ITV plc 2020 Interim Results

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Introduction and Highlights

Carolyn McCall

Chief Executive, ITV plc

Welcome

Good morning everyone, thank you for joining us today for ITV's 2020 Interim Results. In a moment Chris will present our operational and financial performance for the half, I will talk you through our response to and operations under COVID-19 and update you on our strategic progress and priorities going forward. We will then of course have time for questions.

Highlights

ITV took swift action to manage and mitigate the impact of COVID-19. Our overriding priority was our colleagues and their safety while working from home or while they were producing programmes. The majority transitioned seamlessly to home working, benefitting from the investment we have made in technology and systems. Those who needed to continue to work on site were subject to robust safety protocols, as you would expect. To enable our colleagues to remain feeling connected to and engaged with the wider business I recorded vodcasts with the broad range of the ITV team and external experts. ITV is strongly committed to supporting the physical and mental wellbeing of all of our colleagues at all times. We have leveraged our existing tools and launched new ones such as Big White Wall, a peer-to-peer mental health platform to support wellbeing.

We also implemented measures to reduce costs, tightly managing our cash flow while continuing to inform and entertain the nation. Of course, ITV's operational and financial performance in the first half has been significantly impacted by the COVID-19 pandemic.

Despite this disruption, we continued to work on our strategic priorities, protecting investment in them and we are making really good progress in executing the strategy. We have continued to implement the ITV Hub acceleration plan with increased content which is delivering strong online viewing. We are successfully rolling out Planet V. We have also extended the distribution and content on BritBox UK, which is performing ahead of our original plan and we have augmented our data and analytics team.

Now, while the outlook remains uncertain, today we are seeing an upward trajectory. ITV Studios has been very innovative and agile in restarting production. Of the 230 productions that were impacted or paused by the lockdown, around 70% have been delivered or are actually back in production as of today. We anticipate restarting further productions in the coming weeks. Our commercial team have worked, as you would expect, really closely with advertisers and agencies but they have done that actually throughout the crisis, creating effective and relevant campaigns and bringing new advertisers to TV. Currently, we are seeing advertising trends improving into July and August.

H1 2020 Group Financials

While we saw good momentum in Q1, from mid-March the lockdown measures in the UK and internationally caused us to pause, as I said, almost all our productions and see a significant decline in the demand for advertising. We have seen some positive uplift in the sales of our library content in ITV Studios. Direct-to-consumer has benefitted from increased demand for competitions and there has been increased demand for BritBox in the UK and internationally.

However, overall revenues were down 17% in the first half. We have delivered £51 million of savings in H1 but profits were down 50% with the margins of both businesses significantly impacted by the decline in revenue, ongoing fixed costs and our essential investments to support the strategy. Profit to cash conversion was strong. We continued to have good access to liquidity.

Financial and Operating Review

Chris Kennedy

Group CFO, ITV plc

ITV Studios

Production significantly impacted by lockdown

Good morning everyone. I will start with the performance of Studios. ITV Studios started 2020 with good momentum, expecting a good slate[?] of deliveries over the full year and year-on-year revenue growth. COVID-19 has changed this outlook. The resulting delay in the production and delivery of our programmes has caused ITV Studios' total revenue to decline by 17% in the first half of 2020 to £630 million with external revenue down 18% to £397 million. ITV Studios US was the region to show revenue growth in the period, benefitting from an increase in revenues from over-the-top platforms. Global distribution also saw revenue growth, up 2% with demand for the library content. However, this was more than offset by a decline in global format sales. Total organic revenue at constant currency was down 17%.

Adjusted EBITA was down 47% year-on-year at £62 million with the adjusted EBITA margin at 10%. ITV Studios is a largely variable cost business, the decline in margin reflects the ongoing fixed cost in the business and costs associated with social distancing guidelines and health and safety protocols, partly offset by £26 million of cost savings. The impact on the rest of this year and 2021 will depend on how quickly COVID restrictions are reduced. For instance, with the one metre rule we can make entertainment shows without an audience but we would need an exemption to make drama at scale. Local travel quarantines make multi-location filming impossible.

Broadcast

Good momentum in Q1 but a very significant impact from COVID in Q2

Broadcast total revenue was down 17% in the first half at £824 million. This decline was entirely driven by a decrease in total advertising revenue which was down 21%. Online advertising revenues were down just 3% within that, benefitting from a very strong Q1 with *Winter Love Island*. Following a third quarter of successive growth in advertising in Q1, the COVID-19 pandemic had a significant negative impact on advertising demand in Q2 which was down 43%, the most severe decline in the history of ITV. Direct-to-consumer revenue grew 8% to £43 million with growth driven by interactive. Our competitions have seen strong engagement over the period, corresponding with the increase in viewing of our daytime shows, along with the return of *Saturday Night Takeaway*. Other revenue increased by 9% to £74 million and includes revenue from BritBox UK, which has seen good growth since its launch in 2019 and has benefitted during the pandemic.

Whilst we have made every effort to maintain the quality of our Broadcast schedule the programme budget was lower, down £77 million due to the postponement or cancellation of shows as a result of the pandemic, such as the European Football Championships and *Love Island*. We expect the programme budget to return to more normal levels in 2021. We continued to manage our non-programme costs tightly and delivered £25 million of savings but costs overall were higher due to increased bandwidth and rights costs for the ITV Hub, greater interactive costs associated with the increase in the revenue in the period and on investment in the ITV Hub, Planet V, data and BritBox. The BritBox venture loss was £23 million in H1, which is consistent with our guidance for the full year. In total, despite the significant savings we have made, Broadcast excluding BritBox delivered a 15% margin, down from 22% last half year due to its very high operational gearing.

ITV Viewing

Total viewing volumes up and continued strong online viewing

During the pandemic people have been watching more television. We saw ITV total viewing increase 4% in the first half and ITV family viewing by light viewers, one of our important target audiences, increased by 8%. This was driven by strong performances from our dramas such as *White House Farm* and *Flesh and Blood*, and entertainment such as *The Masked Singer*, which was one of the most successful format launches in recent times, and *Britain's Got Talent*. We had innovative programming such as the *Virtual Grand National* and most of our daytime shows are having their strongest viewing in years, including *Good Morning Britain*, *This Morning* and *Loose Women*.

We continue to be the home of scaled mass audiences, delivering 96% of all commercial audiences over five million and also delivering on our targeted demographics. ITV channel main share of viewing and ITV family share of viewing both declined as viewing was impacted by the volume of news output from the BBC, fewer episodes of *Coronation Street* and *Emmerdale*, and lower volumes of new content following the pause in production. ITV main channel share of commercial impact, however, was up 1% to 26.2%. Online viewing has been strong, up 13% with dwell time up 11% and a 15% increase in monthly active users. Our focus now is to keep those users and drive incremental active users and dwell time.

