

ITV plc Media & Entertainment Investor Seminar

Thursday, 3rd March 2022

Introduction

Carolyn McCall

CEO, ITV plc

Welcome

Hello, and welcome to the ITV M&E Investor Update. I hope many of you were able to join Chris and I this morning for ITV's full year results presentation. We shared, as many of you will know, our strong financial and operating performance for 2021 and how we have successfully executed the first phase of our More than TV strategy.

We are now the largest advertiser-funded premium streaming service in Europe. This, together with the:

- Creation of a data and analytics Centre of Excellence;
- Launch of successful digital products; and
- Significant recruitment and retention of digital capabilities has created the foundations for the next phase of our strategy, which is digital acceleration.

We have a strong track record for delivery. With the success of the Hub, Hub+, BritBox and Planet V, we really see a clear opportunity to supercharge streaming and more than double digital revenue by 2026 to at least £750 million.

We have the experience and capability needed. We are confident that we are well placed to do this, and that now is the right time. We have seen growing demand both from viewers for streaming content and from advertisers wanting premium addressable inventory.

As I said this morning, the cornerstone of our strategy in M&E is ITVX. ITVX is the first integrated AVOD/SVOD streaming platform in the UK. We will be making a significant investment in our digital-first content strategy. This is based on rigorous research and analysis.

This will be funded by our strong balance sheet and cash flows. We are confident that in 2026, incremental annual revenue of ITVX will cover annual incremental costs. We are already working in a more seamless way internally between content, product and marketing with data informing many more decisions. You are going to hear a lot more about this from the M&E team in a moment.

So ITVX will deliver addressable audiences for advertisers at scale. You have heard already last year at the commercial seminar about the progress we are making and we have made in our market-leading advertising technology, particularly Planet V. This will be accelerated by to ITVX, delivering targeted products for advertisers, which really fulfils an important marketing need.

You have also heard about the significant growth and diversification in the Studios' investor seminar, when the team presented to you in December. It is important to highlight that ITV Studios will be pivotal in delivering our new streaming content. This is one of the advantages of course of being an integrated producer broadcaster, which continues to give a real competitive advantage to us in delivering our strategy and driving more value from our content and our platforms and channels.

We are going to have loads of time for questions at the end. Now I am going to hand you over to Kevin, who, as many of you will know, is Managing Director of ITV Media and Entertainment to take you through our plans in more detail.

Operational Review

Kevin Lygo

Managing Director, ITV Media & Entertainment, ITV plc

Media & Entertainment Division

Good morning, everyone. Welcome to the ITV Media and Entertainment Seminar. Today, we are going to give you a deeper dive into our division, and in particular, our plans to accelerate our AVOD-led strategy and to supercharge our presence in streaming.

We have a very strong management team in place to deliver our plans and you will hear from them shortly. I will kick things off. In a moment, I will talk you through why we are perfectly poised to succeed. Let me briefly recap on M&E to give you a bit of context.

The M&E division has two business units: Streaming and Broadcast, to better reflect and serve changes in the viewer habits. Our Streaming unit was created to ensure that ITV builds best-in-class digital products, so our viewers can watch our great content however and whenever they want to access it. Our focus here is on growing digital viewing with ITV, particularly AVOD viewing, as well as delivering valuable addressable audiences.

Our second unit comprises ITV's broadcast channels, which remain extremely important to both viewers and advertisers, whether it is Ant and Dec's Saturday Night Takeaway, an FA Cup match or the Six Nations, ITV is more than anyone the home of live TV.

People tune in to watch these programmes live on a big screen in the moment in the millions. So live sport, news, big entertainment shows, live daytime shows, power our schedules and our channels and our unrivalled position as the home of mass simultaneous audiences.

Strong set of competitive advantages

Our linear channels are hugely valuable and profitable and they will continue to be central to what ITV means to viewers. Housing these two units in one division means we are already responding more strategically to changing viewing habits, working more seamlessly across both teams to deliver what we believe is the optimisation of our channels whilst supercharging our streaming ambitions.

At the most basic level, we are better able to deliver our programmes to as many people as possible in the way they want to watch them. As you will hear later, our viewer-led approach is now powered by a single content budget across all platforms and channels, which gives us the flexibility to optimise viewing and revenue across the division. Our content strategy will be digital-first, with significant investment going into new content, as we ramp up our ambitions for ITVM to be a destination for exclusive weekly content premieres. We will have an additional content investment of £20 million this year and £160 million in 2023 going into our content budget, specifically for our streaming first commissions and acquisitions. Our total content budget will be £1.23 billion in 2022, increasing to £1.35 billion in 2023 and remain broadly at that level going forward.

Here is why we can succeed, is because we have such a strong set of competitive advantages. Firstly, we uniquely deliver huge commercial audiences and phenomenal mass simultaneous reach for advertisers through our channels. ITV family had a 33.1% share of commercial viewing in 2021 and 93% share of the top 1,000 commercial broadcast television programmes in 2021, including the most watched programme of the year, England's Euro 2020 Semi Final. Of course, later this year, we have the FIFA World Cup, 32 countries competing from 21st November to win the final on 18th December, with England as one of the favourites. We can expect huge audiences.

We have half of the UK population registered with ITV Hub. As our results demonstrate today, we have been delivering very strong growth in AVOD viewing and revenues over the past couple of years.

With Planet V, after Google, we have the largest programmatic video advertising platform in the UK, with over 10,000 data points for targeting. We also have a track record in growing a subscription service from scratch through the success of BritBox. In the new approach we are talking to you about today, we are drawing on all these strengths.

Evolving the Streaming Strategy

I mentioned earlier that we have a very strong management team, with exactly the skills and experience we need to drive this strategy forward. We are going to share our story with you today in two sections.

In the first half, we will talk you through the changes viewers will see, as we:

- Launch a brand-new streaming product;
- Share our your content strategy; and
- Deliver a completely new user experience.

The second half is about work behind the scenes:

- The data strategy powering everything;
- The opportunities for advertisers; and
- The KPIs we will judge ourselves against.

In the first half, you will hear from Rufus Radcliffe, our Managing Director, Streaming, who will outline the new proposition and the audience opportunities. Many of you will have heard from Rufus before. He has been at the forefront of successfully launching new services for new audience for many years. Then you will hear from Rosemary Newell, our Director of Content, who will take you through our content strategy. Rosemary is without a question, the most experienced scheduler in the business, and the perfect person to lead the team devising our new windowing strategy across AVOD and SVOD, a team which includes streaming specialists who previously worked on BritBox. Then Rosemary will hand over to Deep Bagchee, who recently joined us as our new Chief Product Officer. Deep has a track record of creating world-class product teams, including at The Economist and at CNBC.

In our second section, Sanjeevan Bala, our Chief Data Officer, is going to give you a flavour of how we will drive much more value from our data by illustrating some of the key value propositions that we will deliver by enhancing our data capabilities. Kelly Williams, our

Managing Director of Commercial, who many of you will know from the commercial session last year, is going to talk through how our investments in ITVX and our enhanced data strategy will deliver for our customers and support the commercial strategy we have outlined and our busy delivering.

Kelly will also share insights into some of the cutting-edge innovation work he and his team are embarking on with advertisers and brands to find new, exciting and unique ways to engage and connect with our audiences. Sarah Clarke, our Chief Operating Officer will then walk through how we are going to deliver this, the KPIs and the targets we have set ourselves within M&E and our ambitions to 2026.

Before we hear from the team, how about we take an exclusive look at ITVX in action?

[Video]

ITVX: The Vision

Rufus Radcliffe

Managing Director, Streaming, ITV plc

Britain's freshest streaming service

Looking at that short film, you can see why we are so excited to be sharing our plans with you today, and launching ITVX to our viewers later this year.

To work alongside our powerful linear schedule, ITVX is a brand-new streaming service with a brand-new proposition. There will be something for everyone with more fresh free new content released every week than any other British streamer. Always changing, always adapting, every day will be different on ITVX.

With ITVX, viewers will no longer be catching up with what they have missed. Instead, they will be keeping up with the very best TV. It is Britain's freshest streaming service. It has been developed over the past 12 months with an understanding of consumer needs at its heart. This is the reason for its new name, ITVX.

ITV

Firstly, the ITV element. Our ongoing brand tracking with 4,000 YouGov respondents consistently shows that ITV scores very strongly against measures such as:

- Familiarity;
- Trust; and
- Quality.

These are attributes that we have built up over many years. It is why we continue to be one of the best loved brands in the UK. ITV is a crucial part of the name.

As I will be explaining, it will also have many things you would not expect from ITV. This is where the X comes in. In testing, it has been clear that the X intrigues consumers and creates excitement and anticipation. We have the best of both worlds: all the content you would expect from ITV, trust and familiarity; and a huge amount of content you would not

expect from ITV, surprise and delight, super serving our current user base and appealing to new users as well.

