2018 Full-Year Results

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Financial Review

Dame Carolyn McCall

Chief Executive Officer

Introduction

Good morning, everyone. Thank you for joining us at ITV's 2018 full-year results. I am joined by Chris, who started officially just last week. First, I want to take you through the financial and operational performance for 2018, and I am going to update you on our strategic progress since we launched our More Than TV strategy in July. We are really pleased, of course, that Chris has joined ITV, and he will spend a few minutes talking about where he is going to be focusing his efforts and attention in the coming months. We will then have time, of course, for your questions. Many of our senior management team are here today; you will have met them all at our capital markets day. Please feel free to ask them any questions you may have, either at the end of this or afterwards.

As usual, before we start I would like to show you a video – it would not be an ITV presentation without a video – showing you our fantastic content. Our creativity and the quality of our programming is at the cornerstone of our strategy. It has helped deliver our best viewing performance for ten years. In addition, as a result of producing more and more content globally through Studios, we are increasingly diversified by revenue, by geography and by customer, as this sizzle will illustrate.

[VIDEO]

2018 Group Financial Highlights

ITV has delivered a strong operational performance in 2018 with, as you have seen, strong on-screen and online viewing, and good growth in Studios. We are really focused on executing our strategy to create a stronger, structurally sound business, building on this operating performance and on our creativity. We are really pleased to have been able to announce this morning that we are concluding talks with the BBC to establish a strategic partnership to bring BritBox to the UK; more on that later.

Now, the economic and political environment has rarely been less certain, but we are delivering in the areas of the business which are under our control, and we will report today on progress in each of those areas of strategy. We have a solid balance sheet and good access to liquidity, which gives us the flexibility and capacity to invest to strengthen and grow the business and deliver returns to shareholders. Our financial results are slightly ahead of expectations, with a stronger end to the year for advertising than we were expecting, and higher organic revenue growth in Studios.

Total revenue is up 3%, driven by 5% growth in our non-advertising revenues, but profits were down as a result of the higher programme budget with the football World Cup. Our cash generation remains strong at 88%. Our leverage is 1.1x net debt to adjusted EBITDA, which provides good flexibility as we implement our strategy. Reflecting these strong cash flows and the Board's confidence in the business, we will, as already committed, pay a dividend of £0.08, up 3%.

2018 Broadcast & Online Financial Highlights

Looking at Broadcast in more detail, we delivered 1% growth in total advertising, strong growth in VOD, up 36%, more than offsetting the decline in spot revenues. Our direct-to-consumer revenues have grown 25%, and we see that as a growth opportunity. In total, Broadcast & Online revenues were up 1% over the year. On the cost side, our schedule costs were up £30 million, as we previously guided. While we continue to manage costs tightly, our non-programme costs were higher, as we highlighted in the first half. Variable costs were impacted by our investment in Hub, Hub+ and pay-per-view, and also the increased bandwidth and rights costs as a result of our significant growth online. Our infrastructure and overhead costs have also increased, partly driven by currency on our euro-denominated transmission costs, and partly as a result of increases in our property costs for our new London buildings. As a result, total Broadcast & Online delivered £555 million of profit at a 26% margin, with profits down 7% on last year.

2018 ITV Studios Financial Highlights

On to the financial highlights from Studios now. We delivered 6% growth in total revenue, with organic revenues up 4%, and our portfolio of acquisitions continue to perform. Total EBITA was £255 million, up 5% at a 15% margin, firmly within our target range.

Revenue

Looking at revenue in a bit more detail, the UK was broadly flat, with sales to ITV up 5% with the successful return of *Dancing on Ice*, an extended run of *Love Island* and an extra episode of *Coronation Street*. Our off-ITV revenues in the UK were down 7%, with growth in drama such as *Bodyguard* and *Age Before Beauty* offset by a decline in entertainment and comedy deliveries.

Our international revenues continue to grow. ITV America revenues were down 21%, including the unfavourable currency impact. Excluding this, they were down 18%. This was because we didn't have a series of *Hell's Kitchen*, after having two series in 2017. *Hell's Kitchen* has been picked up, so we are starting production again this year, so we will see *Hell's Kitchen* again in 2019. There were fewer episodes of some of our entertainment shows, but these were partly offset by new series such as *The Fall*, Emmy-award winning *Queer Eye* and *Good Witch*.

ITV Studios Rest of the World delivered 32% revenue growth, driven by a good performance in France with production of *The Voice* and *Voice Kids*, as well as production of our other formats across key territories and our growing European drama capabilities.

Global Entertainment grew revenues 14%, driven by our strong slate of drama, deliveries and entertainment IP.

Strategic Update

Vision

Now, as you know – you were all here, I think, last July – we launched a new strategy and vision last summer in response to the changes we are seeing within the media market. There is no doubt that the pace of change is rapid, and our strategy is going to continue to evolve. Our priorities are clear, and we will ensure that ITV is the pre-eminent integrated producer/broadcaster for viewers and for brands in the UK, a leading direct-to-consumer business in the UK, and a world-class creative force in global content production.

ITV and the market

Total viewing

There has been a lot of commentary about changes in viewer behaviours, so we thought it was important today to first look at that in a little bit more detail.

Viewers in the UK watch 192 minutes of TV per day. This is down 5% on the previous year, but over 70% of all viewing across TV and non-TV devices remains live. This is robust, when you consider the profusion of other entertainment choices people have. Against this background, ITV's viewing performance has been very strong. Our total viewing was up, with total linear viewing up 2%, as well as significant growth in Hub viewing, up 32%. We continue to be the home of mass quality commercial audiences, with 98% of all audiences over five million, and our share of viewing was up for the third year running.

16-34 viewing

16-34s are clearly watching differently, but look at this chart and you will see that, if you deliver them content that they want, they will watch it. *Love Island* is not the only example of this. ITV main channels' volume of 16-34s viewing was up 2% year-on-year. ITV family volume was down only 2% against a market down 13%. ITV's share of this demo is also up, 13% for family, 10% on ITV2, and ITV accounts for 77 of the top 100 programmes on TV for 16-34s. This included three million average audience for 16-34s on *I'm a Celebrity* and 1.8 million for *BGT*, for example. So TV, and specifically ITV, remains the only place to get a scaled, simultaneous, quality young audience, and that is very good news for advertisers.

Online viewing

Of course, we are also driving significant audiences on ITV Hub. Total registered users has grown again, actually, and our average monthly active users have increased 64% following compulsory registration on Connect TVs, meaning we are reaching our users more often, which is again, of course, important from an advertiser's perspective. Simulcast viewing is also showing strong growth, up 34%, as viewers, and particularly young viewers, use devices to watch TV. 79% of all 16-34s in the UK are registered on the ITV Hub, up four percentage points on last year.

Total Advertising Revenue

So, despite 2018 being affected by economic and political uncertainty, we increased our total advertising revenue after two years of declines, with VOD revenues offsetting the decline in spot revenues. This is because ITV's overall proposition remains extremely strong.

Broadcasters still delivering the same reach

ITV gives immediate reach and scale that cannot be achieved anywhere else. It provides a safe, trusted, transparent environment in which to advertise, and it generates the highest return on any investment of any media. Broadcasters still deliver the same reach for advertisers as they did ten years ago with £1 million spend, but now, through a combination of linear and VOD, as you can see on the chart – and we have only put this chart up for 16- to 34-year-olds.

