

STV GROUP MEDIA

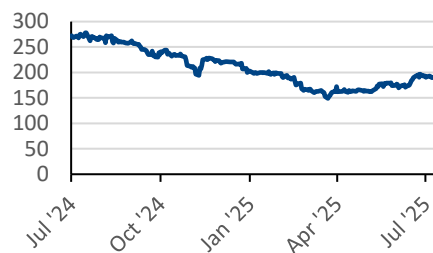
28 July 2025

STVG.L

191p

Market Cap: £89.2m

SHARE PRICE (p)



12m high/low

278p/149p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£(35.0)m (at 30/06/25)
Enterprise value	£124.2m
Index/market	LSE
Next news	Interims, Sep (est.)
Shares in issue (m)	46.7
Chairman	Paul Reynolds
CEO	Rufus Radcliffe
CFO	Lindsay Dixon

COMPANY DESCRIPTION

STV is a leading TV broadcaster, streamer and programme producer, based in Glasgow.

www.stvplc.tv

STV GROUP IS A RESEARCH CLIENT OF
PROGRESSIVE

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Tougher markets, strategy unchanged

A recent severe deterioration in both advertising and commissioning markets in the UK leads us to reduce our near-term estimates materially, following an unscheduled trading update from the group. Timing is clearly disappointing coming after the strategy update on 21 May, but the group strategy and key financial targets for 2030 are unchanged.

- Surprise further market deterioration.** Continuing UK macroeconomic weakness has driven weaker markets in both advertising and commissioning in late H1/early Q3. Studios is seeing delays and slower greenlighting on the unscripted side, with lower volumes reducing near-term revenues and margins, such that we now forecast a down year for the Studios division following several years of strong growth. Scripted productions (STV's growing roster of prime dramas) remain on track, with no change to expectations. In Audience, total advertising revenue is now expected to be down c.8% in Q3 (-4% vs 2023, which eliminates the impact of men's Euros advertising in 2024).
- Increased cost savings, strategy unchanged.** STV has increased its target for 2025 incremental cost savings to £2.5m from £1.7m, and will update on further cost initiatives for 2026 at interim results due in September. The overall strategy outlined in May, which includes combining national and digital TV advertising plus a new radio business into one Audience division, plus further strong growth in Studios, remains unchanged, as does the long-term financial target of £30-35m operating profit by 2030.
- Near-term numbers reduce materially.** For 2025, our revenue estimate falls to £173m from £202m (-14%) and adjusted operating profit to £11.2m from £18.5m. We forecast some operating profit recovery to £15.0m in 2026 and £17.0m in 2027, but do not assume any rapid bounce-back for now given recent market conditions.
- Financial implications.** Lower commissioning volumes drive some offset to total net debt due to smaller production finance needs. Nevertheless, we now estimate ND/EBITDA rising to 2.3x by end-2025 and 2.3x by end-2026, compared to holding steady around the 1.5x level previously. This remains below the covenant maximum of 3x. We continue to forecast a maintained dividend payment, but we await any update on this at the September interims given this will no longer be fully covered by FCF (post-pension deficit payments) at this lower level of profits.

FYE DEC (£M)	2023	2024	2025E	2026E	2027E
Revenue	168.4	188.0	172.5	193.0	210.0
Adj EBITDA	25.4	25.2	15.2	19.1	21.2
Fully Adj PBT	17.0	17.1	7.8	11.3	13.1
Fully Adj Dil EPS (p)	27.2	29.0	11.4	15.7	19.7
EV/Sales (x)	0.7x	0.7x	0.7x	0.6x	0.6x
EV/EBITDA (x)	4.9x	4.9x	8.2x	6.5x	5.9x
PER (x)	7.0x	6.6x	16.8x	12.2x	9.7x

Source: Company Information and Progressive Equity Research estimates.

This publication should not be seen as an inducement under MiFID II regulations.

Please refer to important disclosures at the end of the document.

Unscheduled trading update

STV has today flagged up a recent further deterioration in both programme production and advertising markets in the UK, and provided updated guidance as follows:

- Group revenue for 2025 to be in the range of £165-£180m (our previous estimate £202m).
- TAR for H1 is in line with previous guidance, but Q3 TAR now expected to be down 8% (July down c.20% due to men's Euro advertising in 2024, August/September collectively broadly flat).
- Total revenue for Audience division now forecast at £90-95m (our previous estimate £96m) with an OP margin of 13%-15% (our previous estimate 16.6%).
- STV Studios total revenue for 2025 now to be in the range of £75-£85m (our previous estimate £106m) with an OP margin of around 4% (our previous estimate 7.0%).
- Incremental cost savings target for 2025 upped from £1.7m to £2.5m, with further savings (not yet quantified) indicated for 2026.
- Core net debt steady at £30m at end-June compared to £29m at end-December, with additional production financing down from £10m to £5m reflecting completion and delivery of programmes utilising this non-core debt.

