ITV Full Year 2024 Results

Thursday, 6th March 2025

Highlights

Carolyn McCall

CEO, ITV

Introduction

Good morning, everyone. Welcome to ITV's 2024 Full-Year Results. I am here with Chris Kennedy, who you all know, our CFO and COO. I will hand over to Chris shortly to talk you through our financial and operating performance.

Before we get into the presentation, there are three key messages that I want to land with you today.

- First is that we continue to strengthen the financial, operational and creative performance of ITV;
- Second, that our business is becoming much more resilient as our income streams diversify; and
- Thirdly, we are in a really strong position to deliver profitable growth, strong cash generation and attractive returns to shareholders.

So on with the presentation.

Highlights

Strong strategic execution delivering profit growth

Three years ago, we announced the second phase of our More Than TV strategy and today's results show the significant progress we have made in transforming ITV.

We have had another successful year driven by strong execution. We delivered double-digit earnings growth across the Group with record profits in Studios and an increase in the profits and margin of M&E.

ITV Studios performed really well despite the expected impact of US strikes and slower FTA commissions as we have previously guided. This resilience reflects the scale, quality and diversification of the Studios business.

ITVX continued to drive strong growth in digital viewing and revenue, whilst delivering attractive returns. By the end of 2025, we will have recouped the cumulative incremental investment in ITVX much earlier than planned.

We have delivered £60 million of non-content savings in the year as we continue to transform ITV. We have reprioritised resource allocation to better align with our strategy, positioning us for future growth.

Strong FY 2024 Group financial performance

This slide, as you can see, shows the Group's financial performance. Total Group revenue was down 3% with growth in advertising and digital revenues, offset by the decline in ITV Studios revenues. Adjusted EPS saw strong growth, up 23% to 9.6p.

In line with our dividend policy, the Board has proposed a final dividend of 3.3p, giving an unchanged full year dividend of 5p, a total payment of around £190 million.

I am going to now hand over to Chris to go through the financial results in more detail.

Financial & Operating Review

Chris Kennedy

CFO, COO, ITV

ITV Studios

Record profits despite challenging market conditions

Thank you, Carolyn. Good morning, everyone. Starting with Studios.

ITV Studios delivered record profits in 2024. Total revenue was down 6%, in line with our expectations due to a number of reasons, including:

- The anticipated £80 million impact of the 2023 US actors and writers strikes;
- Softer demand from European free-to-air broadcasters; and
- The phasing of deliveries year-on-year.

Revenue was lower in the UK, International and US scripted businesses. In contrast, US unscripted saw good revenue growth from the delivery of key formats such as Hell's Kitchen, Love Island Games and Queer Eye. As a result, US revenue was up 2% year-on-year at constant currency.

Global Partnerships also delivered impressive revenue growth, up 8%, driven by our strong catalogue sales. Our catalogue provides broadcasters and platforms a way to fill their schedules and strengthen their content offering in a cost-effective way.

Extensive ownership of IP is one of Studios' competitive advantages and offers a high margin opportunity, which should grow as distribution becomes increasingly digital.

Studios also delivered £25 million of savings in the year, which funded investments in creative talent and development, offset inflation and improve the margin.

With an industry-leading margin of 14.7%, Studios’ adjusted EBITDA grew 5%. The margin is within our target range, but greater than normal, reflecting the greater proportion of higher-margin catalogue sales.

Studios’ results include an unfavourable FX impact of £30 million in total revenue and £5 million in adjusted EBITDA.

ITV Studios

ITV Studios short term outlook

We expect ITV Studios to deliver good revenue growth in 2025 with both revenue and profit growth weighted to the second half of the year.

As the scripted market recovers and original commissions increase, we expect the margin to return to more normal levels compared to 2024, but still within our 13% to 15% range. With cost savings and high margin deliveries weighted to H2, the margin will be higher in H2 than in H1.

I want to emphasise that for TV production businesses, quarterly results are not reflective of the underlying performance, and we manage the business to provide consistent annual growth, not quarterly numbers.

ITV Studios has a good base of returning formats and a large catalogue, which gives steady, predictable growth. However, there is quarterly variability within the year and occasionally between years, driven principally by the timing of scripted deliveries, which can move by one or two months either way, and the long production cycles, particularly for scripted, which can be up to two years, making it difficult to forecast the precise month the production will finish.

As you can see on the bottom chart, this quarterly variability does not translate into annual variability, where we have seen an attractive top line growth of 5% on average since 2021.