Total Advertising

Significant decline in Q2 across most categories

At the start of 2020 there was good momentum in total advertising with revenues in Q1 up 2%. However, from early March we saw advertisers, particularly travel start to defer their advertising. As lockdown measures were implemented during March we saw most categories reducing or stopping their spend entirely. With the decline in demand and the increased viewing we saw a significant deflation in pricing which was down between 50% and 60%. We continued to see good demand from some online brands but overall non-gambling online advertisers were also significantly down in the first half, impacted particularly by online travel companies. The trend in July and August is improving with July down 23% and August better than July. We are seeing spend increase in a number of the hardest hit categories as they try to stimulate demand, including some FMCG, some retail, publishing, cars and interior furnishing. We have been and continue to work very closely with advertisers.

Investments & Cost Savings

Significant overhead and programme budget cost savings in 2020 are largely temporary

On investments, our previously announced investments to support the strategy have not changed. We continue to expect essential investment of £18 million in the year and BritBox venture losses are expected to be between £55 million and £60 million as guided. At the same time, we have put in place measures to reduce overhead costs by £60 million this year, of which around £10 million are permanent savings as part of the ongoing cost reduction plan which we announced in 2018. The temporary overhead savings largely comprise of a reduction in Senior Management and Board pay, recruitment and pay freezes, cancelling the company-wide bonus, furloughing where appropriate and reducing non-essential travel and other costs. We have delivered £51 million in the first half across the business and are on track to deliver the full amount by the end of the year. We expect the programme budget to be £960 million for the full year, a higher saving than originally estimated, which is due to the cancellation of *Love Island* and lower than anticipated replacement programming costs. As I said earlier, these savings will reverse in 2021. Going forward, we continue to look at ways to reduce our cost base permanently and we are still targeting a further £25-30 million of savings by 2022.

Adjusted and Statutory results

Adjusted earnings for the year were down 52% to £118 million and adjusted EPS also declined 53% to 2.9 pence. Adjusted financing costs were down £2 million year-on-year reflecting slightly lower levels of debt in the period and are expected to be around £40 million over the full year. The adjusted tax rate was 20% and we expect it to remain at between 18% and 19% over the medium-term. Statutory EPS decreased by 90% to 0.5 pence. Net exceptional items were £89 million. Acquisition-related costs of £10 million were lower than in previous years, as were restructuring and reorganisation. COVID-related costs were £27 million and include impairments mainly in relation to sports rights due to the change in scheduling of the Euros, costs associated with the closure of ITV Studios productions and their subsequent safe restart, and incremental cost to maintain the production of daytime programmes during the lockdown. Other exceptional costs were £49 million including an estimate of the settlement of the Box Clever case and the impairment of some other sports rights costs which were not directly COVID-19 related. Over the full year our current best estimate of exceptionals is £110 million, which includes £35 million of COVID related costs.

Balance sheet and liquidity

Our cash conversion was strong at 138% on a rolling 12-month basis. This was driven by a large working capital inflow arising from a reduction in programme stock where we delivered some programmes but were unable to continue producing, and the deferral of VAT payments which we have agreed with the tax authorities. We expect the majority of this inflow to reverse in the second half of 2020 and in the first half of 2021. It remains our objective to run an efficient balance sheet and to manage our capital structure over the medium-term consistent with investment grade metrics. Our reported net debt at the end of the period was £783 million, including IFRS 16 lease liabilities. With reported net debt to adjusted EBITDA of 1.3x on a rolling 12-month basis and adjusted net debt to adjusted EBITDA, which better reflects how the credit agencies look at us, of 1.6x on a rolling 12-month basis.

We have good access to liquidity with £829 million of undrawn facilities. We have an undrawn £630 million revolving credit facility in place until 2023 which has leverage and interest covenants. Although we are trading comfortably within our covenants, as a precautionary measure we have agreed with our banking group that for the period from 31st March 2020 to 30th December 2021 the existing covenants will be replaced by a cap on net debt and a minimum covenant liquidity requirement. We also have a bilateral financing facility of £300 million which is free of financial covenants and in March 2020 we extended its maturity by five years to 30th June 2026. £199 million of the bilateral is unused. We have no bond repayments until September 2022 and finally our pension schemes are reporting a surplus of £26 million. The movement since the end of December reflects a decrease in bond yields offset by a reduction in gilt yields and our deficit funding contributions in the period.

2020 Planning Assumptions

I will finish by running through the 2020 planning assumptions. These are based on our current best view but of course it will depend on how events unfold over the rest of the year. I have talked you through most of the P&L assumptions. On the cash side we expect profit to cash conversion of around 75% and like all businesses in 2020 we will have to pay six quarters of corporation tax rather than four. Although, this is offset by the agreed deferral of VAT payments into next year. Due to our successful cost and working capital management we are able to resume our essential capex at around £85-95 million for the year, broadly in line with our original guidance. This principally relates to the costs associated with Planet V, the integration of Talpa and our US property moves. Exceptional cash items will be around £250 million which includes COVID related costs and the final element of the Talpa earnout. Pension deficit funding is expected to be £59 million which is lower than 2019 due to the agreed deferment that we agreed with the Trustees.

COVID-19 Response and Strategic Update

Carolyn McCall

Chief Executive, ITV plc

Our strategy remains the right strategy

We are making good progress despite the COVID-19 disruption

As you know, our aim is to be a digitally-led media and entertainment company that creates and brings our brilliant content to audiences wherever, whenever and however they choose. As you would expect, we have reviewed our strategy and priorities in light of COVID and the outcome has been a reinforcement of the strategic vision for more than TV with acceleration in specific areas. We remain focused on three priorities. Transforming our broadcasting business, growing our UK and global production business and expanding and strengthening our Direct to Consumer relationships. Each priority is supported by a number of initiatives for how we can compete in an ever-changing environment. As I said, we are making good progress and we need to continue to make this progress with pace.

Executing our strategy – Social Purpose

ITV takes its responsibility as a public service broadcaster very seriously. We are looking forward to the outcome of the PSB Review due by the end of this year. We have been in discussion with key stakeholders, as you would expect, for many months. We have a unique ability to drive meaningful change and now more than ever we can use our position to shape culture for good. During the pandemic we have continued to amplify ITV's social purpose, raising awareness and inspiring positive change through the massive reach of our platforms, delivering against our four priorities. Better health, diversity and inclusion, the environment and giving back. We relaunched our mental health campaign, Britain Get Talking, during COVID, encouraging people to stay connected. Our healthy eating campaign, Eat Them to Defeat Them, encourages kids to eat veg and we have been working with Public Health England and the government on encouraging healthy behaviours during the pandemic.

We have launched our Diversity Acceleration Plan across ITV on and off screen, with a particular focus on black, Asian and minority ethnic and disability representation. We have launched our environmental targets to reduce carbon emissions, become zero waste and deliver our 100% sustainable supply chain out to 2030. ITV has been ranked 9th in the June 2020 Edition of the Tortoise Responsibility100 Index, which reviews the social and environmental impact of the FTSE 100. ITV is the top media company overall. During the pandemic we have used our position to help raise over £3.6 million for NHS Charities Together and again are working closely with UNICEF on Soccer Aid 2020.

On a separate point you will know that last week the government announced a package of measures to reduce obesity including a ban on HFSS advertising on both TV before 21.00 and online with a consultation on a total ban on such advertising online. We cannot quantify the impact of this today because there is much we do not yet know about how the government's plans will work and nothing is likely to be implemented until 2023. As you would expect, we are discussing this with government.