Current viewing platforms

ITVX is also going to be the most viewer-led streaming service in town, giving viewers the choice they demand but cannot get anywhere else. A free service with joined up viewing of a vast library of growing content, which is funded by brilliant targeted advertising, as you will see later, or a subscription service for those looking for a premium offering with unlocked additional content. We will be building all of it on strong foundations.

We have a proven track record in both AVOD and SVOD. 2021 was a record year for both ITV Hub and BritBox. 25 million users came to ITV Hub in 2021, an increase of 17%. We had a 19% increase in monthly active users to over nine million MAUs and a 31% increase in consumption hours to over 600 million hours.

In our two subscription VOD services, we had over 1.2 million de-duped subscribers. In the UK, BritBox ended 2021 with 733,000 subscribers and Hub+ grew to 513,000 subscribers.

Flexible business model

In a TV first for UK viewers, we are bringing together a merged AVOD/SVOD service all in one place with a flexible business model that can change according to market dynamics. This scaled proposition is brilliant for viewers. It offers them the choice of AVOD or SVOD with enhanced product experience and a ramp up of content.

Our new Chief Product Officer, Deep, will soon give you a preview of the new product design in action. It is brilliant for advertisers, building on our position as Europe's biggest ad-funded streaming service. Kelly will give you more detail on this a little later. Of course, it is brilliant for our distribution partners too.

ITVX: Our unique streaming proposition

There are three central pillars to our new proposition. Firstly, we have live channels. One thing that has become increasingly clear this year is that live channels are still incredibly important. Whether you stream or watching linear, live TV matters.

VODyssey, an independent study run by Differentology with the IAB and Thinkbox, showed that 51% of over 35-year-olds always go first to live TV when it comes to the order of their TV tune-in habits.

During the Euro's last summer, we had over two million viewers streaming matches live on the Hub. Viewers increasingly choose to watch live TV in the online environment. It has already become normal behaviour. As a result, you can expect an enhanced live experience to be a central part of what we do on ITVX, including better SEO, more prominent signposting of live programming on the service, as well as producing clips and sharing highlights after big event TV moments. This is a significant differentiator versus US streamers.

Secondly, we will have curated FAST channels. FAST channels, as you might know, stands for Free Ad-supported Streaming TV services, F-A-S-T. They are dynamic channels of curated programming that can be based around pretty much any theme, talent, genre or interest you can imagine. They are very big in the US, and we know we can be really strong in this space.

The same VODyssey research study shows that 40% of UK's streaming subscribers feel that the sheer volume of content can often be overwhelming, leading to choice paralysis. FAST channels are one way we can help viewers more easily navigate through such choices.

We believe there is an opportunity to constantly delight them with a combination of editorially and data-driven personalised ways of presenting our content. We know our viewers love live. They love our archive, and they love our editorial voice.

ITVX will launch 20 new FAST channels as an ever-evolving line-up, responding in real time to what our viewers are telling us. Curated channel ideas will include true crime, real life stories, as well as dedicated programme brand channels like Vera and The Only Way is Essex.

Thirdly, of course, we have our on-demand proposition. We know that 34% of 16 to 34s go first to streaming services when deciding what to watch. So far, ITV Hub has been a highly effective catch-up destination. ITVX will be a brand-new content destination with 15,000 hours of premium content at launch, compared to just 4,000 hours today. It will be a premium experience, where the viewers choose to subscribe or not, with huge benefits to both AVOD and SVOD viewing.

Our ramped up free-ad funded tier will be complemented with a subscription tier, which will have all of the free tiers content ad-free, plus, it also opens up the world of BritBox, featuring additional content from the BBC and Channel 4, and a regular drop of exclusive content, as well as being the home of other SVOD content partner brands.

For the first time, we will have the flexibility to move users across AVOD and SVOD in one seamless, uninterrupted experience. If a viewer shares the same characteristics as a subscriber, but has not subscribed, we will present upsell opportunities. If a viewer is a heavy AVOD user, we will keep that viewer in the free tier according to their profile and data signals.

ITVX: The total addressable market

At every development stage of ITVX, we have had a forensic analysis of the addressable market for our service. Using YouGov profiles, we map the viewing behaviours of the UK population, as you will see here.

Looking at engagement with ITV on the y-axis and engagement with VOD on the x-axis, there is a sizable audience segment with whom ITV does have a relationship, but who are spending more and more of their time streaming, and they give ITVX the biggest opportunity to capture a far greater share of viewing.

We have called this group mainstreamers. They are increasingly streaming and on-demand first, but they like big mainstream content, which we are very good at. There are 23 million mainstreamers in the UK, and we cannot wait to introduce them to our new service. 23 million is a lot of people. So we have further broken this out into targetable sub-segments based on age, VOD usage and attitudinal statements.

ITVX: Main-Streamers – sub-segments

The everyday eventers prefer entertainment to drama. They have lower VOD usage and they are younger in age. They want plenty of choice in their content offering. They love the big tent-pole shows that ITV delivers. As you will hear later from Ro, ITVX has plenty more in store for them.

The socialisers, they see VOD as their primary destination seeking out reality and entertainment, like The Only Way Is Essex, Real Housewives, The Brits. It is all about social fuel and what is hot now.

Then we have the armchair explorers. They are not necessarily old in age, just more traditional in their ideals and values, slower to adopt new media behaviours with lower tech literacy, but they are beginning to move into VOD. They have a preference for UK content over US, whether it is the Six Nations or racing from Goodwood or dramas like Unforgotten, Des or Belgravia.

Then we have the savvy streamers. Our final segment tends to be more open to trying new things and experimenting. They are more tech savvy with access to a wealth of choice and platforms already, but they are searching for quality rather than quantity.

ITVX: New Marketing capabilities

As we have built ITVX, our content, product and marketing teams have worked hand in glove to deliver a service that will appeal to all of these segments. Before Ro and Deep take you through their areas, let me focus on the marketing part.

Clearly, marketing will be critical to the success of ITVX to reach and reactivate these groups, and we are developing a full funnel approach. We will have fame-making above-the-line activity focused on mainstreamers and those sub segments at the top end of the funnel. This will be complemented by a highly targeted data-led and more personalised approach for conversion and retention activity towards the bottom of the funnel.

Once using the platform, we will also model which viewers are most likely to upgrade to SVOD based on behavioural and demographic similarities with existing subscribers. As a media owner, we happen to own a highly effective marketing platform television. Our own promotional airtime can hit 55% of mainstreamers on a weekly basis, but you know how well all this works.

ITVX: Reaching Main-Streamers: Owned/in-house

However, if you add in our new enhanced internal capabilities, the power of VOD airtime, the millions opted into marketing, CRM across email and mobile, our 25 million social media followers and the PR reach of our content, we actually hit 74% of mainstreamers every week, supported by Digital Content Studio and a brand new metadata and image unit, ensuring that every consumer touch point is optimised.

ITVX: External expert industry players

We are also working with the very best external partners to help us effectively reach everyone else in the mainstream as target. This includes:

- Uncommon Creative Studio;
- The UK's Creative Agency of the Year; and
- Essence, our digital media agency.

Ultimately, it means we have the ability to create an always on machine to present the right content to the right viewers at the right time. Coincidentally, it also happens to be the right time for me to hand you over to Ro Newell, who will now unveil our plans for content on ITVX.

Content Strategy

Rosemary Newell

Director of Content, Media & Entertainment, ITV plc

ITVX: The Foundations

The launch of ITVX presents an unparalleled opportunity to not only super size our content offer, but also to revolutionise our content strategy. Brilliant content is so important to the mainstream as that Rufus was introduced us to and it is absolutely at the heart of what we do, and that is why we are investing so significantly in additional content. Crucially, this additional investment will be exclusively spent on digital rather than linear programming.

Whilst today's team is part of ITV's M&E division, it is worth adding that this will provide great opportunities for our ITV Studios' business. It is one of the key benefits of being an integrated producer broadcaster.

Since ITVX unites all of ITV services under one platform, for the first time ever, we will be combining all our programmes spend into one single content budget, which will be invested to attract and retain mainstreamers on the optimum platform at the optimum time. In the way in which we present our content, we will be digital-first. To quote Rufus just now, there will be something for everyone with more fresh new content released every week than any other British streamer.

Let me start by taking you through the six foundation stones of ITVX, and the hours and hours of content which we know both our current and new viewers will relish.

ITVX: Live Streaming

To be clear, our live channels will remain at the core of our content offer. The strength of our linear schedules remains vital and we will continue to deliver mass simultaneous reach on ITV, as well as key demographic audiences on our targeted channels like ITV 2 for younger audiences and ITV 4 for male viewers.

We are doubling down on content which drives live streaming. It is one of the things that will really set us apart, especially versus other streaming services. Many of our most famous and best watched shows, such as I'm a Celebrity... Get Me Out of Here or Love Island, have been key drivers in streaming, and we will continue to laser focus our investment on those major events in the calendar.

Across the year, we will focus on delivering major events in sport, reality and entertainment, all events that generate huge streaming opportunities. Right now, we are streaming the FA Cup and the Six Nations Rugby. Last year's rugby reached 28 million people and peaked with nine million viewers.

