



ITV plc Full Year Results 2022

Thursday, 2nd March 2023

Introduction and Highlights

Carolyn McCall

Chief Executive, ITV plc

Welcome

Good morning and thank you for joining us for ITV's 2022 Full Year Results. As always Chris will update you on our operational and financial performance, I will then take you through the delivery of our More Than TV strategy and of course we will then have plenty of time for questions. Before I run through our highlights I wanted to share a short tape. This shows the quality of our global content slate last year and the brilliant programmes we showed on our screens in 2022. Please play the tape.

Tape

Who's banging on the door? Hi. Where is everyone? Guess who's back? We are delighted to be joining you. It was fantastic. How exciting. What else are you hiding? I expect you already know. Someone's career's going down the sewer. You don't say. You have no idea. Can I ask you a couple of questions? No. It's time to grab love by the horns. You either find true love. Yes. Hi. Hello. Let's go. You all ready? Yes chef. How many times do you get the chance to do this? Time to go then, taxis. I just have one condition, no more secrets. My mother. It's my best friend. Yeah, that makes sense. One of you is not leaving here alive. No. We keep everyone as alive as possible. Minus an arm or two. They know how to spend money. Glad I got that out right. I need to report a murder. Who's murder? Mine. You could say I'm not quite sure who to trust anymore. You think you're safe here. You are at war. Harry Kane. And breathe. I'm a celebrity, get me out of here. I'm going to fake my death. What's going on here? He may be armed and dangerous. How are you today? Well [inaudible 03.06] right now. All the wonderful weirdness comes to its dramatic conclusion. Did you enjoy it? Yes. [Inaudible 03.16]. We wanted MCI [? 03.22]. And loads more. It just doesn't get better than this.

Significant Strategic Progress; Successful Execution; Strong Momentum into 2023

2022 was a year of strong execution and significant progress for ITV delivering what we set out this time last year. We enter 2023 with real momentum. When I look back to 2022 several key highlights of a successful year stand out. ITV Studios grew faster than the market with revenue up 19% and it is an increasingly diversified business. M&E delivered the second-highest ad revenue in its history reflecting the unique role mass reach continues to play in the advertising mix for brands and for agencies. M&E grew digital revenues by 18% with a significant increase in content, improved user experience and the successful launch of ITVX which had a really good strong first two months.

This is building a demonstrably more balanced business which is ideally placed to take advantage of the growing demand for quality content from viewers, broadcasters and streamers, and to take a larger share of the online advertising market. As I will go on to explain the launch of ITVX combined with Planet V, our leading addressable advertising platform, enables ITV to take continued market share gains in a rapidly growing targeted advertising market. Our balance sheet is robust which enables us to invest to support our strategy while at the same time delivering returns to shareholders. In line with our dividend policy the board has proposed a final dividend of 3.3p giving a full year dividend of 5p which

we expect to grow over time. Now I am going to hand over to Chris to talk you through our operating and financial performance in some more detail.

Financial and Operating Review

Chris Kennedy

Chief Operating Officer and Chief Finance Officer, ITV plc

2022 Group Financial Performance

Thanks Carolyn. Good morning everyone. ITV delivered strong top line growth with external revenue up 8% driven by ITV Studios and M&E digital revenue. Group adjusted EBITA was £717 million and within this Studios EBITA grew strongly. M&E EBITA declined reflecting investment in content and technology to build ITV's streaming presence, culminating in the launch of ITVM in December. This investment will drive long-term growth and value for shareholders. In the year we delivered £23 million of cost savings across the group ahead of our target. We have now delivered £106 million of cumulative savings since 2018. Statutory operating profit was flat and statutory EPS rose to 10.7 pence reflecting significantly lower exceptional items in the period. There was £65 million of exceptional items in 2022 which largely related to digital transformation projects and our move to White City, both of which will drive a permanent ongoing reduction in our cost base. There are more details in the appendices.

ITV Studios

Strong financial performance in 2022; double digit growth in revenue and profits

Going into Studios in a bit more detail, ITV Studios delivered an impressive performance with a strong slate of deliveries as we continued to focus on growing and further diversifying by genre, by geography and by customer. Total revenues were up 19% including a £56 million favourable FX movement with good growth across all businesses but particularly from the UK and the US. Total organic revenue at constant currency was up 14%. Looking through the Covid interruption we have grown broadly in line with our 5% average growth target with total revenue up 15% and external revenue up 18% in the three years from 2019. Adjusted EBITA was up 22% to £259 million with an adjusted EBITA margin of 12.4% up from 12.1% in 2021.

2022 ITV Studios KPIs

You will be familiar with our Studios KPIs which we use to track progress against our priorities. Whilst maintaining margins we intend to grow faster than the overall content margin by leveraging our existing strength in global unscripted formats and capturing an increasing share of the highest growth areas of the market which are by genre high end scripted drama and by type of customer local and global streaming platforms. Taking each of the KPIs in turn revenue growth in 2022 was better than expected driven by a particularly strong Q4. Margin was constrained by general inflation in the production sector together with additional costs for productions which were delivered in 2022 but started at a time when Covid was still a significant factor. We remain committed to our adjusted EBITDA margin target of 13-15% from 2023. Margin will be at the lower end of the range in the shorter term but remains industry leading. We made good progress in the faster growing high end scripted market with the number of hours sold up 58% to 276. The number of formats sold in three

or more countries which we see as a measure of international success increased from 15 to 19. Formats that become truly global are more profitable and reinforce in unscripted. The percentage of total revenues from streaming platforms increased significantly, up nine percentage points to 22%.

Media & Entertainment (M&E)

Digital revenue up 18%; TAR down 1%; profit reflects investment in content and ITVX

Turning to Media & Entertainment, total revenue declined 1% driven by total advertising revenue which was also down 1% as expected. Total digital revenues were up 18% with 17% growth in digital advertising and a 29% increase in subscription revenue with both Hub+ and BritBox UK seeing growth. As previously guided SDN's revenue was under pressure this year down 21% as older contracts were renewed at the new lower market price for DTT capacity. We expect this pressure to continue into next year as further contracts are renewed. Partnerships and other revenues decreased by 2% following very strong 2021 competition revenues.

Content costs were up 5% with the return to a full schedule following the disruption caused last year by the knock on effect of Covid together with additional investment in ITVX content. Variable costs were up 2% mainly driven by an increase in commercial payaways and bandwidth costs which grew in line with increased viewing. These increases were partly offset by lower payaways on competition revenues. Infrastructure and overhead costs increased by 9% mainly driven by investment in ITVX and data capability as well as one-off costs such as the donation of proceeds from the Concert for Ukraine and cost of living payments to ITV colleagues. Overall the investment in data, tech, content and launch of ITVX came in slightly under guidance but we still expect investment to be as previously guided for the two years 2022 and 2023 taken together. The 2022 investment was partly funded by our continued cost saving programme which delivered £16 million of M&E savings in the year. In total adjusted EBITA was down 22%.

