

# **ITV Commercial Investors Seminar**

Thursday, 11<sup>th</sup> November 2021

## Overview

Carolyn McCall

*Chief Executive, ITV*

### Introduction

Good morning everyone and welcome to the ITV Commercial Investors Seminar. This is the first in our series of seminars to provide you with a deeper dive into the business and the delivery of our strategy. Our session today will be followed by ITV Studios on the 9 December and Media and Entertainment in March next year. At the end of today's presentation, there will be plenty of time for your questions, so please just use the dial-in details which were included in our announcement this morning.

I will start with a quick overview of our Q3 trading update which we announced this morning.

### Nine Months' Trading Update

As you will have seen, we delivered a very strong performance over the first nine months with total external revenue up 28% compared to 2020, and up 8% compared to 2019. ITV Studios has maintained really good momentum in the period. It has mitigated many of the challenges of COVID-19 and continues to take advantage of the strong demand for quality content globally.

Total revenue was up 32% in the nine months compared to 2020, and up 6% compared to 2019. There was really good growth across the entire Studios business as we delivered a wide range of scripted and unscripted programmes in the UK and internationally. Revenue from streamers globally is also growing very strongly.

BritBox is making good progress and is on plan in the UK and internationally, having most recently launched successfully in South Africa in August.

Advertising revenues continued their positive trajectory and were up 30% in the nine months compared to 2020, and up 8% compared to 2019. Within that, video on-demand advertising revenues were up 54%. We expect that advertising revenues for the full year will be the highest in ITV's history. It is a remarkable performance despite the lockdown in Q1.

### Planet V

There is, of course, a tailwind from the reopening of the economy and there is a lot of self-help here too, with the delivery of our commercial strategy, particularly the successful rollout of the Planet V platform with its clear drive to digitally targeted advertising. Planet V is already the UK's second largest programmatic video advertising platform after Google. Kelly and the team will take you through this in a lot more detail in a moment.

### AVOD Strategy and ITV Hub

Today's results reflect the growing scale of our digital business and the progress being made from the acceleration of our AVOD strategy and our investment into the ITV Hub, where we are on track to double the number of hours of content on the service this year. At our full-year results we will illustrate this progress with a new set of digital KPIs.

**Producer-Broadcaster Model**

We have continued to strengthen our integrated producer-broadcaster model which gives us a real competitive advantage. Kelly and Simon will talk specifically about how this benefits our commercial strategy, enabling us to bring commercial partners and brands into the heart of our content.

**ESG**

In addition to all of this, our social purpose priorities, which remain central to our strategy, are making good progress. We have recently announced a range of new measures to help us deliver on our climate action commitments, including incorporating the delivery of climate action targets into senior leader bonus payments, linking the delivery of ITV's emission reduction targets to future debt financing, and ensuring all programmes produced and commissioned by ITV from 2021 onwards will go through sustainable certification.

Now, on to Commercial.

**Commercial**

The team has done a really good job in changing how we work and actually also how we recruit. Every person who has joined since 2019, has had to have had some digital experience, for example. They have been relentlessly focussed on delivering their strategic priorities despite the uncertain economic backdrop and in the face of a global pandemic. Today's presentation will bring to life, we hope, the significant progress we have made across addressable advertising, data and technology, and it will show you how this has fundamentally changed the way we engage with our advertisers and our viewers.

In addition, with our new carriage agreements with Virgin and Sky, the ITV Hub platform will be fully integrated on their existing set-top boxes and will be available over their new IP platforms. This will significantly increase our digital addressable inventory and will enable us to deliver linear addressable advertising.

Now, as you know, ITV continues to be the home of mass simultaneous reach – we say it often enough. This is increasingly valuable to advertisers as viewing is becoming more and more fragmented. No other platform can deliver scale in such a brand-safe way, and that continues to be a critical differentiator for advertisers. This revenue stream will undoubtedly continue for years to come. We are now in a position to offer advertisers much, much more.

Of course, having fantastic content is key. We will be increasing our investment in our programme budget next year to around £1.16 billion, which includes the Football World Cup, the FA Cup, and a strong slate of dramas. This will drive both mass audiences and digital viewing.

Last month, Thinkbox, the marketing body for UK commercial broadcasters, completed its annual survey of the industry's most senior media and marketing leaders, and we thought their views would provide some useful context for today's presentation.

Before I hand you over to Kelly and the team, let us see what they have to say.

[VIDEO]

## **A Renaissance in TV Advertising: Rediscovery and Re-Evaluation**

Kelly Williams

*Managing Director, Commercial, ITV*

### **All-Time High Advertising Revenue**

We have been whispering it quietly for a few weeks, but now we can actually say it out loud: 2021 will be a record year for total advertising revenue. As you will have noted from this morning's announcement, we are very confident that ITV will take more advertising revenue this year than in any other year in our history. 2015 was the previous record: £1.85 billion; this year's record will not only beat this number, it will smash it out the park, possibly by over £100 million.

The big question is why? With any big question, there are plenty of opinions. We are part of an industry that is never short of a point of view.

While we work at the coalface, every day we engage with our advertising customers, agencies and advertisers, and every day we analyse the data that only we can access; brand and category spends, linear versus digital expenditure, agency and advertiser feedback. And this is what we think: it is clear that the economic rebound following the pandemic has provided a strong tailwind.

However, what we are witnessing is far greater than an economic rebound. In fact, Mark Read said something similar last week. He described WPP's results as going well beyond a cyclical recovery. However, it does provide a strong platform for what we describe as a renaissance in TV advertising.

### **A Renaissance in TV Advertising**

We are going to share four key reasons driving this renaissance, and because we love the power of alliteration, we have called them the four Rs. The first one is 'Rediscovery' of TV advertising by traditional major TV advertisers. The second is 'Re-evaluation', the flexibility, trust and unique brand building capability TV can offer. The third is 'Revitalisation', demonstrated by the exponential growth of direct-to-consumer and e-commerce brands. And the fourth one is 'Reinvention' through our ever-growing innovation pipeline.

The plan is, I am going to take you through 'Rediscovery' and 'Re-evaluation'. Then I am going to introduce and hand over to some of our senior leadership team. Kate Waters, our Director of Client Strategy and Planning, will cover Revitalisation, and Rhys McLachlan, Director Advanced Advertising, will cover Reinvention.

You are going to hear about we are transforming, building new economic models for advertising and advertisers, working with the likes of ITV AdVentures, ITV Backing Business, our Studio 55 Ventures, and social media platforms such as Twitter. And then Rhys will hand over to Simon Daghish, Deputy MD, who is going to follow-up with a closer look at how we have been building deeper, multi-layered creative partnerships.