In the spring, we look forward to Britain's Got Talent, which delivered 11 million viewers last time. In the summer, Love Island will return. Last year, it was the second biggest show amongst the coveted under 35s across all channels. We expect I'm a Celebrity to return in Australia in November, when it will generate audiences of over 11 million. To crown the year, we have the World Cup in Qatar, which has the potential to bring over 20 million viewers to key games.

It is these unmissable events with their crucial unique audience appeal, which will serve as a springboard for viewers to discover other content on ITVX and absorb themselves in everything else on offer.

ITVX: Acquired boxsets

Whilst streaming major live events on our channels, we want to make it possible for viewers to lose themselves by offering thousands of hours of the most enticing boxset titles. We already have 4,000 hours on the ITV Hub. However, by the time we launch ITVX in November, we will have an astonishing 15,000 hours we have been investing already.

The first foundation stone then is made up of hundreds of multi-episodic bingeable acquired series. For example, we have just acquired all 300 episodes of Hell's Kitchen US. I am delighted to announce that we have just completed an exclusive deal with Warner Brothers for over 1,000 hours of much-loved American drama and comedy, titles like The OC, One Tree Hill, Supernatural, Hart of Dixie, Veronica Mars and Nikita. This means all of these titles will be available exclusively for free only on ITVX.

ITVX: Acquired Series

We are also in active discussion with other US distributors, and have deals close to announcement with major Hollywood studios. This quickly growing library of some of America's best loved franchises will fit on top of our current line-up of existing hits, such as Family Guy and American Dad.

ITVX: Feature Films

The second foundation stone of ITVX, alongside acquired series, is feature films, which we have identified as a key genre for our main target mainstream audiences. We have already confirmed deals to buy many blockbusters for ITVX from major studio partners, including Warner Brothers, Disney, NBC Universal, Sony, Pathé and StudioCanal. We are talking to them all about hundreds more. In fact, we are planning to show 500 films for free in the first year alone, constantly refreshed with 150 on the service at any one time.

We will curate the titles into seasons, and we plan to offer some extremely well-known franchises in their entirety for free in the same place for the very first time. Hopefully building up a picture of the content on ITVX, we have our live-streaming channels and acquired boxsets and feature films. Now on to our third foundation stone.

ITVX: UK boxsets

Not only are we looking to the US for boxsets, but we are also ramping up the number of UK boxsets available too. We have already reached 4,000 hours of exclusive content from amongst ITV's firm favourites. We will continue to expand this every month with iconic ITV brands like Broad Church, A Confession, Agatha Christie's Poirot and Victoria.

It is all these boxsets, which will increase viewers' frequency, lengthen the time they spend with us and drive the consumption which is so vital for advertising revenue. It also increases choice for those who might want to upgrade. For subscribers in our premium tier, their choice will expand by a further 6,000 hours. Not only will they have access to all of these hours without ads, but they will also have the richness of the thousands of hours already in the BritBox slate.

This includes all of the BritBox originals such as The Beast Must Die, Crime and Magpie Murders, as well as exclusive boxsets like Doctor Foster, It's a Sin, Only Fools and Horses, The Inbetweeners and Grange Hill, not forgetting that BritBox remains the only place in the UK, where you can watch classic Doctor Who exclusively with more than 600 episodes available.

ITVX: New bingeing boxsets

So far, I have talked about building up the foundations of ITVX to offer real breadth and depth. However, we have promised that we will offer more fresh new content dropping every week other than any other British streamer. We understand our viewers want to watch narrative series whether drama, comedy or reality. They are impatient. They want to see the next episode and they want it immediately. Did the building blow up? Did they get married? Is he dead or alive? You may recognise your own viewing patterns here.

Making up our fourth foundation stone, all the drama and comedy we run on ITV linear channels will be made available to viewers in one go on ITVX as soon as the first episode has aired. This is a unique digital-first offer to viewers, and we have analysed how effective this is in the drama drop experiments we have conducted to-date.

Last year, we made five dramas available in this pattern. Next year, it will be 20. You may have watched all of The Bay on the Hub after it launched in January, or the whole story of No Return with Sheridan Smith after it kicked off last month. As well as scripted series, we will drop all episodes of our popular reality series in one go as well, series like The Real Housewives of Cheshire and Love Island Australia.

That is many more hours of American series, feature films, UK boxsets and brand-new drama, comedy and reality, all being shown in digital-first.

ITVX: FAST channels

However, we also know that sometimes people want to lean back, find their favourite show or genre and let ITVX do the selecting and organising of the content for them. Rufus has already mentioned our fifth foundation stone. We will launch ITVX with 20 FAST channels, channels which are always on and are built dynamically around different content themes.

By harnessing the power of data and analytics, you will hear more from Sanjeevan later on how we use data to our full advantage. We will be able to constantly monitor what people are viewing, which channels are getting most traction amongst which viewers, and which are delivering most hours of consumption. Our promise is that we can offer viewers a new FAST channel every week of the year.

Deep will be able to show you how these FAST channels will fit into the new product to enrich the viewer experience after this section.

ITVX: The New – Exclusive weekly premiers

Everything I have described so far builds ITVX into a rich product brimming with a wealth of brilliant titles, but I have been saving the best to last.

Now we come to the main event for ITVX, the sixth and final foundation stone, the most innovative, indeed unique feature of this service, and one which will really set us apart and allow us to deliver on our aim to release more fresh new content every week than any other British streamer.

We will offer brand-new exclusive content every week, programming which has not been seen anywhere else in the UK and content which can only be seen on ITVX, shows from all genres we know our mainstreamers relish most from drama to comedy, documentaries to feature films, animation to reality.

Our 52-weekly specials will be a mix of commissioned and acquired titles. They will be aimed squarely at audiences we do not currently attract, super serving the four main streamer segments that Rufus outlined earlier.

When commissioning and acquiring we have helped these segments constantly in our sights, seeking out content which will directly appeal to them. These programmes will feel different in tone in subject matter, in approach and in casting from what you might ordinarily expect to see on ITV.

We have an amazing opportunity to add colour to our palette and to broaden out offer unshackled from the linear schedules. So for example, in drama, we can now consider sci-fi and fantasy. We can work with movie stars. We can branch out into award-winning documentaries, and they will be exclusive to ITVX for six to nine months before then going to air on one of our linear channels.

So imagine a show like Trigger Point, which you may have watched on which ended on Sunday. Now, imagine that we had launched it onto ITVX. It would remain exclusively available for six months. Then this coming summer, six months after its UK premiere, we would air it on ITV linear, at which point it would surge again on ITVX, when another range of viewers would become aware of it.

This cycle for each show means we get the best value we can out of our content. We optimise our spend and we ensure each programme works harder than ever before. We are determined to offer exclusive content on ITVX but we also want to ensure that we invest our budget to maximum effect. This brand-new windowing plan does exactly that.

For subscribers in our premium tier, alongside BritBox, we will also offer regular exclusive content specials and partnerships to secure, for example, Nordic drama and premium British films.

ITVX: Upcoming dramas

I mentioned that we would be commissioning to super serve the mainstreamer segment. So let me give you a glimpse of some of the exciting new titles we have in store and how we may launch them to viewers.

Let us start in November when we might premiere:

- Litvinenko, the extraordinary true story of the investigation into the poisoning of Russian spy and prominent critic of Vladimir Putin, Alexander Litvinenko in 2006. He is portrayed brilliantly by the spellbinding David Tennant.
- The Sex Lives of College Girls, a raunchy new American comedy from Warner Brothers following the lives of four 18-year-old freshman college roommates at Essex College in Vermont.
- The Confessions of Frannie Langton, Sara Collins' award-winning debut gothic novel brought to the screen, a tale of mystery and murder, sex and slavery.

Then in December, let us imagine we could launch:

- Deep Fake Nightmare Neighbours, using truly innovative and jaw-dropping techniques, a brilliant new comedy, where you can see actors transform into real people. In this case, Barack Obama, Miley Cyrus and Sir Ian McKellen as they head out to rob a bank.
- A Year on Planet Earth is a visually stunning natural history series three years in the making, documenting each season in the natural world, narrated by Stephen Fry and made by BAFTA award-winning filmmakers.
- Plebs, a single feature length film to bring to an end the wonderful story of our three friends in ancient Rome as they go off to war.
- The Case Against Cosby, a premium documentary exposing new truths about accusations against Bill Cosby with exclusive access to the survivors.

In the new year, we could showcase more dramas with truly stellar casting, including:

- Stonehouse, a treat to see real life husband and wife Matthew Macfadyen and Keeley Hawes play real life husband and wife John and Barbara Stonehouse, the staggering story of the Labour MP who attempted to fake his own death in 1974.
- Marlow, an epic revenge thriller starring Claire Foy, and centred around the saga of two feuding gang land families.
- Three Little Birds, devised and written by Lenny Henry and based on the experiences of his own mum, the story of three young friends making a new life in Birmingham after they journey over from Jamaica as part of the Windrush generation; and
- Nolly, written by Russell T Davies, as his love letter to the Soaps; the story of actress Noele Gordon, who played the iconic Meg Mortimer in Crossroads, her reign as Queen of the Midlands, and her shock sacking at the height of her fame. Nolly is played by Helena Bonham Carter.