Advertising categories

There is no question that the makeup of TV advertisers is changing as new categories and markets are being disrupted by insurgent brands. Some categories are growing rapidly – telecoms, entertainment, leisure, government spending are all up. The key standouts here are the online brands, which grew their spend by 10% and, as a category, are now the second-largest category behind retail. It is these brands who see the immediate benefits of TV advertising and its return on investment.

However, the well-publicised issues with the High Street – and also, of course, retail and FMCG – has definitely put their budgets under a bit of pressure, and they are spending less and have generally reduced spend across all media. So there is clearly a great deal of change in advertising trends and viewing trends, and we are keeping that under constant focus. Our strategy is designed to address those challenges, and also the opportunities that they present.

More Than TV strategy

So, a very quick reminder of our strategy: one, strengthening the integrated producer/broadcaster; two, growing UK and global production; three, creating a scaled direct-to-consumer business. You are very familiar with this chart now. So, first the IPB.

Integrated Producer Broadcaster – Strengthen

Investment and KPIs

Our plans for the IPB have five key components. We will now briefly illustrate how we are doing against each of them, and our priorities for 2019. Much of what we have done so far builds the foundations for what we will deliver in 2019 – so, this year.

Key performance indicators – progress in 2018

We have clear measures of success. They are set out on this slide. A highlight for 2018 has been our viewing performance, as you've already heard. The strong performance comes right across the schedule. Daytime is up for each of our three morning programmes. Our new and returning dramas, such as *Trauma*, *Innocent*, *Vera* and *Endeavour* have done really well. The enduring appeal of *Coronation Street* and *Emmerdale*, Britain's two top soaps. Our big entertainment shoes, such as *Britain's Got Talent*, *The Voice* and, of course, *I'm a Celebrity*, which delivered its biggest audience ever, which was nearly 12 million people. And the phenomenal success of the football World Cup, with a peak audience in the semi-final of 26.6 million people. It is this great schedule and the continuous improvement in the ITV Hub which has driven the strong online metrics as well, in terms of viewing, users and revenue.

Driving light viewers and repositioning ITV

The first part of our IPB strategy and investment is to reposition ITV to drive more light viewers and increase reach. As we have highlighted before, ITV has a brand perception challenge. People love our content, but they do not necessarily associate it with ITV. So we started developing this year, and in January we evolved the brand into a more creative, contemporary position which is now visible on ITV and the ITV Hub. The ITV Hub's new branding is now on app tiles, on product and in pre-rolls featuring our More Than TV brand line. On the main channel, as you have seen in the sizzle, it includes idents and on-screen presentation. We rolled out ITV Creates on 1st January, with 52 different artists creating a new ident for each week. This has been so positively received by our viewers, and also by the creative industry.

We launched our brand advertising in January with our Great Characters Make Great Drama campaign featuring Roger Allam and Brenda Blethyn. It has already got people talking about our content. We are now developing consistent off-air marketing across multiple media channels, which has helped to successfully launch a range of key shows in 2019, as you may have seen – *Cleaning Up*, *Manhunt* and *Vera*. We have used it across established media, of course, and also social media. There is lots more communication to come in 2019 around our drama launches and, of course, the Rugby World Cup. Although early, we have already seen an improvement in brand consideration for light viewers, up nine percentage points in January, year-on-year, so we are pleased with that.

ITV Hub – 2018 progress and 2019 priorities

The second component of our IPB investment is the ITV Hub, which has shown strong growth in viewing and revenues, as you have seen in 2018, with a continuous improvement in content, experience and in distribution. We are enhancing and evolving the underlying online video platform. We delivered seamless live streaming at real scale with ads inserted, and at no time was this more apparent than during the World Cup semi-final with nearly a million viewers, and *Love Island*, which was on really at the same time, which was averaging 300,000 viewers per episode. That is real scale. We enhanced the box set experience, introduced next episode signposting, implemented cross-platform resume and trialled recommendations on iOS.

In 2019 we will continue to enhance the viewer experience on Hub and start to really bridge the gap between ourselves and others in the market. This year you will see us roll out a newly designed ITV Hub which will create personalised experiences for all 28 million registered users, with programme recommendation and prompts for new series. We will develop features that drive engagement, such as video promos, resume play across all platforms, not just iOS. We will make the experience consistent across all devices, so wherever you see ITV Hub, it should look and feel the same.

Technology – Evolution to digital leader and innovator

Our third area of investment in the IPB is in our tech capabilities and platforms. You know we have already strengthened our skills in key areas. We will continue to do so through 2019. We are innovating and developing our core technology. In 2019 we will increasingly invest in technology to deliver the specific priorities of our strategy, and that includes the launch of BritBox in the UK, our new SVOD proposition. We will be working with strategic partners to develop and launch a programmatic and data-driven AdTech platform, enabling new commercial opportunities. And of course we are using technology to automate operational processes and increase efficiency and productivity internally. In 2019 we are exploring ways to use digital workflows and data-led decision-making in scheduling our content and managing our rights.

Data and tech capabilities – Deliver data analytics platform in 2019

Technology, of course, enables our data strategy. They are completely interlinked. We have significantly strengthened our data capabilities and have established a centre of data excellence covering the full range of data and, most importantly, insight. That includes data science, analytics and research so we can understand, predict and effect behaviours across all ITV touch points. We are just at the start of the process, but we are increasingly collecting data across linear viewing, online viewing and every touchpoint we have with our users. We are beginning to unify it by matching this across datasets, enriching it with third-party data and using automated tagging generated by AI algorithms. All the while, of course, protecting the privacy of our users as well as the security, quality and consistency of our data.

We are really focused on generating value and revenue in three key areas: driving viewing, accelerating consumer revenue and advertising. A great example of this is how we are driving viewing on the Hub by optimising and personalising the Hub experience and more efficiently reengaging with inactive users by using targeted marketing to draw them in. Data enables us to improve ad monetisation, delivering advertisers more tailored audiences – for example, creating audience segments for advertisers around viewing behaviour on the Hub, or complementing a linear campaign. The capture and analysis of data is helping us to build our direct-to-consumer business as well. We will use AI to do predictive and prescriptive modelling to understand what drives our customer acquisition and retention for SVOD, and we will understand what actions are most helpful in improving that.

Advertising

Now, just to advertising specifically. We have restructured our commercial team. We have built a new client team and strategy to enable us to build long-term partnerships with our advertisers. We have invested in creative partnerships team to provide original, engaging and brand-defining marketing campaigns which are embedded. The John Lewis Christmas piano ad campaign with Elton John, which many of you, I hope, will have seen, and the Suzuki ads featuring Take That, are really fantastic examples of that.

Accelerating addressable advertising on VOD

On addressable advertising, as we said at our capital markets day, our priority is to deliver scaled addressable advertising around our premium VOD, and we have made really good progress. We have already significantly increased our addressable advertising inventory. In 2017, around 15% of our VOD inventory was addressable. Today, that is now 75%. However, it is a very manual process currently. We are very focused on creating an AdTech solution in 2019 to create a fully automated and data-driven platform, and that will enable efficient, seamless and cost-effective bookings from advertisers. We are in the process of having very positive discussions with third parties about how we deliver this in the most efficient way, and we will update you on that as soon as we can.