Media & Entertainment

TAR grew 2%, ahead of the market; and lower cost base drove significant improvement in profitability

Turning to Media & Entertainment. M&E continues to grow digital revenue in double digits and following peak net investment in 2023, is growing its EBITDA margin. Total advertising revenue was up 2%, in line with guidance. Within this, continued strong growth in digital viewing hours and monthly active users drove a 15% increase in digital advertising revenue. Digital advertising is now 26% of total ad revenue, up from 9% in 2018.

Overall, digital revenues were up 12% to £556 million. Other revenue streams decreased in the year as expected, giving a total revenue increase of 1%. We

continue to focus on increasing M&E margins. EBITDA margin increased by 2.1 percentage points to 11.9%. Content costs were down £25 million year-on-year as we use our extensive viewer data to strengthen our commissioning and windowing decisions. We expect content costs in 2025 to be around £1.25 billion, down £15 million year-on-year, largely as a result of lower sport with first half content costs broadly flat year-on-year.

Our ongoing cost programme delivered a further £35 million of savings, and this enabled us to:

- Invest in our commercial outcomes programme and increased marketing;
- Offset inflation in the streaming and linear supply chains;
- Fund the annual pay review; and
- Reduce overall non-content costs by 1%.

Adjusted EBITDA increased by 22% to £250 million.

Similar to Studios, quarterly TAR performance does not reflect the underlying annual trend. Looking back over the several years and excluding the COVID period, annual ad revenue has been relatively consistent and broadly in the range of plus or minus 2% year-on-year despite a much more variable quarterly picture.

Media & Entertainment

Media & Entertainment short term outlook

Turning to the outlook for 2025. We expect digital advertising revenue to continue to grow strongly. TAR for the first four months of 2025 is expected to be broadly flat year-on-year.

In terms of the phasing of TAR over the year, bear in mind the tough comparatives in June and July compared to the Euros in 2024 and the anticipated implementation of advertising restrictions on less healthy food from October 2025.

Key Balance Sheet Metrics

Robust Balance Sheet & Strong Cash Generation

Moving on to the balance sheet and cash flow. We maintained a robust balance sheet and good cash generation in the year. Following the resolution of the 2023 US writers' strike and the resumption of production activities, cash conversion returned to a more typical level of 83%.

Over the three years from 2023 to 2025, we expect cash conversion to average around 80%. Our net debt at the end of the year was £431 million, and our net debt to adjusted EBITDA leverage was 0.7 times.

During the year, we also took steps to extend the maturity of our debt. We issued a £500 million bond to June 2032, with the proceeds used to repay a term loan and reprofile our existing bond maturity. Our accounting surplus on the pension scheme is £182 million. And having concluded the latest triennial valuation, there are no pension contributions expected for 2025, except a minimal payment relating to a long-standing asset-backed scheme and a one-off cash payment of around £25 million to resolve a long-running historical pensions dispute.

Disciplined capital allocation framework

We are committed to our capital allocation strategy:

- Investing in organic growth to maximise returns;
- Preserving a solid balance sheet;
- Providing a regular dividend; and
- Finally, any remaining capital is then deployed either for acquisitions provided they meet our strict criteria or return to shareholders.

I want to show you at a high level how we put that framework into practice since 2018.

We remain a highly cash-generative business. Since 2018, we have generated over £2.8 billion of free cash flow. In that time, we significantly improved the balance sheet. The pension fund is now in surplus, removing a historic drag on free cash flow. We have deleveraged from 1.1 times to 0.7 times today and sustained an investment-grade rating throughout a difficult economic cycle.

At the same time, we have balanced investment in the growth areas of the business with cash returns to shareholders.

We have invested around £700 million in the business in areas such as ITVX, data and tech and creative talent and development, much of which is already reflected in the free cash flow.

Studios' acquisitions totalled just over £800 million, offset by around £300 million in asset sales, resulting in a net investment of £500 million, with all deals subject to our strict financial and strategic criteria. We have returned over £1.2 billion as an ordinary dividend. And in March 2024, we announced a £235 million share buyback, which was substantially complete at the year-end.

A learner and more agile company – continuous business transformation and efficiency savings

I am really pleased with the progress we have made on our cost-saving programmes. In 2024, we delivered £60 million of savings, £10 million higher than expected. £20 million came from our initial £150 million savings plan, which we completed one year early, with the remainder coming from our ongoing transformation and efficiency programme, which is designed to give material further savings over a multiyear period.

Savings in the year were achieved through reductions in transmission costs, technology and operational efficiencies, organisational redesign, simplifying ways of working and permanent reductions in discretionary spend.

One-off costs to deliver our strategic efficiency plan were £24 million, which is lower than the £50 million originally guided.

