

Zinc Media Group plc (“Zinc Media” or the “Company”)

Trading and COVID-19 Update

Zinc Media Group plc (AIM: ZIN), the TV and multimedia content producer, is pleased to announce good progress on its transformation plan during the current Covid-19 pandemic with £2.5m of new business won since lockdown began, and a growing pipeline of proposals which can be produced under social distancing rules, across its TV labels.

The health and safety of our staff is our utmost priority and from the start of lockdown in March, staff were working remotely in line with government advice. Production filming has been paused during lockdown, but post production continues with editors working from home, and pre-production continues. New pitches and commissioner meetings continue via online video meetings.

The Group has continued with its transformation plan announced in September 2019 and has made good progress against its strategic objectives as outlined below.

1. Revenue Growth and Diversification

The Group continues to win new commissions during the lockdown (which remains more strict in Scotland and Northern Ireland) currently totalling £2.5 million, which is anticipated to begin production under social distancing protocols during 2020. This new business is 65% of the pre-Covid-19 level of booking, but was won at a time when many TV companies saw revenues dry up completely. A further £2 million of business that was already in production was paused during lockdown but is anticipated to resume and be recognised later in 2020. £0.2m of production revenue was cancelled due to Covid-19.

The Group is steadily rebuilding its pipelines across all its TV labels with programmes that can be produced under social distancing measures. It has a further £6 million of production proposals which are at an advanced stage with broadcasters, and which can be produced under social distancing guidelines.

Broadcasters’ commissioning budgets have been reduced as a result of Covid-19, with drama and sport most impacted. Unscripted factual television has also been impacted but is likely to be more Covid-19 resilient and will help meet demand in television schedules. The Group is anticipating revenues to be 40% down on pre-Covid levels in the period July-December 2020 but strengthening thereafter.

In April and May £0.5m of savings have been generated from a combination of furloughing staff, reduced hours, and overhead savings. As a result of these measures, overheads have been reduced by 31% compared to pre-covid-19 levels in February. Loss making contracts in the former Zinc Communicate CSR business have been terminated, with the remaining profitable ones transferred to other parts of the Group.

2. Margin improvement in London and Manchester TV

Margin improvements continue to be maintained despite lockdown and social distancing restrictions. Gross production margins of London and Manchester TV have increased more than expected from 24.7% to 29.4% compared to an initial target of 27.7% (4.7% improvement vs 3% forecast). These improvements will be recognised in future financial periods as productions on the new workflow deliver revenues.

3. Cultural and Creative renewal

Critical new business hires have been made across the Group, and additional recruitment is well advanced in TV and the newly enlarged Zinc Communicate which now includes the former publishing business, Ten Alps Communications.

A new business winning Creative Director has been hired in Blakeway London and starts in June with a remit to continue to diversify revenues across the division having previously won business from Sky, YouTube and Vice, none of which are currently customers of Zinc.

A new business winning hire in B2B video started in April and a new business winning hire to lead a new Branded Content division is being recruited. Both these markets continue to see spend as brands redirect their reduced budgets away from traditional advertising.

4. Investment in operational excellence

The move to new headquarters, on a lower cost base, has been completed and it is ready for occupation as lockdown is eased. This will provide a vastly improved creative environment and a new post production facilities to enhance future margin improvement. The initial rent free period has the advantage of helping with short term cash flow.

The recent investments in Group HR and improved finance systems have also greatly assisted management in the Covid-19 crisis.

The Group's cash balance at 30 April was £3.4 million and along with a new overdraft facility that has been agreed in principle, this is providing the Group with sufficient working capital during the current period of uncertainty. In order to keep the transformation plan on schedule through the Covid-19 crisis and into 2021, the Group is exploring additional financial support through Government backed loans.

Mark Browning, Chief Executive Officer, commented:

"I am pleased that the transformation plan for the Group remains on track. Despite the Covid-19 pandemic having forced us to change our planned route in some of our businesses, the end destination remains the same. Forecasting is exceptionally challenging given the economic uncertainty but we continue to win business across the Group, margins are improving and we have reduced costs. This gives us the best possible chance of delivering success in highly unpredictable times."

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Notes to Editors

Zinc Media Group plc is a leading British based TV and content creation company and operates 6 TV labels and a content division called Zinc Communicate.

The six award winning and critically acclaimed television production labels include: Blakeway, Brook Lapping, Films of Record, Blakeway North, Reef Television and Tern Television, whose brands produce television and radio programmes for both UK and international broadcasters.

Zinc Communicate specialises in creating B2B communications strategies and behaviour change programmes, campaigns and resources for partners, businesses and government departments.

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