Half-year Results 2025

Thursday, 24th July 2025

Highlights

Carolyn McCall

CEO, ITV

Welcome

Good morning and welcome to ITV's 2025 Interim Results. I am here with Chris Kennedy, who you all know, our CFO and COO, and I will hand over to Chris shortly to talk you through our financial and operating performance. First, I just want to start with a very quick overview.

Half-year Overview

Strong execution of More Than TV strategy, Phase Two

ITV has transformed into a leaner, more digital and diversified business, as we continue to successfully execute the second phase of the More than TV strategy. We are confident we are creating value both now and in the long term. This confidence comes from five key drivers.

Firstly, we are seeing attractive growth in ITV Studios. Secondly, our investments in ITVX and Planet V are driving rapid growth in digital advertising revenues. Thirdly, our ability to deliver mass commercial audiences is highly valuable to advertisers. Fourthly, disciplined cost management supports healthy operating margins across the business, and that has been implemented right across our business. And fifthly, with our strong cash generation, we are funding investment in our key strategic priorities.

Together, all of these drive profitable growth, strong cash generation and really attractive returns to shareholders.

Group financial performance

We have delivered a better than expected performance in the first half of this year. While the economic environment, as you all know, remains uncertain, we now expect a better outturn for the full year, driven by our increased cost efficiencies. In line with our dividend policy, the board has declared an interim dividend of 1.7p, giving a total payment of around £60 million.

I am now going to hand it over to Chris to go through the numbers in more detail.

Financial & Operating Performance

Chris Kennedy

Group CFO & COO, ITV

H1 Financial Overview

Ahead of market expectations

Thank you, Carolyn. Good morning, everyone.

We are really pleased with the first half performances of both businesses. And today we are announcing a further £15 million of permanent non-content savings, underpinning our confidence for the full year. The year-on-year first half comparators in both divisions are worth some explanation.

Studio's margin in the first half of last year was unusually high, as our customers bought high-margin back catalogue to compensate for the lower levels of original commissioning. This year, H1 margin has returned to a more normal level. And in Media & Entertainment, the year-on-year decline in total advertising revenue is entirely due to the tremendous success of the Men's Euros last year.

Total advertising revenue (TAR) in H1 2025 is 2% higher than in 2023. And we expect M&E to outperform the TV advertising market year-on-year in the second half of 2025.

ITV Studios

Good revenue growth, driven by our creative excellence, scale and diversification. On track for full year guidance

ITV Studios remains on track for good growth in total revenue over the full year, at a margin of 13-15%. Revenue grew by 3% in the first half of the year. External revenue was up 11%, reflecting strong demand from and the timing of deliveries to global streaming platforms. And this more than offset the decline in internal revenue, which was due to the phasing of productions and the absence of Saturday Night Takeaway.

Studios UK was up 7%, boosted by deliveries from labels acquired last year, and International was up 2%. The US revenue grew 37%, driven predominantly by a high volume of unscripted deliveries. Global Partnerships, our distribution and formats business, saw revenues down as expected compared to the exceptionally strong H1 last year.

EBITA margin decreased 3.7 percentage points to 12%, with adjusted EBITA down 21% following the exceptionally high H1 2024 margin. Sales and margin will both be higher in H2, driven by deliveries, including Rivals Season 2 for Disney+, Love Island US: Beyond the Villa for Peacock, After the Flood Season 2 for ITV, and The Guest for the BBC. High-margin catalogue sales are also weighted to the second half.

Studios delivered £11 million of savings in the first half, which helped offset inflation and funded investments in creative talent and development. The results included a foreign exchange impact of £12 million in total revenue and £3 million in adjusted EBITA, driven by the fall in the US dollar and the euro. If rates remain at current levels for the rest of the year, there will be a further impact of around £8 million in revenue and £2 million in EBITA.

Media & Entertainment

Continued strong growth in digital advertising revenues, profitability impacted by TAR decline

Moving on to Media & Entertainment, total advertising revenue was down 7%, which was better than guidance. ITVX continues to deliver good growth in audiences, with total streaming hours up 15% and MAUS up 9%, and Planet V successfully monetises these audiences with digital advertising revenue up 12%. Overall, digital revenues were up 9% to £271 million. Other revenue streams decreased in the year as expected, and total revenue was down 8%.

Content costs were 2% lower than prior year due to the absence of a major sporting event. And over the full year, we now expect content costs to be around £1.23 billion, £20 million below the £1.25 billion originally guided. This decrease reflects the timing of The Voice, which moves to H1 2026, and channel rationalisation as we close ITVBe, launched ITV Quiz, and invested in ITV2.

Effective use of viewer data

The effective use of our extensive viewer data has helped to strengthen our commissioning windowing decisions. As a result, we can make our content budget work harder, delivering the audiences our advertisers want, whilst maintaining overall content spend at around current levels. Our ongoing cost programme delivered £12 million of non-content savings in H1, and this enabled us to invest in our commercial outcomes programme at the same time as reducing non-content spend 9% year-on-year. Adjusted EBITA decreased by 54%, reflecting M&E's high operational gearing.

Advertising outlook

And finally, on advertising outlook. We expect total advertising revenue to be marginally down in Q3. This reflects the tough comparative from the final knockout matches of the Men's Euros in July 2024. Although the macro environment remains uncertain, we are pleased with the initial view of Q3 advertising.

A new regulation to restrict less healthy food advertising will come into effect in January 2026. ITV, along with other advertisers and media owners, have agreed to voluntarily implement the restrictions early, from 1st October this year. We are pleased with the outcome of the government review, which has confirmed that these restrictions only apply to products and not to the underlying brand. And we have been working hard with advertisers over a number of months to mitigate the impact, and the revenue this year should remain largely unaffected by the restrictions.