We are targeting an additional £30 million of savings in 2025 from new initiatives and the annualization of savings made in 2024. These savings will be used to fund investment and offset inflation.

2025 outlook and planning assumptions

Turning to the outlook and key planning assumptions. Those I have not already covered are that:

- The adjusted effective tax rate is expected to be slightly higher at around 27% over the medium term;
- Finance costs are expected to be around £40 million with higher interest payable on the new bond;
- Exceptional items are expected to be around £45 million, down £15 million year-on-year; and
- The cash impact of exceptionals is expected to be a similar amount.

Now back to Carolyn.

Strategic Update

Carolyn McCall

CEO, ITV

Phase Two of the More Than TV Strategy

Thank you, Chris. In March 2022, we announced phase two of the More Than TV strategy to deliver our vision of being a leader in UK advertiser-funded streaming and an expanding force in content.

It is based on three pillars, which you are now very familiar with:

- Expanding Studios;
- Supercharging streaming; and
- Optimising broadcast.

Three years on, we have made significant progress against each, transforming ITV into a much leaner, digital, more diversified and adaptable business fit for the future with good opportunities for profitable growth and strong cash generation.

Taking each pillar in turn.

expand Studios

Built a scaled global, diversified and resilient business

First, ITV Studios. We have built a scaled, global and diversified business, which were key to enabling ITV Studios to deliver record profits in a challenging market in 2024.

ITV Studios has now got over 60 labels across 13 countries. We are the number one commercial producer in the UK. We are one of the world's largest independent producers, and we are one of the top three producers in the majority of global markets in which we operate.

We are diversified by geography, genre and customer. 59% of revenues generated outside the UK, 35% of revenues from the strong scripted market and around 30% of revenues from the growing streamers.

I think it is just worth for a minute, taking a step back to look at what makes ITV Studios such a great business.

- One is its ability to attract and retain talent;
- Its scale and creativity and content;
- Thirdly, its strong relationships with all the major streamers and networks and very diversified customer base;
- Fourth, a deep catalogue;
- Fifth, great cost control, financial discipline and cash conversion.

expand Studios

ITV Studios' creative output is in the strongest shape ever

The quality of ITV Studios is also demonstrated by us creative output, which is in the strongest shape it has ever been in, producing brilliant programmes across the key genres to a broad range of customers and driving really big audiences.

Just a few examples now. The Voice was the number one franchise of the year. Ludwig was the BBC's biggest new drama in 2024. Fool Me Once is one of Netflix's most watched shows of all time. This was produced by Quay Street, which is one of our recent talent deals. Season 6 of Love Island produced for Peacock was the number one reality series in America. Rivals for Disney+ was the breakout hit of the autumn and already commissioned for a second series. And this was produced by Happy Prince, which is another one of our recent talent deals.

Expand Studios

Zoo 55 – ITV's digital Studios label

Now in addition to that, we have over 95,000 hours of catalogue, some of the most successful unscripted IP in the world and one of the biggest and best drama catalogues. Having a scaled quality catalogue gives us exciting new revenue opportunities as distribution is becoming increasingly digital with continuous technological change.

The best example of this is the launch of Zoo 55. We digitally publish a significant volume of ITV and third-party content globally direct to the consumer. We are rapidly scaling our digital Studios label by expanding our presence in social video, free ad-supported channels and through games, as you can see on this slide.

The value of our premium content drives engagement and monetisation, which has already resulted in 25 billion views. That content is made for the platforms. We have recruited an experienced senior leader, Martin Trickey, ex-Head of Digital at Warner Bros, as our MD.

Through innovative distribution, data-driven audience insights and new interactive experiences, we aim to position our Studios as a leader in the evolving and growing digital entertainment landscape. Zoo 55 delivered £60 million of high margin digital revenue in 2024. That was up 30% year-on-year, and we expect it to double by the end of 2027 as we launch more channels and games in more territories.

expand Studios

On track to deliver 2026 Key Financial Targets

You are familiar with our key financial targets for ITV Studios, and that is to grow Studios' organic revenue on average by 5% to 2026, ahead of the market at a margin of 13% to 15%, and we are absolutely on track to achieve these.

We are confident in delivering good growth in ITV Studios and taking market share, maximising our significant competitive advantages. We continue to successfully and consistently attract and retain talent, as I have said, and actively manage our portfolio.

Most recently, we acquired the scripted independent Studios Hartswood Films in the UK. They produced Sherlock and one of the UK's fastest-growing drama labels, Eagle Eye, that is Professor T produced by them, that is on ITV.

