# ITV Plc Half Year Results Transcript

**Carolyn McCall (Chief Executive Officer)**

Good morning, everyone, and welcome to ITV's 2026 Interim Results. As always, I'm joined today by Chris Kennedy, our CFO and COO. Having spoken to you very recently following our announcement of the transaction with Sky, we will keep today's update relatively short, starting with a summary of the key messages from the first half, and then Chris will take you through our financial and operating performance in more detail. I'll then provide a strategic update on both businesses.

ITV delivered a solid performance in H1, and we remain firmly on track to deliver our full year guidance of good growth in ITV Studios and strong profitable digital revenue growth across M&E. As announced earlier this month, we have agreed the sale of our M&E business to Sky. And as we've said, this is a transformative moment for ITV. The transaction will create significant value for shareholders, enabling a GBP 950 million net cash return, excluding any contingent consideration.

Crucially, it will also unlock the value of ITV Studios, which, as you know, is an attractive and growing global content business that will deliver long-term value to shareholders through its clear value creation strategy. The Board has declared an interim dividend of 1.7p per share, in line with last year. In addition, we are today announcing a GBP 100 million share buyback, which represents an early return of part of the previously announced GBP 950 million net cash return expected on completion of the sale of M&E.

Turning to the first half performance. Both divisions delivered revenue growth. ITV Studios saw strong growth in the U.K. production sector and through global distribution revenues from our IP library. And in M&E, the ratings and commercial success of the Men's Football World Cup drove a good performance, and there was continued strong growth in digital revenue driven by ITVX. Group EBITDA was flat, reflecting the expected second half weighting Studios margin and profit. I'm now going to hand over to Chris to go through the numbers in a bit more detail.

**Chris Kennedy (Chief Financial Officer)**

Thank you, Carolyn, and good morning, everyone. Total Studios revenue grew 2% to GBP 912 million, 3% on an organic basis, which continues to outpace the global content market. EBITA was down 9% to GBP 97 million with a margin of 11%. As previously guided, both sales and margin are weighted to the second half of the year and to Q4 in particular. We have a strong pipeline of big budget scripted dramas and unscripted formats scheduled for delivery in H2 and good visibility on revenue.

Moving on to Media and Entertainment. We delivered GBP 850 million in total advertising revenue, up 3% year-on-year. Our digital strategy continues to prove its value with digital revenues growing 13% to GBP 307 million. ITVX viewing grew by 27% in the first half with June being our first month with over 20 million monthly active users. Both digital and linear revenues were supported by the FIFA Men's World Cup, which delivered exceptional mass audiences.

Cost discipline across both content and non-content remains strong. We've reduced overall content costs by 2% even with the World Cup. Non-content costs are higher as a result of increased marketing for our new brand campaign and to support the launch of new content. Excluding marketing, non-content costs were up 3% with GBP 4 million of permanent savings delivered so far this year. EBITA was up 37% to GBP 48 million.

The balance sheet is strong. We ended the period with net debt of GBP 652 million and a leverage ratio of 1x. Our cash generation remains good with a profit to cash conversion of 63% as expected on a rolling 12-month basis. This is lower than our average, owing to a buildup of working capital, reflecting the H2 weighting of Studios revenues and the commissioning cycle in M&E. Over the full year, we expect this to partially reverse.

You'll all be familiar with our capital allocation framework. In line with our commitment to provide cash returns to shareholders, we've declared an interim dividend and the start of a GBP 100 million buyback program. As we look ahead to the remainder of 2026, we are keeping our guidance unchanged. For Studios, we expect good total revenue growth for the full year with margins landing at the lower end of our 13% to 15% target range.

Within M&E, we expect continued strong profitable digital revenue growth. However, we are mindful of the macroeconomic climate and its potential impact on linear advertising budgets. Q3 TAR is expected to be down around 5%, which would mean TAR for the first 9 months being flat year-on-year. Whilst as usual, it's too early to give a view on Q4, it's worth noting that last year's TAR performance reflected a notably challenging U.K. economic backdrop.

We are managing what we can control and remain on track to deliver our target of GBP 20 million of cost savings over the full year, bringing our cumulative savings since 2019 to GBP 273 million. Our planning assumptions, which are set out in the appendix, have not changed other than exceptional costs. These now reflect a credit for a legal settlement in H1 in relation to a historic dispute over the use of one of ITV's formats in Spain and also the proportion of transaction and separation costs related to the sale of M&E that we will incur this year. Thank you, and I'll hand back to Carolyn.