Key Balance Sheet Metrics

Robust Balance Sheet and Strong Cash Generation

Turning to the balance sheet and cash flow, we maintained a robust balance sheet and cash flow was strong. Cash conversion was 109% on a rolling 12-month basis, and we expect cash conversion to be around 80% on average over the medium term. Our net debt at the end of the period was £586 million, and our net debt-to-adjusted EBITDA leverage was 1.1x. As a reminder, net debt at the end of June last year included £182 million of cash held for the buyback.

During the first half, we secured a £300 million term loan facility, which will be used to refinance our €300 million bond when it matures in 2026. And our accounting surplus on the pension scheme is £212 million.

Disciplined Capital Allocation Framework

Reinvestment

We remain committed to our capital allocation framework. We continue to invest in profitable organic growth. Our investment in ITVX and Planet V has already been fully recouped. Ongoing investment includes Zoo 55 and our Outcomes and SME initiatives.

Investment grade balance sheet

We are preserving our investment-grade balance sheet, and as Carolyn mentioned, the board has declared an interim dividend of 1.7 pence per share. In total, over £1.4 billion has been returned to shareholders since 2018.

Mergers and acquisitions

In April, we made another small bolt-on acquisition, a UK scripted producer called Moonage Pictures, producer of The Gentleman for Netflix. And just this week, we have acquired a Spanish scripted producer, Plano a Plano Studios.

Share buyback

And finally, in line with our commitment to return surplus capital, we completed the £235 million share buyback programme in April.

A leaner and more agile company – strategic cost programme

We have made great progress on transforming ITV into a leaner, more agile company. Through our strategic cost programme, we are optimising our cost base to enhance profitability and to invest in the growth drivers. In the first half of 2025, we delivered £23 million of non-content cost savings. And today, we have announced an additional £15 million of savings for this year. The savings are coming from operational and technology efficiencies, permanent reductions in discretionary spend, and organisational redesign. We are also increasingly using AI across the business to drive further efficiencies.

In total this year, we will deliver £45 million of permanent, incremental non-content cost savings, up from the previous guidance of £30 million. We expect that the total one-off cost to deliver these savings will be £40 million, up from £25 million originally guided.

2025 Outlook and Planning Assumptions

Looking at the full-year outlook and key planning assumptions, those I have not already covered and which are changing are:

We are increasing our guidance for exceptional items for the full year to around £100 million, up from £45 million. This is due to one-off costs associated with our increased savings target and structural changes, and earn-out accruals for our recent acquisitions, all of which are non-cash.

Exceptional costs this year are unusually high, and we expect them to reduce considerably next year in the absence of further acquisitions. The cash impact of exceptionals this year is expected to be around £60 million.

Adjusted financing costs will be slightly higher than we originally anticipated, at £45 million, and the adjusted effective tax rate is expected to be slightly higher at around 27% over the medium term.

And now, back to Carolyn.

Strategic Update

Carolyn McCall

CEO, ITV

Strategic Execution

Phase Two of More Than TV strategy

Thank you, Chris. As you all know, our strategic vision is to be a leader in UK advertiser-funded streaming and an expanding global force in content. Our strategy is based on three key pillars, which you are now very familiar with: expanding studios, supercharging streaming, and optimising broadcast. Our successful execution of strategy to date has transformed business, as we have said, but it puts us in a really strong position to compete and succeed in a competitive market. Taking each pillar in turn, I am going to demonstrate this.

ITV Studios

Confident in growing faster than the market leveraging our significant competitive advantages

So let us look at ITV Studios first. As you know, the global content market is really big. In 2025, it is estimated to be over $230 billion actually, excluding the Hollywood film studios. And this is a CAGR of around 3% in the last four years. ITV Studios holds an enviable position within this market and remains incredibly well-placed to gain continued market share. The business has significant competitive advantages, underpinning its clear right to win in the market.

These form the bedrock of Studios' growth. It ensures resilience and contributes directly to its margins. Now, this growth is driven by its ability to attract and retain leading talent, which has been enhanced through talent deals and strategic acquisitions, which also deliver cost and revenue synergies.

We also operate in the key growth segments of the market, giving us real advantage. It helps us build a strong creative pipeline of programmes, and it allows us to leverage our deep catalogue of highly monetizable IP.

The business is very resilient. That is enabled by its scale and diversification, its deep relationships with all the major streamers and networks, and importantly, a culture of cost discipline, which is embedded within ITV Studios. And that provides flexibility to navigate market shifts, and it underpins its ability to achieve those industry-leading margins.

Expand Studios

Expect strong growth in Zoo 55 (ITV's digital Studios label) as we maximise the monetisation of ITVS content rights through digital distribution

At the full year, I talked about the launch of Zoo 55, our new Studios label. We set that up to drive high margin growth from the monetization of our extensive IP through digital distribution, direct to consumers using data-driven audience insights and leveraging AI to deliver content more effectively and efficiently. For example, using dubbing tools and subtitling tools. Now, we are expanding significantly our presence in social video, fast channels or free ad-supported channels and through gaming.

The business has made really good progress. We are pleased with the progress so far this year. We have scaled the number of global social video channels for our content, particularly across YouTube, Facebook and TikTok. We have seen a really strong increase in viewing, with viewing hours up over 30%. For example, on TikTok, Love Island content alone has generated over 7 billion views globally.

Across FAST and AVOD, we operate over 160 channel streams on platforms globally, up from around 100 at the year-end, and have entered into new partnerships with Tubi and Xumo.

Our games portfolio continues, as I said, to go from strength to strength. For example, the Love Island app was one of the top ten games downloaded in the US in June.