Looking forward to 2023 while we continue to see strong growth in digital advertising revenue up around 25% in Q1 the outlook for total advertising revenue is challenging. Our current estimate is that it will be down around 11% which is in line with our budget assumptions. It is early days for April but we expect total advertising revenue for the month to be down between 10% and 15%.

ITV Total Advertising Revenue

Looking at 2022 ad revenue in a little more detail the categories with the largest year-on-year movements were airlines and travel up 59% following travel restrictions in the prior year and telecommunications up 21% driven by device launches and World Cup related spend. Cars and car dealers are down significantly as a result of their supply chain issues and government and charities are down off the back of Covid related spend last year. E-commerce companies excluding gambling decreased 17% in the period. Within this category the largest declines were online retail and food delivery brands that spent heavily in 2021 and from energy comparison websites for obvious reasons. This was partly offset by growth in online travel brands.

2022 M&E KPIs

ITV's M&E division is primarily an ad funded business and advertisers value both volume, the number of times an ad is seen, and reach, the number of different people who see the ad. Our M&E KPIs reflect the needs of our advertisers and our strategy of growing digital revenues, those are the KPIs in yellow, and maintaining mass reach, those in teal. Starting with digital revenue drivers, streaming hours, an indicator of the volume of our digital inventory, were up 9%. Importantly within this viewing on our own services where we can serve ads and monetise was up 18%. This was driven by a combination of a strong live schedule, an increase in the number of hours available on ITV Hub and improved functionality in preparation for the launch of ITVX in December. This was offset by lower viewing on platforms such as Sky and Virgin where we reduced the availability of pre-transmission drama drops and boxsets because we were not able to monetise the viewing.

The number of monthly active users is a measure of the reach of our platform which is so important for advertisers. They were up 6% at 10.5 million driven by the increase in content on the platform and new types of content which has attracted a greater breadth of user. Total UK subscriptions were up 17%. By increasing streaming hours, monthly active users and subscribers we grew our digital revenues this year by 18%. Whilst digital advertising is the fastest-growing segment advertisers still place huge value on the ability to reach large live audiences. ITV's unique position as the largest commercial broadcaster enables us to satisfy this demand. The final two KPIs, share of top-1000 programmes and share of commercial viewing, demonstrate our continued strong performance.

In addition a quick word on BritBox International which continues to perform strongly with 25% growth in subscribers to three million. It is now available in eight countries and we continue to look at opportunities to roll it out further.

Robust Balance Sheet and Strong Cash Generation

On to the balance sheet and cash flow, profit to cash conversion was lower in 2022 at 75% due to both the growth in the Studios business and the timing of deliveries. It also reflects commissions for ITVX where we have taken delivery of programmes but not yet made them available on the platform. In 2023 we estimate profit to cash conversion to be around 70-75% which we expect to increase over time. On net debt at the end of the period with £623 million. Included in this is a £259 million euro bond maturing in December this year which we expect to refinance. We are currently exploring medium-to-long term refinancing options and in the meantime have full availability of other loan facilities should we need to utilise them. Net debt to adjusted EBITDA is 0.8x, our covenant leverage is 0.7x and we have total liquidity of just under £1.1 billion. The accounting surplus of our pension scheme is £192 million compared to an £8 million deficit at the end of 2021. The next triennial valuation is underway and we aim to conclude it as quickly as possible.

Full Year 2022 – Use of Cash

This year we have had a number of draws on our cash. The dividend, pension contributions which includes a one-off payment relating to the extension of our asset-backed scheme and the acquisition of Plimsoll Productions. In addition the euro bond that matured in 2022 was redeemed using available cash which improved the efficiency of the balance sheet and

strengthens our credit metrics. Our closing cash balance at the end of the year was £348 million.

Disciplined Capital Allocation Framework

The board keeps returns to shareholders continually under review and I wanted to remind you of our approach to capital allocation. First we will continue to invest in the business in line with our strategic priorities to create shareholder value. Second we manage our balance sheet consistent with our commitment to investment grade metrics over the medium-term. Third we want to sustain a regular dividend which will grow over time and we will continue to consider value creating M&A opportunities against strict financial and strategic criteria. We will always return any surplus capital to shareholders.

2023 Planning Assumptions

Based on current assumptions

Here is a reminder of our full year planning assumptions. Content costs are expected to be around £1.3 billion rather than £1.35 billion as previously guided. This is largely due to a reduction in content amortisation driven by the windowing of content between streaming and linear together with a more cautious approach to commissioning given the economic uncertainty. The current higher rates of inflation will impact non-content costs by around £40 million as previously guided although we are looking carefully at further mitigation measures. Exceptional items are expected to reduce again to around £40 million and pension deficit funding returns to a more normal level of £62 million. Now back to Carolyn.

Strategic Update

Carolyn McCall

Chief Executive, ITV plc

Strategic Execution – Phase Two of More Than TV Strategy

Expand Studios

Thanks very much Chris. You will be familiar with this slide which highlights the three key drivers of our business. ITV as you know is a world leading producer and distributor of premium video content with two growth drivers, ITV Studios and M&E digital, and a resilient cash generator in the third in M&E's linear broadcasting. We have a clear vision to be a leader in UK streaming and an expanding force in UK and global content. Our strategy to deliver this is by expanding Studios further, by supercharging streaming and by optimising broadcast. Content is at the very heart of everything we do and being a vertically integrated producer broadcaster and now streamer gives us real competitive advantages. More on that later.

ITV Studios is a Leading, Scaled, Global Content Creator and Distributor

Let us take Studios first. ITV Studios is a scaled, global producer in a large and growing international market. External forecasts estimate that the market will grow 2-3% per year to 2026 and within this streamers will grow much faster at around 5%. ITV is the number one producer in the UK and one of the largest independent producers in the world with over 60 production labels. We are one of the top three international producers in most of the markets that we operate in. This and our global scale gives us access to key content buyers and to

top creative talent in the leading markets around the world. While growth continues at a global level the trends within that vary over time which is why diversification within Studios is such an important element of resilience and success. Additionally in the battle to offer viewers a greater range of content having a huge catalogue of over 90,000 hours has given the ITV Studios distribution team their best year ever.