Executing our strategy: ITV Studios – Progress in H1

I am now going to take you through the progress we are making in each of our strategic priorities. I am going to start with the ITV Studios. We paused our production systematically to enable them to resume quickly and efficiently, minimising the costs of disruption. With the innovation and dedication of the ITV Studios team we have continued to produce our daytime schedule and some entertainment shows during lockdown, such as *The Graham Norton Show* and *Saturday Night Takeaway*, and we made *Isolation Stories*, a four-part drama written, filmed and edited during lockdown. Differing country restrictions have enabled us to continue filming in some of international locations including the Netherlands, Germany and Sweden. We have also delivered programmes which had already been filmed using remote editing.

We have maintained our development budget and the teams have been very focused on the development of the creative pipeline during this time. ITV worked closely with the UK government and the industry to develop a set of protocols to resume production as quickly and as safely as possible, obviously minimising health and safety risks during production. We have undertaken risk assessments and are developing procedures outlining how the protocols should be applied on each production globally. This has enabled us to successfully resume production on some of our key programmes, including *Coronation Street* and *Emmerdale* in the UK and *The Voice* in Australia, *Balthazar* in France and Submarine [?] and *Masantonio* in Italy, which will deliver in the second half. There remain operational challenges of course with producing content, however we are working well on overcoming them.

Talent remains an absolute key to building a successful Studios business and ITV Studios US agreed a number of interesting deals to strengthen our creative talent. These includes a joint venture between Tomorrow Studios and Nick Weidenfeld to launch Work Friends, the first prime time TV animation label in ITV Studios America. Tomorrow Studios has partnered with French producer Eric Rochant to create a global spy drama. ITV Studios America has also launched a joint venture with producer Tony To and director-producer Dan Sackheim to create a new entertainment label Bedrock Entertainment. They have also partnered with format creators Nobody's Hero to develop and produce reality shows.

We have continued to integrate Talpa into ITV Studios as we reorganised our international distribution and commercial business to strengthen our position as a creator, producer and distributor of world leading formats. We have a number of new formats that have been developed, including *Rat in the Kitchen*, a UK format, and *Let Love Rule*, an ITV Studios Netherlands format that has started to travel and will be produced by ITV Studios Sweden.

We continue to build our pipeline of scripted programmes as well, which is becoming an area of strong growth. We saw real success in the first half in the US with *Snowpiercer* performing extremely well on TNT and Netflix. The *Good Witch* for Hallmark has been renewed for a seventh season. In Europe we are continuing to deliver four OTT platforms and local broadcasters with programmes such as Submarine[?] and *Balthazar*. We have further diversified our customer base as we have strengthened our relationships with OTT platforms, particularly in the US where we have projects with all of the main OTT platforms there. In the first half we produced a number of programmes for them, the fifth season of Queer Eye, the *Great Flower Fight* for Netflix, *Hot Drop* for Quibi, *Love Island France* for Amazon and *Becoming* for Disney+.

Our UK and international businesses are more reliant on local broadcasters and we continue to deepen our relationships with free to air broadcasters with programmes such as *Noughts and Crosses* for the BBC, Love Island for CBS, *The Voice* for TF1 and *The Chase* for Seven Network in Australia. Going forward we will increasingly harness the position of the ITV Studios Group to further develop relationships with OTT platforms globally as well. This tape shows the strength of our pipeline and the breadth of our customers, as well as how we have adapted and innovated our productions in response to the challenges of COVID.

[VIDEO TAPE 22.41 – 24.12]

Executing our strategy: Broadcast – Progress in H1

Turning now to Broadcast, the key priority at the start of the pandemic was to keep ITV on air and the ITV Hub and BritBox fully operational. We broadcast over ten hours of live programming every single weekday with our daytime and news programmes and we have played a key part in providing our viewers with accurate and trustworthy information during the pandemic. Our commercial team worked really closely with our advertisers and agencies to create relevant and innovative marketing and advertising opportunities. BT Technology Tips, for example, Waitrose Pick for Britain and the People's Ad Break. With weekly emails and frequent webinars which over 3,000 people viewed, we were able to use our breadth, experience, creativity and our unique platform to bring new campaigns and new brands to TV, such as Mindful Chef, Peanut, Bionic and even Lifebuoy Soap who have not advertised since

1978 on TV. Significant price deflation helped encourage advertisers to TV and delivered really successful campaigns.

Our challenge of course is now to keep them. We have a significant new B2B initiative, ITV Back in Business, to drive their growth and revenues. Now, this initiative includes using our creativity to provide marketing support and digital content, information to help advertisers create really effective campaigns, giving consumer insights to help advertisers stay close to their customers, sharing success stories from business leaders with Business Gets Talking, providing relevant support to help digital native brands, brands that are new to TV and specific sectors which have been hit particularly hard by COVID, such as charities, universities and culture and heritage.

We have developed a new ad format on the ITV Hub, Hub Shout Out, to provide a cost effective alternative to a full linear advertising campaign and we are making booking advertising with ITV more flexible, such as removing late booking charges and launching special offers and incentives. Now, increasing booking flexibility will make it a bit more difficult to give TAR guidance going forward.

The ITV Hub has grown rapidly again in H1 as we have continued to deliver the Hub acceleration plan. Our investment has been focused on redesigning the interface on all platforms to continue to improve the overall user experience, increasing personalisation and prominence to make it a destination for viewing our content and strengthening the content available. For example, we showed the 1996 European Football Championship and the 2003 Rugby World Cup for those viewers missing sport, both of which performed really strongly. We are trialling an extended catchup window for content on Hub during the summer and we have redesigned the ITV News online site. It is massively improved.

We are continuing to successfully roll out Planet V, our scaled programmatic addressable advertising platform, to agencies. This platform puts the buying in the advertiser's hands, enabling them from their own terminals to buy ITV Hub inventory seamlessly and cost effectively, build their own audiences, add their own data and monitor their own campaigns. In July 35% of VOD inventory was delivered through Planet V.

While our schedule has been impacted by production stoppages this summer and we have used more repeats, we continue to invest in the schedule and have a really strong slate for the autumn. This tape shows that, together with some of our highlights of H1. Lots to look forward to there in the autumn slate.

[VIDEO TAPE 27.53 – 30.04]

Executing our strategy: Direct to Consumer – Progress in H1

Turning now to our Direct to Consumer business where we have seen a positive impact actually from COVID. We have seen good growth in our interactive revenue as we have improved the ITV Win platform and extended our competitions. We have, however, had to close all our live events and tours. BritBox UK, as I said, has seen good growth in subscriptions in the period and as expected, the lockdown restrictions increased the number of customers signing up for the free trial period. Encouragingly, we have continued to see strong subscriber appeal with conversion and churn rates tracking in line with our expectations. We have extended the distribution of BritBox UK with the service now available to 60% of streaming households and on around 20 million devices, up from 15 million devices in March. We have also strengthened content with Channel 4 programming becoming available in April. We have just announced partnerships with the Royal Shakespeare Company, the Donmar Theatre, the Royal Ballet and the Royal Opera House to bring major productions to BritBox. BritBox now has brand awareness reaching 84%.