We also sold our minority shareholding in the Blumhouse television business in the US.

expand Studios

ITV Studios: focused on delivering good growth and taking market share

The global market is large and attractive with hundreds of platforms and broadcasters, all of who need a range of quality content to succeed. We expect growth in the key segments in which we operate, including premium scripted content and unscripted formats due to the strong demand from streamers in these areas and catalogue sales, particularly with strong growth in digital distribution, as I have just outlined.

We also have a really exciting pipeline of new programmes across scripted and unscripted for a broad range of customers, such as ONE PIECE for Netflix and Destination X for the BBC and NBC.

Media & Entertainment

Significant progress in supercharging Streaming and optimising Broadcast

Now turning to M&E. We have totally transformed our streaming offering, as you all know, with ITVX. Planet V is the second-largest programmatic video advertising platform in the UK after Google, and we have maintained our strength in delivering mass audiences, which are so valuable to advertisers.

In a rapidly changing market for viewers and advertisers in UK

Much as I did with Studios, just for a moment, I want to step back just to show why M&E is such a strong asset.

Number one, ITV delivers mass reach and appeal, which is a unique position in the UK, which advertisers really value. We have a digitally led strategy with compelling content. We are the leading advertising platform, as I said, and we have excellent cost and financial discipline, and the business is highly cash generative.

This has all ensured that the growth in our digital revenue has largely offset the decline in linear. Whilst we cannot control the external environment, we are very focused and effective at controlling what we can.

Now the market, you all know has changed profoundly for viewers and advertisers. You know this with your own viewing habits. Choice has increased exponentially, more platforms, more content available, and we have seen significant growth in social media.

And with streamers introducing ad tiers, the ad market has also become competitive more so than it was since we set our targets. Our M&E strategy is focused on those rapid changes and has been laser-focused on our key priorities to ensure that we capitalise on the opportunities that we see emerging and also on managing and mitigating the risks. And this is why despite the increase in competition, we have built a really very strong position in the UK ad-funded streaming market with ITVX and Planet V.

supercharge Streaming

I just want to use two minutes to demonstrate how we have achieved that and how we will continue to build on that success.

During 2019 and 2020, we acquired an ad stack, launched BritBox and Planet V, and we have invested in digital and data capabilities, which we did not have, hiring over 1,000 digital and data experts. Planet V is wholly owned by ITV, so we keep 100% of the revenue.

In early 2022, we announced our plans for ITVX and launched in Q4 2022 as the first scaled ad-funded streamer in the UK. We grew content rapidly from 1,000 hours in 2019 to 11,000 hours at launch and now 22,000 hours of free content on ITVX.

In 2022, we launched Planet V 2.0, and it now has over 2,000 self-service users and 20,000 addressable targeting options. That is amazing. We have rolled out many innovative digital ad solutions working with advertisers and responding to their needs. This has enabled us to attract over 1,000 new advertisers since launch, and we delivered double-digit growth in digital CPMs.

In Q3 2023, we introduced a recommendation engine to ITVX, which has driven millions of incremental streaming hours. We have driven a step change in our marketing strategy too, reaching more live viewers more consistently and more effectively. For example, we have used generative AI tools to scale our content production and data targeting for social channels. We have increased the number of programmes featured in social by over 800% as a result, and that has led to a 70% reduction in our cost per acquisition in these channels.

supercharge Streaming

ITVX has transformed ITV's streaming offering and delivered strong growth in digital viewing and revenue

The outcome of all of this is that we have delivered very strong growth to date. Since 2021, we have grown streaming hours by 61%, MAUs by 44% and digital revenue by 60%. We have grown viewing faster than all the other major video-on-demand services since launch.

supercharge Streaming

ITVX delivering attractive returns

Now to ITVX and returns. In 2022, we set out the expected return profile for ITVX, which I think all of you will remember, which was for digital revenues to exceed incremental costs by 2026. We have actually reached that point in 2024 with strong growth in revenues in line with our plan, but with lower costs.

We will recoup the cumulative incremental investment in ITVX by the end of 2025, much earlier than expected, which is extremely good news. We have achieved this through optimising our spend on content and efficiencies in tech, adapting to the market and taking advantage of opportunities to reduce spend.

We have used content more effectively in three ways. With one content budget and using our extensive data, we have tested and trialled windowing patterns across linear and streaming, and we have reduced the number of ITVX exclusives as we window more effectively to maximise the viewing we get. We have increased acquisitions and box sets, which deliver a high volume of hours at lower cost. We have increased our investment in marketing, as I said, and that is improved the return on our content spend.