ITV Studios is Diversified by Genre, Geography and Customer

ITV Studios is unique among production companies in the range of its diversification by genre, by geography and by customer as demonstrated in this slide. This enables ITV Studios to respond to changing viewer and customer needs.

ITV Studios Continues to Attract and Retain Leading Creative Talent

The best content is of course made by the best creative talent and ITV is a very attractive home for talent due to our label structure, our creative culture and the vertical integration with Media & Entertainment. We added to our pool of talent in 2022 by acquiring Plimsoll Productions, as Chris mentioned, and Lingo Pictures and securing the leading producer Ben Stephenson who has now launched Poison Pen Studios his new transatlantic drama label. In previous presentations we have talked about our talent deals with Nicola Shindler and Dominic Treadwell-Collins. They are now extremely well established at ITV and have very strong slates. In 2022 between them they delivered three commissions, *Nolly*, *Holding* and *You & Me*. In 2023 five further commissions are expected to be delivered and there are many more in the pipeline.

ITV Studios has Strong Relationships with a Broad Range of Customers Globally

Diversification also means maintaining a broad range of customers. ITV now sells to over 1,000 customers globally and no external customer makes up more than 5% of its revenue.

Strong and Growing Scripted Pipeline to Capture Global Demand

This slide shows our high quality and growing scripted pipeline. This pipeline enables Studios to capture the increasing demand for drama particularly from streamers. We thought we would go into a bit more depth into how we maximise the value of our content with a case study just to bring it to life.

***Vigil*: A Case Study**

We have chosen *Vigil*, the police procedural set on a nuclear submarine. As this slide illustrates as the creator, owner and distributor ITV Studios can optimise the windowing of its content across different distribution channels and customers. This allows ITV to extend and maximise the global value of its IP. For the initial commission we earn a production fee and through the sale of the international rights to the first window alone we ensured that *Vigil* was profitable before it even went on air. *Vigil* has now sold to over 65 partners over our 157 international territories. The recommission of the programme and subsequent launch of a second series will provide a new sales opportunity as well as driving renewed interest in the relicensing of Series 1.

Strong Track Record for Creating Unscripted Formats that Return and Travel

The unscripted market also remains strong. Given the shorter production cycle and lower relative cost unscripted is particularly attractive to customers when there is pressure on content budgets. ITV Studios is one of the largest distributors of unscripted formats globally

and has an incredibly strong track record for not just creating them but sustaining and growing unscripted formats that can be monetised over many years. We offer customers around the world shows that will gain and retain an audience and who return every year. ITV has sold over 60 different formats in 2022 and like our dramas there is a strong pipeline of programmes to come. As you can see from this slide ITV covers every single stage of the evolution of successful shows from established brands like *The Voice* and *I'm A Celebrity* to next generation formats like *Rat in the Kitchen* and recent launches such as *Loaded in Paradise*.

ITV Studios Strategy Delivering Consistent Revenue Growth

The successful execution of ITV Studios' strategy has resulted in consistent growth. From this strong position we expect ITV Studios to continue to grow ahead of the market over the medium term and to continue to deliver the industry leading margins as we rebuild profitability after Covid.

ITV Studios KPIs

On track to deliver 2026 targets

ITV Studios is well on track to hit all of its 2026 KPI targets. Given the success we have had in growing revenues from streamers, we have also increased our target for them to 30% of total revenue from 25%.

Strategic Execution – Phase Two of More Than TV Strategy

Optimise Broadcast

Now on to our M&E division. As you know this encompasses both streaming and broadcast powered by a single content budget and a very established commercial team. This means viewers can access our content however and whenever they want to watch it, through live linear and on demand streaming and on a multiplicity of devices. We now offer advertisers both mass reach and targeted advertising that they need in their marketing mix to be effective.

ITV is the Largest Commercial Broadcaster in the UK with Unrivalled Audience and Reach

First let us look at broadcast. This slide highlights ITV's unique position as the UK's largest commercial broadcaster with unrivalled audience and reach. Our scale and quality enables us to compete effectively for viewing and command a premium from advertisers. The first pie chart demonstrates our significant share of viewing amongst commercial broadcasters. The second chart shows our USP for delivering mass reach on broadcast TV which is in such a fragmented market, is increasingly scarce and valuable to advertisers. The final chart shows that despite the changes in viewing habits in recent years and the significant growth of the streamers ITV has around the same share of viewing in the UK as all of the streaming services combined.

Linear Remains Resilient

With small decline offset by strong growth in digital revenues between 2018 and 2022

This has ensured that our linear revenues have remained resilient, declining just 1% over the last five years. It demonstrates the unique role that mass reach plays for advertisers in building brands and driving commercial performance. Now, this is backed by evidence from

the US where broadcasters have grown revenue through CPM inflation despite a decline in viewing. This small decline in linear revenues has been more than offset by the 26% growth in digital revenues over that period.

Total UK Advertising Market has Grown by 7% CAGR Over Last Ten Years

Driven by online and expected to continue growing

As the next chart shows the total advertising market has grown in the last decade primarily driven by newer online forms of advertising as shown in the pink. Other traditional advertising media has declined during the same period. However TV advertising revenue including broadcast and video on demand which we call BVOD has grown despite gradual declines in audiences. In the near term whilst the current economic backdrop makes the whole UK ad market challenging, we expect the total market to continue growing driven by online. Importantly ITV is well positioned now to benefit from this growth in online advertising.

Significant Growth in Serviceable Addressable Market

Driven by ITVX and Planet V investment

This chart shows the online video and display advertising market, a subsector of the online and TV markets in the previous slide. In 2018 when ITV Hub was just a catchup service we were only able to compete in the smaller BVOD market. Today with the launch of ITVX and the investments we have made in tech and data to support Planet V we have the foundations in place to take greater share of this BVOD market and also to successfully compete for other online video budgets including platforms such as YouTube. Therefore our serviceable addressable market or SAM has now increased from £400 million to almost £6 billion. While some of the long tail of advertisers within the online video market may be too small for us given the size of their campaigns it does demonstrate the significant opportunity we have.

Strategic Execution – Phase Two of More Than TV Strategy

Supercharge Streaming

Our confidence that we can take share within this online advertising market is based on the fact that we have built a substantial streaming position in the UK now spearheaded by ITVX so here is a brief reminder of the ITVX proposition.

Successful Launch of ITVX Gives ITV a Substantial National Streaming Position

It is ad-funded, free-to-watch. It has over 12,000 hours of high quality content including a weekly original exclusive, one of the largest free film libraries now in the UK, 20 FAST channels and all of ITV's linear channels. It also has a premium subscription tier where consumers can watch all of ITVX content ad-free including BritBox UK and this totals 19,000 hours. In addition we have just agreed a partnership with Studio Canal for an additional 1,000 hours of films and TV series such as *Paddington*, *Apocalypse Now* and *The Deerhunter*. There will be other partnerships to come.

