



Moody's Investors Service

Rating Action: Moody's downgrades ITV's senior unsecured ratings to B1 (from Ba3), outlook is stable

Global Credit Research - 07 Aug 2009

London, 07 August 2009 -- Moody's Investors Service today said that it has downgraded ITV plc's senior unsecured ratings and its Corporate Family Rating (CFR) to B1 (from Ba3). The rating outlook for ITV is stable. The downgrade reflects the weight of ITV's adjusted debt, aggravated by the significant widening of the company's IAS 19 pension deficit at a time when profitability is under severe pressure due to the magnitude of the downturn in the UK's TV advertising market (-17%, ITV family -15%) while (i) the timing and the extent of a recovery in UK TV advertising is uncertain (ii) execution risks on the company's envisaged asset sales remain and (iii) a degree of management uncertainty persists as the company conducts the search for a new chief executive.

A stable outlook recognizes the progress ITV has made in managing its cost base and the expectation that increasing cost savings over the next couple of years can be achieved broadly as envisaged. Moody's further recognizes that due to successful working capital management and lower capex, ITV held net financial debt steady at GBP 728 million despite significant restructuring-related outflows. The B1 rating remains supported by the still considerable strength of ITV's broadcasting franchise, its well established programming operations and the positive impact of the company's efforts to compensate for the decline in ITV1's NAR, by developing the share of audience and therefore NAR of a broader family of digital channels. Moody's also notes recent positive regulatory developments for ITV with an easing of the CRR burden likely in time for the 2010 selling season.

Moody's regards ITV's liquidity profile as sufficient for its current needs. As of June 30, 2009 the company had cash and cash equivalents of GBP 306 million (excluding certain restricted and unavailable cash amounts totalling GBP 170 million). During the first quarter of 2009, ITV drew down GBP 50 million under a new ten-year loan and GBP 125 million under a new five-year facility, which together with cash on hand allowed the company to repay a GBP 250 million bond that matured in March 2009 and to make a GBP 50 million final payment in respect of the earn-out relating to the Friends Reunited acquisition in 2005. In the second quarter of 2009 ITV raised a further GBP 58.5 million pounds from a tap issue to its existing bonds due 2015 and also reduced the amount outstanding under its Eurobond due 2011 to Euro 232 million (hedged to a value of GBP 140 million) by making a Euro 80 million cash payment and issuing a new Euro 188 million bond due 2014 (hedged to a value of Euro 126 million).

Cash on hand together with a committed GBP 75 million facility, which ITV could utilize during the second half of 2009 should allow the company to satisfy its near-term operational liquidity needs. However, we will carefully monitor developments during the remainder of 2009 and into 2010 and would expect ITV to underpin its liquidity position further when possible, e.g. from asset sales such as the proposed disposal of SDN. We note that ITV has now no material scheduled debt maturity before October 2011 when the reduced Eurobond falls due.

Ratings downgraded are: ITV's EMTN programme to B1 (from Ba3), long-term debt issues under the programme falling due 2011, 2015 and 2017 to B1 (from Ba3), the notes due 2014 to B1 (from Ba3) as well as ITV's CFR and PDR to B1 (from Ba3).

The last rating action for ITV was on April 27, 2009 when Moody's downgraded the company's senior unsecured ratings to Ba3 (from Ba2). The rating outlook was maintained as negative.

The principal methodology used in rating ITV was Moody's Global Broadcast Industry rating methodology, published June 2008 which is available at www.moody's.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies sub-directory. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory on Moody's website.

Headquartered in London, England, ITV plc is the leading owner of channel 3 franchises in the UK free-to-air TV market, and generated turnover of just over GBP 2 billion in the year to December 2008.

London

David G. Staples
Managing Director
Corporate Finance Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

London
Christian Rauch
Senior Vice President
Corporate Finance Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454



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