Let me just remind you why our VOD inventory is premium and highly demanded. One, it has verified completion rates and is non-skippable. Two, it is full screen with the sound on and viewed by human beings, not bots. It is high-quality programmes. It is brand safe with broadcast level of compliance. We know advertisers see this as the best of both worlds. We will continue to deliver mass simultaneous reach on our linear channels, with integrated creative solutions and more tailor-made and addressable targeting at scale around premium inventory on the ITV Hub. That does not exist anywhere else in the market.

UK and Global Production – Grow

Investment and KPIs

Now, the second big piece of our strategy is of course our focus on Studios. Our aim here, as you know, is to be a leading creative force in global content. ITV Studios is now a scaled business delivering good growth at a stable margin. Our plan for organic growth requires only modest investment over the next three years, as we said in July. Demand for great content, again, as you know, has never been stronger. It continues to be a real growth opportunity.

Key performance indicators

We are well on track to deliver the targets we set out, with good revenue growth at a 15% margin and a 5% increase in total production hours. So, some of the highlights from 2018.

Progress in 2018

We are delivering growth across our key genres. We sold 57 different formats globally. We are increasing growing internationally, and 56% of our revenue is from outside the UK now, up two percentage points on last year. We are selling more to OTT platforms, with original hours commissioned up over 35%. So let me give you a little bit of detail on some of these areas.

Growth across scripted, unscripted and core ITV in 2018

We have seen good growth in all our key genres, with particularly strong growth in scripted, as I said. The business is predominantly unscripted in terms of scale, but scripted, especially driven by demand from the OTT platforms, is likely to be an area of higher growth over the medium term. We are seeing increasing demand from platforms internationally for original, long-form and secondary rights. In 2018 we produced and jointly commissioned a number of scripted and unscripted programmes, including *Vanity Fair* with Amazon, *Queer Eye* for Netflix. In 2019 we have an original commission *Cowboy Bebop* for Netflix. We are in development on a number of shows for Quibi, the new smartphone platform set up by Jeffrey Katzenberg and in which we are an investor.

Sold 57 different formats in 2018

A key strength of ITV Studios is the very large portfolio of successful formats that return and travel, which we are strengthening each year. For example, in 2018, with *The Voice Senior* from Talpa and *Britain's Brightest Family* from the UK. Increasingly, we are also producing them locally, therefore capturing the full margin, including *The Voice* and *Love Island* in seven countries, with Love Island also being produced in the US in 2019 for CBS.

Priorities for 2019

As we look to 2019, we are clear on our priorities. Key to our success is, of course, attracting and retaining great talent. We will invest in building our creative talent, collaborating with innovative and entrepreneurial creatives with minimal risk and attractive returns, as we have successfully done historically with producers in the US such as Jason Bloom and Marty Adelstein. We are also very focused on maximising the value of our formats and IP internationally. There are exciting opportunities to licence our brands and library content and drive value through merchandising, using our significant capabilities across our network of labels and our global relationships.

2019 – Growing our European Scripted business

We see good growth opportunities for European scripted content, as I mentioned, with strong demand from broadcasters and OTT platforms for local content with global appeal. We strengthened our portfolio in this area with our acquisitions of Tetra and Cattleya. Cattleya, based in Italy, is very much at the vanguard of the growth into non-English-language drama, with *Suburra*, which launched just last week on Netflix, and *Zero Zero Zero* to come this year on Sky, Canal+ and Amazon. And 2019 is set to be another strong year for Tetra, with *Vernon Subutex* for Canal+ and the return of *Profla – Profli – Profilage* – Julian, you can say that – for TF1.

Pipeline for 2019 and beyond

We have a strong pipeline of new and returning shows. We have already secured £100 million more revenue than this time last year, which gives us confidence that we will deliver good revenue growth again in 2019.

Direct to Consumer – Create

Investment and KPIs

The third area of our strategy was very much about future growth, as you know, and it is all about the consumer. And we now have created a direct-to-consumer business. We are making good progress.

Key performance indicators

Our revenues were up 25% to £81 million. We now have 8.5 million paying relationships, which are up 27% on last year.

Delivering growth in Direct to Consumer in 2018

This has been driven by good growth in our competition portal, live events such as Ninja Warrior Aqua Park and the *Coronation Street* tour. Our pay-per-view boxing events, which we have extended into 2019 with a rights agreement with Haymon Sports, as well as our existing SVOD and pay propositions, ITV Hub+, BritBox in the US and Canada, and Circus in the Nordics and Germany, are all performing well and demonstrate our ability to compete in this market. Hub+ subscribers have actually tripled in 2018 to 265,000 subscribers. BritBox US and Canada has reached 500,000 subscribers.

Welcome to BritBox

So BritBox is our exciting new SVOD proposition which will provide an unrivalled collection of British box sets, as well as original series, on demand, ad-free and all in one place. It will include programmes from ITV, BBC and other PSB broadcasters across drama, comedy, entertainment and documentaries.

Rapid SVOD growth presents a significant opportunity

As we have said before, we see SVOD as a real opportunity. As you can see on this chart, the pay TV market is worth £6.3 billion in the UK, with an additional £1.3 billion generated by OTT subscription, and ITV has less than 1% of this total pay TV market. Subscriptions are growing at pace, up 20% to 12 million households, so the opportunity window is open to us now.

More households are taking multiple SVOD subscriptions

External data shows that more households are taking multiple subscriptions; while the growth in households with any SVOD service is 20%, the growth in homes with multiple services is 32%. This means that 12 million UK homes now have 17 million OTT subscriptions. Satisfaction amongst SVOD users is high, and the flexibility and affordability of subscriptions means they will take up more than one.

There is appetite for new SVOD services

We have undertaken our own further research, as you would expect, since the CMD to track the market and it is showing no sign of slowing down. The most recent tranche of research shows that four million households are likely or very likely to subscribe to one or another SVOD service in the next three months, and we know that two out of three of these already have at least one subscription.

A gap in the SVOD market for quality British content

As you can see in this chart, there is a clear gap for quality British content, which is on the top right-hand side. Desire for British content is high, with research showing that 43% of all online homes are interested in subscribing to a new SVOD service which features British content. This actually increases to over 50% in homes with Netflix.

What is next?

So our team is in place, they are working round the clock to launch later this year. We have agreed a joint vision for the service; we are now working on a formal legal agreement. We anticipate that other partners will be added to BritBox, we will both speak to regulators and the wider industry now about our proposals.

We know you have all been seeking clarity about our SVOD investments, so today we wanted to give you an indication of quantum. Our net investment in BritBox UK will be up to £25 million in 2019. This will peak in 2020 at about £40 million and is expected to decline thereafter. You will no doubt have a load of questions as to the drivers of these numbers, but today I am not able to go into further detail, given we still need to go through regulatory processes and talking to other industry players. We will be disciplined, we will ensure we deliver a return on this investment which creates value for our shareholders.

Here is the consumer page for you all to sign up to be the first to hear news and updates about BritBox, so please do that.