**Carolyn McCall (Chief Executive Officer)**

Thanks, Chris. As we look ahead, we remain focused on the performance of both businesses to continue to drive profitable growth, strong cash generation and attractive shareholder returns while supporting the regulatory process and implementing separation of the business following our announced transaction with Sky. You'll be very familiar with our 3 strategic pillars, and they are part of our more than TV strategy. First, expanding Studios; second, supercharging streaming; and thirdly, optimizing broadcast. And I'll just take each one in turn.

Starting with expanding Studios. On the day we announced the transaction, Julian and David spoke with great passion about ITV Studios and its strategy. And I just want to recap why it has such a compelling value proposition and good track record for delivery. ITV Studios leading position in the global content market is to reiterate, built upon 3 competitive advantages. It's world-class talent who are consistently producing some of the most successful shows and formats right around the world.

Its global scale and diversification, which creates a really strong and resilient platform for growth and its unique and valuable IP library, which coupled with the digital distribution capabilities of Zoo 55 maximizes the monetization of our IP globally. You will recognize this slide from our investor presentation just a couple of weeks ago. It shows ITV Studios' operating model as a creator, owner, producer and distributor of IP, which ensures that it captures the full value of the content life cycle.

And this enables ITV Studios to consistently drive above-market growth and deliver industry-leading margins and strong cash generation. The core strength of the model is simple. A successful creative idea is rarely a one-off project. It drives multiyear, multi-market and multichannel revenue. Our confidence in ITV Studios performance is rooted in the quality of our pipeline of programs and our highly demanded IP library for both new and established programs.

For H2, this includes and look out for them, The Gentlemen and The Woods for Netflix, Guilty Creatures for Apple TV+, a double season of Hell's Kitchen in the U.S. for Fox and the return of Line of Duty and Vigil for the BBC and of course, I'm a Celebrity for ITV. Diversifying revenues across markets, customers and genres ensures we capture opportunities wherever they emerge and provides a stable foundation of recurring revenues that delivers high-quality earnings.

And that, combined with our premium content and disciplined cost management, delivers attractive EBITA margins. This is further supported by a flexible, asset-light and low-risk production model. So looking ahead, ITV Studios priorities are very clear: continue to deliver profitable organic revenue growth ahead of the market, generate strong cash flow and allocate capital in a disciplined way in line with our clear value creation strategy. And the business remains fully committed to maintaining a robust investment-grade balance sheet while supporting attractive shareholder returns.

We look forward to sharing much more detail on ITV Studios at the Capital Markets Day, which we expect to do in H1 2027. Turning now to Media and Entertainment, which includes the pillars, supercharged streaming and optimized broadcast. Sky has really valued this business highly because of the transformation of the business and the continued progress we are making. M&E is a commercial leader in the U.K. with its leading digital platforms in ITVX and Planet V. It's trusted brand, with a really compelling content offering valued and loved by both viewers and advertisers, its deep relationships with advertisers and partners and a really strong record of tight cost management.

This foundation ensures M&E remains well positioned to continue delivering profitable digital growth and strong cash generation. ITVX has delivered really good growth in the first half, as Chris said. Of course, the Football World Cup drove amazing engagement on the platform alongside some standout performances from drama and entertainment, which I'll mention shortly.

We continued to scale our targeted advertising offering through Planet V, our world-class addressable advertising platform using our extensive first-party data set and targeting options. Since launch, we've attracted over 1,700 new advertisers. Our strategic partnerships and commercial innovations are progressing well, expanding the demand for our targetable advertising and extending the reach of our content.

For example, the strategic partnership with YouTube has increased our reach to younger viewers. And through our in-house sales team, we've now partnered with over 1,300 brands, up to 800 at the year-end. We've now launched Comcast Universal Ads in the U.K., which will accelerate the SME strategy through further simplifying access to premium TV advertising. Now to the third pillar, which is to optimize broadcast. ITV delivers, as you all know, mass cultural moments at scale. That's hugely valuable to advertisers in a really competitive and also fragmented market.

This was really demonstrated most clearly by the World Cup. The quarter final match between England and Norway delivered the biggest commercial audience of the year so far with a peak audience of 18.4 million viewers. And we attracted around 200 advertisers to the tournament across multiple categories, 70 of which are new to football. But it hasn't all been about football. As I said, we've also seen excellent viewing across our portfolio for drama, entertainment and reality on linear and ITVX.

Gone, the drama was the biggest new commercial drama of the year. The 1% Club remains the biggest quiz show on TV and the summer series of Love Island is the biggest commercial program of the year for 16 to 34s, excluding football. Just before I close, I wanted to give you an update on the regulatory process for the sale of M&E. The process is led by Sky, but we're working closely with them and with Ofcom, the CMA and DCMS to support their respective processes and provide all requested information.

