ITV plc 2023 Full Year Results

Thursday, 7th March 2024

Introduction and Highlights

Carolyn McCall

CEO, ITV

Good morning everyone and welcome to ITV's 2023 Full Year Results. I am here with Chris Kennedy, our CFO and COO. I will hand over to Chris shortly to walk you through our financial and operational performance before I cover our strategic progress.

But first, let me start with a very quick overview. 2023 was a challenging year, but we delivered a robust financial and operational performance, and we have made significant progress against all three strategic pillars. The actions we have taken to focus ITV on growth in Studios and digital advertising has enabled us to navigate through the significant economic headwinds, which contributed to a severe slowdown in the linear TV advertising market.

Now, the headwinds coincided with the peak investment year for ITVX. ITV Studios and strong digital advertising growth substantially offset the 15% decline in linear advertising, with total revenue down only 2%. ITV Studios reported growth ahead of the market and delivered record revenues and profits, and ITVX had a hugely successful launch year with very strong digital revenues driven by a step change in viewing, showing, I think, the strategy is demonstrably working. We are on track to deliver our 2026 KPI targets.

So in order to de-risk linear revenues from both cyclical and structural headwinds, we are initiating a new multi-year strategic restructuring and efficiency programme right across the group, which Chris will talk through in a bit more detail in a moment.

Finally, as you know, we have agreed the sale of our 50% share of BritBox International to the BBC, and the entire net proceeds will be returned to shareholders via buyback.

Group financial performance

The next slide demonstrates the group's financial performance over the last five years. ITV's group revenues were the second highest in our history, only slightly down on last year. Revenues in our growth drivers continue to perform well, with ITV Studios up 4% and digital revenues up 19%, reflecting the successful investment in the streaming business. In total, M&E revenues were down 7%, impacted by the decline in linear advertising of course, and as expected EBITA was down, reflecting investment in ITVX.

We are really well-placed to grow profits from here. In line with our stated dividend policy, the board is proposing a final dividend of 3.3p, maintaining a full-year dividend of 5p, which we expect to grow over time.

On track to deliver 2026 KPI targets

I am really, really proud of the team and the progress that has been made to date. We are either on track or ahead of our 2026 KPI targets, which we will go through in more detail a bit later. And now I am going to hand over to Chris to talk you through the results in more detail.

Financial and Operating Review

Chris Kennedy

CFO, ITV

ITV Studios

Thanks, Carolyn. Good morning everyone. I will start with the performance of Studios. We continue to focus on the most attractive segments of the market: local and global streaming platforms, high-end scripted drama, and our portfolio of world-class global formats. Total revenues were up 4%, which was ahead of the market. It includes our benefit from our acquisition of Plimsoll Productions, but also £15 million from unfavourable foreign exchange movements. Total organic revenue at constant currency was up 3% following a very strong growth of 14% last year, and we remain on track to grow ITV Studios' organic revenue by at least 5% on average per annum over the five years to 2026. Revenue growth was driven by the UK, with productions including Vigil for BBC and Squid Game: The Challenge for Netflix, which was one of their most watched unscripted original productions. Sales to M&E were up 3% with several new and returning dramas for ITV1 and ITVX, including After the Flood, Vera, and Grace.

ITV Studios' US revenues declined year-on-year, following significant deliveries in 2022 as well as more muted demand from networks. International revenue was also down, impacted by softer demand from free-to-air broadcasters across Europe and a number of deliveries being delayed from 2023 to 2024. Global partnerships saw good revenue growth from the international distribution of new titles and the strength and breadth of our catalogue of over 90,000 hours.

Adjusted EBITA was up 10%, and we restored our margin to within our target range. We continue to look for ways to improve margins over the medium term, and we are doing this through initiatives such as reducing our property footprint, taking steps to digitise production, and more frequent use of remote editing. In total, we delivered £13 million of additional savings in the year.

As previously guided, 2024 will be impacted by the US writers and actors' strikes, which will delay around £80 million of revenue from 2024 to 2025. We are also seeing a continuation of the weaker demand from free-to-air broadcasters in Europe who are holding back spend until they see more certainty in the TV advertising market.

Building on a strong track record of successful shows for streamers, we are increasingly well-positioned in this important segment of the market, and we are confident that we can continue to grow market share.