### **Rediscovery**

Let us start with the first reason, rediscovery by historical key major TV advertisers, specifically the FMCGs.

These businesses are all about building brands. These businesses are what I would describe as digitally mature; they have built up a good understanding over a number of years of what mediums work, what mediums do not, and how different mediums work together. And you can see the growth in spend on ITV over the last few years across P&G, Unilever and L'Oréal. And you can also see some examples of brands that they have launched over the last 12 months, such as Microban, Grey's and Pukka Tea.

#### *Thinkbox Doughnut Research*

I think one of the most powerful pieces of research that drives this kind of behaviour is the annual Thinkbox doughnut research. Yes, ladies and gentlemen, the doughnut research. It may have a silly name but, my goodness, it delivers a serious message.

Every year, they track viewing to all video – not TV set viewing but all video, regardless of device. And here is the latest data for 2020. The outer doughnut is all individuals, the inner one is 16-34 year-olds. Unsurprisingly, if any of you have got kids, you will have seen TikTok has come from nowhere to account for 3.5% of viewing, 9% of 16-34 year-old viewing. YouTube grew again. Facebook is remarkably small, there is not much video that is consumed on the platform. Cinema saw a dramatic decline. The SVODs grew. However, TV remains the dominant platform for video viewing.

However, this measures total viewing to each platform. What advertisers are interested in is viewing to video advertising, and here is the powerful insight. When you convert total viewing into actual viewing of advertising it demonstrates a compelling reason for TV's renaissance. Take out the BBC and the SVODs that do not carry advertising, plus the fact that many ads are skipped or scrolled through on digital platforms, TV – live, linear and streamed – accounts for over 90% of viewing to video advertising and nearly 80% for 16-34s. So that is reason number one: Rediscovery.

#### **Re-Evaluation**

The second 'R' is re-evaluation of TV, by many advertisers, in particular, on the back of the flexibility, value, trust and brand building capabilities TV offered in particular during the pandemic. We introduced significantly more flexibility around booking deadlines during the pandemic to support our customers, and that flexibility has remained. Advertisers used to be charged a price penalty if they booked later than eight weeks before the month of transmission. We now have no penalties right up to the month of transmission, and this has driven revenue into TV and will be a permanent change.

A number of advertisers try TV for the first time, or came back to TV during the pandemic, taking advantage of the significant deflation in our price, particularly in Q2 last year. What is interesting is they came in for the value, but they have stayed for the results. Here are some examples.

The pandemic also shone a light on the needs for brands to be trusted, to demonstrate their credentials around purpose, responsibility and sustainability. Many have reassessed the benefits of brand building versus performance marketing. TV is the most trusted brand-safe, fraud-free medium. Many advertisers were forced to dial down or turn off some media channels because of the lockdowns and changing consumer habits such as avoiding city centres. However, interestingly, this has effectively forced brands into carrying out some proper A/B testing that has proven the efficacy of their ad spend.

*TV delivers results*

I should add another 'R' here, which is TV delivers results. Brands can even see TV advertising working as they invest in the medium. We met with an online retail advertiser just last week who spoke passionately about how it was so important to build his brand, his key message was that brands have to differentiate themselves, otherwise, they are just a commodity. And if you do so successfully, you should not need to spend a fortune on paid search – that is what he learned during the pandemic.

Re-evaluation is our second reason – flexibility, a trusted environment, brand building capabilities.

Kate will now take us from here.

## **A Renaissance in TV Advertising: Revitalisation**

Kate Waters

*Director Client Strategy and Planning, ITV*

I get to talk about the third 'R', Revitalisation, or more precisely, revitalisation of our customer base.

### **More E-commerce and D2C Brands on-air**

The first and most obvious way in which we have seen this revitalisation is in a number of new-to-TV brands coming on-air and within this, the presence of many e-commerce and D2C, meaning direct-to-consumer, brands.

Just looking at linear revenues, since Rhys will come on to talk about the ITV Hub later, so far this year, over 300 brands have started advertising with ITV, bringing in revenues of over £40 million. Many of these first time advertisers are companies that have built themselves up through highly targeted performance advertising, using Facebook and Google to demonstrate to their private equity or VC backers that they have a viable product that can attract some customers. However, what they then discover is that paid social and search can only take them so far. If they are really ready to scale, they need TV. Because they know that only TV can help them reach the biggest audiences, build the most famous brands, and create the consumer trust they need to steal customers from those more established brands.

From fitness to coffee to fashion to pet food to mortgages, our client base is being revitalised with new, hunger entrepreneurial brands with big ambitions. How many of these have you heard of? Some probably, but almost certainly not all of them, and that of course is the point; they are small but they are growing, and some of them, thanks in part to TV advertising, will be the household names of tomorrow.

And as an interesting aside, note too the number of business-to-business brands like Squarespace and GoDaddy. These are not what you might think of as being classic TV advertisers, but despite having smaller and more discrete target audiences, TV can still provide them with a cost-effective reach and trusted environment that they need to drive their growth.

## **Disruptors are revitalising the Entire Advertising Sector**

And these disrupters are not just revitalising TV by bringing their own advertising budgets, they are also revitalising the entire sector. They are a few like the D2C Davids taking on the advertising Goliaths, and these battles of course are playing out on our screen to our benefit, driving competition similar to the way in which price comparison sites did 15 years ago. But this time it is happening across multiple categories – from banking to food delivery to travel to cars to mini boxes. Now, I do not know about you, but my mid-week dinners have perked up just a little bit since the arrival of Mindful Chef, Hello Fresh and Gusto. And who would have predicted that you would be able to choose to buy your new car online through Motorway or Cinch or Cazoo rather than run the gauntlet of car dealership forecourts.

How does all of this transform into revenues? Let us take the car market as an example.

### *Automotive sector*

We have seen that new brands spend close to £34 million on TV in just the nine months of this year. That is an increase of over 250% versus the same period in 2019, and an increase of over 300% for ITV. What is more, overall, the value of the total automotive sector to ITV has grown by 11% versus 2019. Looked at another way, in the first three quarters of 2019, these new brands accounted for about 6% of revenues in the automotive sector. So far, this year, they account for nearly a quarter.

### *Food delivery sector*

Turning now to the food delivery sector, we have seen £37 million coming on to TV from the online brands in the first three quarters of this year; that is an increase of nearly 150% versus 2019. And for ITV, this represents an increase of over 200% over the same period from those brands, meaning, that new brands now account for nearly half of our revenues from the food delivery sector, up from only one-fifth in 2019. Overall, this growth has increased the total value of the food delivery sector for ITV by nearly 40% versus 2019.

