



## **KEW MEDIA GROUP AGREES TO ACQUIRE ESSENTIAL QUAIL MEDIA GROUP**

- *Highly complementary leading independent content production platform will enhance KEW's international footprint, particularly in the U.S. and Australia, and will lead to further group synergies*
- *EQ Media is expected to generate revenue of approximately AUD\$60 (C\$58) million and Adjusted EBITDA of approximately AUD\$10.2 (C\$9.9) million for the year ended June 30, 2018*
- *Highly accretive transaction with an initial purchase price at closing of AUD\$32.8 million, representing 3.2x estimated Adjusted EBITDA*
- *Strongly aligned vendors will drive performance with approximately 39% of the initial purchase price to be paid in KEW stock issued at C\$10 per share*
- *Assuming an early July 2018 closing, KEW's revised Adjusted EBITDA guidance for 2018 increases to approximately C\$26.5 million*
- *On an annualised basis, the acquisition would increase KEW's revenue to over C\$300 million and Adjusted EBITDA to approximately C\$31.5 million, before any potential revenue synergies*

**Toronto, ON, April 30, 2018** – KEW MEDIA GROUP Inc. (“KEW” or the “Company”) (TSX:KEW and KEW.WT) today announced that the Company has agreed to acquire Essential Quail Media Group (“EQ Media”) for an initial purchase price of AUD\$32.8 million (C\$31.9 million based on the current CAD/AUD FX rate of approximately 0.972), comprised of AUD\$20.0 million (C\$19.4 million) in cash and AUD\$12.8 million (C\$12.4 million) in Class B shares of KEW valued at C\$10.00 per share.

EQ Media combines several entities with aggregate pro forma revenue of over AUD\$60 million (C\$58 million). The initial purchase price represents a transaction multiple of approximately 3.2x EQ Media's estimated Adjusted EBITDA of AUD\$10.2 million (C\$9.9 million) for its fiscal year ending June 30, 2018. The cash portion of the initial purchase price will be funded through cash on hand and KEW's credit facilities. The vendors may receive additional consideration in the future, conditional upon EQ Media meeting certain financial targets and other tests, which are described below.

Peter Sussman, KEW Founder & Executive Chairman said, “I first got to know EQ Media CEO Chris Hilton more than 10 years ago and have always been very impressed with what the EQ Media team have been able to accomplish. This acquisition bolsters KEW’s presence in the U.S. and provides KEW with a diversified revenue platform in Australia.”

Steven Silver, KEW Founder & CEO, said, “EQ Media is an exciting addition to the KEW group and the transaction purchase price is an attractive valuation for such a prominent content producer. We expect the acquisition to be immediately accretive to earnings and to free cash flow. In addition, we expect to generate meaningful synergies from the sale of additional EQ Media content through KEW’s global distribution platform.”

### **The EQ Media Business**

EQ Media is a leading independent producer of high quality content for international audiences operating from offices in Los Angeles and Dallas-Fort Worth in the U.S. and Sydney, Australia. EQ Media produces top-rated content in a variety of genres, particularly non-scripted television series, for broadcast customers worldwide. Buyers of EQ Media’s programming include DIY, HGTV, Cooking Channel, Animal Planet, ABC Australia, SBS, Foxtel Networks 7, 9 & 10, BBC, National Geographic, PBS, Discovery, Sundance, History Channel, Arte, Netflix and Fox Network. EQ Media also has a longstanding relationship with Scripps Networks (now part of Discovery Inc.), producing more than a dozen full series orders and pilots together.

Among EQ Media’s recent U.S. non-scripted programs are: (i) *Texas Flip ‘n Move*, produced for DIY channel, now in production on Season 9 with an additional four seasons commissioned; (ii) *Restored* also for DIY channel with production on the third season commencing soon; (iii) *Mom and Me*, currently in production for HGTV; and (iv) *Holiday Cookie Builds*, in production for Cooking Channel.

Since 2006, Essential Media & Entertainment (“Essential”) and Quail Entertainment have collectively provided premium content for all Australian networks, with recent productions such as (i) *Find My Family* (7 Network), the highest rated documentary series in Australian television history; (ii) the 2017 ratings hit and Logie-nominated adventure science series *Todd Sampson’s Body Hack*; (iii) the scandalous front page ratings-winning scripted comedy *At Home With Julia* (ABC); (iv) Kriv Stenders-directed music feature documentary *The Go-Betweens: Right Here*, which won Best Feature Documentary at the 2017 Australian SPAA awards; (v) the factual series *Afghanistan: Inside Australia’s War*, which won the 2016 NSW Premier’s History Award Media Prize, the SPAA Award and was nominated for a Walkley Award; and (vi) standout lifestyle hits *Gourmet Farmer* and *Shane Delia’s Spice Journey*.