We are very confident we will double our Zoo 55 revenue from 2024 to 2027 to around £120 million.

Strong creative pipeline with good demand for content, particularly from the streamers

The quality of ITV Studios' creative output, I think you all know, is world-class, and has a really strong track record. And this slide really demonstrates that. We have an incredibly exciting pipeline across scripted, unscripted, for a broad range of customers globally. There are many recommissions on here, as you can see, and that is really a testament to the team, and I think the proven track record I have just mentioned.

Studios also has a growing slate of streamers with whom we have, as I said earlier, really solidified our relationships. We have delivered high-quality content to them that consistently attracts strong audiences. For example, Better Sister for Amazon and Love Island US for Peacock, breakout hits, both featured in the top five biggest streaming shows in the US in June.

On track to deliver 2026 Key Financial Targets

Our key financial targets for ITV Studios are to grow Studios' organic revenue on average by 5% to 2026 ahead of the market at a margin of 13-15%, and we will achieve that. We are on track to achieve that.

MEDIA & ENTERTAINMENT

Focused on delivering profitable growth, expanding margin and strong cash generation leveraging our key competitive advantages

Now, let us turn to M&E, which includes our pillars of supercharging streaming and optimising broadcast. M&E, of course, remains a strong and unique asset, and we now have the agility, the capability, and the platform to make the most of new revenue opportunities.

M&E has an unparalleled commercial proposition in the UK. We deliver mass reach, we deliver targeted advertising, and alongside that, we have creative and commercial partnerships, second to none, in a brand-safe and measured environment.

Now, that is our superpower. It is really reinforced by our deep relationships going back many, many years with advertisers and partners. We have also recently renewed our carriage deal with Sky, reflecting our longstanding and mutually beneficial relationship.

I think you all know that ITV is the commercial leader in scale and reach. I think it is worth reiterating because actually, ITV's share of commercial big screen viewing is of the same scale as Netflix, Amazon, and Disney+ all put together. ITVX and Planet V are very well-established now and ensure M&E continues to adapt to changing viewer habits and to advertiser needs. And you also know, M&E has excellent cost and financial discipline, and the business is highly cash generative.

Supercharge Streaming

ITVX and Planet V are driving fast-growing digital advertising revenues

Our supercharged streaming pillar now, which I am going to talk about, aims to drive, of course, digital viewing through ITVX and maximise fast-growing digital advertising revenues through Planet V. Both continue to demonstrate really strong momentum, viewing and advertising, and we are building on this by focussing on the drivers of content, marketing, distribution, and product.

We are continually enhancing our offering and leveraging viewing data to power every decision we make. Planet V enables us to deliver high demand, targetable audiences at scale, which significantly improves the monetisation of our digital ad inventory. The platform is underpinned by over 40 million ITV registered users. That is a really massive scale, giving ITV one of the UK's largest first-party datasets. This data is augmented then with third-party data to achieve very granular targeting, of which we have over 20,000 options. Through this increasingly sophisticated and valuable ad inventory, we are able to deliver higher value cost per thousand, or CPMs, driving growth in our digital ad revenues.

Driving revenue from large and growing online video market

The linear ad market is expected to be worth around £4 billion in 2025. And of course, our position here has always been very strong. The online video ad market is estimated to be worth around £9 billion and has grown very rapidly over the last few years.

Our investment in ITVX and Planet V allows us now to effectively compete for a much wider pool of this £9 billion online video advertising market. We are attracting advertisers who are new to TV and new to ITV, those that are scaled enough to benefit from TV advertising, but until now have not really been able to consider it because of the cost.

Growing demand for targetable advertising – driving growth in digital revenue

A key initiative is our SME strategy. We have established a direct sales team for SMEs only, who are not represented by agencies, and we will launch a single advertising market platform in collaboration with Sky, Channel 4 and Comcast's Universal Ads platform. So, a very good example of collaboration becoming reality.

We have also created an outcome planning tool at ITV, enabling brands to effectively measure and optimise their advertising performance and we are really using generative AI to facilitate the creation of cost-effective advertising content to those SMEs that really, really cannot afford to do TV production ads. And to further expand our addressable market, ITV Commercial continues to develop, as you would expect, a range of innovations.

Extending our reach and growing our supply of targetable advertising inventory

ITVX is really now a very strong platform. It broke even two years earlier than expected, and it has already recouped its entire investment. We are now looking at new partners to further grow our reach and inventory and a great example of that is our partnership with YouTube, and it has started really well.

ITV has made hundreds more hours of ITV content available to viewers on YouTube, and ITV Commercial sells the advertising around this content. And as a result of that, early days still, but we have seen two to four percentage points of incremental reach for different audience groups. So far, ITV Commercial has partnered with over 250 brands on this, successfully securing budgets that would not have come to ITV.

We have also entered, and you might have read about this, into a first-of-its-kind strategic relationship with Disney+ in the UK, and that went live last week. And it is a great promotional opportunity, cross-promotion. It is a sampling opportunity. It allows the selection of ITVX programmes to be carried on Disney+, a selection of Disney+ programmes available to viewers for free for the first time on ITVX. In addition, we are expanding our inventory even further by rolling out digital ad insertion and live viewing on ITVX. And we can deliver linear addressable advertising now on YouView, Virgin, Freely, and EE TV with more to come, all opportunities that we have not had before.

On track to deliver 2026 Key Financial Targets

All of these initiatives are helping to drive us to achieve at least £750 million of digital revenues in 2026. Now, that is underpinned by our focus on developing also non-advertising digital revenue partnerships. And good examples of that are Kerching and ITV Win, and there will be more to come.