The process has already started and the CMA has launched its own review process. Based on the advice we have received, our own assessment and the strong procompetitive rationale for the transaction, we remain confident that it will be approved by the relevant decision-makers. Given that this is a media merger, we expect the Secretary of State to issue a public interest intervention notice in due course. The transaction may go to a Phase 2 CMA review. And if it does, then it's likely the transaction will complete in H2 '27.

So to sum up, we've delivered a solid first half and are confident in our full year guidance with good visibility over our Studios pipeline for H2 and continued strong momentum in ITVX. The entire ITV senior leadership team remains fully focused on the performance of both businesses while ensuring a smooth regulatory process and implementation successfully of the separation of ITV.

Throughout this period, we are completely also committed to motivating and supporting our colleagues who have worked so hard and are so proud of what we have achieved and continue to achieve. And of course, I want to say a massive thank you to them all for their continued support, dedication, focus and, of course, passion, which has set both divisions up for a highly successful future. Thank you. We're very happy now to take your questions.

**Moderator (Moderator)**

Thank you. We will now begin the question and answer session. If you would like to ask a question today, please do so now, by pressing star followed by the number 1, on your telephone keypad. If you change your mind, or you feel like your question has already been answered, you can press star followed by 2 to remove yourself from the queue. Our first question today comes from Adam Berlin with Goldman Sachs. Adam, please, go ahead.

**Adam Berlin (Analyst)**

Yes, hi. Good morning. I have three questions, if I could. First question on ITVX. You talked about viewership being up 27% and revenues up 13%. Can you just explain why the revenues don't grow in line with the viewership? Is there -- I mean, one thing I've read recently was that there may be too much kind of digital video inventory with Netflix and Amazon, Disney all launching ads. So is there any downward pressure on pricing? Do you have spare inventory? Can you just explain kind of how that works? That would be helpful.

And second question is ITV Studios. Can you just -- you probably go into this more on the Capital Markets Day that you just talked about for next year. But can you tell us a little bit about that kind of growth algorithm for Studios? And how do you get that mid-single-digit growth? Is it volume? Is it mix? Is it price per hour? How does that work? And what do you think is going to drive the growth over the medium term? And then third question on the buyback. Can you just tell us about the timing, how long will it take for you to complete that GBP 100 million buyback?

**Chris Kennedy (Chief Financial Officer)**

Okay. Thanks, Adam. I'll probably take the first one on ITVX. We sell our addressable advertising at a fixed price, and then you can pay more for premium targeting. And so on average, people do trade up from the base price. And if you go right back to the beginning with ITVX, the reason we launched it was because demand was exceeding supply of inventory and the ad load was getting too much. So the way we manage the business is we manage the ad load.

If we've got great viewing and viewing is growing faster than demand, the ad load goes down and vice versa. So it varies over the year. You're absolutely right, during the World Cup, we had huge audience uplift, and you've got a steady growth in the digital revenue. I suspect you might see that move over the course of the year as viewing moves. But we manage it with the ad load is the short answer to your question.

**Carolyn McCall (Chief Executive Officer)**

I think I'll just build on that by saying that we are fully in controls of our yield. And we have always had not just a fixed price, but also we've kept our yield very -- our CPM is high. And we have never really diminished that. We don't diminish the CPM. So you can buy lots and lots of cheap kind of VOD inventory, but you can't buy ITVX in that way. And the only place you can buy ITVX inventory is through Planet V. And therefore, that allows us that control. And it's very important for us to keep that CPM high given what the transition will do eventually from TV, from linear, which -- to ITVX.

**Chris Kennedy (Chief Financial Officer)**

And. Yes, obviously...

**Carolyn McCall (Chief Executive Officer)**

So it's a very carefully managed kind of -- it's a very carefully managed balance. We're very acutely kind of focused on it.

**Chris Kennedy (Chief Financial Officer)**

Yes. And obviously, Adam, you know that the other benefit of Planet V is it's wholly owned, so there's no pay-aways.

**Carolyn McCall (Chief Executive Officer)**

So it's highly profitable. Okay. I'll take the ITV Studios and then obviously, Chris come in. Look, this is a huge market. It's GBP 235 billion market, but it's also highly fragmented. And within that market, the growth for us will continue to come from some of the areas that we've been developing strongly. So we pivoted 5 years ago towards streamers. 5 years ago, we were taking 5% revenue from streamers. Now we take around 30%.

And we are in areas, in the segments, in streamers, where they will continue to grow with us. So that will be a high-quality drama, but priced at a very reasonable level. That's what we're very, very good at. So that's one area of growth. And then streamers have started commissioning a lot more unscripted, and we have so many formats, and we also have been -- and Squid Games is a great example of that. Love Island Games [sic] is a great example of that. That's all unscripted. So we will often do new formats or extensions of formats for anyone who wants to buy them, but streamers is a really important category for that. So we still see growth opportunities.