Subscribers to BritBox US have continued to grow strongly, currently exceeding 1.2 million and the service is profitable. We are on track to launch BritBox in Australia in the second half of 2020. Hub+ continues to perform well with around 390,000 subscribers. This is down from the same time last year due to the absence of *Love Island*, lower volumes of content reflecting the changes to the schedule and of course less demand for EU portability given travel restrictions.

Priorities in H2 and 2021

We have specific priorities for the rest of the year and into 2020 to continue to deliver our strategy. Firstly in Studios, key in the short-term is of course to resume production safely and at scale. We will continue to strengthen our talent. We are working on a number of potential opportunities as we speak and finally we are very focused on continuing to build and monetise a strong pipeline of programmes internationally. We are focused on growing scripted, creating global formats that travel and return, and diversifying our customer base and increasingly creating programmes for streaming platforms worldwide.

In Broadcast we will further strengthen the Hub with our focus for the rest of the year on its redesign, strengthening its user experience even further, including offering a start again option on simulcast and linear TV, along with increased content and distribution. The ITV Hub, as you know, helps ITV reach valuable younger audiences and in our drive to increase their engagement we will be producing short form content particularly targeted at this demographic. We plan to launch that later this year. We will complete the rollout of Planet V to most of the major agencies by the end of the year and 100% of Hub inventory will be delivered through this platform by that time. Over the medium-term we will explore linear addressable opportunities. We are also deepening our strategic and creative relationships with advertisers which we started before COVID of course and we have made really good progress on that.

Finally, in DTC we are continuing to grow BritBox, as you have heard, through extending its distribution and content. We are exploring opportunities to expand its distribution further and are working with a number of platforms to enable this. The first original commission, *Spitting Image*, will launch on the service in the second half of 2020 with Film4 content arriving in the autumn. BritBox has also recently commissioned a number of original dramas. *A Spy Among Friends* starring Dominic West and then in discussions with Damian Lewis, *The Beast Must Die* starring Cush Jumbo and Jared Harris, *Crime*, which is based on Irvine Welsh's novel, and *Magpie Murders*, which is based on the Anthony Horowitz novel. These are all expected to be available in 2021/22.

We are working through the planning for a phased rollout of BritBox internationally to up to 25 countries. These are countries we have identified where research shows we could launch the service profitably, managing our [inaudible] rights much more effectively and driving more value from them. Our investment in the rollout will be funded by our share of BritBox cash flows and we will undertake a full business case for each territory before we launch it. We continue to support Hub+ and strengthen ITV Win.

We are of course also very focused on delivering the cost savings which Chris has taken you through. We are also identifying permanent savings we can make over the medium-term. To do this we will be using data and technology as we continue to transform ITV digitally, digitising our processes even more in the content supply chain and core central functions and using our learnings from COVID, such as increased smart working and remote editing.

Outlook

Carolyn McCall

Chief Executive, ITV plc

On the outlook, we have taken difficult decisions to deal with the crisis but they have put us in a really good position to continue to invest in our strategy to transform ITV into what we have said we want to be, a digitally-led media and entertainment company. As I have said and I hope you can see, we are making really good progress. We have strong foundations. We are clear about what we need to do. It does require a relentless focus on delivery to build that stronger, more diversified and structurally sound business. The next phase of the strategy will further position ITV to take advantage of these evolving viewing and advertising trends.

We continue to monitor the risks associated with COVID-19 and a wide range of possible financial scenarios. Our colleagues’ safety and wellbeing continues of course to be an absolute priority and we are adapting our business and developing and implementing plans to address the challenges in the short and medium term, including a potential second wave. We are, as you hear, very focused on tightly managing our costs and our cash.

Given the continued level of uncertainty for both ITV Studios and Broadcast, it is not possible to provide financial guidance for Q3 or for the remainder of the year. Today we are seeing an upward trajectory, productions are restarting and advertisers are returning to take advantage of our highly effective mass reach and addressable advertising platform in a brand safe environment.

Finally, as they say on *News at Ten*, I wanted to say a few words about the way our people have responded to this crisis. We have all had to learn to work in new ways over the last few months, all of you as well. Today’s virtual results presentation is an example of that. Not everyone has found that easy. The way our teams across ITV moved to remote working and innovated to keep our shows in production and on air has been remarkable. There was a true sense of mission and purpose in their desire to ensure that our viewers were kept informed about the unfolding crisis, while also offering them an escape from it. Every single person at ITV wanted to help and support the mission to do whatever it took to inform, to entertain and to reassure our viewers.

Now, I knew we employed some really creative people but their ingenuity and their inventiveness have been absolutely astonishing. Whether that was people editing from their bedrooms with their curtains made into backdrops, our news and daytime teams who complied with the ever-challenging lockdown regulations while actually reporting on them, our internal comms team who are a really small team and have broadcast dozens and dozens of vodcasts and webinars to keep informed and inspire our people. Our commercial team who I am so proud of, have been relentless in their pursuit of anything that is going, persuading even a car manufacturer to advertise in a period where showrooms were closed. Our sports team even ran a *Virtual Grand National* and that raised millions of pounds for NHS workers. I could go on. Every single bit of ITV has performed really well but I will just say we have better both in revenue and restarting production than we ever thought at the start of this crisis. That is entirely because of the determination and sense of purpose of the people who work at ITV.

Q&A

Jo Barnet Lamb (Credit Suisse): Thank you for taking my questions, there are three from me. Firstly, as you progress through both the pandemic and the unlocking, how are your thoughts evolving with regards to progression of Studios into next year? Should we think normalised absolute Studios revenues, normalised growth even off a lower base or potentially some capacity for catchup? Question two, with regards to your improved advertising trends in July, some other broadcasters in Europe seem to have seen unusually high auto spending over the summer, a period when they do not normally spend, as a result of some unlocking. Are your July advertising numbers materially buoyed by autos? Then finally you have disclosed an intention to progressively roll out BritBox to up to 25 countries. I was wondering if you could give us a little bit more information around the cadence of that rollout and the costs associated with it. You did mention it would be funded out of BritBox US profit. To confirm, should we assume no incremental costs over those BritBox US profits? Thank you.

Chris Kennedy: Thanks, Jo. Let us start with the Studios question. As you know, we are ramping up production now. It varies by production. As I said in my presentation, drama is really quite difficult with a one-metre rule but we can do it with exemptions. I think as we move into next year it really is too early to say how that will develop. The one thing we know is that the market for content is going to carry on growing over the medium-term. That is a given. It really is a question of how budgets between OTT, FTA, US, UK, regionally all develop. Also on the ability to ramp up production.

Carolyn McCall: It was our intention obviously to get the dramas. We are at 70% now and that number is moving up. It is clearly our intention to get up to 100% production, back to where we were and the 30% is dramas. As you have heard, we are getting dramas back but there is a pipeline of those at the moment. It is all about phasing. It is all about timing and that is one of the reasons we cannot give guidance. That is why we are not giving guidance really because it all depends on what we can get up and running. We are already at scale in production. When we were writing this a few weeks ago, we were not up at scale so quite quickly we have got up to 70% of our productions being delivered or being made. We have still got a bit to go to get back to where we were. It is very difficult to look into next year just at this moment in time.