Optimise Broadcast

Maintaining strength in delivering mass audiences for advertisers to build brands and drive performance

Our third strategic pillar, as you know, is optimise broadcast. So, a few words on that too. ITV's linear TV channels continue to deliver those large commercial audiences, the largest you will get in the UK, and they are so valuable to advertisers with our focus on live sport, drama, and entertainment, particularly stripped entertainment.

And recent research by Ubiquiti demonstrated that TV advertising remains the most effective advertising channel for brands. Because of the significant data we have, our measurement and innovation team internally has developed research and measurement tools to prove the effective outcomes of TV advertising spend. That is a first in our industry, and it is key to maximising our linear advertising revenue.

In the last 12 months alone, we have worked with around 100 clients, and I know that many of them really, really find this work valuable. It is very reassuring to know that that return on investment in TV is the highest of all media. So, that is a really important piece of work for us.

Now, onto a separate subject altogether. You will all know that being a commercial PSB is at the heart of ITV, and that is why we welcomed the publication just this week of Ofcom's review of our sector, and its very clear recommendations. We have been discussing this with them over time, and it is a really good review.

Summary – Confident In Creating Value

In summary, we are confident in creating value through attractive growth in Studios, fast-growing digital revenues in M&E, and that is all underpinned by our strategic cost management. Together, these drive profitable growth, strong cash generation, and attractive returns to shareholders.

Now, I have to say that over the last couple of years, actually, we have done a huge amount of heavy lifting to get to this stage of the transformation, and we have said we have transformed already ITV, so we are in a very strong position to build on that transformation, and none of that would have been achieved without the support and commitment of every single person across ITV. We have had to make restructuring decisions. We have had to, as you know, make strategic cost decisions, and they have affected people, but every single person at ITV turns up to work in a completely professional way, and I just want to say they really embody our unique combination of creativity and commercialism that is absolutely unique to ITV, and even as we celebrate our 70th birthday this September, I know that all of our people right across ITV are focused on the future, and I just want to thank them for every single thing they have done to make our strategy a success.

We are now, of course, very happy to take your questions.

Q&A

Adrien De Saint Hilaire (Bank of America): Thank you very much, Carolyn and Chris, for the presentation and taking those questions. I have got a few, if you do not mind. If I kick off with ITV Studios to begin with, could I just clarify something?

When you said you are on track to deliver good growth for 2025, does that include the contribution from acquisitions that you have completed in 2024 and 2025? And how much do these acquisitions bring in terms of revenue for the full year? Because I think the impact in the first half was certainly bigger than I expected.

Sticking to Studios, again on that margin of 13-15%, it implies quite a step-up into the second half. I know margins can be volatile depending on the revenue mix. Is it fair to assume that you expect a strong distribution revenue contribution into the second half to get to that level?

And then lastly, on your digital revenue targets for 2026 of £750 million, I think in order to get there, you probably need to accelerate revenue growth next year to something like above 20%. Could you just explain to us how you would get there, please? Thank you.

Carolyn McCall: Take the first two.

Chris Kennedy: Yes. Thanks, Adrien. On acquisitions, you are right. We have made quite a number of acquisitions over the last six months. We have got Hartswood, Moonage, Eagle Eye, and just yesterday, Plano a Plano. In the first half, they did make quite a big contribution. I mean, The Gentleman being, on its own, quite an important delivery for us.

So the acquisition numbers will be in the full-year number, but we are expecting organic growth as well. We do not give guidance on how much will be in the full year. However, I think the thing to say is we are really pleased with the acquisitions we have made, and there are some great shows. We have got Devil's Hour in the second half coming as well. Some really important shows for streamers coming from those new acquisitions.

And yes, distribution will be a really important part of the second half margin progression. We have got a great schedule of deliveries which drives the revenue growth. And then in a normal year – last year, if you remember, was not normal because we had the knock-on effect of the writer's strike in the first half – in a normal year, catalogue is weighted to the second half, and that is exactly what will happen this year. And that is a very high-margin business.

Carolyn McCall: On the digital advertising target, I mean, it is a great goal. Firstly, I think if you look at the digital advertising market, you know, we are growing ahead of the digital advertising market, and we expect that market to continue to grow. We are up 12% in the first half. You should expect that to continue for us. So that is one thing.

We have got some other things that we are doing, like YouTube, which we are very pleased about, and you heard me talk about that in the presentation, where that is all incremental money that will go into digital advertising.

We are now selling the Disney rail. We do not expect that to be material, but it all adds up. All of the things we are selling, the digital inventory on ITVX for the Disney+ content, for example. These are all new initiatives and innovative things that we are doing that will all add to the digital advertising revenue.

I think the SME strategy, I mean, we have been working on this for some time, but it has really kicked off in terms of the collaboration with Channel 4 and Sky, using Comcast's universal ad platform to attract SMEs to our digital platforms. And the reason that is really important is they have never really been able to use TV because of the production cost to enter the TV advertising market, the linear TV advertising market.

This gives us the opportunity to get that kind of quite long tail of SMEs who are scaling up but are unable to use TV, but really want to come into ITVX, for example. I think that is an important strategy. We have got the collaboration, as I said, but we have also got our own strategy where we have our own sales team now. We recruited an SME sales team who will go after that business, and it will be new to TV. That is also incremental advertising. So, that is all digital advertising.

There are other initiatives like being able to do digital ad insertion in live viewing on ITVX, for example. There is being able to do linear addressable advertising. All of those things are part of the digital advertising pot.

The second bit of what we are doing, I think, is we now have such a strong platform in ITVX. Many other partners know that and what we are really working on now is getting more partnerships in because we are using our brand, we are using our IP, we are using our kind of scale, if you like. We have got the 40 million registered users. We can do all sorts of marketing and promotion with that data.