ITVX Successfully Launched in Q4

Strong performance in first two months

Let us now look at how ITVX has performed in its first two months. It has been really positively received by viewers, advertisers and commentators alike. The quotes on this slide from viewers refer to its great layout, ease of use, why they love the content and that they

will be watching more. It is attracting more viewers. 1.5 million new registered users signed up in just the first two months. We have seen a 69% increase in viewing compared to the same period last year. Of course we had the end of the World Cup and *Love Island* during this period but by any measure ITVX has made a very good start. One of ITVX's aims was to attract what we call mainstreamers. Now, these are harder to reach viewers or lighter viewers who are particularly elusive and therefore attractive to advertisers. However, they are familiar with ITV so they have come into ITV in the past. I am please to say that we have seen a 94% increase in consumption by this group and 109% increase amongst 16-34 year olds. What is particularly encouraging is that our viewing data is showing that lighter viewers are coming into watch our exclusive ITVX originals and then they are staying on to explore, discover and watch other content. Now, this will be a continuing focus for us in 2023 and we are constantly saying internally that 2023 is a launch year. Pulling this all together ITVX will continue to give us significant increases in addressable inventory and reach which the commercial team will monetise.

ITV's Competitive Advantages Enable it to Compete and Take Share in Growing Online Advertising Market

Now, I would just like to turn to ITV's competitive advantages. From an advertising perspective we provide a brand-safe and measurable environment. Planet V provides programmatic targeted advertising complemented by the deep relationships our commercial team have with brands and agencies. I am just going to go into that in a bit more detail in the next slides. From a viewer perspective ITV has a track record for commissioning and producing content which appeals to UK audiences, evidenced by over 95% promoted awareness for ITV amongst UK viewers. Being vertically integrated gives ITV access to a fantastic production slate from ITV Studios and provides advertisers with really innovative and quite impactful opportunities to integrate their brands into our shows. All of this is underpinned by 37 million registered users, one of the UK's largest first party datasets which is available to be targeted by advertisers which is very, very valuable in a world of increasing privacy legislation.

Planet V is ITV's Leading Addressable Advertising Platform

A key competitive strength

Planet V underpins ITV's ability to take share in the growing online advertising market. As you know, it is an end-to-end platform which means we control our own sales and our pricing and there is no value leakage to intermediaries. After Google it is now the second-largest video ad tech platform in the UK. Planet V allows advertisers to match their data with ITV data and with third party data to create even more precise audience segments to be targeted on ITVX. Over 90% of ITV's online inventory is booked through Planet V and it is used by all the major agencies.

While ITVX delivers the scale and breadth of [inaudible 31.47] and an addressable audience Planet V enables us to create and deliver unique and effective advertising products which are really valuable for media agencies and advertisers. As this quote says Planet V enables agencies to be better equipped and will further transform their processes by delivering a more streamlined approach to planning and buying. Its many benefits have attracted over 600 new advertisers and helped deliver over 60% growth in digital advertising since its launch in 2020.

ITV Commercial has Three Powerful Propositions

Boots case study

Our unrivalled competitive advantage is our ability to offer advertisers three powerful propositions: mass reach, targeted advertising and creative partnerships. It is a unique proposition in the ad industry. Many advertisers use all three to drive the most effective and impactful advertising and a great example of this is the retailer Boots. Across 2022 Boots ran 14 different linear campaigns increasing their spend year-on-year for products ranging from beauty, healthcare and summer sun care to promotions and Christmas, taking advantage of our unique ability to deliver mass reach to drive awareness and build consideration and positive sentiment for their brands.

Using Planet V Boots have also taken advantage of the full suite of targeting options on offer as well as being a test partner for a number of our ITV ad labs innovations such as data match and weather-based targeting where their hay fever campaign only served consumers when the pollen count hit the appropriate level and their suncream campaign served when the temperature hit a certain level.

Across 2022 we have worked together to build a number of integrated creative partnerships. Boots continued to be a key *Love Island* partner, taking on a full licence agreement with the show that included 12 different Boots products placed in the villa resulting in a 50% uplift of sales as well as branded social content and instore point of purchase activation. As their CMO said, we have a truly multifaceted partnership which is underpinned by relevance, creativity, value and innovation.

M&E KPIs

On track to deliver at least £750 million digital revenues by 2026

I am pleased to say that M&E is on track to deliver its 2026 KPIs. With 18% digital revenue growth this year and the successful launch of ITVX with our planned continuous enhancements in product, content and distribution, we remain confident in delivering at least £750 million of digital revenues by 2026.

Digital Revenues Will Grow to At Least £750 Million by 2026

Now, I just wanted to remind you of a slide that we shared with you at the half year. To deliver £750 million we would expect to see CAGR growth in the mid-teens for digital advertising as we increase our share of the broadcast and online digital advertising market. In the mid-20%s for subscription revenues and in the mid-single digits for other revenues. Our digital revenue target represents a minimum threshold, as we have said. As you can see from the sensitivity analysis if we delivered high-teen CAGR for digital advertising we would grow our digital revenues to £850 million by 2026.

Summary

ITV's unique vertically integrated producer broadcaster and streamer model strongly positions the group to successfully deliver Phase Two of its More Than TV strategy

Now, I hope we have shown you that being a vertically integrated producer broadcaster and streamer gives us a unique set of competitive advantages for both Studios and M&E as we have been talking to you throughout this presentation. It gives ITV group a number of advantages as well. Of course it provides Studios with a base of core commissions, a significant promotional engine for its content. For M&E it secures great content for ITV's

channels and ITVM. Just a recent stat, nearly two-thirds of ITVM's original commissions in 2022 came from ITV Studios. It provides uniquely valuable partnership opportunities, as we have shown, for brands to integrate their marketing into our content and you have seen with Boots and other examples include Ring with *Saturday Night Takeaway*, eBay really successful with *Love Island* and Heineken 0.0 embedded in *Emmerdale* and *Coronation Street*. In a highly competitive industry it really does help attract and retain the best creative talent. For the group it helps deliver growth in both M&E and Studios revenues and profits and it delivers attractive economics.

Repositioning ITV towards the growth drivers of ITV Studios and M&E digital business

Supported by a very cash generative linear broadcaster

ITV has been a business historically dependent on linear advertising and therefore exposed to the cyclical nature of that advertising sector. While mass reach will continue to have an important role in the advertising mix this slide shows the changing revenue profile of ITV since 2018 and what we expect over the next four years. By 2026 we expect around two-thirds of ITV revenues to come from our growth drivers, ITV Studios and M&E digital revenues. We expect to continue to grow the business over this period and beyond with growth in Studios and digital expected to offset any change in linear.