On the ad trends, it is worth saying that July is mildly better, as you can see, and August is markedly better than July. The categories though are really FMCG, retail, anyone who has got supply who is open for business. They are the categories that are advertising. Interiors, for instance, DIY, that has all come back. Cars is interesting because they are back but they are not back in full flight. I think that is partly because of Europe having gone into lockdown differently and has come out much earlier than we have.

Chris Kennedy: Yes, Jo, I think you are probably referring to the Spanish and French experience which they had a much deeper dip in Q2 and they started earlier in March and have come back more strongly. However, as Carolyn said, cars whilst they are better in July it is not the main driver of the uptick.

Carolyn McCall: It would be worth saying there is not one main driver. It is actually across the board. Everyone has come back a bit and the conversations we are having with autos are very positive. It is just that I think we have only just started manufacturing the cars and they do not want demand to exceed supply, put it that way. There are a few months or weeks to go on cars. Your third question, Jo, was on BritBox and the international rollout.

Chris Kennedy: As you know, the priority for us at the moment is Australia, which we want to launch towards the end of this year. As Carolyn said, we have looked market by market and we have made no commitments in any one market. We have effectively got two waves. As you would expect, we have tiered them so we have got the countries we will look at first which will be over the course of probably another year. Then a second wave of those, if I can use that term in these times. That is very much watch this space. We have to do the detailed market analysis because the reason we are doing it, as Carolyn said, is we want to improve the value of the secondary exploitation of our content and BBC's content in each of those countries. We need to be sure that we are creating value by doing it via the BritBox route.

Jo Barnet Lamb: That is great, thank you very much. Then finally on BritBox with regards to the investment associated with that. With regards to you saying it is being funded out of BritBox US profit, can you confirm that that means there is no incremental costs over and above any profits from BritBox US?

Chris Kennedy: Yes.

Carolyn McCall: Yes.

Jo Barnet Lamb: Excellent, thank you very much, appreciate it.

Adrien de Saint Hilaire (Bank of America): Hello, good morning everyone. Good morning Carolyn, good morning Chris, I hope you can hear me well. First of all, I have a question on the potential impact that the government has discussed as for junk foods. Have you made any preliminary assessment on how much could be at risk? Secondly, Chris, you talked about the long-term outlook for content being unchanged. I do not think you have formally repeated your guidance for EBITA margin to be 14-16% in Studios so is that still the target? How long do you think it will take to get back there? Lastly, if that is possible, I was wondering if you could strip out maybe the *Love Island* headwind from your June and July advertising numbers because I am sure the *Love Island* cancellation impacted the numbers? Thank you so much.

Carolyn McCall: Yes, it is a good point. On HFSS, firstly the government has made it pretty clear that this is end 2022/23. That is the first thing. In our longer range financial modelling we have obviously taken it into account as a risk. It is absorbed in our financial scenarios going forward. However, actually one of the key things to say is that we cannot quantify it at the moment because we do not know what categories. HFSS is an extremely broad category. It includes olive oil, which most people think is a very healthy product and it is but it includes it. We need to be much clearer about the categories. We need to be much clearer about the food manufacturers' response to this in terms of how they will change products that they advertise. There are so many unknowns at the moment which is why we are talking to government. We are in dialogue with government about this and how this will be implemented, which is why we cannot quantify it. What we can do of course is prepare, plan and know what our mitigations are, etc. That is included in our financial scenario planning.

Chris Kennedy: It is also worth saying that the government has said that it will probably likely be 2023 before we see the detailed proposals.

Margin on Studios, you saw in the first half the Studios margin was 10%. There are additional costs of production under COVID restrictions. We see margins continuing to be depressed for the rest of this year and definitely into 2021. It is difficult to say by how much that will be because it does vary production by production. It also depends on, as Carolyn said, the ingenuity and creativity of the production teams so I am sure that those additional costs will come down over time.

Carolyn McCall: Your third question, you make a good point about the *Love Island* headwind over the summer and excluding it from June and July. I wonder if we should just come back to you on that because we do not tend to do that because then you would know precisely what *Love Island* was. We could come back to you and maybe give you a kind of feel for it.

Chris Kennedy: Yes, certainly it was a headwind for us in the July number we reported and the June.

Adrien de Saint Hilaire: Understood, thank you. Goodbye.

Annick Maas (Exane BNP Paribas): Good morning. My first question is going on Studios. Thinking about the mid-term growth of Studios really with the pressure on TV broadcasters across the world and that implicitly having an impact on Studios, I wondered if you think beyond next year the 5% CAGR would be sustainable for Studios or not. My second one is on the July advertising number you suggested. I assume some of the budgets that have come through in July had been postponed from Q2. Are there really some budgets that have been new money, in a way, or is it all really rescheduled budgets that you have seen so far? Then on BritBox, for the UK bit would you maybe be in a position to share a bit more KPIs such as churn, for instance? And my last one on the overhead cost savings, the ones that are recurring, could you maybe give us an indication of how you expect those to be split over the next years. Thank you.

Carolyn McCall: Okay, lots of questions there. We have said that we believe that the global content market is definitely a growth market. We cannot see why that would change. In fact, we think that probably has improved because of COVID because there is such a backlog of people wanting content to fill their screens. Our estimation has been the global market would be 3-5% growth over the next 3-5 years, so over the medium-to-long term. I am not going to go into a CAGR for Studios because we are not giving guidance but I would just talk about the global market and then you can extrapolate from that. We believe the Studios is a very strong business. It has shown how quickly it can actually come back to production at scale from a standing start. We will continue to invest in it with talent deals and continue to grow it. I will just leave it at that because I think you can see what I am indicating.

On July and the advertising deferment, some have been deferred but actually a lot of people deferred into second half, rather than into Q2, to be absolutely honest with you. I know July just falls into the second half but many of them deferred into the autumn because they actually thought that was a safer thing to do. Kelly will have that number but we have not broken down exactly that proportionality. I would say the majority that came in July has been advertisers in July rather than deferments.

On the KPIs for BritBox, we have given as much as we can in terms of subscription trends, free trial conversions and so on. Our content is distributed across 60% of platforms at the moment. We have not had an original drama yet. That is coming in the second half of the year with *Spitting Image*. I think until we have a steady state for BritBox UK where we can actually compare like with like and make some meaningful KPIs for you, we will not disclose those. However, we will do that as soon as we believe we have a steady state for BritBox UK.

Chris Kennedy: On the permanent cost savings, as we have said, around £10 million of the £60 million savings this year are permanent. Then we have said it will be £25-30 million of additional savings over the 2021/22. We have not split between those two years but we are looking at this as a multi-year project.

Carolyn McCall: Actually, what we are doing as all companies I am sure are doing is we are looking much more deeply at how we work going forward and where there could be much more permanent savings as a result of changing how we do things and how we work.

Annick Maas: That is very useful, thank you very much.