The other area is digital. So we set up Zoo 55 about 3 years ago. We now have another business within Zoo 55 which is Studio 55, which is all about brands and really, really ensuring that we're getting the most out of our content on digital platforms and getting brands involved, and we can do the creative work and all sorts of things for them. So just on Studios, on Zoo 55, we set ourselves a target of GBP 120 million, which will be doubling the revenue there by 2027.

So we definitely see digital as a further growth area. And I think when you do -- we do come to CMD, you'll understand far more the balance between mix, price, volume and share. That will be the third area that we think there are continued strong opportunities that we can increase our share of this very large market. Because it's so fragmented, we still have a relatively low share of the overall market. Buyback?

**Chris Kennedy (Chief Financial Officer)**

Yes. So length of the buyback, we think between 9 and 12 months...

**Adam Berlin (Analyst)**

Thanks very much.

**Chris Kennedy (Chief Financial Officer)**

Liquidity.

**Carolyn McCall (Chief Executive Officer)**

Okay.

**Adam Berlin (Analyst)**

Got you. Thank you.

**Carolyn McCall (Chief Executive Officer)**

Great.

**Moderator (Moderator)**

Thank you. Our next question comes from Nizla Nazer with Deutsche Bank. Please, go ahead. Your line is now open.

**Nizla Naizer (Analyst)**

Great. Thank you. I have 3 questions from my end as well. Firstly, just on the M&A outlook for Q3. Could you maybe give us some color as to why it is as weak as maybe down 5%? Like how strong was July and how weak is the outlook for August and September to sort of offset that? Some color would be great. And secondly, the declines in M&E in Q3, how could that impact the EBITA for the segment for the full year? Or are there any cost-saving measures that would mean consensus stays unchanged? Some color on maybe how the profitability would be impacted would be great.

And my third question is, when you think of Q4, maybe it's a bit too early, but based on the conversations that you're having around Q4 campaigns, do you get the sense that there has been some spend that's been brought forward during the World Cup time from Q4? Or is Q4 still likely to be a stronger quarter when you think of the whole year? Some color there would be great.

**Carolyn McCall (Chief Executive Officer)**

Okay. I think, look, the M&A outlook for Q3 is -- there are lots of moving parts to it. When you think about it, we've had a change of Prime Minister in the U.K. and advertisers just waiting to see a little bit what is going to happen. There has definitely been macro effects from the Iran war and the impacts of that on cost of living, inflation, et cetera, et cetera. We've had a very positive impact from the World Cup, but we have money moving around in quarters. So July very, very strong, as you say.

Yes, probably some advertisers in the shoulder period, so from Q3 will have moved some money into June, July, definitely. I think the better statistic to look at for advertising is to look at 9 months and to say -- and for us, we would say being flat, broadly flat in that 9 months with those headwinds that I've just described is a very strong performance, and we have definitely outperformed.

Then you've asked about Q4, I think too early to say. I think unlikely that there will be a bring forward of World Cup. It's difficult to say. There could be some advertisers that have spent the majority of their money in the World Cup and therefore, will reduce spend in Q4. But we have very little visibility of Q4 at the moment. We're having loads of conversations, as you'd expect at the moment. So I've kind of answered, I hope, question 1 and 3. Chris, perhaps on the cost and EBIT.

**Chris Kennedy (Chief Financial Officer)**

Yes. And just to build on what Carolyn said about Q4. I mean, Q4 is about Christmas and advertisers will spend for Christmas. On EBITA, again, it's too early to say around Q4. You know that we do react to the ad market in terms of the scheduling and we tailor viewing to match the ad demand. But for now, I mean, we are flat for the first 9 months. It's too early to say about Q4. So we -- whilst obviously, we do mitigation planning, we're not -- we haven't announced any further savings.

**Nizla Naizer (Analyst)**

Understood. Thank you. Very helpful.

**Moderator (Moderator)**

Thank you. At this time, we do not have any further questions registered, and so as a final reminder, if you would like to ask a question today, please do so now, by pressing star followed by the number 1 on your telephone keypad. We'll just take a brief pause to allow you to register any final questions. At this time, we have not received any last questions. And so I'll turn the call back over to Carolyn for closing comments.

**Carolyn McCall (Chief Executive Officer)**

Just want to say thank you all for joining us. We know it's a really busy day. So thanks very much for your time. See you all soon.

**Moderator (Moderator)**

Thank you, everyone, for joining us today. This concludes our call, and you may now disconnect your lines.