Now, what both of these examples indicate is that we are taking a bigger slice of the pie from these digital and D2C brand than the market overall, which we believe is a sign of our efforts to engage early and quickly with these growing brands to help them unlock the power of TV advertising. As Darren Bentley, Chief Customer Officer of Cazoo puts it, 'TV advertising is a critical part of our marketing strategy. By investing heavily in TV right now, we can grow brand awareness and trust quickly, generate significant short-term sales and know that the business will also reap the longer term benefits that only TV advertising provides.'

And for the brands that have revitalised TV advertising, we have revitalised our proposition for them.

## **ITV AdVentures**

As Kelly referenced earlier, we are opening up a new revenue stream through ITV AdVentures or ITV Ad-Ventures – see what we did there – and it includes two propositions; a media-for-equity scheme which sees us take an equity stake in new scale-up brands in return for a significant media investment, which we know will turbocharge their growth. So far, we have partnered with SPOKE Menswear, what3words, Feel, a D2C vegan vitamins company, and IsMyBillFair. This is, if you like, a signal of ITV investing in our own future. These brands know the power of TV advertising to build their businesses, and we do too. Taking an equity stake

in them in return for media is a strategy that will generate significant returns for ITV in the future.

At the opposite end of the spectrum, we offer D2C businesses who just want to test TV, a second proposition. The aim is very simply to get these businesses hooked on TV advertising by match funding an initial small investment in media, helping them make a good ad, and offering them a team to support them on campaign planning, measurement and evaluation.

#### *NatWest*

One very recent and really exciting development in this area is the partnership we have created with NatWest. NatWest is obviously a large and sophisticated advertiser, but they have thousands of small- and medium-sized businesses that with financial support and good advertising, could grow and scale.

We partnered with NatWest to create a joint initiative that includes business finance, training and a ring-fenced advertising fund for their business customers. The partnership is co-branded NatWest and ITV Backing Business and is advertised on-air with ITV daytime star Alison Hammond acting as an intern and meeting some NatWest business customers to learn more about how this unique partnership can support the growth of some of the UK's most exciting and progressive businesses. Here is a taster of the campaign.

[VIDEO STARTS]

**Alison Hammond:** *I am Alison Hammond and I am on my way to be an intern at Miss Macaroon, but these are not your ordinary macaroons.*

**Rosie:** *I'm Rosie.*

**Alison Hammond:** *Hi, Rosie.*

**Rosie:** *Busy day today, lots of jobs. First one is to [inaudible] Chef Wright[?]. We always wear our jackets first, inside-out. Wash our hands. That's it.*

**Alison Hammond:** *Oh, it's cold in here. I'm shaking.*

**Rosie:** *Your hairnet keeps coming out. You just go out there and just [inaudible]. You're going to start with making ganache. Please ensure it doesn't boil over.*

**Alison Hammond:** *I'm sorry, I'm dripping everywhere.*

**Rosie:** *There's probably only about seven that we can use.*

**Alison Hammond:** *I'm absolutely devastated.*

**Rosie:** *We match them all together, so that we get a perfect match.*

**Alison Hammond:** *That's perfect. Spot on.*

**Rosie:** *Spot on.*

**Alison Hammond:** *So why macaroons?*

**Rosie:** *One of my close family members was in care when he was a young kid, so I wanted to provide opportunities for young people who might have mental health issues or have been in touch with the criminal justice system. We wanted to grow the business, so I joined the NatWest Accelerator Programme and we grew. And they've been supporting us ever since.*



**Speaker:** *Living with a disability you feel like you can't really go out and do certain things. Being on here, has given me that light.*

**Rosie:** *It's completely changed my life.*

**Speaker:** *Remove the box like that.*

**Alison Hammond:** *That is good packaging. Do you know what, I'm a little lost for words. What Rose is doing in there, is literally changing lives and she deserves massive respect for that. If you fancy support with your business from NatWest, or if you want some help with advertising from ITV search 'NatWest backing business' and get in touch.*

[VIDEO ENDS]

This is a unique partnership within the TV world, living both on- and off-screen. As Marg Jobling, NatWest Group Chief Marketing Officer said, 'At NatWest, we know well the power of TV advertising to build our brand and our business. We're delighted to work with ITV to create a partnership that helps some of the UK's most progressive and innovative entrepreneurs discover this for themselves, as well as access the financial support and training they need to grow.'

We believe this model can be the blueprint for further collaborations between ITV and other complementary businesses aimed at driving revitalisation.

### **Revitalised Tools for Advertisers**

Finally, on this theme, we have revitalised the tools we offer our advertisers. They increasingly want faster and more transparent reporting, and faster and more robust ways to see the impact of their TV spend. But this is not easy when TV can work in complex and sometimes quite subtle ways. Thus, we are developing a range of tools to help all our advertisers with these challenges; from piloting a tool that lets advertisers monitor their TV share of voice and see how they stack up against their competitors, to a geo-testing toolkit deliberately designed for frictionless integration with all the widgets they know and love from the likes of Google and Facebook. These are services that we hope advertisers will come to rely on, further deepening our relationships with our advertising partners.

So there we have four ways that we are seeing the revitalisation of our TV customer base.

- One, the growth of new D2C and digital natives as advertisers.
- Two, the ability of those D2C advertisers to revitalise existing incumbents by creating new competitive markets.
- Thirdly, innovative partnerships with brands like NatWest that amplify the process of revitalisation by supporting more D2Cs.
- And finally, the revitalisation of the tools we provide to them, to enhance the value they get from their relationship with ITV.

The terms 'tools' and 'toolkits' are in and of themselves a very modern take on television advertising. So now over to Rhys, who will speak in more detail about how we are effectively retooling all of ITV's advertising solutions.

## **A Renaissance in TV Advertising: Reinvention**

Rhys McLachlan

*Director, Advanced Advertising, ITV*

Thank you, Kate. And so to the final 'R', arguably the most important one, as it will drive our future growth. Let us talk about the reinvention of TV advertising. Reinvention – and this is not shrinking violet aspiration, as we enter and are shaping a new era of advanced addressable advertising capabilities.

In our journey to modernise and reinvent our advertising products, we have developed the strategic, technical and operational capacity to deliver a market-defining commercial proposition. One that not only establishes a leadership position within the UK TV market, but, more importantly, also enables us to compete on a level footing with the larger US tech businesses seeking to eat our lunch.