Finally, demonstrating the range of audiences we are targeting, we will also premiere Bad Chefs with Chunkz, a brand-new reality competition, which challenges 10 takeaway addicts to delete their food delivery apps and learn how to cook from scratch, the challenges and chaos all overseen by YouTube sensation, Chunkz.

I am so pleased to have shared with you our content plans for ITVM, how we are building our service to offer 15,000 hours whilst harnessing the power of our live streaming channels. I have taken you through the six foundation stones:

- Growing our archive of acquired US boxsets;
- Introducing feature films;
- Scaling up our UK boxsets, premium tier exclusives and BritBox library;
- Dropping more boxsets of new narrative series;
- Launching FAST channels; and finally
- Releasing brand new weekly exclusive premieres.

In a moment, I will hand over to Deep, our Chief Product Officer, to show you the product in action.

Before I finish, I want to show you a clip of a key launch premier title for the end of the year, A Spy Among Friends, the true story of KGB double agent, Kim Philby. It is an epic tale of spying lies and betrayal and adaptation of Ben Macintyre's best-selling book. Its two stellar leads are Damian Lewis and Guy Pearce. I hope it gives you an idea of our ambition and the treats in store.

[Video]

ITVX: Demonstration

Deep Bagchee

Chief Product Officer, ITV plc

ITVX: What we offer customers

Hello, I am Deep, and I am really excited to be here today as ITV's Chief Product Officer. I am thrilled to finally be able to share the world premiere of ITVX in action. In just a moment, you will see an early demo of the new service. As you watch, I would like you to keep a few things in mind.

- Firstly, the content: how we bring to life all that amazing programming that Ro just talked about, and how we will present our shows, boxsets films and channels to our viewers;
- Secondly, the customer experience: how the design product interface and viewer journey are a million miles ahead of where ITV has been before. This is a premium experience; and
- Thirdly, the way we offer customers choice: the choice to watch for free or to subscribe.

Remember that, for ITVX, the majority of viewers will be entirely free, giving us a big base of users to monetise through advertising. We will also build an incentive to subscribe, allowing us to build a great freemium experience.

Let us now take a look at where the product is going and how we want our customers to feel.

[Video]

What you are seeing today is just some of the work going on behind the scenes from our talented and growing product design and technology teams.

Let me share some of our main design ambitions.

A destination for discovery

The first thing we want to do is to make the new ITVX a destination for discovery. Open up ITVX and you will immediately notice a much richer visual experience. Viewers will be surprised and delighted by the fresh completely redesigned look and feel. It is very different from the ITV they know today. Shows are now heroed in stunning full bleed images, rails look slicker and load faster. We are showing off the content to the max.

In one new modern interface, you will find all our new shows and premium dramas sitting alongside content you would not normally expect from ITV, like major movies and great partner content. We have designed ITVX to behave as a major multi-content platform.

Connecting you with what matters

The next thing is connecting viewers with what matters. We have created more ways for viewers to discover exciting content. The more you watch, the more accurately ITVX gets to know you, which means we can personalise the product experience. It is not just personalisation. Our proposition is rooted in providing the best possible blend of both curated and personalised content aimed at reflecting and connecting with modern Britain, plus we have redesigned our search functionality to be more personalised and to give more relevant results, even when the odd typo gets in the way.

A new and easier way to find content

Now, as Rufus mentioned earlier, the amount of choice in online streaming can sometimes be just overwhelming. That might feel true for you too. If so, ITVX will offer FAST channels. After a long day, you do not necessarily want to wait through a massive catalogue of content to find something to watch. You can use a familiar EPG guide to find 20 curated channels of great content.

Think of FAST channels as Spotify playlists for programmes, grouping shows by common themes such as specific actors, genres, interests, or even calendar events. FAST channels offer more linear TV-like ad experience, which is great for our advertisers as well. Our FAST channels are always on and you can even favourite the channels you like most, so they are easier to return to.

The home of live events

ITVX will also reinforce what we do so well on broadcast television as we continue to be the home of live events, whether that is live sports, live news or a simulcasted reality show. For example, World Cup 2022 arrives in November, and ITVX will be ready to play host to the world's biggest celebration of football. We will make sure the latest games take centre stage and ITVX in glorious HD. With our dedicated workup zone, fans will know exactly where to go to catch up on related content like interviews, highlights and companion shows.

An inclusive product

Now we are also committed to building a fully inclusive product. This includes a more accessible product with more subtitles, but we also know that your kids need a safe space. ITVX makes it easier than ever to keep the kids entertained. With the launch of multiple profiles, you can create a kid's profile just for them. They get a dedicated kid safe space with their own list separate from yours, or you can search for shows for them by their favourite characters from Batman to Pingu.

The ability to unlock more value

That is not all. For those who want more, there is a premium subscription option, where viewers can unlock even more value. By upgrading to ITVX premium, you can get all your content in one place, including subscriber exclusives, the full BritBox experience, including programming from the BBC, Channel 4 and Channel 5, plus an ad-free experience.

It is easy to subscribe and there is no long-term contract as we offer free cancellation, anytime viewers change their mind. What you are seeing is an illustrative price. Our goal is to finalise pricing in the coming months.

So to recap the six things we offer customers:

- A destination for discovery with 15,000 hours of content;
- Connecting you with what matters through a blend of personalisation and curation targeted at a British audience;
- A new and easier way to find content via FAST channels;
- The home of live events from live sports to live news;
- An inclusive product with a safe space for kids;
- The ability to unlock more value by upgrading to premium and becoming a subscriber.

As you would expect throughout this process of creating this product, we have been user testing and getting feedback from our customers. So if you are wondering what viewers will make of ITVX, let me now show you some real customer reactions to very early versions of the proposition I have just shared with you.

[Video]

Over the summer, as we develop the product, there will be much more to share. I hope that gives you a sense of what is to come when we launch later this year.

Now let me hand things over to Sanjeevan who will share how data is helping us accelerate these plans.

Accelerating Data

Sanjeevan Bala

Group Chief Data & AI Officer, ITV plc

Hello. I am Sanjeevan. There is an amazing road ahead, and it is particularly exciting for me, because so much of it will be driven by a wholly new approach to data.

We have been preparing for this moment for over three years. We have built a data team of professionals and we will have grown this to 115 in-house specialists by the end of the year. We have invested in cloud-based capabilities and we have captured first-party data at scale, and have already become one of the UK's top five largest customer databases.

Now it is all about accelerating our plan. We have recently built value cases across our entire business, so that we can efficiently unite under a single data strategy. This unified view of ITV's data is fundamental to the success of ITVX.

ITVX is where TV goes next. It is a revolution in telly, and we will deliver it by using what we call Creative Artificial Intelligence, or Creative AI. Put simply, this is viewing imagined by creatives, optimised and delivered by AI.

Let us go back to the mainstreamer and segmentation slide we saw earlier. It is clear, there is tremendous opportunity for growth. When Rufus first told me about the mainstreamer

socialiser segments, the person who immediately came to mind was Steph in my team. Here she is.

ITVX: Meet Steph... one of our five million socialisers

Our new data capability means we can now understand that Steph watches entertainment formats, such as I'm a Celebrity and TOWIE. She enjoys American content such as Family Guy, that she has a sacker for modern crime thriller and loves to binge multiple episodes on Wednesday nights. We will learn that she mostly watches on her iPad Pro, and occasionally on a shared Samsung TV; plus, like many other socialisers in her late 20s, she spends time on Instagram, and also uses Twitch to live stream games like Call of Duty on her PS5.

ITVX: Unpacking ITV's viewer 'DNA'

Across our audience, we will receive billions of signals light Steps, and we can combine them all to create a TV first, something we call viewer DNA. Viewer DNA gives us a deep and unique understanding of viewer behaviour. Thanks to our brilliant research team, we can start to combine this behaviour with neuroscience to understand why viewers watch what they do.

We can apply machine learning techniques to unearth a deeper understanding of our viewer segments, such as her headroom to watch more content, how receptive she is to our marketing promotions, what her content taste preferences are, including what she does not like, her propensity to subscribe and her likelihood to churn. By securely partnering with carefully vetted data providers, we can anonymously map her income level, spend by category, changes in life stage and interest in travel brands and more. In fact, we now have over 10,000 data points that are of interest to advertisers.

I guess, there are two key questions. As I target mainstreamer, how will our data strategy improve Steph's experience of ITVX, and how do we start to deliver value for advertisers, partners, and indeed for you?

Let us explore three creative AI scenarios around:

- Marketing;
- Product; and
- Advertising.