In addition, I referenced the fact that we have gained efficiency benefits in technology and also in organisation redesign, which has allowed us to steadily reduce the cost to serve viewers over time.

supercharge Streaming

Confident in delivering continued strong growth in ITVX viewing

Now we are confident that this will continue the strong momentum in ITVX through the key drivers of:

- Content;
- Marketing;
- Distribution;
- Product; and
- Monetisation.

There is much more detail on all of this in the ITVX webinar we did in November last year, and I would encourage you to watch that if you haven't already to get more detail on this.

supercharge Streaming

M&E: new profitable digital revenue opportunities

In addition to ITVX, we are actively developing new digital revenue opportunities to drive profitable growth. In December, we entered into a distribution and commercial partnership with YouTube to drive digital advertising revenue. We are making hundreds more hours of ITV content available to viewers on YouTube in the UK, both long-form and short-form across a wide range of genres and channels, and that is all about driving digital revenue.

ITV commercial are now selling the advertising around ITV's content on YouTube, and it is launched a dedicated YouTube sales team. For advertisers, it offers the opportunity to engage with ITV's unparalleled, premium brand safe content on YouTube. And for ITV, of course, this addresses our addressable market. We are very pleased with progress so far. It is very early days, but actually already, we are extending our reach to key valuable demographics with younger and more male audiences. We are attracting new TV advertisers such as Carmoola. And we have also secured advertising spend from digital-first brands such as e.l.f. Cosmetics that would otherwise really only have invested on YouTube.

Separately, we are also developing opportunities for organic growth beyond advertising by reshaping our business unit called Interactive to drive revenue through high-value partnerships that leverage our scaled platform, our powerful brand and IP and our first-party data. By moving beyond advertising, we aim to create innovative collaborations, partnerships that deliver value, enhance customer experiences and unlock new digital revenue streams.

Two examples today are the development of ITV Win as a premium destination for competitions and gaming and something called Kerching, which is a consumer-facing affiliate marketing brand in partnership with Kindred, which we launched just last year, designed to save online shoppers money.

There are more opportunities, of course, in the pipeline, and we will be able to talk a little bit more about that at the half year. We now have the capability and culture to deliver a much more entrepreneurial approach in commercial.

supercharge Streaming

On track to deliver 2026 Key Financial Target

These revenues will be part of delivering one of our key financial M&E targets for 2026, the £750 million at least of digital revenues. In M&E, you know our metrics well. The focus is on improving the margin through driving efficiencies, and importantly, delivering profitable digital revenue growth, the profitable being very important to that statement.

We will adapt our strategy to ensure we achieve this. A good example of that strategy shifting is ITVX premium. As the market has evolved, we have doubled down on the ad-funded model, and we prioritise that rather than unprofitably driving subscriptions.

optimise Broadcast

Maintained strength in delivering biggest audiences in the UK

On to optimise broadcast as a pillar and our strength in commissioning big shows across genres, which are so valuable to advertisers. We delivered over 90% of the top 1,000 commercial programmes in the U.K. For example, we had the biggest drama, which you all know about, Mr Bates, the biggest sports audience of 2024 with an audience of almost 20 million for England's win against the Netherlands and the biggest entertainment show with I'm A Celebrity.

We are viewer-led, focusing investment in the shows that attract both mass reach audiences on linear and targetable audiences on ITVX.

Media & Entertainment

M&E: focused on delivering profitable growth and expanding margin

In M&E, we are well placed to drive profitable growth with our significant competitive advantages and exciting opportunities. You all know we are the commercial leader in scale and reach on the TV set where the majority of viewing takes place and our share of commercial big screen viewing is 22% bigger than Netflix, Amazon Prime and Disney+ combined.

We have a unique commercial proposition offering mass simultaneous reach, targeted advertising at scale and commercial and creative partnerships in a brand-safe and very measured environment. We have amazing first-party data and a really strong data team.

Diversifying ITV

Through ITVX, we have over 40 million registered users now. This data is so valuable for providing insights for commissioning and windowing and improves the effectiveness of our own marketing. Of course, it enables effective targeted advertising at scale, which we augment with other first-party data to make it even more effective for advertisers.

Summary

In summary, as we continue to grow ITV Studios and our digital revenues, we are a more resilient business with a proportion of our revenue, which comes from production and digital now accounting for close to two thirds of our revenue.

All of that is underpinned by the powerful reach and strong cash generation of broadcast. We are really pleased with the progress we have made. None of this positive change in how we are structured and how we work would have been possible without the tenacity and commitment of our own people.

We have together transformed ITV from an analogue business to a successful digital business where we really have built the capability and created an adaptable and agile culture while nurturing and growing our creative power, making the content that matters to our viewers and advertisers. We are all really proud of this at ITV.

