Zinc Media Group plc

("Zinc Media" or the "Company")

Proposed Acquisition of Tern Television Productions Limited and proposed Placing of 389,603,280 new Ordinary Shares at 0.9p per new Ordinary Share to raise £3.5 million

Zinc Media Group plc, (AIM: ZIN), the TV and multimedia content producer, is pleased to announce the acquisition of Tern Television Productions Limited ("Tern"), for a total consideration of up to £5.45 million and an oversubscribed placing of 389,603,280 new Ordinary Shares in the Company (the "Placing Shares"), at a price of 0.9 pence per share (the "Placing Price") to raise £3.5 million (before expenses) (the "Placing").

Highlights

- the acquisition of Tern, a profitable independent TV production company, for a total consideration of up to £5.45 million (comprising initial consideration of £2 million, plus £1.1 million for surplus cash and earnout consideration of up to £2.35 million) to be paid partly in shares and partly in cash

- An oversubscribed placing to raise approximately £3.5 million at a price of 0.9 pence per share

- In the financial year ended 31 March 2017, Tern's turnover was approximately £5.3m with profit before tax of approximately £0.3m

Peter Bertram, Chairman, said:

"We are delighted to announce this key acquisition for Zinc Media and are delighted to welcome the highly regarded Tern Television team into the Company. We believe this acquisition will place us in a strong position to further expand and grow in an industry which is experiencing ever-increasing demand for original content, due to the rapid growth of connected devices and new TV platforms.

"By augmenting our business through acquisitions such as that of Tern, the enlarged group will have greater abilities to reach new markets, to establish strategic relationships with broadcasters and international commissioners and to produce innovative content.

"At Zinc Media, we continue to remain focused on operating a high-quality and respected business, maximising shareholder value. I look forward to updating the market on the completion of this acquisition in due course."

The Acquisition

Tern, established in 1988, is a successful profitable independent TV production company specialising in factual TV production. The company has key production bases in Scotland and Northern Ireland and typically produces over sixty hours of TV annually for UK broadcasters, including the BBC, Channel 4 and Sky 1, as well as international broadcasters such as Discovery, PBS and National Geographic Channels. It has won numerous awards including BAFTAs, Prix Italia, Royal Television Society awards and a Cine Golden Eagle. Tern has a profitable track record and reported an increased turnover of approximately £5.3m in the financial year ended 31 March 2017, up from approximately £4.4m in the year ended 31 March 2016.

This Acquisition is another pivotal step in Zinc Media's buy and build strategy as it looks to satisfy the high demand for content, and to consolidate the fragmented independent TV production industry by targeting attractive and profitable companies in the UK and internationally.

Strategic Rationale

The Board believes that the Acquisition has a compelling strategic and financial rationale, as it:

- provides an opportunity for the Company to expand its position as a TV production business of scale by being a consolidator within the industry, meeting the increased demand for high quality on-demand TV content

- will broaden and enhance the Company's creative capabilities, as Tern has experience and produces content in factual niches that the Company is not currently active in

- is a leading dual nation TV producer, and Zinc Media will benefit from being able to produce major productions, specifically in these nations, where there are strong indications of future growth and interest by the major UK broadcasters

- brings with it a high-quality and reputable management team, all of whom intend to stay with the Company following the completion of the Acquisition, and who will enhance the overall operations and management of Zinc Media

Transaction and Placing highlights

- The Acquisition is for total consideration of up to £5.45 million, comprising initial consideration of £2 million, of which £0.75 million is to be satisfied by the issue of the Consideration Shares, plus £1.1 million for surplus cash and earnout consideration of up to £2.35 million. Of the earnout consideration, up to 50 per cent may be satisfied by the issue of additional Ordinary Shares, at the Company's option.

- The Placing will raise gross proceeds for the Company of £3.5 million.

- Several of the Board are participating in the Placing.

- The proceeds of the Placing are proposed to be used principally to finance the initial cash consideration due in respect of the Acquisition and to provide additional growth capital for the enlarged business.

- The Placing is conditional on, inter alia, the passing of the Resolutions to be proposed at a General Meeting expected to be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF at 9.00 am on 13 November 2017. A circular which will provide further details of the Placing and include a notice convening the General Meeting (the "Circular") is expected to be sent to Shareholders and be available on the Company's website in the coming few days.