Patrick Wellington (Morgan Stanley): Good morning everybody, three questions. Firstly, when you look at advertising, you are talking about its improving trajectory. Do you see a marked step up in that improvement in Q4 over Q3? July and August are both down about 20%. September is a big month so it is really got to be Q4 if we are going to step up. When you do your projections forward, what is the first quarter where you think you will revert to advertising growth? The easy comp is obviously Q2 2021. Do you think you might get back into advertising growth before that? The second question is about the PSB Review. What do you expect to happen in that? Is there any connection with the junk food issue and potentially a change in your way of selling, moving off station average price, for instance? Would moving off station average price be regarded by you as a positive or a negative? Thirdly, you talked about going back to a more normal schedule cost in 2021 but could you define a more normal schedule cost? Obviously, you are going to have a bit of bunching of sports costs because of the Euros and presumably a bit of drama coming back on and *Love Island* and so on. Perhaps you could put that in the context of £1.050 billion which I would consider to be a normal schedule cost? Thanks.

Carolyn McCall: I think with advertising there is no question, as I said, we have seen a significant improvement in August over July. We would have given you August but it is only the first week of August so it is too early. What is happening in the market at the moment for obvious reasons is there are a lot of late bookings. Many, many more late bookings than there has ever been before so the visibility forward is not good. Clearly, we have hope that this is a continuing trend and that Q4 will obviously be better than Q3. We hope that but we are not giving guidance precisely because we cannot say definitively what is going to happen. I think advertisers are just like you and me. They do not know whether there is going to be other clouds on the horizon in terms of second wave. You cannot open a newspaper, listen to the radio or watch telly without someone talking about a second wave at the moment so people are obviously a bit more cautious than they might be. It is difficult, Patrick, to tell you the Q4 versus Q3 because we do not even know where we will go on Q3 other than that the trends are definitely positive for advertising. Actually, as importantly anecdotally, and I have sat in on some of these meetings, the whole tone and conversation with advertisers is positive about the autumn. They are already planning Christmas campaigns. They are already talking about how they do good over that period in terms of their campaigns. Their social purpose being blended into their creative thinking on that. They are doing that now. I think that is a whole world away from conversations we were having in April and May which were much more tactical and topical I suppose.

Chris Kennedy: I think also on advertising what we have seen through COVID and we will see through the upward trajectory, as we say, is the benefit of having invested in the creative partnership team and in having a much more active dialogue with brands. As Carolyn said in the presentation, the commercial team have talked to over 3,000 people during lockdown and that is as a result of having built those teams up over the last 18 months and I think we are starting to really see the benefit now.

Carolyn McCall: On the PSB Review question, Patrick, I think that what I would say is that we have made as an industry of PSBs strong progress with Ofcom and DCMS actually on particularly the issue of prominence. They really understand that if you are not included on platforms you cannot have prominence and if you do not have prominence then people cannot find PSB content. Never mind the 16-34s but actually it will become increasingly difficult in an online world for anyone to find anything other than Netflix, Amazon and Disney+. I think they have really got that point and I think that they are aware of the implications of that to PSBs. Let us wait and see what the review comes up with, the Ofcom review which we are anticipating at the end of this year. However, I think that is what we are hoping for, that actually the principles of prominence and inclusion that you have in the linear world are taken into the online world and that there is a level playing field in addition to that, amongst the online platforms and us so that we are able to get fair value for our content.

On the other questions you ask, there is not a direct connection between the PSB Review and HFSS. What it does do though is it brings into sharp focus the position of a commercial PSB and what its obligations are. There are big obligations on you being a PSB that if you are not a PSB you do not have to adhere to. I think the compact, the modernisation of that 2003 Communications Act is going to be imperative to ensure that the compacts going forward for the commercial PSBs reflects the value of being a PSB.

On CRR, clearly HFSS also brings that into sharp focus. I think that it could be an opportunity. We have done a huge amount of work on it already, as you would expect. We will go forward and see how that goes. It is too early to say, I think on that.

Chris Kennedy: On schedule cost, we guided at the beginning of the year £1.1 billion for this year so that is what I would regard as a normal number. You are right, there will be drama being delivered next year that would have otherwise been delivered this year. We have got certainly the movement of the Euros into next year to accommodate but Kevin and team have done, as you would expect, an awful lot of planning there and they think they can absorb those within that budget.

Patrick Wellington: Great, thank you.

Julien Roch (Barclays): Good morning, thank you for taking the question. My first question is on Planet V. Will you be subject to the usual tiktok [?] which has come down from 60% to 40%? According to the latest research from [inaudible] and PWC video owners only get 60% of the money invested by advertisers. Will that be the same on Planet V? Who will pay for all the costs, DSP, DMP, SSP, all of that? Will Planet V because it has gone programmatic, have an impact on your revenue? That is my first question. The second question is if you look at for instance the BARB data which they publish every Monday on what people watch during the lockdown, consumption of TV went up dramatically, the same for SVOD but since then consumption of TV has come down back to previous level while consumption of SVOD has ticked up. I wondered whether you could give us your view on that. The last question is coming back on CRR. I know you answered on Patrick's question that it was also in focus and you have done a lot of work on it but it was too early to say. How actively are you lobbying the government? Is that a priority for you because unless you change the way you sell advertising and create [inaudible] inventory I do not see how you can have meaningful targeted advertising at least on linear? Thank you.

Chris Kennedy: On Planet V, I think you are talking about all the research that has been done online where less than $0.50 on the dollar gets back to the publisher. That is the whole point about doing Planet V is it is our platform. It is a soup to nuts. It is from the demand side all the way to the supply side and the ad insertion. That is why we are doing it so the money will go from the advertiser to ITV and to anyone else that who puts their inventory on Planet V.

Carolyn McCall: It is premium inventory only.

Chris Kennedy: Yes, it is a different product. It is premium VOD inventory. I hope I understood the question correctly.

Julien Roch: Yes, you are not going to pay any DSP like [inaudible]. Yes, that was my question.

Chris Kennedy: [inaudible] exclusive licence in the UK on the tech and that is the very reason we did it so we control that value chain and our own destiny within it.

Carolyn McCall: On the BARB data, you are right that those highs of viewing have come down but they have not gone back to where they were, so I think people have discovered content that they like. There have been habits formed over COVID. I heard Reed Hastings on his call actually saying that they do not expect to keep all the subscriptions they got through COVID. I think it is the same across the board, which is you have seen a rising tide and it has floated everybody but actually that will come down as people are returning to work because they do not have as much time to view, to be honest. I think our main thing is we focus on the 16-34s that we have attracted. For instance, 2.1 million 16-34s were watching *ITV News at Six O'clock* and that is fantastic. They liked it because it was informative but accurate and trusted. It was not fake news. It was not misinformation and that is very valuable. Now that we have got even more 16-34s registered on Hub what we have to make sure we do I think is make sure we are doing relevant content for them to keep them coming back to ITV. We have some plans in that area and I think when we do the full year results we will have more to talk to you about what we are doing specifically to engage and retain 16-34s into ITV.

Chris Kennedy: Then the third one was CRR and is it a lobbying priority? As Carolyn said, really a priority is PSB right now.

Carolyn McCall: The PSB Review, the thing to make sure is understood is that actually CRR is a CMA decision. It is not actually government. DCMS will have a view obviously but it is a CMA decision because it was set up for competition reasons, not for any other reason.