Successful Execution and Significant Strategic Progress in 2022

Creates strong momentum into 2023

As we have said earlier, the macro environment in the UK is uncertain but our key value drivers and strong execution ensure we are very well positioned to deliver phase two of our strategy. We expect group margins to continue to reflect investment but with an increasing offset from higher margin, high growth digital revenues as well as profitable growth in ITV Studios. This will help drive increased profits from the inflection point in 2023. As we have said, we are well on track to deliver all of our KPI targets in 2026 and we will continue to invest to support the strategy and the long term profitability of ITV while delivering returns to shareholders. We have great momentum and a highly, highly motivated team who have executed really well to-date and are very, very focused on the key drivers of value creation. Before we take your questions we have another video highlighting some of the exciting slate of programmes to come this year on ITV, ITVM and from ITV Studios. Please play the video.

Video

You gotta have a vision. You gotta have dreams. You've got me. Are you ready for your destiny? I'm ready. Are you? Action. I'm going for it. What's the worst that can happen? You can do it. Watch me. Bright things ahead darling. Welcome to the south coast. Who do you think's behind the mask? Get me out of here. You could have it all. Tell me what you're feeling. Happy. What a serious line up. What happens next? Life is a big adventure. Who knows where it will lead? This is just the beginning.

Q&A

Tom [Inaudible 40.29] (Citi): Thank you very much for taking the question and thank you for the presentation. The first question I had was I suppose a little conceptual in the sense that obviously the push into digital advertising in particular is proceeding at pace. Historically

we on the sell side and investors have talked to media buyers to try to get a sense of how net advertising revenue trends are developing. I am just wondering as a starting point how valuable we think that process will be going forward. Then specifically when you talk about the outlook for the 1Q and April how do you actually capture growth on digital channels? I presume some of that revenue growth is going to be down to volumes of consumption and streaming hours. I would love just some help with that. Second question briefly on scheduling costs. You brought the number down which makes sense. In the event that advertising ends up better should we just have in the back of our minds that that scheduling cost guidance might reverse and it might move back up again? Those are the two questions.

Carolyn McCall: Tom there is a bit of an echo and I think I have got this right that you are saying is the process by which you glean data on digital advertising the right process? Is that correct or are you asking something more about us?

Question: Apologies about the echo. I was asking how do you factor in the variants in streaming hours into your commentary on the outlook for advertising?

Chris Kennedy: As we said in the presentation the whole purpose of X is to increase the inventory that is available for targeting so that involves increasing the number of streaming hours by increasing dwell time. That gives us the volume and then increasing the number of MAUs which gives us the reach. With that inventory it is the commercial team's job then to maximise that for advertisers and for ITV. There can be quite a complex relationship because certain demographics are much more valuable than others. Also with the beauty of Planet V and the sophistication of that platform Kelly and team can layer in increasingly valuable ad products for advertisers like the weather-targeting, like the data match product. It is not a simple linear view from volume to pounds.

Carolyn McCall: Ad load comes into that as well. We have made a very conscious and concerted effort to reduce the ad load on ITVX because the user experience is better and we have to get that balance right because obviously the ad load decides how much advertising you are going to take and how much money you are going to take. It is a fine balance between multiple factors that we take into account. Does that answer your question Tom?

Question: That is great, yes. Yes, that is perfect. On schedule costs any risk that goes back up?

Carolyn McCall: No, not really. Chris will say and I will say most of that £50 million is amortisation and so therefore we would not see it as something that would recur this year. It is a captured cost.

Chris Kennedy: Yes, the schedule is pretty fixed. It will move around the edges particularly with some sports and particularly dramas depending on when they get dropped on the linear following scheduling on X. However, I think you could say take the £1.3 billion as an effective number for the year regardless of where advertising lands for now.

Carolyn McCall: Tom you did mention the outlook, the advertising outlook for Q1 and April and what I would say on that is it is broadly in line with the TV market so we are not out of synch at all in that. I think the whole TV market has seen the same kind of minus figures. That is just worth noting because it is relevant to us obviously.

Chris Kennedy: Again as we said in the presentation, it is exactly where we thought it would be when we were setting budgets at back end of last year.

Carolyn McCall: Yes.

Question: Very clear, thank you and sorry for the echo on the line.

Carolyn McCall: No, not at all. Thanks very much.

Richard Eary (UBS): Morning everyone.

Carolyn McCall: Morning.

Richard Eary: A couple of questions for myself. Firstly I think Chris on the call you have mentioned something about guidance for the variable cost and the infrastructure cost within M&E. Was I correct that if we bundle those together we are adding £40 million in from inflation and then minus £15 million for the cost synergies? That is the first question. The second thing is on Studios obviously we have had the acquisition of Plimsoll coming through. How does that impact 2023 Studios growth and how should we think the Studios growth grows in 2023 versus the long term guidance of 5%? Then lastly going back to Tom's question on the schedule costs obviously I understand that those are now locked in for 2023 but how do we think about FY 2024 in the view of where the ad market sits? If the ad market still remains pretty weak will we see that number change as we go into FY 2024 to reflect the change in the ad market?

Carolyn McCall: I will take the last one first if that is alright Richard and I will bring Chris in for the cost questions. I think on full year 2024 it is too early really to tell. One of the things we can do without damaging ourselves, we will be very careful about content costs because as I keep saying content is at the very heart of how we monetise everything that we do. We will be very careful about that but it is flexible in that we are able to defer. We are able to do things but that does not mean we necessarily take the cost completely out. We might postpone costs. It really all depends on 2024. It does give us some flexibility though on the bottom line. I think too early yet to give you any guidance on that.

Chris Kennedy: Then Richard on the cost front absolutely inflation of £40 million, pay and energy being the big components of that which we have not been able to offset. However, we have the £15 million coming from the rolling cost saving programme so if you recall we set a target of £100 million of savings between 2018 and 2022. We have delivered £106 million against that. We are now scheduling another £50 million of efficiencies through to 2026 of which £15 million will come through next year. That is on the cost. Then on Plimsoll yes we will get a bit of a tailwind in terms of revenue and profit from Plimsoll. We had half a year of results last year, we have got a full year next year. It is around the edges in terms of the overall growth but it is a positive for us. That long term guidance target of 5% is organic growth. If it is inorganic then you would expect that to be on top. Remember that is average growth over the period to 2026 and we had really good growth in 2022 obviously.