Terms used but not defined in this announcement shall have the meanings given to such terms in the Circular. This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 ("MAR"). In addition, market soundings (as defined in MAR) were taken in respect of the Placing with the result that certain persons became aware of inside information (as defined in MAR), as permitted by MAR. This inside information is set out in this Announcement. Therefore, those persons that received inside information in a market sounding are no longer in possession of such inside information relating to the Company and its securities.

Enquiries:

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Peter Bertram, Chairman

David Galan, Chief Operating and Financial Officer

www.zincmedia.com

N+1 Singer (NOMAD and Broker to Zinc Media Group plc) Shaun Dobson / Lauren Kettle (Corporate Finance) Michael Taylor (Corporate Broking)	**+44 (0) 20 7496 3000**
Peterhouse Corporate Finance Limited (Joint Broker) Martin Lampshire / Duncan Vasey / Eran Zucker	**+44 (0) 20 7469 0932**
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EXPECTED TIMETABLE

Last date and time for receipt of Proxy Forms for the General Meeting	9.00 a.m. on 9 November 2017
General Meeting	9.00 a.m. on 13 November 2017
Admission of New Ordinary Shares to trading on AIM	8.00 a.m. on 14 November 2017

PLACING STATISTICS

Placing Price	0.9 pence
Ordinary Shares currently in issue	619,775,478
New Ordinary Shares to be issued pursuant to the Acquisition (approximate) [1]	65,217,392
New Ordinary Shares to be issued pursuant to the Placing	389,603,280
New Ordinary Shares to be issued pursuant to the Preference Share Conversion (approximate) [2]	254,912,269
Enlarged Share Capital (approximate)	1,329,508,419
Percentage of Enlarged Share Capital represented by the New Ordinary Shares (approximate)	53.38
Gross proceeds of the Placing at the Placing Price	£3.5 million
Net Proceeds of the Placing (approximate)	£3.15 million

1) The new Ordinary Shares to be issued pursuant to the Acquisition will be issued at the average of the Closing Price over the five dealing days prior to the date of the General Meeting (and any adjournment thereof). Based on the Closing Price as at the last practicable date prior to publication of this announcement the number of new Ordinary Shares to be issued pursuant to the Acquisition would be 65,217,392.

2) The new Ordinary Shares to be issued pursuant to the Preference Share Conversion will only be known once the issue price for the Consideration Shares is known (calculated in accordance with the terms of the Principal SPA and noted above in paragraph 1). The number of Preference Shares

converted will be determined to ensure that the combined current holding of Ordinary Shares of Herald and John Booth Parties is maintained at approximately 40 per cent. of the Enlarged Share Capital.

An announcement confirming the number of new Ordinary Shares to be issued pursuant to the Acquisition and the Preference Share Conversion, and the resultant Enlarged Share Capital, will be released by the Company following conclusion of the General Meeting and prior to Admission.

INTRODUCTION

The Company has entered into a conditional sale and purchase agreement to acquire Tern, a leading regional television production company with production bases in Scotland and Northern Ireland, for total consideration of up to £5.45 million and has placed 389,603,280 new Ordinary Shares at 0.9 pence per share with certain of the Company's shareholders and new investors. The Placing will raise gross proceeds for the Company of £3.5 million.

The consideration for the Acquisition comprises an initial consideration of £2.35 million in cash (which comprises £1.25 million plus £1.1 million for the surplus cash remaining in Tern) and £0.75 million satisfied by the issue of the Consideration Shares and earnout consideration of up to £2.35 million. The proceeds of the Placing are proposed to be used principally to finance the initial cash consideration due in respect of the Acquisition and provide additional growth capital for the enlarged business.

The issue of the Placing Shares is conditional, inter alia, upon the approval by Shareholders of the Resolutions to be proposed at the General Meeting of the Company convened for 13 November 2017. Subject to Shareholders approving the Resolutions to be proposed at the General Meeting, it is expected that Admission of the New Ordinary Shares will take place on or about 14 November 2017.

The Placing Shares are not being offered on a *pro rata* basis to existing Shareholders and accordingly the Placing is conditional, *inter alia,* upon Shareholders resolving to disapply statutory pre-emption rights. Shareholders will find set out at the end of this document a Notice of General Meeting which has been convened for 9.00 a.m. on 13 November 2017 at which resolutions will be proposed to approve the allotment and issue of the Placing Shares and to dis-apply statutory pre-emption rights in respect of such allotment.