### **Two Core Complementary Sells**

As we evaluate our future path, it is clear that our commercial strategy will be based on two core complementary sells: a mass-reach sell and a targeted addressable sell. Increasingly, savvy advertisers are buying a combination of the two, using linear to drive awareness and brand fame, and then augmenting these campaigns with addressable to extend reach from their linear campaigns and to deliver more tailored advertising messages to tactically targeted audiences. We are compiling an ever-increasing body of evidence that a balanced combination of these two has a material impact on business outcomes.

#### *Addressable advertising*

Addressable advertising is now a consistently growing line of business for ITV. Over the last few years, we have seen significant growth in audiences, registered users and revenue on the ITV Hub. And the evolution of our streaming strategy will supercharge the supply of addressable impressions. In particular, it will increase the supply of impressions amongst underserved segments, primarily, lighter viewing younger audiences.

### **Planet V**

As you may know, to capitalise on the increased volumes of ITV Hub viewing, we have built and rolled out Planet V, a self-serve programmatic platform for agencies and advertisers. Planet V changes the game, and it is indicative of the speed of ITV's commercial reinvention.

In October 2020, ITV had zero programmatic presence. 12 months later, we own and operate the second largest programmatic video platform in the UK – only Google sits ahead of us. Planet V is programmatic on our terms, with our commercial sovereignty and franchised as a core principle. And it is a game-changer not only for ITV but for the entire TV market.

Planet V has been pivotal in the growth of our AVOD revenue. It democratises and simplifies the buying process. Buyers have full access to our high-quality content, registration and viewing data and in totality, it provides access to over 10,000 data points for targeting.

We have now deployed Planet V to all major agency groups, to the larger independents, regional agencies, and to in-house advertiser media teams. In terms of the numbers that matters, here are the ones to jot down in your notebooks. We have trained and on-boarded in excess of 850 users across 201 agencies and buying points, and have booked more than

5,000 campaigns across 900 advertisers. In any given month, more than 90% of ITV's inventory is booked through this new platform. We are on track to migrate a third agency group to 100% self-service by the end of this quarter. And last month, 75% of all booking were placed via the self-service process. We've normalised Planet V as an everyday workflow for buyers; it is starting to become a daily habit.

Planet V has been revelatory in attracting new clients to ITV. We have empowered ourselves to compete for new brands and the long tail of advertisers that global platforms have been successful at attracting. Some more stats for you: by the end of Q3 this year, we had run 320 campaigns on Planet V from advertisers who were completely new to ITV. Compare that to 2020, during which we ran 200 new-to-AVOD campaigns, so we are already 60% up, with a final quarter still to go.

#### *InfoSum*

Planet V's success is built on two foundational elements: the UK's best video content and audience targeting built from our 34 million registered ITV Hub users. To turbocharge our audience-targeting and data offering, in late 2020, we made an investment in InfoSum, the data management platform with privacy at its core. For those unfamiliar, here is a quick refresher.

InfoSum provides a solution that enables ITV and advertisers to securely match consented IDs by a bespoke bunker facility. This match creates a common view of the customer that is then exported as a target audience for planning and buying in Planet V. InfoSum's USP is that you can create commercial utility in the dataset with neither party being exposed to the other party's personally identifiable information. This means that the entire process is GDPR compliant. The solution is ground-breaking and you may have seen press regarding the recent investment which puts them well on the path to unicorn status.

#### *Data Match*

We have been running a discrete commercial pilot programme for our InfoSum-powered Data Match product across 2021. We have worked with strategic advertiser partners across a number of key categories. The early results have been very positive with indicative ROIs of nearly £2.50 for every £1.00 spent from the bespoke Data Match audiences. In 2022, we will be automating and scaling Data Match as an always-on product feature available for our Planet V users. We have got a queue of blue chip advertiser demand for the product and we are really excited about the potential.

While we have been publicly focussed on the rollout of Planet V and the Data Match pilot, we have also been busy in the background building a pipeline of innovative advertising products. These are now moving out of internal testing and into production this quarter. Here is a great example.

#### *Collaboration with Cablato to create Dynamic Creative*

We are working with technology specialist Cablato on a Dynamic Creative product. Cablato's feature allows advertisers to dynamically tailor creative treatments according to any number of data signals used for targeting in Planet V. For example, for the auto sector, the featured product can be tailored to a range of different audiences or life stages. In this example, Porsche can book a single campaign with a single ad creative whereby I, a sensible family man, would see a text overlay or in-frame embellishing the car's luggage capacity; my

irascible colleague Simon would be served an ad accentuating the 0-60 acceleration performance. You will meet Simon in a moment.

The geo-specific use case such as where a retailer can adjust copy to be drive-time specific based on postcode targeting to drive store footfall, is a rich territory for us to explore.

The product went live yesterday with the Army using 112 iterations on end frames to be day-of-week relevant and to highlight the local proximity of its extensive network of Army reserve centres.

In addition to adding value to our existing customer base, Dynamic Creative will also open ITV up for the long tail of local advertisers who have traditionally struggled with perceived wastage account of ITV's large regional broadcast footprint. Dynamic Creative's agile principles are manifested as TV advertising – this is probably not the ITV you are used to.

#### *Weather targeting product*

In addition to Dynamic Creative, last month, we released a real-time weather targeting product. Using real-time data ingestion, this product enables drinks brands, DIY, grocers, online takeaways, hay fever remedies, etcetera, to dynamically capitalise on sudden changes in weather patterns such as rain, temperature or pollen count.

#### *Progress in AI and machine learning*

Heading further into my laboratory, we are really excited about our progress in AI and machine learning. This has been instrumental in the development of a ground-breaking hyper-contextual targeting solution – this is deeply nerdy stuff. A revolutionary product which scans and interprets content metadata and allows Planet V advertisers to use sentiment targeting, which in real-time evaluates and categorises moods, moments and even objects in our TV shows and ITV Hub. We will be able to offer advertisers the opportunity to target happy or sad moments, or when a mealtime is in a scene, and even whether a burger or pizza is on the table, or when a mobile phone is used by a character. We have been consulting with some of our largest advertising partners around the shape and design of the commercial pilot later this autumn. It really is ground-breaking stuff.

#### *CFlight measurement*

As it relates to the reinvention of measurement, after months of in-depth workshops and collaboration with Sky and Channel 4, CFlight measurement finally goes live next month. We are delighted, and are working with counterparts of the other broadcasters, we have been able to align on standards and methodology that definitively measure the dedicated reach of campaigns across both linear and digital video. This initiative, which has been a long time in development, will accurately measure contemporary viewing habits across the highest quality broadcaster content and it will raise the bar for modern video measurement, rooted in the gold standard practices that clients have been accustomed to from TV.