And so, Kerching is an example of that. That may work, that may not work. However, this is all about non-advertising revenue. It is digital revenue, but it is made in a different way. ITV Win is a very good example of that. We are optimistic about Kerching by the way, but I mean, I think really, it is just that we are having to test and learn in that area. ITV Win now is a destination platform for competitions and games, and we will increase that as we go forward. And I think at the full year, we will be able to announce a couple of other quite key partnerships in that area.

So that will help us bridge to where you were talking about. So that whole area of non-advertising but digital revenue is a new area for us that we are pursuing quite vigorously.

Adrien De Saint Hilaire: Understood. Thank you very much.

Lisa Yang (Goldman Sachs): Thank you for taking my question. The first one is just on the overall advertising environment. It sounds like your Q2 TAR was actually better than what you guided to initially, so I am just wondering what drove that? Is it maybe TV [inaudible] some share, or is it just the overall better macro? Any colour, and any colour by categories as well, would be helpful.

And as a follow-up, just in terms of guidance for Q3 of marginally down, do you mean anywhere between zero and minus one, or it is more like low single digit to be more specific?

The second question is just on your overall content cost, where you managed to reduce it by £20 million. What basically enabled you to reduce the cost? Is that because all of your competitors also reducing costs allows you to basically extract more savings without impacting your viewership? And do you see this as a sort of normal run-rate for your content budget going forward as well or is it only a one-off phasing?

The last question is, just curious to hear your thought from the impact you think generative AI may have, I think, on your TV work in general because I guess on one hand it could be a risk because digital advertising is made so efficient, and it could basically redirect more budget, basically, towards digital. However, at the same time, you did mention it is an opportunity for ITV to tap directly into maybe the SME budget. I am just wondering how do you weigh the risk and the opportunities from Gen AI, the impact it may have on your business?

Carolyn McCall: I am so sorry, could you just repeat your fourth question? Neither of us caught all of it.

Lisa Yang: Yes, sorry. The last question was more about the impact of generative AI in general on basically the TV advertising budget. Do you see risks that potentially you see advertising share shift away from TV to digital because digital advertising is effectively made a lot more efficient? Or at the same time, do you see potential actually an opportunity for ITV such as, for instance, as you mentioned, tapping into SME because, you know, it can lower the cost of content creation and that could enable you to attract more customers? How do you weigh the risk versus opportunities, I think, of Gen AI on your business?

Carolyn McCall: Okay. All right. Well, look, let me talk about the ad environment, and maybe I will take the Gen AI thick question at the same time as the ad environment. They are related, not linked.

I think that we are ahead of our expectations and the market expectations on the ad environment. I think if I give you some colour around the categories, I think it is quite revealing. I mean, retail is our biggest category, and it has held up actually very well. It is broadly flat. Now, supermarkets within that is down, as you would expect. However, I mean, retail, excluding supermarkets, is flat. And I think that is very encouraging because they have all been very affected by NICs. It has been a huge hit on retail and yet retailers are still using TV as a medium because they know it is extremely effective at driving traffic, driving products, sales, driving impact for them and actually driving growth. I think that is a really important thing.

We have also seen growth in pharmaceuticals, travel and tourism, entertainment and leisure and telecoms, and that has helped us exceed expectations because I think what that shows is when I tell you the categories down, the categories that are down really are FMCG, cars, alcohol and gambling. And those are the categories that really shifted a lot of money last year into the first half because of the Euros and also into July because the Euros spanned June, July. And so, you can really see the Euros impact on advertising.

I would never say that the advertising market currently is easy because it is a bit macro. It is not so much macro. I think it is more about the UK economy, and it is not perhaps performing as well as the government expected. However, certainly, I think that it is not an easy environment.

However, actually within that, we have actually done better. Because if you think about our H1 advertising revenue against 2023, which was a more normalised year, we are up 2% because we did not have the Euros. So last year, the Euros for us was a big skew. We expected it. We forecast it. It is in our budgets. However, we actually did a bit better than we had actually set.

So that is really the story, and there is a lot of self-help in there, as you would expect. All the innovations I have talked about, all the initiatives I have talked about in the presentation, those are all things that are giving the commercial team a huge amount of opportunity to go and get other things. Some of them are digital advertising opportunities. Some of them are non-digital partnerships, but they are all, the momentum is huge and there is a lot of self-help in there. That is the first thing.

I think if I take the Gen AI point, look, I think AI has been around for quite a long time. And Gen AI is not really, I do not think, affecting any kind of shift to or from digital. I think that shift happened years ago when a lot of media departments thought, 'If I do not use digital, I am going to get sacked,' right? Because it was the new thing years ago. I think, actually, the pendulum has probably swung back a bit. That is one thing I would say in the broad.

I think Gen AI is being used internally on a whole load of things in terms of how we improve content, etc., that is obviously going to augment the advertising. However, it is all things that we would do anyway.

I think ITVX, obviously from a digital point of view, gives us a huge opportunity because we were not able to play in that market at all before. And it is really only in the last three years that we have been able to go after that £9 billion digital advertising revenue pot that I mentioned, rather than stick in the £4 billion broadcast revenue pot for TV. Do you see what I mean? I do not think it is about a shift from TV to digital. I think that has already happened. And I think that we can now offer advertisers a huge proposition in terms of mass reach and targetable advertising and creative partnerships and merchandising and product placement and a whole gamut of other things. We have a unique proposition and that really maintains our kind of commercial leadership, I think.