We are also equity focused and 100% committed on delivering shareholder value. I hope you can tell that Chris and I and our teams are hugely energised and executing at speed on the many opportunities for cash generative growth that we have outlined today. We are in a strong position to continue to deliver profitable growth, strong cash generation and attractive returns to shareholders.

Now we are really happy to take your questions.

Q&A

Lisa Yang (Goldman Sachs): The first question is on the advertising environment. Clearly, Q4 ended with, as expected, a bit of weakness in the market. But it sounds like the guidance for Q1 is minus 2% and flat for the first four months implies some improvement in April. Could you maybe just give us some details in terms of how conversations with advertisers have developed so far this year? Any colour by category or sectors could be helpful.

The second question is on Studios. Could you maybe help us understand the tailwind and headwinds you are currently seeing in the content market, including, for instance, pressure from the streamers and the other broadcasters budget, for instance, where do you see the market growing in 2025? By how much do you think ITV could outperform? Who do you think you are taking share from? That is the second question.

The third one is just on the multi-years of publishing programme that Chris you alluded to earlier. Are you in a position to help us quantify or understand the scale of that programme? Like how much more savings we could be expecting going forward? I know you guided to £30 million for this year, but just want to understand if the market is weaker than expected this year, how much more cost save you can do in 2025 and also going forward as well?

Carolyn McCall: Okay. Thanks for your question, multilayers. We will take it between us. I did not hear all of the thing on the ad outlook, but I think you are asking about the environment and TAR and all of that. I think I would just say to you, I mean, that chart Chris put up in his section, which showed that other than COVID, the variability is not that great. It is plus to minus 2%. I think the way often TAR is described is much more about much bigger ranges than that. It actually factually for ITV is not that. We looked seven or eight years at the trend. That is number one.

The number two thing I just want to place in your mind, which I do not think we said in the presentation is that we are making about the same money in advertising as we were doing, say, in 2019. However, linear advertising now is now about 30% of the overall, and it was well over 40% in 2018, whereas our digital revenue has gone from, I think it was something like 8% in 2018, and it is now 26% of overall revenue. The profile of our revenue has really shifted and it is, I suppose, a much more resilient and robust business as a result of that. I would say that.

On the actual, how our clients and agencies feeling? I would say that post the budget, which was quite shocked to quite a lot of businesses, things are stabilising and that people are thinking, okay, we know now what it is. We know what we have to plan for. We know how we can budget for this. The conversations are about how they can now spend what they have got.

I think that actually, the auto category is doing well. The whole regulation, the easing up on regulation on EV has been very helpful to that market. Actually, retail is doing well, although supermarkets are not, and that is obviously because of the NIC hit for them. In terms of advertising, retail is still performing well.

Actually, travel has come back. It is really quite a strong category for us. There are differences for sure, across category. I would just say that we are cautiously optimistic because I think there is so much evidence that even if our economy is tough, that actually not spending through a tough time actually means you end up spending disproportionately more when you emerge from a tough time than you would have done if you had been consistent in your TV spend.

Also remember, we are still the most effective medium and Kelly and his team sell this all the time and actually present this all the time. The data says that the ROI on TV is 5.6%, which is the highest of all media. Those are messages we will be going out with this year as we do every year.

Chris Kennedy: Yes. No, I mean, flat first four months is encouraging.

Carolyn McCall: Yes. I agree.

Chris Kennedy: On Studios, Lisa, just where that growth is coming from. We think we are really well placed, where we are really well placed. I would highlight three places where we think we can really drive growth. The digital side of the business, which Carolyn talked about in her presentation, Zoo 55. We are really excited about that opportunity, and we are really well set up to capture on that. So more growth from that.

Streamers, what is really interesting is streamers have discovered lower cost high-end producers. Three of the top five dramas on streaming globally this year were from the UK. One of those Fool Me Once was from ITV and was Netflix's biggest show. They are finding they can make drama at much lower price points than Hollywood. Again, I think you can expect to see growth from that.

Then the third one is around streamers also moving into taking more reality.

Carolyn McCall: Yes. Entertainment and reality. So unscripted, I think that is really, really quite an important growth driver for us. And I am not saying this is about the whole market, but certainly for us on unscripted because we are so strong on formats in that area.

I mean I think just to give you one figure that in 2019, unscripted was a third of what global streamers were commissioning, and now it is half. That is quite a big growth already, and we expect that to continue. That is a definite lever for us. It is definite driver for us. Now 30% of our revenue from Studios is going to be streamers driven. I think Chris is right.