Let us look at marketing first. Rufus mentioned that an ITVX every day will be different.

Introducing...Flex

How can we help Steph discover the best of our vast library of ever growing fresh, new content? We have assembled and are currently testing our own next-generation platform. We have called it flex. It is an absolute game changer for how we market our content to viewers.

Flex gives our marketing team the ability to tailor outcomes with far greater precision, so we deliver the right promotion to the right viewer on the right digital platform at the right time and in the right context. However, the real kicker is what used to take us three months to segment and plan now takes us three minutes, less time than it takes to watch a TV ad break.

If I know one thing about Steph, it is her love of social media, especially Instagram with the occasional Twitter chatter. We already know Steph is in the socialiser segment.

ITVX: Personalised for Steph...

By combining this with our viewer DNA, we also understand her content taste preferences. For Steph and other socialisers, our new Flex system could flag a brand-new thriller, such as *The Ipcress File*, our stylish retelling of the legendary spy movie as a six-part drama landing later this month. Personally, I cannot wait.

Thanks to our machine learning model, we know Steph will love it too, and will probably want to binge the whole lot in one go. We will adjust our comms accordingly. We will be able to flex the creative, adapt the wording in the copy, and even choose the best clips and images for Steph.

As we scale up and run hundreds of tests, we will continue to learn, optimise and drive greater marketing efficiency. We will start by enabling this across paid media and then expand across our owned CRM, owned VOD, owned TV, before extending further to digital outdoor.

We can even optimise the promotion in flight. If Steph misses it on Instagram, we can promote it on Twitter. Once she sees *The Ipcress File*'s promo, we can join this up with the product.

ITVX: Commercial innovations

My second data scenario. By improving her experience of ITVX, viewer DNA will become the lifeblood of our whole digital ecosystem, way beyond just marketing. Under Deep's leadership, his product team can now use precisely the same viewer DNA to tailor how content is presented to Steph and how she navigates the service. For example, our machine learning models may suggest she is likely to become a paying subscriber, so we might decide to nudge her to try the pay tier with a free trial. With all our learnings from BritBox, we know exactly how to optimise this upgrade journey in the most cost-effective way.

Plus, as with many of our socialisers, Steph does not usually watch *Corrie*. Guess what; she would not see them promoted in ITVX. With creative AI, we retain the warmth of our editorial tone, personalised experiences drive deeper engagement, and, ultimately, increase viewing. This in turn, feeds our commercial innovation in my third scenario, advertising.

We can now combine all our first-party data with creative AI. Now hope you like this innovation. We have built a machine learning engine that uses computer vision to watch television shows. It also listens to the audio tracks and uses natural language processing to read subtitles. As if by magic, we are able to bring all this data together to identify contextually relevant moments in scenes within programmes that we believe may be of interest to advertisers.

For example, our engine has identified a highly relevant food moment here. Since data tells us that socialisers like Steph have a keen interest in food, when she watches the show, her first ad break is for a premium subscription food brand. It is relevant, data-driven and contextually placed. Commercially, we are increasingly able to create bespoke solutions that harness our entire viewer DNA, combined with creative AI, fused with a brand's own first-

party data and accessible programmatically through Planet V. Kelly will share more in a moment.

ITVX: How data will drive our next phase of delivery

There is so much more in the pipeline. Data will inform the programmes we commission and acquire, as we better understand what viewers love most. We will also discover any unmet needs and commission accordingly.

Data will optimise our show windowing and distribution strategy. It will help Ro's team maximise the value of our content across its entire life, whether on AVOD, SVOD or linear. Data will help us run hundreds, actually thousands of different scheduled scenarios to better understand the most optimal mix of content to drive viewer, advertiser and subscriber value.

Data will improve not only how we promote shows on ITVX, but also on third-party pay platforms. As we attract new viewers and subscribers, ITVX is where TV goes next. It's digital, immersive, experiential and completely powered by creative AI to combine the best creative minds in the industry with the science of the possible.

On that note, I will hand over to Kelly Williams to tell our commercial story.

Advertising Innovation

Kelly Williams

Managing Director, Commercial, ITV plc

Commercial strategic pillars

I hope you all saw our commercial investor seminar on 9th November. If you missed it, you can stream it on-demand at itvplc.com. It is possibly the one and only time the commercial team will ever be a streaming sensation. If you have not seen it yet, we talked in detail about ITV's advertising business, an advertising business that is transitioning from being a very powerful, massive reach marketing platform just a few years ago, but relatively one dimensional, into a multi-dimensional, digitally-led, data-driven creative partner.

Our commercial strategy brings together the best of all advertising propositions:

- First, our unique ability to deliver trusted, brand-safe mass reach, combined with;
- Second, a more targeted addressable advertising proposition, driven by the first-party data you have just heard about from Sanjeevan, and a programmatic platform, Planet V; and
- Third, at the same time, building multi-layered creative partnerships using our unique position as an integrated producer broadcaster.

In a nutshell, three simple strategic pillars:

- A mass reach cell;
- An addressable cell; and
- A creative cell.

Renaissance of TV advertising

We also highlighted the huge renaissance of TV advertising demonstrated by our full year results in 2021, and a very strong start to 2022. It is what we described as the four R's:

- Rediscovery of the effectiveness of TV advertising by the traditional major TV advertisers;
- Re-evaluation by many advertisers on the back of the flexibility, value, trust and brand building capabilities TV offered in particular during the pandemic;
- Revitalisation of TV due to the exponential growth in e-commerce brands, and direct-to-consumer brands; and finally, and arguably the most important one;
- Reinvention of TV advertising, which is the area I want to cover now, driving growth through the digital transformation of our advertising capabilities.

ITVX will be by far the most significant milestone on our reinvention journey. In a moment, I am going to introduce you to ITV AdLabs, the new home for all of our digital innovation that we launched to the market in November, and it has taken off massively this year. Let us start with ITVX.

Advertiser's five needs

You just heard from Kevin, Rufus, Ro and Deep about how and why ITVX will deliver on viewers needs. I want to share how our investments in ITVX and our enhanced data strategy-led will deliver for our customers, how it will deliver for advertiser and agency needs and support the commercial strategy we have outlined and are busy delivering.

Here is the crucial question. What is it that advertisers and agencies need? Well, this is what they tell us. They need:

- Transparent;
- Privacy safe;
- Data-driven advertising solutions that are easily planned, bought and measured at scale, around high-quality, brand-safe content.

To put it simply, it is five things.

- Data;
- Ease of purchase;
- Measurement;
- High quality content; and
- Scale of audience.

Crucially, only TV can deliver them all. So let us look at each in turn.

We are investing in our data strategy. All of our digital targeting solutions are first-party data-driven, with a select number of third-party partnerships such as Experian and MasterCard match directly to our 34 million registered users. Our advertising solutions are and will remain entirely cookieless. Data gets a tick in the box.

Our self-service, programmatic platform, Planet V, is now in the hands of the entire advertising market. This has so much potential. Since we last presented, we have completed the onboarding of the remaining GroupM agencies and Unilever. We now have over 1,000 active users on the platform, as ease of purchase, tick.

We now have cross media measurement. CFlight has launched. As a reminder, CFlight is a measurement methodology developed by NBCU in the States and brought over to the UK by Sky. All of the UK broadcasters have collaborated to develop and adapt CFlight for the UK market and it is now operational and will enable advertisers for the first time to measure de-duplicated reach and frequency across their linear TV and digital campaigns. There is a tick in the box for measurement too.

We have high-quality, brand-safe, trusted content, tick. With ITVX, we will drive scale as we supercharge streaming audiences. The final tick in the box for a full house. ITVX, a scaled destination, AVOD-led streaming service will be critical in enabling our commercial team to deliver on all five of our customers needs. Google and Facebook may have data, scale and automated buying platforms, but they certainly do not have high-quality content and industry-recognised measurement.

ITV AdLabs

That is the first area, advertiser and agency needs. Now on to more innovation. At our annual upfront event in November, we launched ITV AdLabs, which will house all of our digital innovation across product, partnerships and insight. It is one way we are changing our body language towards the industry, bringing our customers more upstream and right into the development pipeline. We are over the moon about the reaction from the market so far. Our diaries rapidly filled with clients eager to be part of our various pilots.

Let me share some of the opportunities. We have mentioned before the launch of dynamic weather-based targeting, the InfoSum data match product, dynamically served ad creatives and AI-powered contextual advertising. We have now started to test the integration of QR shoppable codes, which enable instant response or interactivity and can be served dynamically based on criteria such as postcode life stage, or time of day.

We are developing InfoSum Data Match 2.0, where we build a three-way match between ITV data, the advertisers data, and a third-party data source such as Dunnhumby.

Finally, following more progressive platform partnerships, we will begin testing linear addressable advertising later this year.

In summary, I have covered:

- The three strategic commercial pillars;
- The four R's of TV's renaissance;
- How we are meeting the five customer needs, and six key innovations from ITV AdLabs.