In conjunction with the Placing, Herald and John Booth Parties will convert such number of Preference Shares and accrued dividends on the Preference Shares into Ordinary Shares such that the combined current holding of Ordinary Shares of approximately 40 per cent. of the issued ordinary share capital in the Company is maintained.

BACKGROUND TO AND REASONS FOR THE ACQUISITION AND PLACING

Major media and platform owners are experiencing significant growth in demand for high quality on-demand TV content to satisfy consumer demand and ‘binge viewing’, driven by the rapid growth in connected devices and new TV platforms such as Netflix and Amazon. To satisfy the high demand for content, the Board believes that the independent TV industry is likely to consolidate, with many small independent TV production companies being acquired as larger entities seek to expand their breadth of original content. The Board believes that there is a window of opportunity for the Group to grow a TV production business of scale by being a consolidator within the industry, and it has begun this buy-and-build strategy in the past through the acquisition of Reef Television Limited in 2015. In the *Indie*

Survey 2017 – Broadcast sponsored by Barclays Zinc was ranked sixth in the Top UK Owners/ Consolidators league table.

Background to the Group

The Company is a TV and multimedia content producer and is one of the UK's leading independent TV production companies, specialising in non-scripted factual programming. The Group is known and recognised for being a leader in the production of factual television content, spanning heavily formatted daytime TV series to single high production value landmark documentaries, supplying its content to the majority of broadcasters in the UK and now also to certain key international broadcasters.

On 26 September 2017, the Group reported a return to profitability for the first time in several years in respect of the year to 30 June 2017, following a period of restructuring, leaving the Group with a new strategy, a rejuvenated business model and a significantly simplified product offering. The Group is now targeting further revenue growth through both organic means and carefully selected acquisitions.

Acquisitions Strategy

Acquisitions provide a clear opportunity for the Group to expand its position as a major independent TV production company. The Directors believe that being a larger TV group will provide the opportunity to capitalise on the more lucrative international marketplace as the Group will have more creative breadth, produce content in a wider range of factual TV genres, and have more production resource and increased relationships with international commissioners and broadcasters. The independent television production market is consolidating as there is a drive towards scale, in an industry which is dependent upon a relatively small but growing number of customers/ broadcasters. The Directors believe it is in the best interests of the Group to act as a driver of consolidation at this time, in order to maximise shareholder value in the medium term.

Organic Growth Strategy

The organic growth strategy is to grow by producing higher revenue programmes: this means focussing on securing larger budgets for higher quality productions and longer running series, which have the capacity to deliver strong royalties through international distribution. The Group aims to grow organically, through focussing more on the Group's relationships with international broadcasters who are able to commission or co-produce higher value series and through recruiting more executive talent to push new ideas and expand our traditional content boundaries into new factual genres and formats. This organic growth strategy was evident in the last financial year, which saw key senior management hires in the TV division, notably Roy Ackerman as Director of International and Managing Director of Films of Record and Emma Hindley as Creative Director of Brook Lapping.

Information on Tern

Tern, established in 1988, is a successful independent TV production company, specialising in factual production, currently employing 20 staff, based in Scotland and Northern Ireland.

Televisual Medias' 2017 annual TV industry survey showed Tern at No 29 in the *Top True Independents* league table and at No 7 in the *Genre Ratings: Specialist Factual* list whilst *Broadcast's* 2017 survey showed Tern at No 14 in the *Regional Indies*. The company is building a strong reputation for programming in two distinct genres; Documentary & Specialist Factual and Popular Factual & Formats.

Typically, Tern will produce over 60 hours of TV annually for broadcasters including BBC One, BBC Two, BBC Four, BBC Scotland, BBC Northern Ireland, Channel 4, Sky 1, Discovery, PBS and National Geographic Channels. Awards include BAFTAs, Prix Italia, Royal Television Society awards and a Cine Golden Eagle.

For the financial year to 31 March 2017 Tern generated audited sales of £5.34 million and £0.30 million of profit before tax. Total assets (audited) of Tern amounted to £3.01 million as at 31 March 2017. Based upon both Zinc's management and Tern's management expectations, the Board expects the Acquisition to be earnings enhancing in the current financial year.