Pressure on unscripted and overhead recovery in Studios

For some time STV has grown market share in the UK commissioning market, as well as started to build a presence internationally, through a series of new and returning scripted and unscripted commissions. In late H1 and early H2, STV has experienced a more hesitant UK market for greenlighting of new unscripted projects plus delay of some existing unscripted projects into 2026. Scripted programmes remain on track, including major dramas for Netflix (*The Witness*), Apple (*Criminal Record S2*), Sky (*Amadeus*), and the BBC (*Blue Lights S3 and S4*). However, lower volumes of unscripted now projected for H2 of this year and into 2026 drive a reduction in revenue forecasts and lower operating profit margins, reflecting lower overhead recovery.

Our revenue forecast for Studios reduces to £80m from £106m for 2025 (-25%), and to £97m from £120m for 2026 (-19%). Our margin assumption reduces to 3.8% from 7.0% for 2025, with 4.6% (previously 8.0%) forecast for 2026. As a reminder, STV is targeting revenues of £200m at an operating margin of 10% for this division by 2030.

STV also reported the forward order book has continued to reduce, to £54m currently compared to £66m at end-April (and a high of £101m in July 2024). This reflects recent recognition of revenues on programmes in production outweighing new commissions, notably as STV has delivered on the major drama series it has won.

Continuing advertising weakness in Audience

STV is also seeing a tougher advertising outlook in Q3, reflecting a continuing hesitant UK economy. TAR (total advertising revenue) for H1 is in line with previous guidance, which was for -3% Q1 and -19% Q2 (Q2 reflecting the boost from men's Euros football advertising in 2024). However, Q3 is now guided to be weaker at -8% (-20% for July, again reflecting the football comp, and August/September combined broadly flat).

Comparisons with 2023 TAR figures take out the distorting effect of the football advertising and highlight the moderately weaker underlying picture. Versus 2023, H1 TAR is up 3% with Q3 guidance down 4%.

Our revenue forecast for the new Audience division reduces to £92.5m from £96.5m for 2025 (-4.1%), and to £96m from £102m for 2026 (-5.9%). Note that 2026 should see some cyclical boost from men's World Cup football advertising, following the most fallow year of the four-year cycle in 2025. Our margin assumption reduces to 14.1% from 16.6% for 2025 with 15.1% forecast for 2026. As a reminder, STV is targeting revenue growth in line with GDP and an operating margin range of 17%-20% for this division in 2030.

New estimates

Our new assumptions drive a material reduction in operating profit and EPS, as highlighted in the table below. We have not yet factored in any incremental cost savings impact beyond 2025, but look for an update on these plans in the interims in September.

STV estimate changes

£m unless stated	FY25E			FY26E			FY27E
	Old	New	Change (%)	Old	New	Change (%)	New
Revenue	202.2	172.5	-14.7%	217.3	193.0	-11.2%	210.0
Adj EBITDA	23.1	15.2	-34.3%	27.9	19.1	-31.7%	21.2
Adj Operating Profit	18.5	11.2	-39.4%	23.3	15.0	-35.8%	17.0
Adj PBT	15.1	7.8	-48.3%	20.1	11.3	-43.9%	13.1
Fully adj Dil EPS (p)	25.1	11.4	-54.5%	32.0	15.7	-50.8%	19.7
DPS (p)	11.3	11.3	0.0%	11.5	11.3	-1.7%	11.3

Source: Progressive Equity Research estimates

Net debt and leverage

We now forecast total net debt to rise slightly from £38.7m at end-2024, and £35m indicated today for end-H1, to £42.1m by end-2025. Lower production financing provides some offset to lower profits, reducing from £9.9m end-2024 to £5m end-H1 and around £2m at end-2025, reflecting the lower levels of activity now expected in Studios. Core net debt excluding these production finance costs rises from £28.8m to £40.1m by end-2025, reflecting the reduced operating cash flow now forecast. Forecast ND/EBITDA (based on core debt) rises from 1.5x to 2.3x at end-2025 and end-2026. This assumes a maintained dividend in both years, and remains below the covenant limit of 3x.

Comparison with ITV

Not only does the update come as a surprise following a recent strategy update from the group (21 May), but also contrasts with a more sanguine interim update recently from ITV (24 July), which included a Q2 advertising outcome ahead of expectations and an 'on-track' message for programme production.

We would argue the near-term differences in performance reflect STV's higher exposures to linear advertising (versus digital) and to the UK rather than international markets in programme commissioning. We note that within ITV's H1 update, it saw a 5% decline in organic revenues for UK programme production, which are themselves supported by internal supply. ITV's current TAR trend is running ahead of STV's, reflecting its broader current portfolio of digital businesses, but with a similar pattern into Q3 (TAR +2% in H1 but expected to be marginally down in Q3 reflecting the football comparative in July). These two areas of difference (digital initiatives and international growth in Studios) are both key focus areas of STV's strategic update outlined in the CMD on 21 May.