I think I have done it in seven minutes. We are very excited about ITVX. I could not wait to tell you about it today because it means we can now start to tell our customers about it. We know they will be excited about it too.

Today, we are already the biggest streaming service in Europe, as measured by advertising revenue. With ITVX, our streaming proposition will reach a whole new level as it drives the volume of those highly valued addressable impressions. It will establish ITV as the market leader in ad-funded streaming. It will enable us to expand our customer base and compete for the long tail of advertisers. That is why we will more than double our digital revenue by 2026.

I am now going to leave you in the very capable hands of Sarah Clarke, COO of the M&E division, who will take you through our KPIs and targets.

Product Roll-Out and KPIs

Sarah Clarke

COO, Media & Entertainment, ITV plc

The best of ITV in a single delivery programme

Thanks, Kelly. Before I take you through our KPIs and associated targets, let me share how we are set up to deliver ITVX as the most important part of our accelerated streaming strategy.

Last May, we appointed a launch director, Ross Appleton, to work alongside the team as we set the strategy for ITVX. We quickly established a governance structure with clear reporting and decision-making processes from the top of ITV through to the teams on the ground. As a result, we have 11 work streams, each with clear delivery roadmaps and KPIs.

We spent the second half of last year mobilising many of our internal teams around these work streams, harnessing experiences and expertise from across ITV Hub, Hub+ and BritBox and bolstering them with a combination of new ITV hires. Today, we have heard how Deep is building out the product function to match the value proposition and how Sanjeevan is building out our data teams.

In content, we have brought on board a Managing Editor for ITVX, and a Content Partnerships Director focused on expanding our consumer offering through strategic partnership arrangements. We are working with best-in-class third parties including the likes of:

- Accenture, Candyspace, Addetto and Accedo in tech;
- Google and Amazon in data;
- Dixonbaxi and W12 on brand and design.

We have almost doubled our tech and product resource moving from 130 to 249 heads across the various teams through a combination of permanent ITV hires, contractors and third-parties.

Our phased roadmap: Towards launch and beyond...

In terms of roadmap, we are building on the existing ITV Hub tech stack, and will soon have completed our Minimum Viable Product phase, which consists of:

- All the key user journeys;
- Core features; and

- A significantly expanded content proposition.

The next stage is building it into a Minimum Marketable Product, which, when complete, will be a significantly improved consumer proposition from where ITV Hub is today. As we develop ITVX throughout the year, we will release some of the improved functionality and features into Hub as we go, mitigating the risks of a big bang release at launch. This will include continual increase in content hours. In fact, we are already well advanced with more than three times more content on Hub today than this time last year.

ITVX is planned to launch in Q4 this year. This will be the biggest visible change for viewers when we roll-out the new ITVX brand on and off product, bringing our AVOD and SVOD services into one place for the first time. It will be widely available across multiple platforms in much the same way that ITV Hub is today. We will be working closely with all of our distribution partners to ensure the transition between our existing streaming products and ITVX is as seamless as possible for viewers.

While ITVX will be a brilliant viewer experience from launch, it is just the beginning. There will be a launch year of continuous development and improvements throughout 2023.

Our strategic M&E ambitions

Everything that you have heard today can be distilled down to our intent to:

- Supercharge Streaming; and
- Optimise Broadcast.

Those strategic pillars Kevin shared earlier. Our ambition is to transform and scale M&E by:

- Bringing more viewers to and deepening digital engagement with our streaming service, through an expansive content offering and a best-in-class product;
- Continuing to innovate and provide advertisers with new ways to connect with audiences, including more targeted advertising;
- Capitalising on the flexibility that an integrated AVOD/SVOD service provides to diversify our digital revenue streams; and
- All while maintaining our position as an unrivalled provider of mass simultaneous reach for advertisers, and the home for the majority of the UK's biggest commercial live audiences.

Our six M&E KPIs

We are going to measure success through six clear and meaningful KPIs. Our leading KPI will be digital revenue, which sits across both strategic pillars and is complemented by three streaming specific KPIs and two broadcast specific KPIs.

We have clearly defined and set stretching targets for each of these across a five-year horizon. Let us go through each of them one by one.

M&E KPIs – Digital revenue

Digital sits at the heart of a transformed M&E to Supercharge Streaming and Optimise Broadcast. Digital is the essential enabler of our ability to offer viewers what they want to stay relevant and to continue to provide a compelling commercial proposition for advertisers.

In line with this, we have set an ambitious target to more than double digital revenue to at least £750 million by 2026. That is from a 2021 base of £347 million.

When we talk about digital revenue, this encompasses:

- VOD-related advertising;
- Digital sponsorship and partnership revenue;
- Linear addressable;
- Digital innovations across M&E; and
- UK subscription revenue.

M&E KPIs – Monthly active users (MAUs)

A key principle to supercharging streaming is to inspire more people to watch more content more often. Tracking monthly active users helps us to measure viewer engagement and our success in scaling audience reach. Repeat viewers are a critical enabler to VOD revenue, as reliable audiences drive advertising.

In line with doubling digital revenue, our target is to double our monthly active users to 20 million by 2026.

M&E KPIs – Streaming hours

To effectively track engagement, we also need to know how much of our content people are watching. We want to maximise the engagement and relationship with each and every viewer. We plan to double viewed streaming hours from 1 billion to 2 billion by 2026. This will fuel our ultimate target of doubling digital revenue. Remember that we are measuring quality of viewing here, the total hours audiences actually spend watching across all of our platforms, not inflated figures, such as shows accessed or server requests.

M&E KPIs – Subscribers

While our streaming proposition is AVOD-led, our integrated SVOD upsell path creates diversity in our revenue streams, and means that we can respond swiftly to changing viewer and market dynamics. Therefore, as part of ITV's overall ambition to grow global subscribers, we aim to double UK subscribers to 2.5 million by 2026 from a base today of 1.2 million.

M&E KPIs – Share of Commercial viewing

Although we are doubling down on streaming, broadcast continues to be a cornerstone and we plan to remain the unrivalled provider of scaled simultaneous reach for our advertisers. Share of commercial viewing is a key barometer for this. We intend to maintain our current position through to 2026, holding a 33% share of all ad-supported commercial viewing in the UK across our ITV family.

M&E KPIs – Share of Commercial mass audiences

We will also ensure that ITV programmes continue to make up at least 80% of the top 1,000 biggest shows in UK commercial television by audience size. We will remain the biggest game in town for mass audiences.

M&E – our 2016 ambitions & targets

Let us recap. We have a single Media and Entertainment division with a unified streaming and broadcast focus to double digital revenues by 2026. We have three streaming specific KPIs and two broadcast specific KPIs. Each are clearly defined and aligned to our digital growth ambition. They drive our decision-making and behaviours and give us the control we need to flex and adapt across AVOD and SVOD.

Across a five-year horizon, our targets are ambitious, but we have full confidence that they are realistic whilst being sufficiently stretching. This is unquestionably the right way forward for ITV, for our viewers, for our advertisers, and for you, our shareholders.

Now I will hand back to Carolyn for her final thoughts.

Conclusion

Carolyn McCall

CEO, ITV plc

I shared with you first thing this morning that we have now successfully executed on the first phase of our strategy. As I said, we have laid the foundations for the next phase, our digital acceleration, all our strategic priorities aligned with that ambition.

You have seen today from the Media and Entertainment leadership team, our plans for ITVM, a unique streaming service and the cornerstone of our digital-first content strategy. It is brilliant for viewers, and it is great for advertisers. You have also heard about how data will be at the heart of many of the decisions we make as a business, bringing together content, marketing and product.

When we saw you last year, you heard about the fantastic progress we are making in our market-leading advertising technology, which will be accelerated by ITVM. You have also heard in the Studios' investor seminar about how we plan to build on the success we have had in growing our scripted revenues and revenues from global streamers. Studios, as I said, are pivotal in delivering our new streaming content.

I hope you have been able to see and feel across our senior leadership team that we are not just excited to deliver the strategy, but we are completely committed to achieving the ambition and goals behind it. The reason for this is that we all believe this will create a successful leader in UK streaming and an expanding global force in production which will drive shareholder value.

Q&A

Sarah Simon (Berenberg): The main thing really is you have obviously got very big ambitions in terms of streaming. What do you think this does to your linear business? You have not, I do not think, set out targets for total consumption hours. The question is, do you think this can change your total consumption into positive territory? Do you think you are going to capture consumption share across linear and digital from other people? How will this affect the linear advertising part of the business?

Carolyn McCall: Okay. Well, look, I will get Chris to answer that in the first instance. Then Kelly, if you want to come in on that, that would be good.

Chris Kennedy: Just in terms of total viewing, if you think back to what Rufus was saying about the people that we are trying to target them, those mainstreamers, what we are absolutely aiming at doing is reaching people who already come to ITV and we want them to come more often and spend more time with us.

This is not about cannibalising linear viewing. This is about targeting people who have moved away from linear viewing but love ITV content. This is a net benefit to the trends in total viewing for ITV. On the advertiser?