Total Essential Investments will be Partly Offset by Cost Savings

To ensure that ITV has a strong and sustainable future, we set out, in July last year, £40 million of essential investment which catches us up on technology, on the whole data side, on capabilities across ITV and on user experience. This will be partly offset by £15 million of cost savings, which we are well on track to deliver in 2019. In addition, we announced a further £10 million of investment in both 2020 and 2021, which will be entirely offset by further cost savings.

I am now going to pass you over to Chris for him to say a few words.

Key Areas of Focus

Chris Kennedy

Chief Financial Officer

Thanks Carolyn and good morning everybody. It is an exciting time to be joining the industry as it changes and adapts to the market dynamics, and I am delighted to be here today as part of the ITV management team.

Clear Strategy

ITV is an immensely creative business, with a strong balance sheet. It has got great content and a clear strategy, which addresses the challenges and the opportunities in the market, and having spent 20 years in media and technology businesses, I am really looking forward to the opportunity to use my experience to help drive business performance and help to execute and evolve the strategy. I have been really impressed by the energy of the team and a clear sense of purpose, and you can also see today that we have been making really good progress on the strategic initiatives, and, again, I am looking forward to making a meaningful contribution to continuing to deliver for shareholders.

In the short term, I have a few key areas of focus. These include: capital allocation between the existing core businesses and the investments we are making for the future; the cost-saving programme; ensuring that we continue to have a robust investment appraisal process and that we capture the benefits of our investments; and, obviously, helping to maximise revenues and drive efficiencies in the business in this fiscal year.

So I look forward to meeting many of you over the coming weeks to talk more about our plans and our performance, but delighted to be here today. Thank you.

Outlook

Carolyn McCall

Chief Executive Officer

Outlook

Thank you. So now to the outlook. In summary, we are very clear on what we need to do, and it requires a relentless focus on delivery. We have started the year with good online and onscreen viewing, with volume up and with share up. Economic and political uncertainty continues to impact the demand for advertising, as we expected, with total advertising forecast to be down 3% to 4% over the first four months. The first half of the year will also be impacted by tough advertising comparatives, particularly in June against the World Cup last year, and the investments I have mentioned, and the timing of ITV Studios deliveries being weighted to the second half of the year make the first half quite tough in terms of comparatives.

We have a solid balance sheet, which enables us to make the right decisions to build a future-facing and robust business and deliver returns to shareholders, with a commitment of at least £0.08 dividend per share. We remain really focused on delivering in the areas we can control, and we are, as you can see, actively mitigating those factors that are outside of our control.

Thank you for listening and we look forward, now, to your questions.

Q&A

William Packer (Exane BNP Paribas): Three questions from me, please. Firstly, there is a couple of potential regulatory interventions in the TV advertising market around sugar, high-fat foods, gambling. Could you quantify your exposure there and where we are in the regulatory cycle?

Secondly, the US content business had another tough year. Back of the envelope, the business is now 25% smaller than it was in 2015 in the US, despite favourable FOREX. Is it right to think that you are overweight, some of the weaker parts of the cable bundle, and now you are better positioned and can grow from here; just an update of where you see the US content business?

Then, finally, you have made it clear you are not going to talk specifics on the SVOD, but I suppose a couple of background questions. One would be, could you just help us understand, a lot of your content is already on Netflix, Amazon, Sky and their platforms; to what extent do they have exclusivity and for how long, just some understanding there? Then, additionally, you have given us a view on the potential addressable market today: do you have any view on how much your potential competitors are spending on marketing? Thank you.

Carolyn McCall: Okay, quite a lot of questions there. So, on the regulatory side, I cannot really answer that specifically because, one, they have already regulated on gambling, and we follow and we are highly compliant on gambling. What is actually happening there, I think, is that the gambling industry is taking a bit of action for itself because it is very worried about its own industry and the regulatory threats to the industry, so we will just wait and see. We will mitigate wherever we can on gambling; we are talking to them at the moment. The risk for us, really, is much smaller than it would be for some others and we will be more in a big World Cup year, for instance, it will be in a big sporting year.

On HFSS, we do not know because they have not really said when the consultation is going to even kick off yet. I think Parliament's and government's hands are full currently and so I think we just wait and see. Also, what I would say is that we are doing a lot of work on ensuring that anything that emerges on HFSS is evidence-based and data-led, and focuses on changing society and behaviour, and that we actually have a lot of evidence to say there are many, many other factors that are much more relevant. So we are very active on that and we have done quite a lot of our own work on that, on the evidence side.

On the US business, I think what you have to recognise is that the US market has changed fundamentally. So the change in OTT and the demand from OTTs, and also the change in cable, as you pointed out, and what we have had to do is, certainly since I have been here, and very much with Julian and David McGraynor, we have actually shifted the focus of the business and restructured the business so it is now a much more future-facing business in terms of delivering content to everyone that is relevant in the States, and I would say we are much better positioned to do that. So smaller, leaner, move to Connecticut, real focus on cost, but also very, very active in making and building those relationships, whereas you have seen, from the screen, we are actually selling a lot more to the newer platforms going forward.

On SVOD, what we have said is that we will honour all existing agreements, and of course we will. I think there is a huge distinction between our Studios business and all our partners globally that we sell to. So when we are commissioned by the OTT platforms or by Sky or by anybody else that relationship does not change. That is a very strong relationship, and we are selling to them.

Where we will shift is, in the past, we had nowhere else to put ITV content. So when ITV commissioned its own content it would not have anywhere else to go so it would be sold to other platforms. I think in the future that content would go onto BritBox. So a very good example of that is, 18 months or two years ago, *Love Island* went to Netflix. But that is because there was nowhere else to put it because even hub was not very developed then to take series box sets. So that is where the shift will be: not on the relationship between Studios and platforms and buyers. Does that make sense? What was your last question? On competitors?

William Packer: Yes, your marketing spend.

Carolyn McCall: Yes. No one discloses that to be honest. You can imagine the costs in BritBox are really two things: content and marketing. And it is not marketing as you and I might know; it is customer acquisition marketing. It is a very specific kind of marketing. And that relies a lot on CRM, it relies a lot on the data you have, on the data you are building. And there will of course be some above the line as well. Do not forget for us, the difference is, we will have quite a lot of on-air marketing that we will be able to use that a lot of other players do not really have.

William Packer: And just to clarify your first response, could we have a percentage exposure to sugary, high fat foods?

Carolyn McCall: You cannot, really. Because it just depends on so many factors. It depends on how narrow that is going to be or not. So there is no way of giving you even a range on that.

Eoin Marsheik[?] (Morgan Stanley): A couple of questions. First of all on BritBox: presumably your assumptions on the amount of investment will include an assumption on how much your core business will be cannibalised. So when a household takes the BritBox service, presumably they will watch less or fewer hours of your linear networks. Can you maybe walk us through how you are thinking about that impact and whether that is in the numbers that you have?

Carolyn McCall: Not really, I am afraid. That would be giving you quite a lot of our business plan across our entire business, not just on the SVOD business. And what we will do is monitor very closely what we are doing, because we actually have linear, we have Hub, we have Hub+, and now we have BritBox. And the architecture of that, the windowing strategy of that, and how you actually bring viewers from one to the other is an absolutely fundamental part of what we are doing. So it is absolutely core to the strategy but it is also going to be commercially sensitive. So it is unlikely we are ever going to be able to give you as much detail on that as you want.