Chris Kennedy: And the thing I would add is, Lisa, and that is one of the reasons for doing the outcomes work, as Carolyn said, we have been competing for advertising budgets for a very, very long time. So that is not new. What is new is our ability to really demonstrate the return on investment of TV for advertisers.

We have done so many studies now working with advertisers to demonstrate that being on TV, not only in itself is a higher-returning investment, but it multiplies the benefit, and the ROI of all of their other advertising spend, and the team have done some great work. So, demonstrating, as Carolyn said, the pendulum, if anything, is swinging the other way because we can now prove the power of TV to advertisers.

Carolyn McCall: Yes, absolutely right.

Chris Kennedy: On Q3, we are really pleased with the first look, but it is a first look. I am not going to get drawn on getting any more granular on marginally down, other than to say the only reason it is down is because we had the knockout stages of the Men's Euros in the first half of July and England went all the way. So that is why we have a tough comp in the beginning of the quarter, but it gets better throughout the quarter.

Carolyn McCall: Let me take content costs and come in whenever. I think I want to separate that minus £20 million in two things. One is the timing of The Voice, which has moved to H1 2026. That was a deliberate scheduling decision, which we are very happy about.

And then I think you have a second bucket which is about us just using data much, much more effectively on viewers and what they like, what they are coming to, how they are coming to it, how they are viewing. We are just much, much more sophisticated about the use of data with content and viewers.

And so, one of the reasons we were able to close ITVBe, launch something called ITV Quiz and actually invest a bit more in ITV2, is because we understood that we would not actually lose viewers. We would lose no revenue by doing that. And actually, what has transpired is that we have doubled our share and actually audience by doing ITV Quiz instead of ITVBe, and all the viewers from ITVBe, as we expected, went to ITV2. So that is an efficiency, but it is also a much better proposition for viewers, much better. So that is another example.

And then I think the third bucket really is that we are just very, very effective on our windowing strategy. And so, we have shifted from doing only exclusive original content on ITVX by doing original content, which we clearly do, but we launch it on both ITVX and ITV. We then drop the box set on ITVX with confidence, knowing because of the data and because of our experience now, that all our viewers will not binge that. They still come in weekly. And so, therefore, the consolidated audience of the two things is higher than if we were to do it in two separate windows. We are optimising and really making the most of our content by doing it that way. It is a much better return on investment.

So those are three ways we have done it to date.

Chris Kennedy: And all driven by the fact that we have one content budget. And so, we can move our investment in content, as Carolyn said, across all of the channels that we have got across ITVX and across different demographics. I mean, it is interesting that ITV Quiz, we have attracted a new audience there. It skews more male. And that is a very valuable audience for advertisers.

Carolyn McCall: Yes. And I think your other question on this was, is it a one-off? One, I would say that we are also reinvesting money in content. Some of the savings that we make, we will put into content so that we can invest more in live sports, that we can do more drama, for instance, which is getting more expensive. We can offset inflation. It is a reinvestment as well as actually looking at where we can be more efficient. So, it is not a one-off. We will continue with that mindset going forward.

Lisa Yang: Thank you very much.

Julien Roch (Barclays): Yes. Morning, Carolyn. Good morning, Chris. Thank you for scheduling your results when there are no other results, so we can leisurely ask questions, which has not been the case for a while now.

My first question is on 2026. I know it is very early, but on content cost, as you mentioned The Voice, there is also the World Cup. You mentioned continuing efficiency. Can we have some parameters about content cost next year? And similarly, on exceptional, Chris, you said there would be far less. That is my first question.

The second question is on cash conversion. You said 80% on average, but what about this year? Can we get some pointers and also cash tax because there is the production tax credit.

And then the third and last question is on M&A. I have had the joy and privilege of covering your wonderful company since May 2004, the first M&A rumour was October 2004, we had about two years. This year, it is Banijay and RedBird. So, 42 rumours later… More seriously, any comment on production deals as well as your view on maintaining your integrated model? Thank you.

Chris Kennedy: So, 2026 content costs. You are right. We have got the World Cup next year, which will be a great driver of advertising revenue. And typically, in those years, you see content costs, in a big sporting year, they go up slightly. Going back to what we said about the content spend, I think all of the optimisation we can do now based on the data we have and managing it as one content budget means that we can hold it broadly at the current levels, and we can drive the viewing we want and the growth we want from that spend. However, you should probably expect that content spend next year is a little bit more because of that FIFA World Cup impact.

Exceptionals, I mean, if you look back over the last few years, this year's exceptionals are very much driven by the earn-out or the contingent consideration that is based on employment. And you know the accounting around that, Julien. And we do not anticipate any major acquisitions, but we never know, and that is why the exceptionals can go up or down. However, with those small bolt-ons, there might be a little bit of that but if there is none of that then you will just have a few tens of millions of the restructuring costs as we continue the cost-saving programme driving that.

Cash tax, this year you are probably looking I think from memory at around £60 million. But you are right, it is varying now with the different HUTV regime. And cash conversion this year is probably slightly better than where we thought it would be, so I think there is probably a net cash improvement in the forecast. It will be below £80 million, but I think it will be a small improvement from where we thought.

Carolyn McCall: And since you have been covering us since 2004, you would not expect me to comment at all on all the speculation that you have heard about over those many years. I mean, there has been speculation about ITV for years. We will not comment on any of that.

Suffice it to say that in our industry at the moment everyone is talking to everyone. I mean, everybody will say that they are just talking because whether that is about partnerships, whether that is about content partnerships, commercial partnerships, everyone is talking to everyone. There is nothing further really to be said on that.

Julien Roch: Well, on the integrated model, how integral is it to your strategic view about ITV?