Kelly Williams: Yeah, I think we see this from an advertiser perspective as it is really important to lean in to what viewers are doing. Viewers, as you know, want to watch television wherever and whenever they want. We are seeing and we have been seeing for the last few years these viewing changes, and that has meant that all linear TV channels have seen some decline and we suspect that will continue.

I guess the reason for this strategy is to make sure that we grow our overall viewers but also capture some of that decline.

In terms of advertising, we think we now have a much stronger proposition because we not only have the linear mass reach cell, and look, although linear viewing is declining, it is still very, very, very significant and will be over the next few years. We will remain the number one place for mass audiences, which has always been really good for ITV, but we will now have a scaled addressable proposition and our traditional TV advertisers will use the streaming service to supplement their linear campaigns.

The digital advertisers, that long tail of digital advertisers that Google and Facebook have successfully nurtured, we will be able to fish in that pond and therefore extend the number of advertisers using television. I think, as I said in the piece, it is giving us the best of both worlds, mass reach and addressable.

Carolyn McCall: Just picking up on Kelly's last point, I mean, in 2021, we had 400 advertisers doing VOD only campaigns. That is all because of Planet V and the increase inventory on Hub.

Kevin Lygo: I would add that fundamentally, we are viewer-led. The viewers are clearly telling us that they want to watch programmes of high quality when they want, how they want. This increasingly means moving into digital, which is what ITVX is really all about.

Carolyn McCall: I think, yes, exactly that. Just as a principle to close this point off, Sarah, is we cannot fear this move. I mean, the whole strategy is about ensuring that we get our viewers and other viewers, so viewers that are familiar with ITV, because actually 99% of the British population is, we want them to come in more frequently, as Chris said, and spend more time with us. We need discoverability. They need to discover what we do now, which is going to be quite different from what we have done in the past.

There is a principle here, which is, we have to monitor and evaluate and track what is going on linear versus streaming. We will do that. We cannot fear that great, big thing of cannibalisation, because that has prevented many people from making bold decisions and

being very clear sighted about the strategic goals. I think we are very clear sighted about the future.

Richard Eary (UBS): Just a number of questions. Firstly, is that, I think, Chris, on the first call, you mentioned that the revenues from digital were £347 million in 2021. I am just wondering within that you can give us a breakdown of the revenues. Obviously, we have got the SVOD numbers of £42 million. I am just interested to know what the other revenues are, and how they are accounted in the accounts today. In addition, when we step forward to £750 million, whether you can give us a bridge of where you think those revenues are going to come from either through SVOD, AVOD, and particularly in AVOD that addressable side and whether there is any cannibalisation built in, similar to what Sarah was asking first?

The second question is just so I get the cost right. As I understand it, we have got £55 million of additional other costs coming into the system. £30 million on launch costs in 2022 and 2023, £25 million are basically data, but we have also got £50 million of cost savings coming out. I am just trying to understand where the phasing of those savings comes from. If you can just answer those two questions first, that would be great.

Carolyn McCall: Okay, I think these are both yours.

Chris Kennedy: Yeah. Richard, on total digital revenue, we are not providing a breakdown. As I said, and Sarah said, it includes the AVOD revenue. It includes sponsorship and partnership revenue that relates to ITVM, and it includes the subscription revenue.

I think on the earlier Q&A, I think I had a similar question as to how it is going to evolve. It was just the proof points were that, today, subs revenue is somewhere between 10% and 15% of the overall digital revenue. We are going to double subs and we are going to do viewing hours, streaming hours. So VODA[?] and subs, we are assuming will grow roughly at the same rate on.

Richard Eary: Can I just jump in there? If I look at the guidance you have given for subs and look at the pricing that you have announced, assuming that is the correct pricing in the presentation that you have just given, obviously 2.5 million subs times 599, you get 180 million in 2026. It is 140 million increase relative to what you did last year.

Carolyn McCall: We have not confirmed pricing for the new service. What we have said is that BritBox subscribers will continue to pay 599, Hub+ subscribers will continue to pay 399 whilst we migrate them. We will have extended terms to them, so we will protect them for an extended period of time. However, we have not disclosed or announced pricing for ITVM premium tier.

Richard Eary: Okay, when will that come out, Carolyn?

Carolyn McCall: Just probably closer to the launch date.

Richard Eary: Okay. I think just given the market reaction, everyone is trying to understand is that where the revenue offset is for the additional costs and visibility on that? I know if we are trying to understand the bridge that you put in your numbers, that we can either work out whether that is doable or not doable?

Carolyn McCall: Well, look, we would not put it out there. We are seasoned, i.e., we would not be putting out a number that we had not forensically looked at and built up from the

bottom up. Absolutely, this whole team believes we can achieve that number, otherwise, we would not have put it out there.

Chris Kennedy: Yeah, and Richard, primarily, the growth will come from subs and AVOD, because we are managing both within ITVX. That is why we have set that total target number. To Carolyn's point, we have done it bottom-up. We have done it based on the data we have had from BritBox viewing and from Hub viewing in terms of the impact of content on MAUs, on dwell time and on subs. We built some very detailed models to model what we would have without the additional content spend, and what we are getting with the additional content spend. That is what is driving the £750 million target plus the doubling of subs and viewing numbers.

Richard Eary: Chris, can I just ask a follow up? When you said that they are obviously doubling there is to offset the cost increases, is that mean that when we get back to FY 2026, do you still think the Media & Entertainment EBIT is going to be broadly similar to what it was in FY 2021, which was £600 million, or am I missing something?

Chris Kennedy: It is going to be similar or higher. Then on the cost side, what we are saying is you have got £25 million of investment in 2022 and 2023, which is the variable costs of the streaming service, additional investment in tech and the platform. Thereafter, the variable costs will increase because it is bandwidth and it is related to the number of hours we got on service.

All of those variable costs will be more than covered by the permanent cost savings. There are additional one-off launch costs. They do not possess this £20 million in 2022 and £10 million in 2023. Then the revenue is going to cover the content in that initial step up in investment in tech and digital.

Matti Littunen (Bernstein): The first question on distribution agreements. Are you hoping to have the same level of distribution and availability for ITVX on launch, as you currently have for ITV Hub, or is there any uncertainty on that?

The second question on that growth guide, as you said that all the component parts are growing at roughly the same rate and you use the doubling of the viewing hours online as a proxy for AVOD growth. Should we take that to mean that the guidance you have given on revenue does not assume any kind of CPM increases or ad load increases for the AVOD business?

Carolyn McCall: On distribution agreements, I think the answer is yes. That is our intention. That is our ambition. That is what we are working towards. Growth guidance?

Chris Kennedy: Yeah. On the growth guidance, we are actually assuming that there is some small CPM inflation, but that is offset by reduction in the ad load because we want to give a better viewer experience.

Omar Sheikh (Morgan Stanley): I have got three as well. I also wanted to start with the question about impact on linear. I guess the way to think about this, I totally get the point you made about having access to the long tail of advertisers who perhaps would not advertise on linear, and that brings an upside to the AVOD story. However, could you maybe talk about what the impact is on revenue from viewers switching from the linear service on one of your large properties like the World Cup, or I'm a Celebrity or Love Island or whatever? What

happens if those viewers switch to viewing on ITVX? Maybe you could walk us through that, that would be helpful to think about the impact of cannibalisation potentially? Well, if you want to take one by one and I have got another couple.

Kelly Williams: What we are seeing at the moment as linear audience are declining, effectively, we are seeing two battlegrounds for viewers of AV, shall we say. You have got the broadcasters competing with the big global SVODs for viewers. That is why in the last few years you have seen a decline in linear viewing. Then you have got the video sharing platforms. You have got YouTube and TikTok in another battle for AV viewing and AV advertisers.

That is mainly on devices, whereas linear and SVOD is mainly on the big screen. What you are seeing is because of the big global SVODs do not carry advertising, you are seeing the really valuable linear advertising being constrained. As a result, the price of that is going up, that the effectiveness of linear advertising is still absolutely up there. It is as effective as it has ever been.

All of the things that we all know that TV delivers, whether that is fantastic environment, brand safe, sound on, full screen, no bots, perfectly measured, whether it is the multiplier effect TV has on all of your digital, all of those brilliant things. That is still absolutely key for advertisers. However, as I said, supply has been constrained, and as a result, we are seeing the price go up.

Arguably, I think what you are going to see over the next few years is inflation will continue for a number of years, as effectively linear is going to become more valuable because it is harder and scarcer to find. That is what we think will happen over the next few years. At the same time, we trade VOD at a fixed price. It is a dynamic price on linear that moves with supply and demand.

We sell at fixed price on VOD. As Chris said, we have modelled in some inflation, and that mainly be delivered as a result of more sophisticated targeting. However, we were on a fixed price. Actually, if as an advertiser, you are using both, you can manage the price across the two. That I think hopefully explains what will happen as a result of linear cannibalisation.