Before I move to Media and Entertainment, I want to highlight a change in UK legislation which has no economic impact on ITV Studios, but will change how key metrics are reported from 2024 onwards, in particular, the EBITA margin. I would not normally go into this level of detail, but it is important that you understand what the effect of this change will be.

The UK has changed the regime for high-end TV, or HETV, tax credits, replacing it with a new scheme, audiovisual expenditure credits, or AVEC. The change does not affect the economic value of the credits, which, in 2023, were £85 million, and will not have an impact on our profit after tax. The new scheme is one of expenditure credits as opposed to corporate tax relief, which requires a change to the accounting treatment, so that they are included within statutory operating profit rather than within the consolidated tax charge. The effect of this change in legislation will therefore be to increase our EBITA, adjusted EBITA, adjusted EBITA margin, profit before tax, and tax expense. But it will leave our profit after tax unchanged.

2024 will include a mix of HETV and AVEC, and when we report at the half and the full year, we will clearly highlight the impact that AVEC has had on the presentation of our financial results. And there is more detail on the change in the finance review in the RNS.

Media & Entertainment

So now onto M&E, total revenue was down 7%. Within this, digital revenues were up 19%, well ahead of the market. ITVX has sustained its success in the year following the launch. The additional investments has driven significant additional viewing and revenues. Digital advertising revenues were up 21% and subscription revenues increased 9%. Digital revenues are now 23% of total M&E revenues, up from 18% in 2022, and we are on a good trajectory to deliver at least £750 million of digital revenues by 2026. Despite the strong performance of digital advertising, total advertising revenue declined 8%, as guided. More details on ad revenue can be found in the appendices.

Partnerships and other revenues declined year-on-year, mainly driven by lower competition revenue. And we expect partnership and other revenues to decline by around £10 million in 2024, following our decision to revise our partnership agreement to allow ITVX viewers to watch in HD and allow ITV to target ads to a much larger proportion of those viewers, using Planet V.

Content costs were £1.293 billion, in line with guidance, and we are pleased with the viewing and revenue performance this spend delivered. Half of the growth in viewing on ITVX came from new content, attracting hard-to-reach viewers and encouraging viewers to watch for longer. At the same time, we continue to optimise spend on linear, and further detail on content spend can also be found in the appendices.

ITVX's strong performance in 2023 has shown us that we can grow viewing significantly with slightly less overall content spend than planned, as we further optimise linear, evolve our windowing strategy and improve personalisation.

As a result, content costs in 2024 will be around £1.275 billion. At the same time, we will increase our marketing spend by £15 million based on the learnings from 2023. We will continue to evaluate content and marketing ROI and adjust as necessary.

Variable costs were up 18%, mainly driven by an increase in bandwidth and other streaming-related costs, as well as third-party commercial pay-aways. Infrastructure and overhead costs were flat year-on-year, with inflation and the investment in ITVX offset by £11 million of cost savings, again, ahead of our target. ITVX's incremental investment was as planned at launch and has delivered strong digital revenue growth. In total, adjusted EBITA was down as expected, reflecting the impact of the challenging linear advertising market and ITVX investment.

Outlook

Turning to the outlook, we have seen an improvement in TAR at the start of this year, and we expect Q1 to be up 3%. ITVX has started 2024 well, and we are seeing continued strong growth in viewing and digital revenues year-on-year.

Key balance sheet metrics

Moving on to the balance sheet and cash flow, cash conversion was high at 102% due to the US writers and actors' strikes. In FY23, there was a release in working capital as a result of lower production activity. This will reverse in FY24 as we resume production. So across the two years, we expect cash conversion to be at the normal level of 80%.

On net debt, at the end of the period, reduced to £553 million, and during the year we refinanced our 259-million-euro bond by drawing on a £230 million four-year term loan. We continue to have a robust balance sheet with net debt to adjusted EBITA of one times. The accounting surplus of our pension scheme is £209 million. The next triennial valuation is nearing completion, and we are hopeful that it will show a surplus on a technical funding basis. We currently expect the deficit contributions in 2024 to be less than in 2023, but we will update you once the valuation is completed.

Disciplined capital allocation framework

Now, you are familiar with our capital allocation framework, which remains unchanged.

Shareholder returns

The Board has proposed a 3.3p final dividend, which gives a full-year dividend of 5p/share, a total return of around £200 million. In addition, we have announced that we will return the entire net proceeds of the disposal of BritBox International via a share buyback, which will start today. Given the current share price, the Board believes this will create the most value for shareholders.