Following the completion of the transaction, EQ Media’s senior management team, which has driven the company’s impressive growth, will continue to guide its future.

“Since founding Essential in 2006, we have grown the business to become a leading content producer,” said Chris Hilton, CEO of EQ Media. “We now have the opportunity to take it to the next level by partnering with KEW and accessing its strong international distribution platform.” Greg Quail, Chief Content Officer, added “for storytellers there has never been a better time; the explosion of streaming, the consolidation of cable and the enduring broadcast environment around the globe offer more platforms than ever to build audiences. We are delighted to join KEW’s drive to deliver top-rated content to the world.”

### **Additional Transaction Details**

EQ Media’s vendors can earn up to an additional AUD\$32.5 million (C\$31.6 million) in aggregate contingent consideration based on EQ Media meeting certain financial and other tests over the next three years. In the event that all of the contingent consideration is paid, the total purchase price would be AUD\$65.3 million (C\$63.5 million) and EQ Media’s fiscal 2020 (June year-end) Adjusted EBITDA would be, at a minimum, AUD\$13.7 million (C\$13.3 million), implying an acquisition multiple of 4.8x. Based on EQ Media’s estimated Adjusted EBITDA for its fiscal year ending June 30, 2018, KEW expects to pay approximately AUD\$10 million (C\$9.7 million) of the total AUD\$32.5 million (C\$31.6 million) of aggregate contingent consideration during 2018, which would result in a transaction multiple of 4.2x based upon EQ Media’s estimated Adjusted EBITDA for its fiscal 2018 period.

In addition to the contingent consideration, EQ Media’s vendors can also earn a one-time additional purchase price amount equal to 3.625 times the amount by which EQ Media’s fiscal 2019 (June year-end) Adjusted EBITDA exceeds a minimum threshold of AUD\$11.9 million (C\$11.6 million). This additional purchase price would be payable in three equal annual instalments in 2019, 2020 and 2021. Assuming the minimum threshold is exceeded in 2019, the 2020 and 2021 payments are contingent on EQ Media maintaining at least the same level of (or not being less than 95% of) 2019 Adjusted EBITDA in 2020 and 2021.

Any of the above-referenced contingent consideration and additional purchase price are payable, at KEW’s sole option, in cash or (subject to approval of the Toronto Stock Exchange) Class B shares, provided that at least 20% of such consideration is paid in cash.

Steven Silver added, “Management of both KEW and EQ Media were united in the belief that the transaction structure, including the contingent consideration mechanisms and level of initial share consideration, should provide for strong alignment between the vendors and KEW shareholders going forward.”

The transaction is expected to close in early July 2018 and is subject to customary closing conditions, including certain third party consents and approval by the Toronto Stock Exchange of the listing of the Class B Shares issued to EQ Media’s vendors.

Assuming an early July 2018 closing, KEW's revised Adjusted EBITDA guidance for 2018 is approximately C\$26.5 million.

On an annualized pro forma basis, EQ Media would grow KEW's revenue to over C\$300 million and its Adjusted EBITDA to approximately C\$31.5 million, before any potential revenue synergies.

TD Securities Inc. is acting as financial advisor to KEW. Goodmans LLP is acting as legal advisor to KEW. Evra Media Solutions Inc. and Industry Media provided advisory and due diligence services for the transaction. SunTrust Bank is the lead agent in a syndicate including TD Bank and BMO providing credit financing for the transaction.

Dane Phillips at NOR Capital (London) is acting as financial advisor to the EQ Media and Gilbert & Tobin (Sydney) is acting as its legal advisor.