Carolyn McCall: We have always said the integrated model works very well for us, and you can see that, I think, in our progress, in our development of the strategy is definitely beneficial, and you know why. You know that Studios can break shows on ITV1. ITV1 is the biggest marketing platform in the entire country and therefore if a show breaks and does well it sells right around the world. It does not have much trouble doing that. And you know what the benefits are. I mean, you know there is offset on inflation. There are all sorts of benefits.

However, what we have also said is we are not dogmatic. We are not wedded to any one particular thing. We would always be open to reviewing, depending on what the market is doing. I mean, I think you know that our market has shifted so dramatically in the last five to ten years. I mean, even just if you look at the last five years, there has been just huge shifts in viewing, in advertising, in the business models.

I think we just always have to as an ExCo and therefore as a board be very open to anything, and that is what we are. We discuss it, we are strategic, and we will always keep things strategically under review.

Julien Roch: Okay. Thank you.

Ed Young (Morgan Stanley): Hello. My first question is on non-content savings. There is barely an update that goes by without something additional, and I appreciate that is a combination of some long-term programmes which take a long-term long time to play out and some of it is reduction in discretionary spend. Can you give a bit of a picture for where you sit in this long-term process on non-content cost reductions?

The second is on Studios. One of your KPIs that trended quite well in the half was around total hours on streaming platforms, which was up, I think, five points year-on-year. I appreciate some of that is probably US bounce back, where your scripted penetration is very high already, but can you talk a bit about the broader trends there to get to your 30% and particularly, your traction with unscripted in the US as it stands now?

And then third, I just wonder if you could give any quick comment on the performance of the Women's Euros versus your expectations. Thanks.

Chris Kennedy: Ed, the cost programme as you know is a multi-year programme. We only include, in those savings that we disclose, savings that are permanent. It would not include any phasing or timing or temporary reduction in spend. It has to be a permanent reduction. And it is a multi-year programme, as you say. We are getting the benefit of some of the actions we took last year, this year. We will get some of the benefit of the actions we take this year, next year.

We are constantly rebuilding that programme. There are tens of different initiatives that all ladder up to that one number, and it is right across the business and everyone is involved. And the reason we have upgraded this time is that the process we go through is anyone can give us an idea for where we might be able to make things more efficient. It goes into what we call the hopper, and then we work out is it a good idea or is it a bad idea? What are the risks and so on? And then we put a plan around it and then only then when we have got that plan, do we say, right, we will bake that saving in.

This upgrade is just more of the ideas coming out of the hopper. We have developed a really good plan for them. We know we can deliver them this year, and so we have included them in the guidance. So that is the kind of way we run the programme.

Carolyn McCall: On Studios, I think the visibility is good and I think our pipeline is good overall for Studios, and our book revenue is similar level to last year's. That also gives us good confidence in the full year.

I would say on the whole market that we are cautiously optimistic. I think we are definitely seeing recovery following the strikes which kind of paralysed America for a very long time. I think you are right about unscripted. There is strong demand for unscripted in the States. It is the benefit, I think, for us of having quite a diversified portfolio there because I think recommissions and decisions around shows on scripted are taking longer. And I do think that is the effect of both the strike but also the LA fires, actually. And so, we are seeing there is just more of a lag than we are used to on scripted but unscripted is absolutely compensating, I would say, for that.

I think streamers is a particular standout. We are having really positive conversations with streamers, and I think actually they are still commissioning premium scripted, but they are doing a lot of unscripted shows with us now. And so that is a big change from where we started with streamers. And that is why our target of 30% coming from streamers, which is a huge diversification because I think five years ago it was something like 5% or 6% or even less. So that is a very big thing. So that is where we are on that.

I mean, our pipeline H2 is, you know, if you look at the unscripted shows you know, they are really good. I mean, Love Island USA has been an absolutely breakout success. It has been unbelievable over there. I mean, people you would never think were watching it, are watching it and are emailing and texting and saying this is amazing. And actually, what that allows them to do in unscripted is do two spin-off shows. They have Love Island Games going on with Peacock, and they have also got another programme that they have got in the pipeline which will break soon. So that is coming up. There is another spin-off show of Love Island in the States. And I think that is what happens when you have a very successful format which everyone is talking about.

The Euros. So this is good news, actually. Our director of sports very fortunately picked the semi-finals for England, and so we got a massive game on Tuesday night. I would say that actually the early games probably were below our expectations because we did a huge amount of promotion with the BBC. Both of us separately and jointly did a huge amount of promotions to build this tournament and get a huge amount of awareness for it to get really behind the women's game. And that, I think, has worked.

However, the early games probably below what we expected, and the semi-finals has been fantastic. I think we got £10.2 million at peak. It was very exciting. It was really important to us to get to the semi-finals because all our advertisers wanted that. We sold it really, really well on that.

I would just say, and we will continue obviously to build and help the women's game in any way we can, it is still nowhere near the men's game in terms of rating. If you think about the Euros last year in the first half and in July, you know, we did £22 million, I think roughly, on the Netherlands game. You know, and all the matches, so even if it is a Spain-Portugal game or a Netherlands-Spain game or whatever, you will get higher audiences than the women's game would get for quite big games. I think you cannot compare the Women's Euros to the men's yet. Maybe one day we will be able to do that. We are very pleased with it, in case I did not say that. Very pleased.

Adam Berlin (UBS): Yes, hi. Thanks for taking three questions if I can. Very interested, Carolyn, to hear about the strategy around SME advertising. Can you tell us how much of the H1 digital ad revenue was from SMEs already, if anything at all? That is the first question.

The second question, I know it is early, but any thoughts on Q4 at this stage? You talked today a little bit about the fact that there is no regulatory impact from the change in junk food advertising. There will not be The Voice. Just thinking about where the comps are. Any thoughts on how we should be modelling Q4, given what we know today?