Richard Eary: Chris can I just ask a follow up just on that and how should we think about FY 2023 Studios growth? Have we still got tailwind effects and presumably you have got a lot of decent line of sight and visibility on that number? Is this a 7-8% number or I do not know whether you can comment on that?

Chris Kennedy: As you know we do not give specific guidance on Studios growth but remember that in Q4 we have outperformed where we thought we would be so whilst the absolute value of Studios sales is going to be a significant move ahead in 2023 obviously the percentage is influenced by the fact that it is off a much higher base in 2022 from where we gave guidance.

Carolyn McCall: We took a lot of Q4 deliveries. They all came into Q4 so there is a whole range of them that we could name and that made it a much higher base to work off for this year. However, it is a strong year.

Chris Kennedy: Yes exactly.

Carolyn McCall: Julian is here so he can answer any further questions on how strong a year Studios is having this year.

Chris Kennedy: Yes we are still expecting really good growth off the back of amazing growth in 2022 and we have got a good line of sight onto it as well. I think it is important to say there has been a lot of speculation in the market about streamers slowing their spend and so on but really that market is still very vibrant as you can see from our 2022 numbers and 2023 numbers.

Carolyn McCall: Yes and on that streamers point actually streamers are still spending a load of money and many of them are still spending more year on year. Netflix is maintaining its £17 billion budget. You hear a lot of noise around streamers but actually Apple and Amazon are increasing their budgets year on year so there is a great market. In fact we are so confident about our pipeline to streamers that we have moved our target up to 30% of revenue from streamers. That just gives you an idea of how strong we think this year is.

Richard Eary: Thanks very much.

Carolyn McCall: Okay.

Julien Roch (Barclays): Good morning I have three questions. Following up on the questions we had on content cost when you unveiled your ITVX strategy you said content cost would be £1.35 billion. You are saying [inaudible 51.09] because of amortisation but when asked about next year you said you would be careful with content cost, you had flexibility and it was too early to say. Does that mean that we should forget altogether that £1.35 billion and the new base is £1.3 billion? That is my first question.

Carolyn McCall: It is an easy answer. No, I think you should take the 1.35 as the baseline because that is what we said.

Julien Roch: Okay. Alright. Second question is total viewing hours has declined 2.7% a year since 2015, the first year you gave us the numbers, so from 16.7 billion to 13.8 billion. Can we get the trends in the first two months of full year 2023 and why is that not one of your Media & Entertainment KPIs? I would think that your revenue is driven by the overall number which is a mix of linear and on demand, not only on demand. That is my second question. Then the third one is thank you very much for all the KPIs you have given. The 22% from streamers from ITV Studios is really useful. You also told us it was 13% internal and 9% external. Can we get an indication of the split between internal and external for the 30% full year 2026 target? Thank you.

Chris Kennedy: Okay so content cost as Carolyn said, take the £1.35 billion. The reason there is a small impact of amortisation this year is because we are ramping up content throughout the year. In future years you will have the same falling into the year as is falling out in terms of amortisation. In terms of total viewing that 13.8 billion hours when you look at the most recently available information which is to around mid-Feb for this year those trends are improving and ITV is actually performing better than every other broadcaster and indeed Netflix in terms of total viewing. Very pleased with the performance this year. In terms of the detail of the mix of streamers between internal and external frankly we do not look at it at that level of detail. The whole thing with Studios is it is a portfolio of customers, of genres, of labels so big picture we have got a direction of travel which is to increase the number of scripted hours, retain our amazing position in unscripted and then to increase our proportion of viewing from streamers. The mix between internal and external I think will depend on the market evolving over the next three years.

Julien Roch: Okay, thank you.

Carolyn McCall: Okay.

Matthew Walker (Credit Suisse): Hi Carolyn, hi Chris.

Carolyn McCall: Hi there.

Matthew Walker: Good morning everyone. I have got a few please. I know it is a long way away but maybe if you could think about or quantify the impact of the World Cup in Q4 and when we are thinking about our models should we be planning do you think for TAR to be up in Q4 or still slightly down? I know it depends on the macro but if you could think about the World Cup impact there. The second thing is you have had a really, really strong growth in Studios, to get to the margin of 13% what do you need to do with your cost base? In 2022 you saw the margin increase by about 0.3%. You have to get higher than that in 2023 so maybe some colour around the margin to 13% if that is okay. Then the last question would be on subscriptions. You have deliberately taken a view that you want to push the advertising because that is the primary target for ITVX but in your plan you do have some subscription as well. When can we anticipate a bigger push on subscriptions? Then any final comments on has Netflix and Disney doing advertising had any impact on the ad market?

Carolyn McCall: Okay. We will take this in order then Matthew. I think on the impact of the Rugby World Cup I would like to bring Kelly in here. First we are not going to guide you on TAR for Q4. We just cannot do that because there are a number of other things going on in Q4 including the macro but also we just would not be able to do that. However, we would say that the Rugby World Cup is a big event for us and it always does well. It does particularly well I think, just to remind you, amongst a certain very valuable advertiser demographic. Actually it is usually affluent men of a certain age who have high disposable income. We would expect it to do well for us. Kelly do you want to add some colour on how well the advertising base has taken to that?

Chris Kennedy: It is FIFA World Cup last year versus Rugby World Cup.

Kelly Williams (Managing Director Commercial, ITV plc): The FIFA World Cup if we start with that was probably one of the most successful world cups we have had commercially in its own right. It sat within quite a challenging market so the rest of the TV market was relatively

challenging but the World Cup within it was really, really strong. We were very, very significantly ahead of the market across November and December. I guess the difference between the Football World Cup and the Rugby World Cup is we have it exclusively. We have every live game. It is slightly earlier in the year across September/October. We have already sold the sponsorship to Land Rover Defender and we are in the process of selling packages of air time for the Rugby World Cup at the moment. We have got very, very high hopes that September and October will be strong months and you probably remember that they are against relatively easy comparables year on year. There will be a shift in phasing, shall we say, across the second half of the year between the two quarters.

Carolyn McCall: Yes, thanks Kelly. Chris, Studios margin?

Chris Kennedy: The Studios team are brilliant at innovating and getting efficiencies around production costs so that will be the first place we will look. The team have created these production hubs where we can do several versions of the formats. There is a hub for *Love Island*, there is a hub for *I'm A Celebrity*, so reduces the overall production costs because you have got that fixed cost of the location that we can amortise over more shows. You talked about the fact that we had gone forward 0.3% in 2022 and we need to do more than that in 2023. I think we will also be helped by some of the margin issues last year were caused by productions that believe it or not they started in Covid so they still had those extra Covid protocol costs in there. Increasingly productions delivered in 2023 will have a much smaller proportion of, if any, Covid impact in them. With scale you do get the economies of scale from the business as well. Also GD I think.