A lot of people talk about streamers cutting back on their spend and looking at profit, and they are. But in the areas that we are very strong, so premium but not hugely exponentially expensive drama, we are in the sweet spot of really great drama, but actually at quite good price points. That is very important. The unscripted element is very important. They have got three key growth drivers in Studios as we have described, yes.

Chris Kennedy: One part of your question was who are we taking share from? I mean the content market is still highly fragmented. Even the biggest producers are very much less than 5% of the market. We are taking it from everywhere.

Carolyn McCall: Yes. I will make one point about free-to-air here because last year, obviously, with the ad market not being good in a Europe-wide content, I mean, as you saw, we were 2% up. But Europe-wide, the ad market was not hugely positive, I do not think, which obviously sometimes does affect commissioning.

However, I would say that has definitely shifted. I think free-to-air is normalising, I would say. That is also helpful because instead of it being a headwind, it is now a normal situation. It is business as usual. Channel 4 are commissioning again, for example, just in this country.

Chris Kennedy: Then I think the final part of your question was around cost efficiencies and how much more. Really pleased with the progress we have made over the last five, six years, actually. Last year, we reinvigorated that programme, quite a tough year for us last year in terms of taking the cost out, but we are very well set up now for future years.

We said when we announced that programme, it would be a multiyear programme. It is set up like that. As you would imagine, to deliver the levels of savings we have and to continue to do it, we need to do lots and lots of initiatives. The £30 million for this year is absolutely locked in. There is something like 65 different initiatives within that. What I am really pleased about is the whole organisation has got behind it. Everyone is involved in working out how we drive more efficiency using technology, using AI, just taking a step back and saying, do we need to do this anymore? Or has the world moved on and we do not need to do it. Really pleased with that.

We are building the 2026 programme as we speak and have been, well, really over the last five months. Then we will start looking at 2027 towards the end of this year. It will be a rolling programme. What we have said is the aim is to deliver material savings every year.

Carolyn McCall: That is the biggest shift culturally, is not it? One of the biggest shifts has been, I think, before you arrived as well is we do one-off. The environment was not good for advertiser, everyone would go into cost. We just do not do that anymore. We have just got a very structured, very planned continuous cost programme. And we will be doing this forever because, of course, it goes to margin and the thing that goes hand-in-hand with that is profitable revenue and really targeted efficiency.

That helps you nurture and develop your content budget. It allows you to invest in your content budget, which is where all our money is made, whether it is Studios, whether it is M&E, advertising, it is where all our money is made. That investment and offsetting inflation and then continually making sure we are feeding profitable growth has been a big shift here at ITV.

Nizla Naizer (Deutsche Bank): I have three questions from my end. The first is on the very strong growth in digital revenue in 2024 of around 15%. Could you maybe give us some colour as to how much of that was aided by CPM increases versus adding more advertisers and maybe attaining a better reach? How should we think of that in 2025? Some colour would be great.

Secondly, when you think of the M&E margin, nice improvement in 2024. The cost-cutting effects that you did mention would also help. But could you maybe give us some colour as to how this could evolve in 2025? How are the digital margins trending versus the traditional linear margins? Any colour you can give us on that breakdown would be great.

Lastly, I think some of the news that broke over the last couple of days was your recent Auto Match product where you are trying to do more targeted advertising aimed at the auto manufacturers. Just wanted to get some colour as to how you think this would help drive the targeted ad business? How important is that for your digital growth going forward? Are you thinking of launching other sectors similar to this? Because I thought that was quite interesting. Some colour there would be great.

Chris Kennedy: I think the first one was around were there any key drivers behind the 15% digital advertising growth last year? It is all about ITVX delivering the audiences and then the commercial team driving the demand for what is a really high quality advertising medium. Some of the stats around that, we have had another 173 new advertisers who were to VOD in 2024. We have got 624 advertisers doing VOD only. That compares to around 1,200 linear advertisers.

It has grown really rapidly. There is a whole mix of businesses in there. There is people who only use VOD. There are people who will use both linear and VOD, and the teams are spending their time demonstrating the power of that.

Carolyn mentioned earlier, the power of TV is still huge. You get a 5.6 times return on your money on TV. It is a really important part of the marketing mix.

Carolyn McCall: I think I said percent, it is 5.6 times, you are absolutely right. Let us talk about the target advertising, and we go back to M&E margin because everything we are doing is really in the M&E business is we are very focused on the M&E margin.

On target advertising, I mean, that was a really good partnership in a sector that we have not really done data matching in yet. It is an extension of what we do currently. We are currently working with Tesco, as you know, and Boots. So we do a lot of data matching in the retail space to make our targeting much more sophisticated, and that really works.