Rationale for the Acquisition

The Board believes that the Acquisition will broaden and enhance the Group's creative capabilities. Tern has experience and produces content in factual niches that the Group is not currently active in, in genres such as adventure, gardening and religious programming.

The Board has noted the growing trend by the major UK broadcasters to require production to be based outside London. The Board believes that by having a leading Nations TV producer (being the term often used to describe producers based in Scotland, Northern Ireland or Wales) such as Tern within the Group, Zinc will benefit by being able to produce major productions specifically in the nations and regions, where there are strong indications of future growth. In February 2017, the BBC announced that it had reviewed its programming and services in the nations and, as a result of this, it will be making significant changes and major investments there including the biggest single investment in broadcast content in Scotland in over twenty years. The BBC intends to invest £20 million in a new TV channel to be broadcast from Autumn 2018 – BBC Scotland – and intends to invest a further £20 million in increased network production from Scotland. In September 2017, the Culture Secretary also confirmed plans for significant moves out of London for Channel 4, whilst Ofcom has announced a review of the definitions of regional production.

The Board believes that Tern has a high quality and reputable management team, all of whom intend to stay with the Group following completion of the Acquisition, that will enhance the overall operations and management of the Group.

CURRENT TRADING AND PROSPECTS

The Company released its preliminary results for the period ended 30 June 2017 on 26 September 2017, in which it reported that the level of activity in the TV division was higher than in previous years at this stage in the financial year, with the current TV commissioned order book at £8.00m, circa. 35 per cent. of budgeted TV revenues for the year.

The level of commissioned programmes, the strong development slate and multiple programme ideas at an advanced stage with commissioners give management confidence in the outlook for the full year, with significantly increased profits expected in FY18. The Group's focus over the coming months will be to ensure that there is a spread of production work across the different TV divisions. The Board's overriding aim is to secure bigger budget, long-running series and formats, but at the same time, mindful of ensuring that there is also a mix of fast turnaround 'one-off's' that can drive smaller short term revenues and help to smooth out the peaks and troughs of the sales process in winning the bigger budget commissions.

The Digital and Publishing divisions continue to trade in line with management expectations.

THE PLACING

The Company is proposing to raise approximately £3.5 million before expenses by the issue of the Placing Shares at 0.9p per new Ordinary Share with certain existing Shareholders and new investors. The Placing Shares represent 62.86 per cent. of the existing issued share capital of the Company and will when issued rank pari passu with the existing Ordinary Shares in the Company.

Institutional and other investors have conditionally agreed to subscribe for the Placing Shares at the Placing Price. The Placing has not been underwritten. The issue of the Placing Shares is conditional, *inter alia,* upon the approval by Shareholders of the Resolutions to be sought at the General Meeting convened for 13 November 2017 and upon Admission becoming effective on 14 November 2017 (or such later date as the Company and the Joint Brokers may agree but not later than 30 November 2017).

On 24 October 2017, the Company, N+1 Singer and Peterhouse entered into the Placing Agreement pursuant to which the Joint Brokers agreed, subject to certain conditions, to procure subscribers for the Placing Shares at the Placing Price. The Placing Agreement contains provisions entitling the Joint Brokers to terminate the Placing (and the arrangements associated with it), at any time prior to Admission in certain circumstances. If this right is exercised, the Placing will lapse, any monies received in respect of the Placing will be returned to the applicants without interest and Admission will not occur.

The Company has agreed to pay N+1 Singer and Peterhouse upon Admission a placing commission and all other costs and expenses of, or in connection with, the Placing, plus any VAT thereon.

The Directors believe that raising new funds by way of the Placing is the most appropriate method of funding the Company at the present time. The Board considers that a general offer to existing Shareholders by way of rights or other pre-emptive issue is not appropriate at this stage of the Company's development due to the significant additional costs that would be incurred and the delay that would be caused by the production and approval of a prospectus.

USE OF PROCEEDS

The net proceeds of the Placing will be used by the Company principally to finance the initial cash consideration due in respect of the Acquisition, together with associated transaction costs and to provide additional growth capital for the enlarged business.

PREFERENCE SHARES

In conjunction with the Placing, Herald and John Booth Parties will convert such number of Preference Shares and accrued dividends on the Preference Shares into Ordinary Shares such that their combined current holding of Ordinary Shares of approximately 40 per cent. of the issued Ordinary Share capital is maintained.

