be paid for via revenue shares
- We will also continue to invest in our Studios in-house creative teams

	2024-26 £m
Capital expenditure	
- Broadcast	5
- Player development	1
M&A – Studios	11
	17

We have set stretching new 3-year financial targets for the Group

By 2026: a more balanced, profitable and internationally-focused business

STUDIOS

- We will double Studios revenues to £140m with a target to achieve a 10% margin

DIGITAL

- We will grow our digital revenues to £30m at a margin of at least 40%

GROUP

- International revenues will be at least 15% of Group and 25% of Studios revenues
- Achieve a further £5m p.a. savings in our cost base

Our financial targets will be underpinned by new KPIs aligned to the strategy

CONTENT	
KPI	TARGET
# returning series	45
% of shows with IP revenues	75%
% revenue from international markets	25%

AUDIENCE	
KPI	TARGET
Commercial audience share	Stay No.1
STV Player reach as % of total STV reach	50%
# monthly active users	1.5m
Streams & Consumption	190m/90m hours

MONETISATION	
KPI	TARGET
Ad market leadership: % of large commercial audiences on STV	90%+
Advertiser re-booking rate	60%+
# new advertisers on STV	75+
# paying subscribers	50k+ subscribers

Improving outlook

- Advertising market showing growth so far in 2024
 - Total advertising revenue (TAR) expected to be up around 5% in Q1
 - Digital VOD advertising expected to be c.+12% in Q1
 - Scottish advertising down around 4% in Q1 reflecting Scottish Government declines (underlying SME advertising +6-8%)
 - Q2 will include live coverage of UEFA Euro 2024
- Studios forward order book stronger than ever
 - £87m secured revenue as at March 2024, £30m+ ahead of a year ago
 - Multiple new drama commissions secured for Sky and BBC
- Clear cost savings plan in place
 - £1.5m cost savings identified in 2024
 - Run rate of £5m p.a. to be hit by 2026

Summary

STV now a more balanced business with strong foundations for the next phase of growth

- 3-year diversification targets fully achieved; revenue/ profit base now much more balanced
- 2023 profit impact from weak advertising partly mitigated by Studios and Digital growth
- Transformative acquisitions turn STV Studios into major UK production player
- Combined linear and streaming strength keeps STV no.1 for audiences & advertisers
- Clear strategy and targets in place for next phase of STV's transformation