### **Non-IFRS Measures**

*This news release contains references to certain measures that do not have a standardized meaning under IFRS as issued by the IASB and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing a further understanding of operations from management's perspective. Accordingly, non-IFRS financial measures should not be considered in isolation or as a substitute for analysis of financial information reported under IFRS. This release makes reference to Adjusted EBITDA of the Company which is a non-IFRS financial measure. The Company believes this non-IFRS financial measure is frequently used by securities analysts, investors and other interested parties as a measure of financial performance and it is therefore helpful to provide this supplemental measure. Adjusted EBITDA is defined as Net Income with add-backs made for interest expense (net of interest income), taxation expense, depreciation, other intangible asset amortization, transaction costs, reorganization and exceptional costs, stock-based compensation, gain/loss on the change in fair value of financial liabilities less the proportion of Adjusted EBITDA attributable to non-controlling interests. References to Adjusted EBITDA of EQ Media are based on the calculations of such Adjusted EBITDA pursuant to the agreement entered into between Kew and the vendors of EQ Media.*

### **Forward-Looking Statements**

*This news release may include forward-looking statements. All such statements constitute forward looking information within the meaning of securities law and are made pursuant to the "safe harbour" provisions of applicable securities laws. Forward-looking statements may include, but are not limited to, statements regarding the completion of the acquisition of EQ Media and the benefits of the acquisition, statements about anticipated future events or results including comments with respect to the Company's objectives and priorities for 2017 and beyond, and strategies or further actions with respect to the Company, its business operations, financial performance and condition. Statements regarding the expected contribution of EQ Media to KEW's revenues and earnings, the payment of contingent consideration and*

*additional amounts and implied transaction multiples over the next 12 months constitute forward-looking statements. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions and are identified by words such as “will”, “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or similar expressions concerning matters that are not historical facts. Such statements are based on current expectations of the Company’s management and inherently involve numerous risks and uncertainties, known and unknown, including economic factors. Such expectations include that all conditions to completion of the acquisition will be satisfied or waived and that the acquisition will be completed.*

*The forward-looking information contained in this news release is presented for the purpose of assisting readers in understanding the Company’s business and strategic priorities and objectives as at the periods indicated and may not be appropriate for other purposes. A number of risks, uncertainties and other factors may cause actual results to differ materially from the forward-looking statements contained in this news release, including, among other factors, risks that the conditions to the closing of the acquisition will not be satisfied or waived, that the acquisition will otherwise not be completed, or that the acquired business will not perform or be integrated as expected, as well as those referenced in the section entitled “Risk Factors” in the Company’s annual information form for the year ended December 31, 2017, a copy of which is available on the SEDAR website at [www.sedar.com](http://www.sedar.com) under the Company’s profile. In particular, EQ Media may not perform as expected over the next 12 months and generate the earnings expected by the Company.*

*Forward-looking statements contained in this news release are not guarantees of future performance and, while forward-looking statements are based on certain assumptions that the Company considers reasonable, actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company. Readers are cautioned to consider these and other factors carefully when making decisions with respect to the Company and not place undue reliance on forward-looking statements. Circumstances affecting the Company may change rapidly. Except as may be expressly required by applicable law, KEW does not undertake any obligation to update publicly or revise any such forward-looking statements, whether as a result of new information, future events or otherwise. All currency conversions are as of the date of this press release and are based on the current CAD/AUD FX rate of approximately 0.972.*

**About KEW MEDIA GROUP INC.**

KEW MEDIA GROUP is a leading publicly-listed content company that produces and distributes multi-genre content worldwide. Companies included in the KEW family are the production companies: Architect Films, Awesome Media & Entertainment, Bristow Global Media, Campfire Film & Television, Collins Avenue Productions, Frantic Films, Jigsaw Productions, Media Headquarters, Our House Media, Sienna Films and Spirit Digital Media; and the distribution companies: Content Media Corporation (now re-branded KEW MEDIA) and TCB Media Rights.

With primary offices in London, Los Angeles, New York and Toronto, the KEW MEDIA GROUP companies develop, produce and distribute more than 1,000 hours of content every year, as well as distribute a library of more than 10,000 hours, to almost every available viewing platform internationally. KEW aspires to offer great content from all over the world to viewers of all ages and tastes. The company promotes transparency, equality, respect, and inclusiveness and plans to grow with the benefit of people from a wide range of perspectives and backgrounds.

**About Essential Quail Media Group**

The Essential Quail Media Group (EQ Media) is the newly formed international content company from the merger of two leading independent production companies and joint venture partners – Essential Media and Entertainment and Quail Entertainment. Headed by CEO and Executive Producer Chris Hilton and CCO and Executive Producer Greg Quail, EQ Media combines strong credentials in both scripted and unscripted content. EQ Media Group has offices in Los Angeles, Dallas Fort-Worth, and Sydney.

**Contact:**

KEW MEDIA GROUP INC.

Steven Silver, Founder & Chief Executive Officer

Phone: 647-956-1965

Email: [Investors@kewmedia.com](mailto:Investors@kewmedia.com)