Eoin Marsheik: Okay, so presumably what you are saying is that your ambition is to minimise that cannibalisation to the extent you can?

Carolyn McCall: You know, we have said quite clearly that our ambition is to look at total viewing. So as long as we are still getting viewers into our universe, which is all of those things, that is good. We are focused on total viewing. Now of course, we are very, very mindful of the advertising money that is tied up both in linear and in VOD, and we will manage that very carefully.

Eoin Marsheik: Okay, and related: when you look at the SVOD services in the US, like CBS or Access or Hulu, they eventually ended up spending money on original content to differentiate the product versus all the competition that they face. Do you anticipate the same thing happening for BritBox at some point in the future? Maybe you could talk about that.

Carolyn McCall: We have actually stated at the outset that we believe original content is going to be absolutely necessary to this service because it is a way of hooking new subscriptions in. So it will not be in the first year but we will be commissioning in the first year to be doing original content in year two, three and four. So absolutely original content is part of this.

Eoin Marsheik: And that is included in the £40 million for next year?

Carolyn McCall: That is currently included, yes.

Eoin Marsheik: Great. Thank you.

Ian Whittaker (Lipham)[?]: three questions please. First of all, just in terms of the absolutely new TV viewing, that is a very impressive number. It sort of takes away one of the bear cases against ITV in terms of you gaining share. But what has happened to your absolute number? Just in terms of trends moving forwards, how sustainable is that over the short to medium term?

The second question related to that is that obviously if your linear TV viewing in absolute numbers is going up, you do not spread out TV ad revenues now, but presumably it is below total advertising revenues. That suggests there is significant price deflation that is happening on the cost per thousand basis. So could you just give us an indication of where your prices are for the ITV main channel in relation to historical trends? And to give us an idea on that.

And the third point relates to what you said about building out technology, particularly around addressable TV in 2019. If you do build out that technology and you are able to get more direct contact with advertisers, then one of your status strategies has been as it were to build up more direct relationships with advertisers. Do you think that will be a big boost to that?

And I guess also as well another question would be, could you ever imagine a scenario where you would offer significant amounts of linear TV advertising direct to advertisers instead of going through media buyers?

Carolyn McCall: Okay, a whole range of stuff there. And some of which you will be disappointed because I will not be able to tell you. I think the first thing on absolute viewing is we have a fantastic programming and scheduling team, in Kevin and his team, and I think that they have done an absolutely astounding job. But what it shows I think is that if you produce compelling content that viewers want to view, they will view it anywhere. The big thing about this absolute viewing thing is that it astounds me that people are even surprised given the proliferation of choice that linear viewing will erode. Because they are coming in, in different ways: it does not mean they are not watching content. And they are often watching our content in different ways. So that is why our focus is on total viewing. And our job is to keep it as good as it possibly can be. And if you were to put Kevin on the spot, I would not do that. Because basically he will always say, 'Mmm.' He will. It is true. That is what he does.

And that is absolutely fine, but what he is doing is making sure our commissioners and our teams are constantly thinking about how they can do the best, most engaging content that engages our viewers. And we have had some stonking audiences. The 11.8 million for *I'm a Celebrity* and then our dramas, all reaching seven or eight million. All our entertainment shows, all our daytime shows, that is what they are doing.

So I think absolute viewing how sustainable? Of course, with the proliferation of what is going on, you are always going to be monitoring that. But we are also investing Hub, in VOD, meaningfully now. And we are improving it so if people are not at home sat in front of a TV, they can watch it on their laptop or on their mobile or on their iPad, wherever they are. So that is a very important part of the strategy. I hope that answers that question.

I cannot really answer the question about CPM and historical pricing and what the premium is, because it is all commercially sensitive and as you know it is all done on station average price. I do not think we should go there because it is all about our pricing model. That would be a bit difficult. But on addressable, I can say to you, there is a big difference between the work we are doing on the AdTech side of it, which is about automating and making it programmatic. It is quite different really, to the direct contact with advertisers. So if I just take two seconds to explain that.

So what we are trying to do from a tech point of view is highly specialised technology. We are enabling advertisers, particularly the big group agencies, the media companies, to be able literally on a very targeted basis, laptop to laptop, book programmatic advertising, highly targeted, on Hub. That will make it very efficient, very cost effective, and very easy. So it is a big step up for us and for them.

The second bit of this is the direct contact with the advertisers. It is about ITV being a business partner and not simply a media transaction. So I think in the past we have good relationships with advertisers, but they are actually welcoming the business conversations we are having with them in a tougher environment where we are able to help them in many different ways improve their businesses. In terms of footfall or in pricing, we are doing certain things with them that if you just had immediate interaction with them you would be talking about spot advertising.

So that is where the direct relationships become very valuable: because you get much closer to their businesses and as you understand them you are not just saying, 'sponsor *X-Factor* or sponsor *BGT*' – you are saying we are working with you indefinitely to try to understand what you are doing and see what we can do to help you. And that is where creative partnerships become really instrumental.

Eoin Marsheik: And just a quick follow up in terms of the absolute linear TV. If you are going up and you are obviously a big part of the market, who is actually going down by so much to actually have such a big delta between your performance and a total linear TV market?

Carolyn McCall: We are very collaborative with the other broadcasters. All the other broadcasters are basically down, because ITV has performed very, very well this year. But that is share; that is on the share basis.

Adrian (Merrill Lynch): Good morning everyone. A few questions please. Over the last few weeks we have had a number of FMCG companies talking about reinvestment in brand support but it does not seem that it appears.

Carolyn McCall: Can you say that again?

Adrian: We have seen a number of FMCG companies talking about investment in brand support but it does not seem to appear in anyone's numbers, advertising-wise. So can you just explain what is going on with this category?

Carolyn McCall: In revenue support?

Adrian: Yes, they have been talking about investing in brand and so on but it does not seem that the advertising outlook for many players is getting better. That is the first topic.

The second topic is why would the BritBox investments come down after 2020? It does not seem that Netflix costs are coming down. We will stop here I guess. I have a few follow ups for Chris because you have not had any answers so far.

Carolyn McCall: I will bring Kelly in on FMCG because he is very close to those advertisers, but I think you are right. I think I will just answer generally for FMCG and indeed retail: I think their budgets are really under pressure, but that is because they are really under pressure. If you think about the economic uncertainty that we are experiencing and the prolonged political uncertainty, a lot of people I talk to in businesses are contingency planning. So they are putting quite a lot of their investment into contingency planning. Whether it is stockpiling food, stockpiling drugs. And therefore they are displacing money into that and therefore just waiting to see before they really start releasing what you call rev support.

So that is what I am seeing at a quite broad business level as I talk to other CEOs. Kelly, anything specific?

Kelly Williams: I think when you talk about FMCGs as a category, when you look under the bonnet, different FMCG companies are doing different things. So there are certain companies that are moving money back into brand support. But broadly what we are hearing is that the FMCG customers are being attacked from three areas. They are being squeezed by the discounters, the Aldis and Lidls; they are being squeezed as a result by the other grocers who are trying to compete with the Aldi and Lidls. They get squeezed through shifting currency as a result of Brexit, and squeezed by what they call microbrands. So Harry's Razors competing with Gillette.