#### *Partnerships with Sky and Virgin*

Lastly, we have recently finalised details of our market-defining carriage partnerships with both Sky and Virgin. From a commercial aspect, there are two critical components to the deal that represent huge opportunities for our growth. ITV Hub will be embedded into both platforms as a native player. This is significant as it provides us with the technical

independence to monetise our VOD on their platform and it opens up a large swath of addressable viewing which we previously could not access.

We have also agreed relevant technical and data terms for linear addressable on ITV channels on both platforms. Unlocking this inventory pool as addressable-enabled will be a step-change in the profile of our commercial offering, and will create even greater scale and delivery dexterity for those clients holistically planning and buying across both mass reach and addressable campaigns with ITV.

## **Summary**

Let us recap on the fourth 'R', reinvention.

In the last 12 months, we have released and normalised Planet V for addressable advertisers for all our customers, both large and small.

We have invested in, developed and deployed a market-leading Data Match solution via InfoSum. We are piloting cutting-edge technology solutions to drive advertising innovation and we have established forward-looking distribution deals that will significantly scale our addressable audience footprint.

With CFlight, we have collaborated with the broadcaster community to finally solve for the multichannel measurement challenge.

And that is just 2021's highlight from the extensive menu of progressive advertising developments that we are delivering for our customers. This truly is advertising reimaged.

Here are the four Rs which have underpinned the huge renaissance of TV advertising: rediscovery, re-evaluation, revitalisation and reinvention. However, as we unpack our story, it would be reductive of us to only focus on the four Rs. We have not exactly been laggards in the creative space either. We picked up five golds at the Media Week Awards this month, including the Grand Prix.

Here is my colleague Simon DGLISH to open the bonnet on how we re-engineered our content partnerships for even more success.

## **Content Partnerships Re-Engineered**

Simon DGLISH

*Deputy Managing Director, Commercial, ITV*

Thank you, Rhys. ITV's strong position helps us generate more money per user or viewer than most of our competitors. However, one of the most important capabilities ITV has is derived from our unique position as both a producer and a broadcaster. This unique position gives us ownership of our show, IP (that is the intellectual property) and direct access to our show producers. It gives us a competitive edge in four key areas.

- Number one, building more effective campaigns with clients.
- Number two, providing additional revenue streams.
- Number three, build stronger and longer-term client engagement.
- And fourthly, provides additional programme marketing primarily through the client's own communication channels, such as on-pack and in-store.

Bearing this advantage in mind, we are maximising our revenue using two distinct approaches: horizontal integration and vertical integration.

### **Horizontal Integration: M&S Food**

Horizontal integration is where we take a single advertiser and embed them into the show using the show and sponsorship IP, product placement, talent, branded content, in-store promotion and, of course, product development. M&S Food is a good example of horizontal integration.

#### *Britain's Got Talent*

Our relationship started with an integrated sponsorship across *Britain's Got Talent* and developed further into a bespoke joint-branded ITV M&S airtime campaign. And most recently, we produced together a successful prime time format which became an audience hit, winning its slot.

But back in 2019, we worked closely with the new marketing team at M&S to bring together a partnership on *Britain's Got Talent*, which enabled M&S to showcase the wide range of everyday foods available to the biggest possible audience. Partnering with *Britain's Got Talent* redeveloped an all-encompassing campaign using IP, talent, bespoke airtime, in-store promotion. All the judges voiced over the items for the show and the airtime, and each judge chose their favourite food which was promoted in-store, as well as a Saturday night food offer with *BGT* branding for all of the family.

#### *Fresh Market Update*

The success of combining IP and talent around *BGT* led us to the next stage of promoting Marks and Spencer's fresh food offering. Linking up with ITV creative, production, ITV IP, talent, specific airtime, we produced the most successful airtime campaign of M&S' recent history. *Fresh Market Update* starred Lucy Verasamy, the ITV weather presenter, and M&S chef Chris Baber, travelling around the country and looking at the provenance of M&S Fresh Food; everything from pork chops to raspberries. Each week, we featured a different product, meeting the farmers, looking at recipes and talking about the quality needed to become an M&S food product. We scheduled airtime like programming at the same time every day, just after the early evening news, when our research showed us people were most likely to either be talking about food or eating it.

#### *Cooking with the Stars*

Using a client's IP was proving very successful, so we embarked on a jointly developed new show largely funded by M&S called *Cooking with the Stars*. Produced by South Shore, an ITV-owned company, it won its 21.00 slot. *Cooking with the Stars* features celebrities cooking against each other, judged by famous chefs but, crucially, only using M&S ingredients. IP-branded airtime around the show promoted the ingredients in the show. And widening the audience reach, each chef and celebrity activated their social media channels to promote their recipes and the ingredients. In-store the morning after each show, M&S heavily promoted both the ingredients and the recipes using show IP as well as a ready meal for those less likely to cook. M&S also produced a new range of *Cooking with the Stars* spices and specialities, as well as cooking utensils and cooking apparel.

### *Extra Helpings*

South Shore went on to produce a second shorter show, *Extra Helpings*, hosted by YouTube stars Woody & Kleiny but based around the *Cooking with the Stars* talent and studio set was used for both social media and of course the ITV Hub. This horizontal approach has also the benefit of generating additional income for ITV Studios, ITV Creative and Commercial across our partnerships, airtime, product placement and licensing. As M&S would say, this is just not advertising, this is ITV advertising.

### **Vertical Integration**

The second approach to generate additional revenue is vertical integration. Vertical integration is where we take a single programme's multiple assets and align them to brands. In short, a show has multiple partners across different vertical strands of the show. *Love Island* with its ten partners is the most obvious and probably the most publicly celebrated example. However, this approach which is unique to ITV has been developed across multiple programmes as wide-ranging as *This Morning* all the way through to *Coronation Street*.

Whilst *This Morning* has an overall sponsor in Arnold Clark for the next three years, the show has multiple strands that run through it, allowing us to sell discrete partnerships and generate additional revenue. We currently have six partners on the show, which has lifted our revenue by 65% year-on-year, but for the sake of today and time, I will talk through four.

#### *Weight Watchers*

WW, formerly known as Weight Watchers, have built a wellness partnership by taking features such as eating well, exercise, mental health and well-being from the show and making them into branded content. To create additional airtime – Hub, social and YouTube content – WW have also taken the *This Morning* sofa on location to interview successful WW customers.