Financial Summary: STV Group

Year end: December (£m unless shown)

PROFIT & LOSS	2023	2024	2025E	2026E	2027E
Revenue	168.4	188.0	172.5	193.0	210.0
Adj EBITDA	25.4	25.2	15.2	19.1	21.2
Adj EBIT	20.1	20.6	11.2	15.0	17.0
Reported PBT	0.0	10.4	3.7	7.2	9.0
Fully Adj PBT	17.0	17.1	7.8	11.3	13.1
NOPAT	16.3	16.2	9.0	12.0	13.6
Reported EPS (p)	9.5	23.5	2.5	6.8	10.8
Fully Adj Dil EPS (p)	27.2	29.0	11.4	15.7	19.7
Dividend per share (p)	11.3	11.3	11.3	11.3	11.3
CASH FLOW & BALANCE SHEET	2023	2024	2025E	2026E	2027E
Operating cash flow	18.9	20.3	22.9	18.8	17.0
Free Cash flow	13.3	14.1	14.1	10.2	9.0
FCF per share (p)	29.1	30.8	30.7	22.2	19.6
Acquisitions	(15.6)	(5.5)	(2.0)	(6.0)	(4.0)
Disposals	0.0	0.0	0.0	0.0	0.0
Shares issued	0.0	0.0	0.0	0.0	0.0
Net cash flow	(17.2)	(6.4)	(3.4)	(11.5)	(10.9)
Overdrafts / borrowings	(46.2)	(49.8)	(49.8)	(49.8)	(49.8)
Cash & equivalents	13.9	11.1	7.7	(3.8)	(14.7)
Net (Debt)/Cash	(32.3)	(38.7)	(42.1)	(53.6)	(64.5)
NAV AND RETURNS	2023	2024	2025E	2026E	2027E
Net asset value	(12.6)	(12.9)	(18.1)	(24.0)	(29.8)
NAV/share (p)	(26.9)	(27.6)	(38.6)	(51.1)	(63.2)
Net Tangible Asset Value	(37.6)	(49.4)	(57.5)	(66.5)	(75.7)
NTAV/share (p)	(80.3)	(105.8)	(122.8)	(141.8)	(161.0)
Average equity	(10.5)	(12.8)	(15.5)	(21.0)	(26.9)
Post-tax ROE (%)	30.8%	37.6%	17.3%	29.8%	49.0%
METRICS	2023	2024	2025E	2026E	2027E
Revenue growth	22.2%	11.6%	(8.2%)	11.9%	8.8%
Adj EBITDA growth	(19.1%)	(0.8%)	(39.7%)	25.4%	11.2%
Adj EBIT growth	(22.1%)	2.5%	(45.6%)	33.9%	13.3%
Adj PBT growth	(29.5%)	0.6%	(54.4%)	44.9%	15.9%
Adj EPS growth	(32.6%)	6.4%	(60.6%)	37.8%	25.1%
Dividend growth	0.0%	0.0%	0.0%	0.0%	0.0%
Adj EBIT margins	11.9%	11.0%	6.5%	7.8%	8.1%
VALUATION	2023	2024	2025E	2026E	2027E
EV/Sales (x)	0.7	0.7	0.7	0.6	0.6
EV/EBITDA (x)	4.9	4.9	8.2	6.5	5.9
EV/NOPAT (x)	7.6	7.7	13.9	10.3	9.1
PER (x)	7.0	6.6	16.8	12.2	9.7
Dividend yield	5.9%	5.9%	5.9%	5.9%	5.9%
FCF yield	15.2%	16.1%	16.1%	11.6%	10.2%

Source: Company information and Progressive Equity Research estimates

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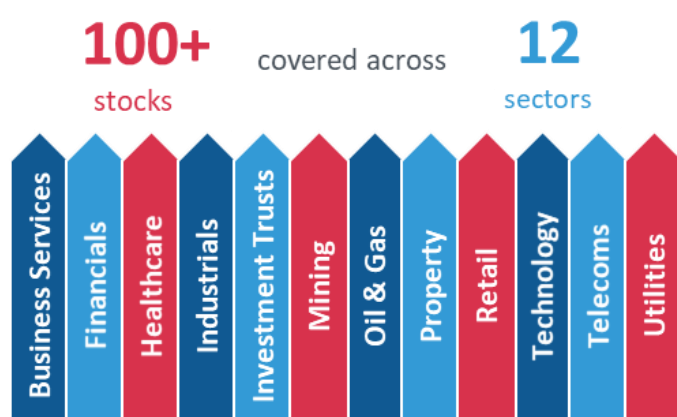
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