Carolyn McCall: GD and GE merging we have announced that so we can say that. Yes, talk about that.

Chris Kennedy: We have merged the unit that delivers finished shows and sells those round the world with the team who sell the formats around the world. They are talking to the same customer. It is two sales teams but they both go in with both the finished tape as we call it and the formats in the bag. They can sell them both to the same customer.

Carolyn McCall: We have merged the teams effectively so we will get quite a lot of efficiencies out of that. Actually it is just more productive to work that way. It is going to be much, much leaner and better. The Studios team are incredibly focused on the margin and they have a clear plan with milestones to get to 13%. We have said we think we will be at the lower end of that 13-15% in 2023 but we are determined to get to 13%.

On subs you are absolutely right Matthew, we have really, really, really concentrated on a successful launch for ITVX. It has gone really, really well. The team have delivered such a great thing really in quite a short space of time relatively speaking. We focus very much on the things like user experience and all of that, personalisation, quite a lot more of that, design and also as I said about how advertising works with the product team. We have been really, really pushing the AVOD side as you have said but we have not ignored subscriptions because we have a very clear target by 2026 to double subscriptions to 2.5 million and that is in the UK alone. It is actually going quite well so we are actually at the moment static because we are transitioning BritBox subscribers into ITVX Premium. BritBox is still there but we have merged the two. You pay £5.99 and you get all of BritBox and you get all of ITVX Premium which means you get everything on ITVX ad-free. We have just signed a deal with Studio

Canal about 1,000 hours of amazing films actually. Really, really strong films just adding to our number one position. We have got the largest base of films now in the country which is fantastic because viewers like watching films. When they come in for something they will browse around and then they will watch a film. It is a really brilliant thing. We have already started on that push you mentioned on subscriptions but our key thing will be to upsell people when we know they are more valuable to us in subscription tier than they are in the AVOD tier. Due to the amount of data we now have in ITVX we are able to do that in a really, really informed way. It is not at all random and so we can say this customer is actually fine where they are in AVOD because they actually watch a lot and they are very good for advertising but actually these people are perhaps lighter viewers of certain shows and we might want to upgrade them to ad-free. You will also see I think other partnerships coming through in the pipeline for that Premium tier.

On Netflix then ad light I think I can just use Barb data because they are on Barb now. What we know from Barb is that the ad light tier has been taken by 600,000 Netflix homes which is very, very low penetration of Netflix homes if you think they are in 16.8 million households. It is very low so they are finding it very difficult to fulfil even the smallest campaign that they have got. They have actually announced that and they are giving money back. It is a low reach high CPM sell totally different to what we do. Totally, totally different. It is just a completely different proposition and a different sell. Our proposition is very compelling to advertisers. We have got these three major things that we can do for clients and agencies. One is mass reach obviously. You know our shows. Even *Vera* which has been a continuing series for, I do not know, I think it is 12 years, nine years, 12 years, is still getting 7-7.5 million viewers. All of the dramas have done really well for us so we have got that mass reach. The only place you can get that is ITV. Now we have got this highly-targeted ability on ITVX with Planet V underpinning that. We have got scale on that. All our shows, even on ITVX will get 100s and 100s of thousands of viewers and we will reach 1-1.5-2 million and more which is very, very different to what the streamers do. Our ability to target and deliver audiences of relevant scale is really strong. Then the third thing we do which is extremely compelling is creative partnerships. Due to the vertically integrated model we can do two lots of those. One is advertisers can get involved right at the start at the inception of programmes or right at the beginning of productions where they can really work with us as to how they are going to partner with us. eBay is a great example on *Love Island*. A really brilliant example of how we have worked with them for the last two years. However, we can also just go and get sponsorship for our programmes from advertisers. We just do not do the same thing as Netflix really and I think we are very, very strong in the ad market for that reason.

Matthew Walker: Okay, thanks a lot.

Omar Sheikh (Morgan Stanley): Good morning everyone. I have got three if I could. Maybe first on ITVX. You have given us an average MAU number for the year. Could you maybe give us an end of year MAU number for 31st December and maybe compare that to what the MAU count was pre the ITVX launch so 8th December? Then do you have a current number? I do not know if it is end of Feb or mid Feb. That would also be helpful. Secondly on advertising you have given guidance for Q1 but could you give us a sense of what you think the market might do in Q1? Whether you are performing above or below the market in

the quarter. Is there a comp effect in April? I do not know if you can just give us what the comp was last year for total advertising revenue in April. Then lastly there were a couple of press articles in the last few months about ITV Studios. Could you maybe just give us the current thinking on would it ever make sense for a structural separation or to sell a minority? Thanks.

Carolyn McCall: Okay. We will not give you the MAU figure for the full year but just be assured that it will be an increase and we know exactly what the target is. You will know that when we do the full year results next year. We are not shy of that, it is just it is a sensitive number because our competitors can work out quite a lot of information from our MAUs. That is the only reason we do not give a full year MAU. On advertising yes on the market we would say that broadly we are exactly the same as the TV market. Everyone has had a weak market in the TV market so broadly in line but I would just stress that this is not something surprising to us. We are bang on where we thought we would be for Q1 and for April. It has not surprised us in a way. Our whole full year is not dislocated as a result of what we have reported in Q1. Do you want to add to that in any way? April comp?

Chris Kennedy: April, looking at it, I am doing it in my head but it looks like up nine last year so 2022 on 2021 so a relatively strong comp to go against.

Carolyn McCall: Then Studios I think we have said very clearly that front of mind for us is shareholder value creation and that the board regularly reviews strategic options. We will continue to do so. We have also been very clear that ITV Studios is not for sale. I hope that answers you question Omar.

Omar Sheikh: Very clear, thank you.

Carolyn McCall: Thank you.

Nizla Naizer (Deutsche Bank): Great thank you, I have two questions from my end. Firstly on the sentiment of the advertisers that you are having conversations with now, you have given us the Q1 outlook and the April outlook but is the sentiment changing on the macroeconomic climate? Are advertisers ready to come back and advertise within the market? Some colour you could [inaudible 1.08.50] that would be fantastic. Secondly on the cannibalisation point that we are sometimes asked about, could you give us some colour as to if we think of the ITX growth in the last couple of months, how much of that has come from linear advertising shifting to your digital channel versus maybe totally new budgets that have come from online video ad budgets by your customers? Some colour there would be great. Yes, thanks.