Julien Roch: No, I knew that, but I was wondering whether you were [inaudible] lobbying the CMA to get CRR removed.

Carolyn McCall: Not at the moment. As Chris said, I think PSB is our key focus at the moment. We have a lot of work done on CRR, as you would expect but it is not something we are pushing currently.

Julien Roch: Okay, very good. Thank you very much.

Lisa Yang (Goldman Sachs): Good morning, I have three questions if possible. The first question is on advertising. I am wondering if you can comment on your advertising share going through H2. It looks like in Q2 based on Nielsen number that you lost a bit of share which is potentially due to Love Island and the lack of sports. I wondered to what extent that could maybe reverse into H2. Can I follow up as well on your August comment? You said it significantly better based on the data you have so far in the first week. I know you would not want to comment on weekly data but given how the market is nervous about broadcasters in general I was wondering if you can confirm whether the first week of August is close to flat. That is the first question. The second question is on cost. I think you reiterated your overhead cost savings of £16 million for the year which implies [inaudible] for the second half. I am wondering why would you not be able to do more in the second half, especially even though the additional costs you might have on Studios [inaudible] you are making elsewhere as well. Any comment on that would be helpful. The third question is on the ban on junk food advertising. I know there is very limited visibility again on this, but you talked about having taken that into account in your financial scenario planning. I am wondering if you think that will render [?] advertising impact on the revenue. How should we think about the drop-through? How are you thinking about potentially mitigating that impact on your EBITA? Should we expect 100% drop-through or should we be able to maybe offset half of that? Thank you.

Chris Kennedy: I think we will have to come back to you on the third.

Carolyn McCall: It is quite hard to hear you, I am afraid, so we will need to clarify a couple of those questions.

Chris Kennedy: Yes. As the Nielsen data is showing, we have got a slight weakening of share of [inaudible] –

Carolyn McCall: That is *Love Island* and Euros.

Chris Kennedy: it is also Premier League coming back as well. As you saw, our share of commercial impact is up in the half.

Carolyn McCall: We cannot tell you all this otherwise we would, if we were able to say it. The reason we are not doing that is we just want to wait and be absolutely sure. I have said, it is a marked improvement on July, which is extremely good. However, we are not giving guidance right now for August. When we can, we will.

Chris Kennedy: Then on the cost saving, yes we have delivered £51 million of the £60 million so far. Clearly, that includes the hardest hit quarter when there was no travel and no discretionary spend whatsoever. You would not expect the same saving in the second half. However, the thing I would say on cost is we issue guidance, we set targets but we will take cost out wherever we can where it makes sense so that we can continue to invest in the strategy for the medium-term and create value. We would not get to £60 million and stop. We would carry on.

Carolyn McCall: Do you want to repeat the third question, please, because I think neither of us really heard it.

Lisa Yang: I am sorry about the bad line. I was wondering, as you think about the potential impact of the junk food advertising ban how are you thinking about mitigating that potential impact? Should we assume 100% drop-through to your EBITA if you were to lose that advertising money or you have enough time to potentially adjust your cost base and do other things to reduce that impact? A quick follow-up on the first question, I was also wondering if you can comment on your thoughts about the evolution of your share in the second half? Thanks.

Chris Kennedy: Lisa, I will go back to the it is really uncertain on the ad front so we cannot give you any guidance on our share of advertising.

Carolyn McCall: On HFSS we do not have the information yet. You all keep calling it junk food advertising. That has come up four or five times. HFSS as a category is a very, very broad category of things that Public Health England would list. We do not yet know which products they are including and which are not included. Therefore we cannot quantify it otherwise we would have told you what that was. Until we know, we cannot do that. Clearly, as I said, earlier we have already forecast some of this and we have already got it in our financial scenarios going forward. We are preparing our financial scenarios with this in mind but there are so many unknowns just now that we cannot really be clear about it.

Lisa Yang: Okay, thank you.

Matthew [Inaudible] (Alliance Bernstein): Good morning, the first one on working capital. You had a very large inflow in H1. I know you gave cash conversion guidance for H2 but could you say specifically how much of that inflow will unwind in H2? The second one on ITV Hub, the viewing growth there seems to be well below that for non-broadcasters [inaudible] YouTube in Q2. Are you happy with the audience development for ITV Hub? Thank you.

Chris Kennedy: On working capital, we have given the guidance which is that cash conversion for the full year will be 75% so you can see that pretty much all of that working capital inflow will go out in the second half.

Carolyn McCall: On Hub I would say if YouTube is growing faster that is just what has always been the case and that tends to be very young people going to YouTube. It is under 35 going to YouTube. That has been the case and that is why I made the point about 16-34s. We have been focusing on that. We have been thinking about that. We are going to do more to make sure that we think a bit differently about what content we do and how we attract, retain and engage that audience. However, that is not surprising to us. Hub is doing well. It has put on a lot of hours. Dwell time is up. Registered users are up. All the metrics are going in the right direction for Hub. It is an improving experience all the time and I think the content window being extended is going to help it quite a lot because at the moment there is not as much on it. If you compare YouTube to Hub the wealth of content of YouTube of tiny little snippets of things that people just go in and out of, that is what they do. It is not comparing like-with-like really. No, we are not disappointed that YouTube has gone up disproportionately. A lot of kids have been at home.

Chris Kennedy: With the Hub viewing, particularly in this Q2, it is impacted by *Love Island* not being [inaudible].

Carolyn McCall: Euros would have been fantastic.

Question: Very helpful, thank you.

Richard Eary (UBS): Morning everyone, a couple of questions please. The first one is on Studios. Obviously, we have got production coming back onstream, drama is being more lagged but when we look at Q3 in terms of growth rates is Q3 do you think going to be the worst quarter in the year or should Q2 be the worst in terms of overall growth? To be clear on that external sales rather than on internal sales. That is the first question. The second question in terms of production costs, high[?] production costs within COVID I think everyone understands that. Is there any reason why you cannot pass any of those costs on to basically buyers within contracts and whether that is something that you can do given obviously demand for any content, as you talked about earlier on the call? Then the last question in terms of the Broadcast business, there is actually decent momentum in terms of growth rates although small numbers on the DTC side and the other revenue numbers. Is there any reason why those growth rates should not continue in the second half of the year and whether there is any one-off issues in there, particularly in the other revenue number? Many thanks.

Carolyn McCall: I will do production costs and buyers and then Chris can do the growth rate and the growth rate of both Studios and DTC. I think you are absolutely right, we have never said that it will just be us absorbing production costs. Everyone in the industry understands that COVID is going to increase production costs and it will depend on the production, on the relationship and the negotiations. In most cases it will be shared but I suppose overall production costs are going up because of COVID, that is the point. It does not mean that we will absorb all of those costs at all.

Richard Eary: Carolyn, just to be clear, there is not reason why margins should not come back.

Carolyn McCall: Our aim is completely is for margins to come back in Studios as quickly as we can get them back. We will do everything we can to make sure we get those margins back because they are actually good margins. They are the highest in the industry in terms of that range and we intend to do that.