So in general, we are seeing the FMCG category under pressure for those specific reasons, but when you do look under the bonnet certainly we are seeing across 2018 and in 2019 some of them starting to really move back to TV. I think the key thing for those big brand advertisers is they are starting the question brand safety issues around YouTube and around Facebook. I think particularly around Facebook. It feels certainly from the conversations we are having there is a slight tipping point coming because Facebook's brand is becoming relatively toxic and certainly for those big brand advertisers that have invested so much equity in those brands, there is a nervousness about using social media in general. So watch this space, but that is broadly what we are seeing in the market.

Chris Kennedy: Adrian, in terms of the investment, what we are giving you here is the net impact on ITV plc's profit. So it is net of revenues. So what is happening is you have investment but you have revenue offsetting that and a subscriber's ramp. That net P&L impact will go down over time.

Adrian: And so my first maiden questions for you, Chris. Do you know why ITV spends £60 million on acquisition-related expense despite not doing any M&A in 2018? And also, what is the outlook for the cash exceptional items after 2019? Because I think for 2019 you have guided 85 or 65.

Chris Kennedy: 85.

Adrian: Is that going to be the future numbers as well or do we expect that number to go to zero at some point? Thank you.

Chris Kennedy: So in terms of what is going through that line it is essentially the earn out and the contingent payments based on performance so that we are accruing that through the year. So that is what is going through the P&L. so you are still seeing the contingent payments for the earlier acquisitions that we have made. And then you will see actually in the accounts we have around £250 million of anticipated future payments which is our best estimate right now. And the 85 is included in that £250.

Adrian: So going forward that 85 comes down a bit but stays at 50 or something?

Chris Kennedy: Well it depends on the Studios team and their acquisition profile over the next few years.

Adrian: Thank you.

Julien: Yes, good morning. First question is on total viewing. Thank you very much for those stats and going back four years. Much appreciated and showing a flat performance. But if you look at the bar[?] linear performance that we have, the overall performance is quite contrasted between young adult and older people. So young adult go down a lot, older people go up a bit. So would it be possible to have an idea of what is your total viewing for 16-34? Because advertisers value those categories more. So total viewing is great but is not enough of a good guide for revenue because of the contrasted performance.

Basically, having some idea of total viewing for 16-34. That is my first question.

The second one is on studio. You said that your total number of hours sold to your VOD platform was up 35%, but could we have the base? Are you going from 100 hours to 135, or is it much bigger than this? Or percentage of revenue, so we have an idea of that. And then another attempt on BritBox. I understand that this is the two numbers that you want to give us because the rest is commercially sensitive, but obviously you have a revenue assumption in there which we do not have idea about. So on one of those two years, if revenue is zero, what would be the losses?

Carolyn McCall: Ah, so your third question is the easiest to answer. Which is we cannot answer that because we are really, really clear. We have tried to be really helpful. We honestly felt that we should give you some quantums so that you could model those. And we have really said that until we have all the other things ticked in terms of post regulatory process, formal agreement, we will not disclose what is in those numbers. And there are good reasons for that. So you will just have to wait for that Julian, I am afraid.

On the 16-34s, I do not think any of us would say reaching them is easy. They are generally known to be quite elusive because they are more cynical and they do more stuff actually, than people who are 35 plus. They go out a lot more. They do gaming. There is a whole load of stuff going on with 16-34s. So I do not think anyone says it is easy. But we have actually grown in family terms. ITV grew our 16-34 demo by 2%. I think we are doing some stuff right. We do not overtly commission for 16-34s, although ITV is what we see as the home for 16-34s in the ITV family and actually it does very well.

ITV2 is the biggest audience for 16-34s. It has beaten Channel 4, hands down. That was not always the case. So I think ITV is doing some things very well for 16-34s and it is not just about *Love Island*. Everyone just goes straight to *Love Island*. It is not just *Love Island* because eight weeks cannot make a year's schedule. But that is not to say that we do not have to keep doing stuff that is fresh, innovative, contemporary. We have ideas to do stuff on the Hub that will appeal more to 16-34s. The Hub itself, improving the user experience, making it much more an on-demand experience, rather than a slightly kind of clunky old-fashioned catch-up service will really benefit 16-34s in particular. They will feel much more at home on the Hub. And I think 80% of them registering on Hub is a very big number, actually. 80% of all 16-34s have registered, have given us willingly their contact details so we can email and engage with them about what we are doing with the Hub. That is fantastic. No one says it is easy but I think ITV are doing really quite well at engaging 16-34s, partly because of programming, partly because of investment in the Hub, partly because of marketing. Because some of our marketing is aimed at the light viewer segment, which is very important. Quite a large proportion of 16-34s are light viewers. So I hope that answers your question on 16-34s, but I'm happy to take it in more detail offline.

And then you asked something about the base and OTT. So we have not given the base for a deliberate reason. It is obviously a lower based than other aspects because OTT is an area of growth for us. So we have not started. It is a relatively new way of us selling content. So I cannot tell you what the base is. Julian, do you want to add any colour to that in any way?

Julian Bellamy: Well, only that we do [inaudible] capital markets day, we talked about how we are increasing our business in a multitude of different ways with the OTT players. A good example of that if you look at something like ITV America. We talked about how we had a couple of projects in development. We talked about how we had a couple of projects in development with them a couple of years ago and that is now around about 15, 16. So it is quite a significant acceleration. But we do a multitude of different types of business with the OTTs, from co-productions to originations, to programme sales, across the UK, the US and the European business.

Carolyn McCall: Thanks Julian.

Laurie[?] (Deutsche Bank): First question, we seem to be on a bit of a slippery slope here with broadcasters in Europe and in the US in terms of investment the investment envelope seems to be every expanding. So can you rule out further investments in addressable, in AdTech, in MCN and in short form content? Presumably you have considered those and have made a decision on those.

Second question is you are arguing that total viewing is what counts, not linear. Your advertising share, though, in linear, is close to 50%. We know it is lower in AdVOD. Can you give us that number?

And the third question: if the regulator blocks BritBox, what would be the net investment? Or would you actually withdraw? Thank you.

Carolyn McCall: Chip in, Chris. On slippery slope, I think you look at the balance sheet, and you look at what ITV's done with its cash, it has done very well for shareholders. It has returned a lot of money for shareholders. You know it did special dividends for five years on the go. And actually what I would say is that the £40 million of investment is not discretionary investment: it is really essential for building the future of ITV. Because without that tech platform, without the data, skills and capabilities and indeed platform, without actually people coming in who have AI and machine learning experience, and there was not one person at ITV that had AI experience at the start of this year.

And without improving the Hub and really investing in the Hub, you cannot do any of the other things that we have been talking about in terms of the future. So the £40 million investment is just what you have to do to be in business today. So I think you have to really view it at that. And we have said very clearly that it peaks this year and then it is £10 million, £10 million, both offset by cost savings in the next two years. And we have a very good cost saving plan this year. We are confident £15 million will offset some of that £40 million.