Carolyn McCall: Okay, thanks. I will just bring Kelly in on the sentiment as well because he talks to advertisers every day. I would just say when we have done together some CMO and CEO dinners they are definitely profit protecting for this quarter because they will have laid down their budgets Q3/Q4 for TV last year but we are definitely hearing more optimism because the economic indicators are better than they were in Q3/Q4. If you remember the news flow last year was very, very gloomy and TV takes time. You have to lay it down. I would just say I think there is a read across because WPP reported very recently and I know a lot of you follow WPP. It was interesting to hear the comment that they have said that TV spend will come back to the pre-pandemic level this year. They have said the reason for that for TV is it is effectiveness in satisfying reach and frequency goals for clients. I thought it was

quite interesting that they are obviously right up there in the top-three of our biggest advertisers in terms of agencies. Kelly would you just add some colour to some of the client comments?

Kelly Williams: I would reiterate what you said in that we expected Q1 to feel like it does at the moment because the economic narrative was so negative at the back end of last year. We are definitely sensing as the economic narrative improves we are definitely starting to sense that advertisers are starting to think more seriously about their investment. I would say they did the minimum of what they needed to do in Q1 and they are now starting to think much more positively. We are getting much more briefs through the door from advertisers from May onwards in particular. Yes, it feels like we thought it would do, that we had very tough comps Q1 and a very negative economic outlook at the end of last year. We are definitely seeing an improvement.

In terms of the question about ITVX revenue working with so many advertisers it is really difficult to see who has moved from linear to digital but I would say that driven by Planet V last year we saw 400 advertisers come onto our digital platform who do not spend anything with us on TV. We are definitely starting to see us making progress in attracting the kind of long tail of advertisers that sit in digital. Equally, major advertisers are moving more towards what they call CTV or VOD advertising because that is the engine growth of TV at the moment.

Carolyn McCall: Yes, there is the advertising and I think if you look at the slide in your packs which is about the serviceable addressable market for ITV as a result of ITVX and the inventory and the underpinning of Planet V which allows it to do so much, we are able to play in a very different market. We were only ever able to do BVOD. I do not know if the slide can actually be put up but it would be quite helpful. In 2018 we had a tiny slither really of where we could go and get VOD advertising which was BVOD which is about £400 million. Now the market that we are able to go after is about £5.8 billion, nearly £6 billion. I think we have just put it up. From an advertising point of view we are expanding our ability to get more revenue. I think from a viewing big picture it is really important to remember this, linear viewing is eroding gradually actually, very gradually. We are still in equivalent share larger as ITV than all the streamers put together and when you think of the competition that we have got in the market for viewing and we would include gaming in competing for attention, we feel we are really holding our own. However the big picture point is that it is really not about cannibalisation. It is really about retaining our viewers and attracting lighter viewers into ITVX who have perhaps gone off to experiment, to try, to see what else is out there because there is a lot else out there. By having ITVX it gives us a much, much better chance to attract viewers in, to retain viewers because if you are watching ITV you are going to watch ITVX but also to get those light viewers who are much more elusive. You have seen the numbers. We have done very, very well on light viewers already and we are going to aim and are really focused on building that. The way we market has changed quite dramatically on light viewers. We are just doing a whole range of different things. For instance, we are on *Fortnight* at the moment as ITVX. That is because we know that there are a lot of people that would not normally view. They would come into ITV for sport for instance but they would not normally come in and browse. That has had a good effect. We have wrapped the IMAX. That got a huge amount of publicity. We have just done a whole load of things. We are using

influencers in a way that we have never done before. We are using a couple of influencers like Ali-A and Vikkstar. You probably have not heard of them but they have got millions and millions of subscribers. We would never have been partnering with that before. That is all about getting light viewers into ITVX. I just think you have to take a big picture of this. Cannibalisation we have to really monitor that from a revenue point of view but actually the CPMs stand up very well on ITVX.

Chris Kennedy: That is absolutely right. I think there has been too much focus on cannibalisation historically. The whole experience from the US is that the networks have absolutely maintained their revenue even as audiences have declined. Actually more precipitously because it is a pay environment there not a free-to-air. Europe has not experienced the same. What we have seen is that CPMs for mass reach do inflate because it is so incredibly valuable and as it grows more scarce advertisers will pay a reasonable amount more each year. Linear will remain really resilient in terms of revenue and we can add all of the targeting from the light viewers and the incredible reach of ITVX. What I find really exciting is that the more ways that you can watch ITV viewing, for instance now ITVX is on Sky Q. As consumer behaviour changes people who would not normally have PVR-d they would have recorded their shows and then watched them back later, we can monetise that. We do not get paid for the ads in that. Those viewers as they change habits will go to ITVX for their on demand viewing. That means we can serve ads to those people. It is 5-6 million households where all of the catchup TV over time will be coming into X. There is just so much opportunity. The same on Virgin. There was a catchup service on Virgin and now you can only watch a catchup for ITV via ITVX on Virgin. That is another three million households that are exploring ITVX. I think there is a huge opportunity and going back to the slide that we showed, that slide 33, you are going from £800 million market that we are playing in to a £5.8 billion market. It is a massive opportunity for us.

Nizla Naizer (Deutsche Bank): Super helpful, thanks.

Carolyn McCall: Thanks.

Julien Roche (Barclays): Yes thank you for taking my follow up question. You have restated the accounting of Studios to remove the unrealised profit in stock adjustment and that has gone from +2 in 2021 to -6 in 2022. When you say you are going to get your 13% margin in 2023 does that include the unrealised profit in stock adjustment? I.e. that is the lower number or you are looking at adjusted EBITA pre the unrealised profit. If it is the higher number can we have an idea of how much unrealised profit in stock adjustment will be in 2023 because we only have two years and +2/-6 means it is impossible to forecast? Thank you.

Chris Kennedy: Yes the short answer is the Studios margin that we declare is before that unrealised profit adjustment. That arises on consolidation of the two businesses. The true margin within Studios you are seeing a true picture of Studios as a standalone business. That number bounces around. Sometimes it is profit, sometimes it is loss. It purely depends on the timing of deliveries both coming into the year as you exit the previous year and as you exit the year that you are in. We do not forecast it because it does bounce around. Historically it has been one or two. This year it happens to be six but there is no particular reason other than the timing of the deliveries.

Julien Roche: Okay so central assumption is mostly flat and therefore it does not make that much difference.

Chris Kennedy: Yes.

Julien Roche: Okay, thank you.

Chris Kennedy: You need to look at it at a group level. It is a group adjustment. It is not a Studios adjustment.

Julien Roche: Okay, thank you.

Carolyn McCall: Okay. Thank you all very much for your questions and see you all soon.

[END OF TRANSCRIPT]