And then maybe a third question on digital advertising trends. I mean, 12% is a good number, but it is lower than it was last year. Is that just, as it gets bigger, it is harder to sustain the growth rate, so the growth rate will just naturally slow? Or is that something to do with sports, not having the Euros, did that impact digital ad revenue in H1? Just any comments on why you think that growth rate is slowing would be helpful. Thank you.

Carolyn McCall: Okay. I mean, I do not think, as far as I know, there is any specific SME revenue in H1, I would say. Tiny.

Chris Kennedy: Yes, it is small. I mean, maybe one stat that would help you is we have 500 VOD-only advertisers. So, people who do not advertise on linear with us. Now, a lot of those will be larger brands and premium brands who do not need mass reach but want highly targeted audiences. However, there will be some SMEs in there. However, the opportunity, I think, is in front of us.

Carolyn McCall: I agree. I think it is mainly when we start the collaboration with Sky and Channel 4, that will give it a big boost. And then we formed the sales team in the half, they are up and running but as Chris says, I think more is to come.

Do you want to talk about Q4?

Chris Kennedy: Too early to talk about the Q4. I mean, the comparators in Q4 last year, year-on-year, it was quite a week quarter. However, we do not have a view in Q4, as you know, and it is too early to talk about it.

Carolyn McCall: I think on digital advertising trends, it is hard, but I think we would be confident that we would see growth in digital advertising. And we would be disappointed if it was not double-digit growth because I think it is still a growth market. It is less sensitive to the UK economy, but it is not completely insensitive to the UK economy. So if advertisers are profit-protecting, because they do not know what is to come in the second half in terms of budget or whatever, tax, whatever, then I think they go across the line, and they will take money off everything, not just advertising, but they take money off everything, and it will include digital, and it will include linear. Do you see what I mean? It will include production costs. It will include manufacturing costs. They will look everywhere.

We have outperformed market in the first half. So that is a key indicator for us that as a commercial leader, we should be outperforming wherever we can because then we are controlling what we can control. I do not know, I mean, I would say it will continue to be a growth market for some time to come.

Chris Kennedy: Yes, I mean, I would say, Adam, we always said Planet V, which is, as you know, evolving all the time and we are introducing more ad products, but we said we would do it first on on-demand viewing on ITVX and that is what has driven all of the growth up to this year. And as Carolyn said in her presentation, we are now on the next leg of driving demand and opening up inventory. To drive demand, we have got the SME initiative.

To drive inventory, we are on YouTube now, which has been really successful. It gives us extra reach. We have, I think, 250 advertisers on YouTube that would not have come to ITV if we had not been on YouTube. And it is a different audience, and it is not cannibalising to any great extent.

We now can serve targeted advertising into live viewing on ITVX. It is a whole new set of inventory, and we can serve it into live viewing on other platforms like Freely, like Virgin. There will be others added. By the end of this year, around 12% of households watching live in the UK will be able to serve a targeted ad into the live stream.

We are opening up the inventory, we are driving demand, and I think that is how we will maintain the momentum we have delivered today. And if you think about where we have come from, from the launch of ITVX, it has been phenomenal growth and as Carolyn said, I mean, we have outperformed the digital market in general in terms of our viewing. And I will not bore you with the stats, but you look at where we were in broadcast of VOD, our share of broadcast of VOD when we were on ITV Hub was less than Channel 4. Now we are over-indexing compared to our share of the linear market now. That is a very long way to come in a very short space of time.

Adam Berlin: Great. Thank you very much.

Nizla Naizer (Deutsche Bank): Great, thank you. Good morning. I have two small follow-ups on the SME opportunity. I would like to know, have you quantified the market size of the SME opportunity outside that you could potentially go after with the new initiative?

And secondly, you mentioned that you have invested in a sales force, but eventually, you see SME revenue stream more profitable than the larger sort of national level advertisers. How should we think about the profitability aspect of that stream going forward? Some incremental colour would be great. Thank you very much.

Chris Kennedy: So, is it more profitable? We will be selling it at the same price as we are selling targeted advertising generally, which as you know, for now, is a fixed fee, and then you can pay to add extra targeting opportunities like mixing your customer data with a Boots or a Tesco to do a really targeted campaign.

Carolyn McCall: The more granular you get, the more you pay.

Chris Kennedy: Yes, exactly. It is the same level of profit. And in terms of the opportunity, as Carolyn said, there is a £9 billion audio-visual market. Now, there is an awful lot of small advertisers there. We call it the fat end of the long tail. It is brands who are big enough where TV and targeted TV will make a massive difference to them, but they have never thought about doing it before. It is about removing the barriers to entry, like the cost of the creative. And we can do that ourselves for brands who would buy through an agency. I think the SME initiative is really exciting because it is for those brands who want to self-serve. They have grown up just self-serving with digital advertising. And I do not know how far we can go.

Carolyn McCall: Yes, and I do not know if we made that clear, that sales force is only doing direct to client sales and they are only doing direct to SME client sales. So those are the clients that do not use an agency at all. So there is an opportunity there. And also, we will use Gen AI there actually to help them create ads because the quality of the ads does not have to be like a TV ad. So, there is opportunity there.

We have our own studio. We have our own creative studio in Commercial, which does make advertising of all sorts. However, they will be very focused on how we get to be able to make that advertising cost-effectively to be able to get them onto ITVX quickly.

Nizla Naizer: Great, super helpful. Thank you.

Carolyn McCall: I just want to say from both of us that we know it is a hugely busy day out there. Thank you very much for joining us and for your questions. See you all soon. Bye.

[END OF TRANSCRIPT]