#### *Estee Lauder*

Our first bespoke work with Estee Lauder has resulted in the creation of the beauty section. Combining of *This Morning* beauty experts and *This Morning* license, Estee Lauder launched a series of co-branded airtime across daytime ITV and the Hub.

#### *Lloyds Bank*

In the new year, Lloyds Bank will become the *This Morning* finance partner which will be kicked off by Phil Schofield interviewing Jo Harris, MD of Lloyds Bank, on key family moments which affect your finances, creating additional *This Morning* Lloyds Bank content for the Hub, social media and, of course, Lloyds Bank's own distribution.

#### *Volatorol*

And finally, Volatorol. Voltarol became the show's fitness partner, encouraging viewers to become more active and avoid joint pain. Using the license and the *This Morning* production team, we created an ad series called *The Joy of Movement* around the show highlighting the benefits of movement.

#### *Coronation Street*

However, it is not just talk shows or reality where we are able to build multiple partnerships. We are expanding this approach across all of our programming, for instance, our soaps, both *Coronation Street* and *Emmerdale*. When a new street was created on the set of *Coronation*

*Street*, we worked with the production team to build Costa Coffee and Co-Op shopfronts, in turn creating the biggest product placement deals in UK TV history. We have further expanded that relationship with the Co-Op, and now produce a Co-Op branded beer, 'R Ale' with 90,000 bottles currently in production.

When the storyline for the sale of The Rovers in *Corrie* was discussed, we approached Purplebricks, the online estate agent. Using PP as the vehicle, the sale was announced on air with a Purplebricks sign outside The Rovers. However, Purplebricks went further and using the license listed the sale online with spoof details in sites, creating a social media storm.

### **Studio 55 Ventures – Metavision**

We are constantly looking for new opportunities to expand our ability to offer clients new routes to market. Third-party partnerships are a key area we are looking at. Recently, ITV Studio 55 Ventures have made an investment in a company called Metavision. Metavision creates experiences in the Metaverse such as Fortnite and Roblox, and this allows us to take the client and show IP into a world where younger audiences live.

For example, this year, we have been working with John Lewis and their Christmas campaign. The campaign features a spaceship crashing to Earth. To bring this to life around the launch, we have created a castle coin challenge in *I'm a Celebrity* where camp mates have to fix a spaceship to win credits for the camp. Working with Metavision, we created the same challenge to win John Lewis prizes in the Metaverse.

#### *Love Island*

We are also bridging the gap between on-air and purchase. Although currently in beta, we have tested our shoppable product in *Love Island* with Boots. Working with Boots cosmetic team, we built a look for each islander. And when the islander appeared on-screen, a side panel on LG TVs would allow you to buy the cosmetics the islander was wearing directly from Boots with a simple click of your remote. Whilst this was a technical test, it showed what we can do and we are exploring the possibilities with clients for next year.

Social media also plays an important part in our shows and we are in constant conversation with social media companies on how to exploit the direct link between what you see on-air and what appears in the social media universe. We are currently developing a new commercial model with Twitter. Taking popular clips from shows and using Twitter as a distribution platform, we are able to offer advertisers extended reach around quality and relevant content. This has proved popular and has doubled in revenue year-on-year.

As mentioned at the start of this piece, ITV has big ambitions to continue to expedite growth from our unique position as a producer-broadcaster and to use this position to continue to build strong and influential relationships with our clients in areas that just simply are not open to our competitors. And to bring this to life, we pulled together a short VT.

[START OF VIDEO]

*Roll the titles. Hang on a minute, this is Coronation Street.*

*Am I the luckiest?*

*Can you explain properly?*

*The M&S brings you a talent bonanza.*



*This is just going to be perfect for my M&S king cherry French toast.*

*It's a win-win.*

*Welcome to Cooking with the Stars.*

*You hit this out of the ballpark.*

*Get me one.*

*Nice to see a smile.*

*You might have the right idea.*

*So, flipping heck, is that what I think it is?*

*Different[?] works on the cobbles.*

*That was hot.*

*I have the Boots Micellar Water.*

*Couple up your Love Island with WKD.*

*Up next on ITV, we hear how eBay is supporting local businesses.*

*Enter now for the chance to win business support including your own TV ad.*

*WW sponsors This Morning fit.*

*Hello Volkswagen.*

*Beat that.*

*Fit for a king that.*

*Orgasmic.*

*Nailed it.*

*Allow me.*

[END OF VIDEO]

## **Future Plans for Reinvention of Advertising**

### **Kate Waters**

*Director, Client Strategy and Planning, ITV*

Just one more point we want to briefly touch on before Kelly summarises our overall approach for you. We wanted to give you a preview of the ambitious plans we have to continue the reinvention of TV advertising.

At the moment, we monetise the eyeballs that we can push in front of an advert. But what if we could understand not just far more about who those eyeballs belong to, but what that individual is likely to do as a result of viewing an advertising campaign? We are investing in a programme of innovation and research to help us do exactly that, so that in three years' time, we will be able to predict the outcomes that are likely to result from any advertising campaign.

Let us imagine it was for SPOKE, the online menswear brand that was our first media-for-equity partner. We would be able to predict the uplift in traffic to their site; the impact on their brand metrics like awareness or consideration; the way in which TV fuelled their performance in Google auctions or drove conversions through their search channels; and critically, all those extra pairs of trousers they should expect to sell. Being able to do this, will greatly enhance our understanding of the value that TV advertising creates for our customers, enabling us and them to plan and optimise campaigns more efficiently and effectively. But most excitingly, it also opens the door to constructing a new commercial proposition where ultimately, we will be able to link advertising investment to business outcomes.

Here is Kelly to bring us to a close.

## Closing Remarks

Kelly Williams

*Managing Director, Commercial, ITV*

Thank you, Kate. In the Commercial team, we see ourselves very much as an advertising business; an advertising business that is transitioning from being a very powerful mass-reach marketing platform just a few years ago, into a multi-dimensional, digitally-led, data-driven creative partner.

Our commercial strategy brings together the best of all advertising propositions; our unique ability to deliver trusted brand-safe mass reach, combined with a targeted addressable advertising proposition, driven by first-party data and our developing, market-defining programmatic platform, Planet V. Whilst at the same time, building multi-layered creative partnerships using our unique position as an integrated producer-broadcaster. And as Kate indicated a moment ago, we will continue to develop and enhance this proposition over the next few years with an even more sophisticated outcome-based sell. It is exciting, it is complex, but that is how transformation looks and feels. And it is no accident we are delivering the best revenue performance in ITV's history. It is the culmination of three years working hard to implement our commercial More Than TV strategy.