So I think when you say is it going to be ever expanding I would not compare us to anyone else. I think we are very disciplined; we have not made a huge number of other investments, digital investments, non-core investments. We have been very, very focused. We have said we want to diversify our business. We have made acquisitions in studios in order to do that and we are investing in direct consumer to further diversify our business. It is a very clear strategy for investment. It is very disciplined, and it is entirely about returns to shareholders.

The AdTech that we are looking at, the P&L impact is in our P&L and actually anything else will depend on how we have to deliver that. But it is not going to be something that will be surprising to you in terms of investment. And anything else that you have talked about – I think you mentioned short form and other things – that is all included in all of our investment going forward for now. So any other things that you have just mentioned in terms of short form or other ways of producing content we have built into our planning assumptions for 19, 20, and 21.

So I hope that answers your question. And we do not see it as a slippery slope: we see it as being very disciplined, very focused and really all about returns to investors. On total viewing, yes, you are absolutely right; we have a 50% share in the ad market. The problem with AdVOD is that our focus is on premium VOD inventory. And when I was talking about programmatic there earlier on, we are ambivalent about all of the VOD inventory in the UK, because some of it is extremely low quality and it is not something we would compete with. And from a pricing point of view, we would not want to go anywhere near. So for us, we have a different definition of what VOD inventory is for ITV. Does that make sense?

Laurie: It feels a little bit like you are magic cutting the numbers in a way that would suit you. Because if your linear ad share is going down, and let's call it 50% market share, and your AdVOD share is, let's call it, 10%. Even in premium I do not know what that number is but if it is lower then clearly, we have a dilutive effect here.

Carolyn McCall: Kelly, do you want to come in? Because it is not quite like that.

Kelly Williams: Our share of revenue in linear TV is broadly 45% I think, from a plc perspective. And if we looked at our share, none of the other broadcasters share their VOD revenues with us, but if you were to look at our share of the broadcast VOD market I do not think it would be a million miles off our linear share. So I am not understanding the dilution question, I think.

Carolyn McCall: Also, if our total ad revenue is up as it was last year, there is no dilution.

Chris Kennedy: That is why the KPI is total ad revenue; that is what we are trying to increase over time.

Carolyn McCall: Okay. On BritBox, actually we do not really want to go down the route of 'if it's blocked' and 'if it's this' and 'if it's that'. We have a plan A and we are going to try to stick to it. So we are very hopeful that this will be fine. Just bear in mind that actually as I have said, the net investment that I have outlined for you is largely content and customer acquisition. So until you do that you have very minimal investment in BritBox. So the sunk costs are going to be immaterial really in the greater scale of things.

Laurie: Thank you.

Carolyn McCall: Pleasure.

Josanna Selatti[?] (Macquarie): A lot of suspense. I hope I will not disappoint. Can you tell us that BBC is going to put the same amount of money into BritBox? Secondly, technology. So what technology is BritBox going to sit on? Is that the same used in the US? Are you licensing? Is that cost somewhere else? Is it ITV Hub technology?

Thirdly, scripted is clearly way more attractive in terms of growth than unscripted, but that is a strategy which ITV has already tried. A few years ago, maybe five, seven years ago, that was the area of focus. It just happened that successes came on the unscripted *Love Island* side and not on the scripted side. What have you changed to be now more confident on increasing the share on scripted? If you have a target that would be great as well. And lastly on cost savings, there was a comment which we could take as net incremental. Cost savings could come along in the future. Or maybe that is going to cover potentially net investments somewhere else. Do you already have a sense of if you had £20 million of cost savings tomorrow, would you pass those through the P&L or would you use them to invest in original content. Thank you. I think it is 15 questions.

Chris Kennedy: Shall I take the last one first? So we will go after cost savings where it is sensible to go after them, and Shah Jeel[?] has done a great job of pulling together the cost saving programme for this year at 15, and then we have flagged ten and ten in 19 and 20. I see them as two separate decisions. You just work efficiently and you take the cost out and do everything as efficiently as possible. And then you make some investment decisions on the other side and when I talked earlier at looking at capital allocation, that is what we have to do every day: balance short term and long term. And that is part of the capital allocation decision.

So I do not see it as I need to invest, therefore I will take cost out. If we should be taking cost out, we will take it out; and then if we should be investing over there, we will invest. That is how we see it. But balancing short term performance versus long-term value if that makes sense.

Carolyn McCall: On the BBC and BritBox, what we have given you is the net investment, the net impact on ITV for BritBox. We are not going into what proportion of anything like that because then it will just disclose the structure of what we are doing and we have not got to the end of that yet. So as I said, we are still waiting to actually get a formal agreement. So I cannot really tell you that.

On technology I can tell you that we are building the technology. Mark Smith here is our CTO on our management Board, and it is about being very integrated with what we are already doing. Do you want to add anything to that?

Mark Smith: I think just on the ITV hub in general, we have spent a lot of time over the last three years rebuilding the underlying stack, the technology stack that ITV Hub is built on, so as well as a great new front end, it has a great new underlying online video platform that it runs on. On top of that we have added a payment and subscription functionality for Hub+. So a lot of the underlying components we have there already and we feel they are very strong. So we will be building it on top of that ITV stack. But we will also be using partners as well for a lot of the front end components and they will be similar partners to the ones we use for BritBox in the US.

Carolyn McCall: And on scripted, I will bring Julian in here because he can talk in depth about this. But I would say that what I have seen actually since I have been at ITV is fantastic quality in our scripted programming. So whether it has been commissioned by Kevin or whether it is being created elsewhere. Mammoth, for instance: Damien Timmer and Mammoth and what they produce, not just for ITV but also for other broadcasters and for Netflix has been extraordinary. Really, really strong programming. And World Productions have done *Line of Duty* and also recently of course *Bodyguard*. World is owned by ITV. So actually if you look at UK producers, ITV has done very, very well to have a fantastic range of talent in the UK producing some of the best scripted drama around.

Julian Bellamy: There are two key points for me. One is that obviously we are seeing unprecedented demand for scripted, both in the US, the OTT players, but also in Europe. We are seeing renewed, resurgent demand for premium scripted across Europe. And then second, we have, compared to seven years ago, transformed our creative talent base. If you look at the UK, we have done that both in terms of some of our acquisitions, but also strengthening our existing organic business. In the US, with partnerships with Tomorrow

Studios, Marty Adelstein's company, and of course in Europe with the acquisition of Tetra and Cattleya. So it is a considerably stronger talent base in a market that is seeing unprecedented demand for scripted. It is underlying our confidence.

Steve Liechti (Numis): just on BritBox, sorry. Just to clear up a couple of clarifications actually on rights and stuff. STV has just launched an SVOD service which says it will be available across UK and Europe at £3.99 a month I note. Can you just clarify? They are using your content, I know, for that service. How does that work for a BritBox service? And would it be fair to assume that any service that you did would be UK and Europe on that basis as well?

Ans second question, or third, whatever you want to say, is on the BBC. Can you just be clear that if I am a BBC licence fee payer, it is okay for the BBC then to charge me again in an SVOD subscription service? From your perspective do you see any issues on that?

And then I guess finally, BritBox in the US is half a million subscribers I think you said out of 100-odd million TV homes in the US. Is that a reasonable target for you in the UK context as a percentage?