Chris Kennedy: Then on the performance in Q2 versus Q3, it is a really good question and it very much depends on how quickly production ramps up. It is a very, very fast moving environment and as Carolyn said earlier, just four weeks ago the idea that we would have 70% of our productions up and running we would have been very, very happy. We are happy. What you have got is the dynamic of in Q2 we were able to deliver quite a lot of productions that had moved into post-production, particularly in the US. There was a bow wave of revenue that came into Q2. Q3 will just depend on how quickly we can finish the shows that are close to being able to be finished and deliver them in Q3. I cannot really answer that question right now. Q3 will still be a very perturbed quarter for Studios, if I can put it like that.

Then on the DTC growth there are quite a number of moving parts in that. In terms of year-on-year clearly we do not have the pay per view this year. Without that comparator we would have seen double-digit growth in the first half but then again interactive was probably elevated because of the daytime viewing. Now, we would hope that we will hang on to a lot of that engagement but I think our central assumption is that will come down a little bit. DTC the growth rates remain very good for us and we have got that number of initiatives to keep it going.

Carolyn McCall: Good momentum there.

Chris Kennedy: Then the other piece in there is the live tours and how quickly we may be able to get those up and running. We are not thinking that that will happen this year.

Richard Eary: Chris, just to follow up on that, on the other revenue number, what was in there that drove the numbers?

Chris Kennedy: It was actually across the piece. Within that you have got Pay TV, you have got SDN and you have got BritBox. It was across all of those categories.

Richard Eary: Okay, many thanks.

Sarah Simon (Berenberg): Morning, I have got the obligatory three as well, please. The first one was, can you give us a bit more insight into what you are classifying as exceptional COVID costs because we are seeing quite different treatment by the different broadcasters in terms of what they are counting as exceptional. The second one was can you give us an idea of the percentage of revenue of the external Studios revenue that was coming from DTC in H1? Carolyn, you mentioned the Hub extension in terms of the window. Can you talk about how you managed that against BritBox wanting to have as much content as possible? Obviously, there is a bit of a conflict between boosting Hub and starving BritBox, if you like. Thanks.

Chris Kennedy: On COVID exceptionals, I will start with that one. We have been very disciplined on that. The only costs in there are the sports rights impairment directly related to moving the schedules and also there is the one-off costs of closing down the Studios production in Q2 and then reopening them in Q2 and Q3. For instance, the exceptional would not include the incremental cost of production of working within COVID restrictions. It is purely the shutdown and the restart, the cost that we incurred twice.

Carolyn McCall: I think your second question, Sarah, was the percentage of external Studios revenue that is OTT in the first half. We do not break that down, to be honest with you. I will not give that to you for the first half but I would say to you that overall the best way to look at it is to say that a third of overall external revenues for Studios comes from OTTs, a third comes from FTA and a third comes from ITV network, roughly. That is a good way of looking at external revenues for Studios.

On the Hub and the extension to Hub, in the past it has been one month and the feeling is that one month is not long enough as a window to really build Hub into a destination. It needs to be more than a catchup service and simulcast service. At the moment it does catchup and simulcast very, very well but we want to encourage people to stay, browse, increase their dwell time and find other things that they want to watch on Hub. That is important to the VOD business. Extending the window is a way of doing that but it is done in a very balanced way with BritBox. The teams talk all the time, as you would expect. The key thing for BritBox is that it is the A-Z of multi-series boxsets for British talent and for British content and that is what it is. That is from us, from the BBC, from Channel 4 and Channel 5. All British content you can find in one place whenever you want it. That is its distinctiveness. It is not so much about recency of programmes. Then of course the originals that are coming through for BritBox which Hub does not have is all about freshness and attracting new people to evaluate BritBox. You are drawing them in but once they are in actually we find that about 70-80% of people are not watching the new. They are watching the content that is already there. For instance, at the moment on BritBox people through COVID have been looking at comfort shows. They have been looking at *Vera*, they have been looking at all the BBC shows like *Gavin and Stacey*. They have been going back to things that are familiar but they have not seen all of. They are watching them from the beginning. It is a very different business to Hub and we are learning more and more about that every day. We are evolving it, trialling it and testing it as we go along. At the moment extending the window is fine but we will watch that. If it is going to be overly damaging we will stop it.

Sarah Simon: Okay, thanks very much.

Niesle Neiser[?] (Deutsche Bank): Thank you very much, I have two remaining questions from my end. The first is on BritBox. I know you cannot mention too much about the KPIs but given how important the 16-34 age group seems to be, could you tell us perhaps with subscribers that you have seen is it leaning towards that age group or is it more diversified? Some colour on the demographics would be great. Secondly, when you mention the original content or the new content that you want to put on BritBox, who is that targeting? Is it targeting that younger age group and is that a strategy that you want to pursue? Lastly, on BritBox if you think of 2021, what sort of incremental investments would you need to make into the service? You quantified the 2020 number, could you give us some colour on 2021? My last question is on ITV Studios. Given the traction the OTT platforms have seen on the back of COVID-19, have you seen more commissions coming your way on some of these platforms which could make 2021 more interesting for ITV Studios? Some colour on how [inaudible] demand, the conversations that you are having at least, this year would be great. Thank you.

Carolyn McCall: On BritBox from a demographic point of view it is actually quite broad and diversified. The 16-34s on a subscription business you do not really mind where your subscriptions are coming from. It is not like telly. What has been encouraging is it has actually been quite diversified. There are people in there, 25, 30, 35 year old age range as well as all the other demographics that you would expect. It is tilting slightly. It started actually being more male and younger male. I think that is because we did quite a lot on *Dr Who*. We did a big event on *Dr Who* which was very, very popular. It launched in November and we did the *Dr Who* event in December. However, what has happened over time is it has skewed slightly more to mid-aged female. Actually that is just a small spike compared to the fact that it is quite broadly diversified.

In terms of the new content there is a range of different content, as you have heard, and we will over-emphasise to certain target audiences different types of content. *Crime* with Irvine Welsh, everyone reads Irvine Welsh but it is quite young in terms of people who would know who he was and really like his stuff. That might be something that we target to 16-34s more than we would do to anybody else. *Spitting Image* we are going to be introducing it as satire to a whole generation who will not have seen it. We will have to do something more for 16-34s on *Spitting Image* because we think they will really, really like it. However, they need to be introduced to that as satire. It varies on the programme that we have got or the series that we have got in terms of our communication message.

Chris Kennedy: We have not given guidance for 2021 on BritBox yet but we will continue to be in the investment phase for it clearly for a number of years.

Carolyn McCall: Your third question was about OTT commissions and, yes definitely, we have had a lot of success with OTT, as I think I already summarised quite a lot of programmes like *Queer Eye* and the stuff we are doing for Quibi. We are doing quite a lot for Netflix. We did our first scripted show in fact out of the UK for Netflix recently. We have got *Love Island* in France on Amazon. Yes, we are definitely being commissioned more and I think I said one of our priorities is to continue to expand doing business with OTTs worldwide out of Studios.

Question: Great, thank you.

Carolyn McCall: Thank you all for joining us virtually and have a good day. Thank you.

Chris Kennedy: Thank you.

[END OF TRANSCRIPT]