Predicting the future is always difficult, if not impossible. This time last year, who could possibly have predicted that the two biggest TV shows in the world this year would come out of South Korea, *Squid Game* and ITV's *The Masked Singer*. Who would have predicted that Harry and Meghan would do that interview? That the US Capitol building would be stormed by an angry mob? That England would have reached the final of the EURO? That a British unknown, unseeded 18-year-old A-level student would win a Tennis Grand Slam? However, whatever happens next year and the years beyond, I can absolutely guarantee it will be on the telly and that is why TV will continue to be essential for advertisers.

Thank you for listening. I am now going to bring the team together to answer any questions that you may have.

## Q&A

**Julien Roch (Barclays):** Good afternoon, everybody, and thank you for the interesting presentation. My first one is, I know so far, you have always said that you do not disclose the

split between linear and addressable advertising, but today's seminar is mostly how you have gone from linear to More Than TV. So could we have an indication of the split of [inaudible] for 2021? Is it close to 15%, 20%, 25% addressable? That is my first question.

The second one is, how much data do you have on your viewers so you can use that data to optimise targeting? Because you are talking about postcode, demographics, life stage. Facebook has quite a lot more data than that. I wanted to know where you were on your journey of collecting data, because when you did your last Commercial Seminar pre-COVID, two years ago, you were starting on that journey. Those are my two questions. Thank you.

**Kelly Williams:** Okay. Thanks, Julien, and hello, nice to hear from you again. In terms of the split, I think the plan for the Group is to start to disclose more of that kind of split. My understanding is it is going to be from the beginning of next year, so we are going to change the KPIs. I think Carolyn alluded to it earlier

**Carolyn McCall:** Yes. I think Julien, what we will do, is at the full-year results, we will give you more digital KPIs. That will be part of that.

**Kelly Williams:** And on the data front, Rhys, do you want to pick up on that?

**Rhys McLachlan:** Of course. Hi, Julien. Currently, we collect email, age, gender and postcode in order to build a seed to target from. What we do, is we augment that by matching that identity up against information that we are able to elicit from YouGov, from Experian, from MasterCard to verify third-party data sources that we have got commercial contracts with. And then we are able to further embellish it through the InfoSum relationship where we can match that seed data to data that is provided by advertisers who are eliciting first-party data from their own customer base. Through the combination and the match process, we are able to build out really sophisticated audience segments that we can then enable buyers[?] to be able to plan and activate against. And, of course, we can report back against that via Planet V also.

**Julien Roch:** Thank you.

**Matti Littunen (Bernstein):** Hello, thank you very much for the presentation. A couple of questions for me. First, I think it was mentioned that there is a potential for a new kind of partnership with Sky, it sounds like on addressable for linear. Now just to clarify would that be something similar to Sky AdSmart or would this only involve, for example, live TV inventory on the ITV Hub app on Sky boxes?

And then second one on ad load, in terms of minutes per hour, could you give us an update in terms of what the difference between the ad load on ITV Hub versus linear broadcast on BTC looks like, and how do you see it trending on the ITV Hub?

And then, finally, would you have any colour on how the station average price on the broadcast side has been trending over the past couple of years as the viewing has come down and the ad revenue looks very robust? Thank you.

**Carolyn McCall:** Kelly, I think they are all for you.

**Kelly Williams:** Yeah. In terms of the Sky partnership, yeah, we have agreed terms with Sky to both integrate the ITV Hub on to the Sky platform, but we have also agreed technical and

commercial terms to start to deliver linear addressable, initially on the Sky IP platform. So that is the Sky question.

In terms of the ad load, we have strict rules on what we can do on linear. On our main channel, on what was traditionally known as terrestrial channels, there is an average of seven minutes an hour. You can maximise up to 12 minutes in one hour. On our digital channels you can average nine minutes an hour with a maximum of 12 minutes. On the ITV Hub there are no specific guidelines, and our ad load moves up and down relative to clearly demand in the market and supply of impressions.

For example, in the summer when we have something like *Love Island*, which is such a huge show for us online, our ad loads are probably relatively low compared to the rest of the year. But what we try and do, because there are no rules, what we try and do is not put out more ads online than we do on linear. That is a self-imposed rule that we put in place.

And then finally in terms of station average price, what has happened over the last couple of years. Last year, we saw station average price deflation. As you are probably aware, our revenue was down 10% or 11% and our audience was up last year. So when you have that kind of dynamic, we saw deflation in the market. And this year, we have seen a slight opposite trend. We have had really, really significant demand-led inflation. We are forecasting the year to be broadly 24% up, 10% up on 2019. So this year, we have seen some inflation but it is very much driven by demand.

**Matti Littunen:** Very helpful, thank you.

**Richard Eary (UBS):** Yes. Thank you very much indeed, everyone, and a great presentation, very much appreciate it. The first question is on the size of the addressable market. I do not know whether you can put some numbers around the potential opportunity to unlock long-tail digital into TV and address basically more local and regional advertisers that probably would not have advertised in TV previously, which was really the bastion of national advertisers. That is the first question.

The second thing is, can you just talk about social TikTok, about how you are actually trying to monetise your content within that? If I look at my own household and I look at the amount of times that Juno[?] pops up on [inaudible] fee[?], then it would be interesting to how you monetise that.

And then, just the third thing is that, obviously, you are painting quite a positive picture around a structural renaissance in TV advertising. I do not want to hold you to crystal-balling, but are you now thinking that as we step out in the next 2-3 years, that TV advertising will actually start to grow and be above where we are today?

**Kelly Williams:** Okay, Richard, just going back to the question. In terms of the long tail, I think our view is we have not really scratched the surface of the potential for the long tail. What Google and Facebook have done, and kudos to them, they have built businesses on the back of this huge long tail. We probably deal with 2,500-3,000 advertisers in a typical year. I suspect their number in the UK is probably 250,000 advertisers. That gives you the quantum of the opportunity, and that is the bit we are excited about. That is why we have gone into Planet V in the way we have done it.

The thing we have learned from the digital world is that the programmatic value chain – the technology, the ad tech that has built digital advertising – is full of lots of third-party players that take a chunk out of the value chain. There is a piece of research that was done last year by ISBA, it was run by PwC, that suggested almost £0.50 in every pound spent on digital programmatic was not getting to the publisher.