The outcome of that, the measurement of that is very, very tangible for advertisers. They really like it. I think you are right. I think it is definitely an area where we are getting better and better. We also work with experience. We are doing a lot of work with a lot of other very strong data. I mean we are probably one of the top 10 first-party data sets in the whole of the UK.

We have got this extensive capability now in data, but the data is really useful to us in a number of different ways. And of course, for advertising.

I mean, yes, we will look at different sectors. I mean you can see it being applicable to travel as well as other sectors. I think it is a real opportunity for us to really maximise the potential of our first-party data with those 40 million registered users.

Chris Kennedy: Then on the M&E margin point, really pleased that we are growing those margins now after the peak net investment in 2023. We will continue to grow those. Obviously, I mean I am going to sound a bit tight, but there are two elements to the margin. There is the cost base and the revenue.

On the cost base, you can see that we have got the efficiency programme in place. Also, content costs are going to be slightly lower in 2025 than they were in 2024 because obviously, we had the Euros in 2024, which was quite a big sporting event for us.

Then on the top line, the margin, we are highly operationally geared. The more we can drive that advertising revenue, the better that will be for margins because that pretty much all falls through to the bottom line. The whole trajectory is to drive those M&E margins higher now.

You also asked about whether digital was more higher margin than the linear. We do not think of it that way. We have got Media & Entertainment with a single content budget, and we serve advertisers all the way from the top of funnel, the mass reach campaigns, all the way down to the highly targeted campaigns.

I mean what I would say is that, obviously, the digital revenue has proved less variable. We have shown double-digit growth every year over the last six years. That is a real positive.

And it is providing something that linear cannot. Actually, the more we can go after audiovisual budgets in general, which we are starting to do with the YouTube partnership, the more we can drive that top line, which drives the margin.

Julien Roch (Barclays): My first question is on the press speculation about a potential deal with All3Media. Now I realise you are probably not going to comment on M&A speculation. But in terms of philosophy, is the integrated model broadcaster and studio sacrosanct, i.e., you would not do any deal that would break that integrated model? That is my first question.

The second one is, have you seen any industry estimates of how much less healthy food are representing of either your revenue or TV revenue to assess the potential impact of the ban in October 2025.

Then lastly, a minor pension question for Chris. You said there was a £25 million one-off dispute in 2025, then that would be it. But then there will still be a small part of pension where you have to pay. From 2026 onwards, what should we put in the cash flow for pension?

Carolyn McCall: I just said to Chris, where is Julien? Thank you for not disappointing us. Thank you for being here, Julien. On your first question, as you said, I will not be speculating on the speculation. I would not answer any questions on any speculation that you have read about. What I will say is there are obvious merits in the integrated producer broadcaster model, not least of which most of the labels, talent. We attract and retain talent because they want to break on ITV1 or ITV2, their shows because it gives them a global appeal if they have a success on one of our channels. So you know well, I think, the merits of an integrated model.

However, you used the word sacrosanct. What I would say is in business today, I do not think anything should be sacrosanct. I think you have to review all your options. You have to turn over every stone and you have got to be open-minded. As you know, the Board will keep everything under review, and we will look at all options on a regular basis.

I think you asked then about less healthy food, and we will both just touch on that for a minute. At the moment, we do not know how the regulations are going to apply. They are still discussing how that is going to apply to us and to online. It is difficult, therefore, to quantify. But at the moment, they are doing a consultation. The ASA is doing a consultation. We will participate in that.

We have been talking and working with government as well, and we will continue to do that because it is in our interest for it to be as broad as possible, which is what it is supposed to be. Then positively, I would say, in a proactive way, we have been for the last 18 months talking to all the advertisers in that LHF category or potentially in that LHF category to talk about what other options there are, how else we can work with them, etc., etc.

We are doing two things. We are being very proactive with advertisers and clients, but we are also being very proactive with governments and making our position quite clear. Anything to add?

Chris Kennedy: No, I think, you covered it.

Carolyn McCall: Then I think yours was the last question.

Chris Kennedy: Pension, Yes. From 2026 onwards, I think the question was. It will be around £2.3 million a year. It grows very slightly with RPI. The fund is in surplus, but we had £180 million surplus this year. It is really well hedged for longevity, inflation, interest rate. It is cash matched. So touch wood, I cannot see that it would not stay in surplus, and therefore, we would have a minimal.

Remember, that used to be between £70 million and £75 million a year. It is a significant drag on the cash flow that is now gone.

Carolyn McCall: Just to say, I know we both know how busy a day it is today out there. Thank you very much for those of you who joined us, and we look forward to seeing you soon. Bye for now.

[END OF TRANSCRIPT]