Carolyn McCall: I am not going to go into subscription targets now so that is the easiest question I am going to answer which is your fourth question, so just take that off the list. You have to wait for some of the subscription information we might give you as we get further down the line. I am going to bring Gos in. Martin Goswami is our expert on STV and many, many other things, obviously. But it only happened two days ago, so Gos, cover the UK, Europe, BritBox thing at the same time.

Martin Goswami: So what STV have launched is effectively a version of ITV hub plus but for Scottish residents, so basically you have to be in Scotland to register for STV+ if you want to get the Channel 3 content. So for example, if you go and register from London, actually, all you have access to is a very, very small amount of Scottish programming. So you would not get *Coronation Street,* for example.

The European thing is basically down to EU portability which all subscription services in the UK currently benefit from so if you have made your subscription in the UK and then go to another EU country you can access it from there. And again, that is just a sort of level playing field.

Carolyn McCall: On the BBC licence fee, I think just remember what this is. Because it is the past, it is the present, and it is original commissions going on in the future. First thing to say is, all the content on BritBox will be at fair market rates to both ITV studios and to the BBC. So when things come on to BritBox you are paying for them. So that is being reinvested for licence fees into the BBC. So that is the first thing.

The second thing is the original content will be ITV commissioned content, so you will not be losing the licence fee to be doing original content that is not available free to air on iPlayer, because it will be exclusive content for BritBox. That is the second thing.

And the third thing is that it is all about the windowing strategy. Which is on iPlayer at the moment, you can only access content for a certain amount of time before it then actually disappears. So what BritBox is, is the home of British originated content but it is permanent and it is comprehensive. So it is quite a distinct service to consumers, it is highly differentiated, and they have a choice as to whether they pay for it or not. Nobody is making them pay for it. That is how I would see the difference.

Steve Liechti: Thank you. Can I just clarify one thing you said there?

Carolyn McCall: Sure.

Steve Liechti: Did you say that only ITV would be putting in original content then?

Carolyn McCall: BritBox will be, so BritBox will be commissioning it, but it will be ITV-led. So what I am saying there very specifically, is BBC licence-fee payer money will not be used to commission new content.

Steve Liechti: I am maybe missing it, but are you saying that only you, ITV, is putting in the cost?

Carolyn McCall: It depends on who the other partners are in BritBox.

Steve Liechti: Right.

Richard Eary (UBS): Thanks, just a couple of questions. Just first of all, sorry, on BritBox in terms of just clarity. If you look at the US version of BritBox, versus the UK, how do those two services differ in the future? Or is it going to be the same content that is going to be pushed into both platforms? Or am I missing something?

Carolyn McCall: No it is definitely not the same content. I mean Reemah here launched the US version and is also the Group Director of BritBox in the UK as well. So she can come in, but it is definitely not the same content. It is very specific content in the States; it is very niche in the States. But Reemah, talk about that?

Reemah Sakaan: The content line up in the US versus the UK will be very different. It is very regional specific in terms of rights. As Carolyn was saying, BritBox in the US is a sort of niche British Service with a large library catalogue, very limited number of originals. And what we will be looking at in the UK is a much more recent and contemporary, comprehensive library, but also a greater focus on originals. But obviously, there is opportunities in the longer term to join those two up and to get investment across programming. But that is not the plan from day one.

Richard Eary: Okay. Just again from the US side, I notice that there are no losses from associates in the accounts, so are those half a million subs in the US now breakeven or are we still running losses in the US? How do we think about the US performance?

Carolyn McCall: We are very pleased with the US performance. We have surpassed the half million subscriber mark now.

Richard Eary: But what I am saying is there are no losses in the accounts.

Carolyn McCall: There are no losses from BritBox US. It is doing very well.

Richard Eary: And the last question going back to the addressable TV side. Obviously you had some investments in Sorensen Media which did not go your way. You have talked about obviously further investments, but you also talked about partners. Within that partners are you talking about AdSmart as a partner in terms of looking at addressable TV? And how would you think about that?

Carolyn McCall: Good question. I was not aware we had had any investment in Sorensen when I arrived in January. I did not think it was an investment: so the first clarification is, no investment in Sorensen. Actually, Sorensen were not able to deliver the addressable advertising solution. They were not able to deliver it anywhere in Europe and they were focused on the States, which is why actually Kelly and I said we have to stop on that and we have to really pursue something that is going to be materially, tangibly moving us forward this year. So that is the first thing. So we are working with other partners and we hope to be able to talk to you about that quite soon. And that is a combination of technology, and then there is a whole change internally about how we then deal with programmatic in addition to dealing with everything else we do. Trading is still extremely important to us. We will not lose focus on that.

To answer your question about AdSmart, we became very clear in our strategy that we had to focus on VOD for programmatic. So Hub is where we are focused to deliver that programmatic, targeted, addressable solution. And actually what we also felt is that linear does its job really, really well and we need to prioritise VOD over linear on programmatic. That is basically what it is. And we have had numerous conversation with AdSmart but there is something quite weird for us about paying away quite a lot, not just for technology costs but also for advertising. We are a market leader. As Laurie pointed out, we have 50% of the linear market. We would have to pay away quite a lot to AdSmart, which I think they get. That is not our model. That is not what we want to do. So our focus is on VOD and there is a lot to deliver there.

So it is not as if we can do loads of different things. We have to be very clear about what our priorities are; that is our priority, not linear addressable.

Richard Eary: So linear addressable is not on the table today and not included in any investment?

Carolyn McCall: Not today. I am not saying that is not ever because we will continue to evolve the strategy. But today, we have a lot to deliver on programmatic on VOD.

Clare Unders[?]: I wanted to ask you another question about BritBox. Sorry about that. But my question is really, are the numbers that you have put forward today hard stops on investment? That is to say that if for instance your subscriber numbers were to disappoint that you would still keep your investment completely steady? Obviously, I heard you say this is a very important future facing technology investment that we are making. So I think what I would love to know is, I would have thought that these are going to be very, very material subscriber numbers to get to those very, very limited investment numbers, particularly comparative to any service. I mean, FilmStruck, a number of the Turner services that were shut down, had already absorbed very substantially more than that. I believe that Sky's Now service has absorbed about $1 billion of investment to get to two million subs over six years. So what I am asking is, do you have a hard stop in your mind or in your future around investment if the subscriber numbers materially disappoint?

Carolyn McCall: So we are very focused on return on investment. And therefore we would be very, very closely monitoring everything that would go on in this business plan. And we have given as I said to the market a kind of view of what the net impact of our investment on ITV would be. That is what we have done today. We will be very disciplined. I think discipline means that you know where you invest and you know where you have to stop investing. You know where you might need other partners, you might need other funding. You know, that is being disciplined. The key for us is we are a commercial PSB and we have to make returns for shareholders. And therefore we will be keeping that plan under very close watch. And obviously the subscriber numbers are totally material to the net impact on ITV. So that is the best I can say, really, on that.

If there are no other questions I am going to just say, thank you very much. Thank you for all your interest in ITV and in BritBox. I was not at all worried about answering any of those questions on BritBox. I sense that you were worried about asking them on occasion but thank you very much for your questions and also for being here today.

[END OF TRANSCRIPT]