Carolyn McCall: I think the key thing is, is that the viewer, wherever they are, is being monetised. Wherever we find viewer, whether that is through linear, whether that is through AVOD, whether that is through SVOD, we are optimising our ability to monetise the viewer, because we understand that viewers so much better now, because we have so much more data on those viewers. You had a couple more questions, I think?

Omar Sheikh: Yes, I do. Just a couple of just questions about, I guess, related. The first one is on the marketing budget. Obviously, the streaming market in the UK is pretty crowded. It is very competitive. The question is, do you think £30 million for launch costs over two years is enough?

Will you be focusing the marketing effort on ITVX or BritBox or a bit of both? Then related to that, churn rates for streaming services in the UK are also very high. Just wonder maybe if you could talk about your thoughts on what you expect for churn for ITVX and how you plan to manage it?

Carolyn McCall: Okay. Rufus, do you want to take both of those?

Rufus Radcliffe: Yeah. On the marketing point, we are going to be singularly focused on ITVX as our priority streaming destination. All of our firepower is aimed at that. We have got an amazing toolkit. I mean, ITV is an amazing marketing platform anyway, but we have also got some fantastic new data and digital capabilities. We are really, really confident that that target audience that I talked about, we can get.

The point is, ITVX is the single destination that we are bringing everything into. That is the marketing focus there. In terms of churn, I mean, I think we have said this earlier today. This is unequivocally good news for subscribers. If you are a BritBox subscriber, not only do you get BritBox now, but you get all of the AVOD tier ad-free as well plus other content partners. It is a really, really good news story for them. Similarly, for Hub+ subscribers, you are suddenly in a bigger subscription tier with a whole world of more content there.

We are really confident that we have a compelling SVOD proposition and a compelling AVOD proposition, but just really, really wanted to reiterate that what we are not doing is managing a portfolio of brands here. We are really single-mindedly launching ITVX.

Carolyn McCall: I think it is just important to clarify that the £20 million and the £10 million are launch costs for ITVX. We still have a marketing budget behind that as well, which is part of what we would normally do. We will be focusing that on ITVX, as Rufus says.

On churn rates, we have learnt an awful lot through with BritBox. BritBox's churn rates have halved in the last year, and that is through quite assiduous work on what works and what does not work and we will be using that on ITVX premium. So that is quite important.

Julien Roch (Barclays): Three questions. The first one, I am still a bit unclear on tiering. ITV Hub and ITV Hub+ disappears brand. You get ITVX as free. Then you get ITVX premium, which include BritBox. Will you still be able to get BritBox separately, which will indicate that ITVX premium is more expensive? Or will BritBox be available only within ITVX Premium? Do you have two tiers, ITVX and ITVX premium, or three tiers, ITVX, BritBox and ITVX Premium? That is my first question.

The second one for Kelly, I suppose, is can you tell us how much linear advertising was up in 2021? Then, I am still a bit confused on numbers. You are saying these two will double from £350 million to £700, which is £350 million of extra revenue. You said the extra revenue will cover the cost. I do not get £350 million of cost. I get digital first content investment of £20 million in 2022 and £60 million in 2023. That is £160 million, plus £25 million of ITVX and data plus £10 million in digital innovation. I am getting about £200 million of extra costs, not £350 million. Can you come back again on the revenue and cost? These are my three questions.

Carolyn McCall: Great. We will start on the tiering. That should be very straightforward. I am going to hand to Kevin.

Kevin Lygo: Yes. So, here we go again. ITVX is the hero brand here, right? You come into ITVX, which is free and it is ad-supported. It is thousands of hours of programming. If you want to upgrade and pay to ITVX premium, this will be everything that is in the free-tier, but without ads, plus BritBox, which you already get presumably, and other partners as we find them and bring them in.

Carolyn McCall: It is really straightforward. It is a two-tiered systems. ITV Hub goes away as a brand. ITVM is the brand. ITV Hub+ goes away as brand. ITVM is the brand. BritBox remains a sub brand. It is within the ITVM premium tier. Is that clearer, Julien?

Julien Roch: To be 100% clear, you will no longer be able to subscribe to BritBox as a standalone? You will only have two tiers.

Carolyn McCall: That is true. That is right. The only place you will get BritBox is on Amazon, because we have an established long-term partnership with Amazon for BritBox being on there. That is the only place you will be able to get BritBox. When you come into BritBox through Amazon, you will be a part of the ITVM premium tier.

Julien Roch: I suppose that once that deal with Amazon expires, then that is no longer going to be the case and you will have only two tiers.

Kevin Lygo: Quite possibly.

Carolyn McCall: Possibly. We will take a view on that.

Chris Kennedy: Then, Julien, I think the revenue cost equation, what we are saying is the incremental revenue. We would have grown digital revenue anyway. We have been growing digital revenue over time. We had modelled how far the existing content strategy we think would have got us. The incremental that we are talking about is on top of that, as a result of the incremental spend, the creation of the one content budget and the different way we are looking at windowing on linear versus VOD.

Julien Roch: Okay. That is clear. However, you are doubling of revenue over the next five years. It is 15% growth. If I look at the last four years of AVOD, it has been £36 million, €21 million, £17 million, £41 million. Are you telling us that you were modelling like almost no growth in AVOD and subscription? The extra is the £15 million.

Carolyn McCall: We have said at least £750 million.

Chris Kennedy: Julien, I think there is plenty of market commentary out there. There is a really good paper by Enders, I think, from November of last year on evolution of BVOD. We have taken what consensus has been, what analysts are saying, what the market data says. That was our best guess of how the VOD growth would go from here on out, where we to do nothing on content.

As Carolyn said, we are not limiting ourselves to £750 million. We are not limiting ourselves to revenue covering costs. We will push it as hard as we can. It will be great if the underlying growth rate continues 20%, and we are layering on top. However, what we are saying is we are absolutely confident that the incremental investment will pay back regardless of the underlying market trend.

Julien Roch: Okay, so just to keep it simple, you have about £200 million of extra cost. You have about £350 million of extra revenue. Therefore, you are expecting only an extra £150 million in revenue over the next five years for your digital and that extra £200 million of costs brings you an extra £200 million of revenue?

Chris Kennedy: I think we are talking in very round numbers here, Julien. I think probably the best thing is if we take this offline. I will walk you through the thinking about the individual cost elements.

Carolyn McCall: Good. We have got time for one question, if it is one question or a couple of quick. Actually, one question if it is a three-parter. Two questions if it not a three-parter. I leave that to you. Any other questions?

Nizla Naizer (Deutsche Bank): Have you done some studies, on average, how many streaming platforms does a viewer typically have in the UK? Would they have the appetite for another SVOD platform? Some colour there would be great.

Secondly, just on the advertiser's perspective. Would it be now more expensive for an advertiser to keep advertising on linear TV versus the digital avenue going forward? Any colour that you can give us there would be great.

Carolyn McCall: Okay, I will just take the streaming platforms very quickly. When we are talking about streaming, we talk about streaming as a generic. We mean, ad-funded and subscription-funded, right? We have got both.

Just on the subscription funded, which I think your question obviously relates to, about 66% of UK households have got a streaming service currently. In the States, it is about 86%. We actually think the UK has room to grow despite the cost of living increases and various other pressures on households.

Our research says, and other research said, that people see streaming services as a relatively low-cost way of having a great night in. Actually, COVID has really amplified that. People have got used to it, and they have actually quite enjoyed it. It is a lot less expensive than, say, going to cinema or doing other things. We think there is headroom on that.

Then actually, the growth of two plus subscriptions in the UK has gone from about 58% in 2020 to about 68%, so 10-point percentage point increase on that, just in the space of a year. I think there is definitely demand for subscription services, and we do not see that stopping at all, despite people feeling the pinch financially.

Chris Kennedy: Just adding to that, again, coming back to it, ITVX is ad-funded, which means you get it for free as a viewer and it is a subscription service. The experience in the States is some elements of the population are getting subscription fatigue. What they do is switch to a FAST channel to an ad-funded free to the viewer experience.

With ITVX, you have got both. If you want another subscription in a very distinct subscription to add to your existing set, you can have it. If you do not want to pay for another subscription, you are getting 9,000 hours of TV for free.

Carolyn McCall: Kelly on the point about the advertiser perspective.

Kelly Williams: So basically, it depends on which audiences you are targeting. As a rule of thumb at the moment, if you are targeting broad audiences or upmarket audiences, linear TV is much more cost-effective than AVOD. However, if you are targeting younger audiences, then it is much better value targeting AVOD as opposed to linear. Again, it is all about scarcity of audience. Younger people are early adopters, and they are much more likely to use streaming service. Therefore, there is more of them on the streaming service. So it is better value on the streaming service.

Carolyn McCall: Okay, I hope that answers all your questions. If you have got any questions, you know you can contact us through Pippa. Thank you very much for your time.

I know it has been a very, very chunky morning this morning in terms of your time. Thank you very much for joining us, and see you all soon. Bye for now.

[END OF TRANSCRIPT]