The exact number of Preference Shares to be converted will only be known once the issue price for the Consideration Shares is known (to be determined in accordance with the terms of the Principal SPA) as that will determine the Enlarged Share Capital. If the Consideration Shares were issued at 1.15 pence (this share price being shown for illustrative purposes only) this would equate to a conversion of approximately £2.0 million of preference share capital.

In addition £303,374 of accrued dividend on the Preference Shares is being converted into new Ordinary Shares at the Placing Price. If the Consideration Shares were issued at 1.15 pence (again, this share price being shown for illustrative purposes only) the conversion of the Preference Shares plus the accrued dividend on the Preference Shares would convert into 254,912,269 new Ordinary Shares.

SALE AND PURCHASE AGREEMENT

On 24 October 2017, the Company entered into a principal share purchase agreement ("Principal SPA"), and option share purchase agreements ("Option SPAs"), pursuant to which the Company agreed, conditionally, to purchase the entire issued (and to-be issued) share capital of Tern from its shareholders. The initial consideration payable is £2,350,000 million in cash, and the allotment of Ordinary Shares having an aggregate value of £750,000, which consideration is to be satisfied on completion of the Acquisition. Additional consideration may be payable also under the Principal SPA to certain of the sellers, pursuant to the terms of an agreed earn-out over the next three financial years, up to a maximum amount of £2,350,000 (of which up to 50 per cent. of that amount may be satisfied by the issue of additional Ordinary Shares). Completion of the Acquisition Agreements is expected to occur, subject to satisfaction of the conditions, on the day immediately following Admission.

The Acquisition is conditional on (i) the approval of Shareholders of the Resolutions and (ii) the Placing Agreement becoming unconditional in accordance with its terms (save for any condition relating to the Acquisition Agreements becoming unconditional).

The Principal SPA contains certain customary warranties and a tax covenant given by all the sellers in relation to Tern and its business, subject to certain customary limitations. The Option SPAs contain certain customary title and capacity warranties given by those selling counterparties.

The Acquisition is capable of termination by (i) either party if completion of the Acquisition has not occurred by 22 December 2017, or (ii) by the Company prior to completion of the Acquisition if it becomes aware of a material breach of warranties and undertakings.

RELATED PARTY TRANSACTIONS

The following Shareholder holding, as at the date of this announcement, directly or indirectly 10 per cent. or more of the Existing Ordinary Shares is participating in the Placing at the Placing Price:

	At the date of this document		**Immediately following Admission**	
	Number of Ordinary Shares held	**Percentage of issued share capital**	**Number of Ordinary Shares held**	**Percentage of Enlarged Share Capital**
Artemis Alpha Trust plc	80,000,000	12.91	117,211,780	8.82*

** This percentage being an approximation and subject to final confirmation of the Enlarged Share Capital, once the price at which the Consideration Shares are to be issued is confirmed.*

The participation in the Placing by Artemis Alpha Trust plc constitutes a related party transaction for the purposes of the AIM Rules. The Directors consider, having consulted with the Company's nominated adviser, N+1 Singer, that the terms of the Placing with Artemis Alpha Trust plc are fair and reasonable insofar as the Shareholders are concerned.

The Preference Share Conversion by Herald and the John Booth Parties constitutes a related party transaction for the purposes of the AIM Rules. The Directors consider, having consulted with the Company's nominated adviser, N+1 Singer, that the terms of the Preference Share Conversion are fair and reasonable insofar as the Shareholders are concerned.

Notes to Editors

Zinc Media Group plc

Zinc Media Group plc is a leading British based producer of high-quality television programmes and multimedia communications content. The Group operates three divisions: television production; digital communications and publishing.

The core television production division comprises four award winning and critically acclaimed television production companies Blakeway, Brook Lapping, Films of Record and Reef Television whose brands produce television and radio programmes for both UK and international broadcasters.

The communications division specialises in creating communications strategies and behaviour change programmes, campaigns and resources for corporates, charities and government departments. This division runs a contract for Transport for London.

The publishing division publishes homeowner-planning guidelines for local authorities across the UK and sells trader advertising in those guidelines.

For further information on Zinc Media please visit: http://www.zincmedia.com/

Tern

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