Our whole strategy behind Planet V was to make sure we own that value chain, that we own and control it, and no money leaks out of that proposition. First and foremost, our strategy is to make sure we have got that in place, which we have. We have rolled it out over the last 12 months. And as we suggested in the presentation, we are already starting to see the benefit of tapping into that long tail. You may not have had the chance to really look at the chart, but one of the charts that Rhys showed, which showed some of the VOD-only advertisers we have taken this year, they range from Porsche and Net-A-Porter at one end of the market. And you might not have seen it, but there is a logo there for the Great Yarmouth Hippodrome, which I think just shows you the range of opportunity that we think we have got.

I think it is really hard to put a number on it, but I hope that gives you a sense of the scale I think we are trying to tap into.

**Carolyn McCall:** Kelly, pause there for just one sec. Rhys, do you want to come in at all on this?

**Rhys McLachlan:** And to add to that, Planet V is very much the beginning of our journey in this space. I spoke at length about what we are doing with Cablato, which is giving us much greater regional dexterity around creative treatments, the work that we are doing to augment our data proposition, so that we can do much more accurate hyper-targeting to local domains. We are actively investing in the production of new ad formats that appeal to this longer tail. And as Kelly rightly pointed out, I know we have already made significant inroads into that cohort of advertisers, and we feel that we will be well empowered and in a great place to attack it more aggressively as we continue to rollout Planet V and normalise this as a way of doing business with ITV.

**Carolyn McCall:** Thanks. Monetising content on social.

**Kelly Williams:** On social media. I think there is a range of opportunities here, and again I think we are certainly in the foothills of those new commercial models that we can build. Clearly, we have put quite a lot of clip content onto YouTube and we monetise that through straightforward advertising. The example that Dags went through earlier was a commercial model we built with Twitter.

It is called Twitter Amplify. Effectively, the way it works is when we have our big event shows, for example, around the EURO's, what we do, is we clip really key moments. We then sell to a brand, so a brand wraps themselves around that clip, and then Twitter amplifies that out into the 'Twitterverse' for example. That has been a really successful deal with us so far.

I think short-form branded content is something we are going to start to look at on social media, which we think could be a real opportunity. And then I go back to the Metaverse. Again, if you have got kids, you will know about Fortnite and Minecraft and Roblox. This investment we have made in this business Metavision, the Metavision team sit with us on the Commercial team. And our team is so excited because we can take ITV content and place it in

the Metaverse and then our team can then go and monetise that. And again, as you pointed out, that is targeting younger viewers, which again is a way of us getting out content and our advertising in front of them.

**Carolyn McCall:** Did you want to add anything to social?

**Simon DGLISH[?]:** Yeah. It also works the other way. Social is a really key part of a lot of our entertainment shows. The biggest product placement deal we have done this year, is actually with TikTok, who worked on Saturday Night Takeaway – you saw a short clip in one of the videos. They are a new model, so we are working them the whole time. But when we place them in the centre of our shows, we are able to follow the journey back out of the show across the social ecosystem and clients that are then related to that show can use that journey to further advertise their products and services. And that is something we are continuing to work on.

**Kelly Williams:** And then I think the final question was around the structural decline of TV.

**Carolyn McCall:** The renaissance actually.

**Kelly Williams:** I think our perspective is what we are doing here, what I think is happening and what we are really excited about is we are transitioning this business. It is transitioning, transforming into, we think, a very exciting, digitally-led, data-driven business. I think we are really optimistic about the next few years, particularly on the back of such a strong year this year.

**Richard Eary:** Can I just ask a follow-up question?

**Carolyn McCall:** Sure.

**Richard Eary:** Just going back to what you were saying on Planet V, that there is no [inaudible] dilution as you go through. And you are right, if you look at the digital world and the publisher, typically they only collect \$0.50 on the dollar. And Planet V, you are going to basically make sure you control the value chain. How does that work when you look at carriage partners like Sky and Virgin for example? Because I presume they will want to try and take part of that ad tech capability and monetise it.

**Kelly Williams:** Do you want to take that?

**Rhys McLachlan[?]:** All right. As it relates to the addressable components, carriage deals have seen us maintain complete sovereignty over the sales process, meaning that we are able to activate it via Planet V in the same way that we are doing via our owned and operated platforms. And per the question from Matthew earlier, an important nuance and what we have struck in these carriage arrangements is that we have the optionality of taking, say, AdSmart on Sky should we choose to activate through that route, and we have the optionality of pursuing our own path. And Planet V has been instrumental in providing us with the confidence that we can pursue our own path.

It is such an important part of our future. Addressable is going to be enabled across every single platform where our content is consumed and it is critical that we are able to maintain maximum revenue retention irrespective of where the advertising is placed and irrespective of where the eyeballs are viewing that content. It is mission critical and we feel that the last 12 months have proven out that we have got a platform that really works in market and is

delivering fantastic results for us as a business. And as we further turbocharge that into 2022, there is every reason for us to continue to be confident around that.

**Carolyn McCall:** I will just make a comment on those two partnership agreements because they were a step-change in terms of how we agreed them. They were a partnership rather than just a transaction. I think that is worth saying, because we brought quite a lot to the table, and that is quite different I think to our position with Sky and Virgin two years ago. We had our content, which is what we have always had for them, and they really want that. However, actually, we have been able to discuss with them a whole range of other things – data, how we use the data, how we work with them on technology. It is a step-change I would say, and that is why those two agreements are such important agreements I think for us. We are like-minded in wanting to grow the universe of advertisers. So that has been very positive I think.

**Julien Roch:** Hi there, thank you for taking my follow-up question. It is about cannibalisation, because the way advertising is sold in the UK is on impact, and you still have CRR which is share of impact. And you are talking about for the first time doing addressable linear, so when you replace a linear mass-reach advertising with a targeted advertising, you lower the impact and therefore the price of linear advertising is more expensive. Thus, how are you going to manage cannibalisation or you do not think that is an issue? If you can give us some colour on that?

**Kelly Williams:** Yeah. Interestingly, because Sky have been doing this for quite some time and the impacts are not lost, bar[?] measures when an AdSmart event has happened and counts the impact when an ad is replaced. It is not as cannibalising as you would expect.

I think over the next few years, I think arguably, as a business, we do have to start cannibalising ourselves as we transform from being a linear business to a digital business. When we launched ITV2, ITV3, ITV4 many years ago, we were cannibalising the main channel, and I think that is part of how this business will evolve going forward.

**Carolyn McCall:** And the critical thing there is understanding what you are doing and doing it very consciously and doing it in a very managed way. And that is what we are doing.

Thanks very much. It just leaves me to say thank you to the team, but also very much, thank you for joining us today and for your time. Really hope you found it useful. We really look forward to seeing you again with a different team on 9 December for the ITV Studios Investor Update. See you then, bye for now.

[END OF TRANSCRIPT]