Our existing cost-saving programme, which you should already have in your models, targets £150 million of savings between 2019 and 2026. To date, it has delivered £130 million of permanent annualised savings, and we are on track to deliver the full £150 million by 2025, one year early.

Ongoing Strategic restructuring and efficiency programme

We are now in the early stages of a new strategic restructuring and efficiency programme across the group to reshape the cost base, enhance profitability, and support the growth drivers of Studios and streaming.

We are building on the foundations we have established in digital and data and the significant progress we have made in transforming ITV from a linear broadcaster to a multi-platform broadcaster and streamer. Savings will come mainly from tech and operational efficiencies, organisational redesign across the group, M&E and Studios, and permanent reductions in discretionary spend. By the end of 2024, we expect the programme to have delivered incremental annualised growth savings of at least £50 million per annum, which gives a £30 million a year gross benefit in 2024.

There will be £50 million of one-off costs to deliver these savings. The ongoing programme is designed to deliver further material incremental savings over a number of years, and we will give you further information as the programme progresses. All of these savings are over and above the existing cost programme.

2024 planning assumptions

And finally, here are the key planning assumptions. Those I have not covered already are, that the tax rate is expected to be around 25%; finance costs are expected to be around £35 million; exceptional items are expected to be around £90 million, reflecting the costs associated with our restructuring and efficiency programme and the rollout of our new finance and HR system; and the cash impact of exceptionals is expected to be a similar amount.

Now, back to Carolyn.

Strategic Update

Carolyn McCall

CEO, ITV

Strategic execution

Thank you, Chris. Our strategic vision, I think you know, is to be the leader in UK advertiser-funded streaming and an expanding global force in content. You are very familiar with our strategy, which has three key pillars: expand Studios, supercharge streaming, and optimise broadcast. All this is supported by being a vertically integrated producer, broadcaster and streamer, which benefits both businesses. For Studios, it provides a base of core commissions, a platform to make content famous, and, critically, it helps attract and retain talent, which is so key to us as a creative business. For M&E, it gives access to world-class content for ITV's channels and ITVX, and it facilitates deeper and more creative and productive partnerships with advertisers.

Expand Studios

On track to deliver 2026 KPI targets

So let us move to the first of our strategic pillars, expand Studios. We are growing the business by genre, by geography, and by customer, and our strengths in each will continue to enable us to take market share over the medium term. In 2023, we continued to deliver against the four priorities we set out at the start of 2022 and remain on track, as we have said, to deliver our 2026 KPI targets. So we have grown our scripted business with 316 hours of high-end scripted content delivered this year, including Mr Bates vs The Post Office for ITV, and Fool Me Once for Netflix, which gained global attention.

Two, we have further diversified our customer base with almost a third of Studios' revenues now coming from streaming platforms. That is up from 22% in 2022 and ahead of our target, which is 30%. We currently have projects commissioned or in development with all the major streaming platforms and many local and regional platforms as well.

Third, we continue to focus on our global formats, with 19 now sold in three or more countries, and new formats emerging such as My Mum, Your Dad and I Kissed a Boy, which have the potential to be global hits.

Supported by our integrated model, the final priority is to attract and retain leading talent in the industry, and we have done that consistently and successfully.

Now, all of those things are going to help us deliver our target of organic revenue growth of 5%, on average, per year to 2026. It will also enable us to grow ahead of the market while achieving industry leading margins of 13 to 15%.

AI Update

Now, there are lots of questions about AI, and I thought we would just touch on that here. We are using AI across ITV Studios to enhance creativity and also to optimise our overall production processes. We are still at the stage where we are testing and we are trailing, we are working with partners, we are seeking partners, we are working with partners, and we are focusing really at looking at incremental revenue opportunities as well as looking at cost efficiencies through enhanced productivity.

So just a couple of examples to give you a feel for this. We are using Papercup to dub content into local languages. That enables us to sell to global players more easily and cost effectively. Another tool we are using is something called Trint, which very, very quickly transcribes video and audio files. So we will keep you up to date on what we are doing more generally on AI as we go through the year.

ITV expects to continue to take market share over medium term

The global content market is large and attractive with platforms increasingly needing a mix of content to succeed in a really very competitive environment. The number of streaming platforms has increased by over 50% since 2019. This slide highlights some of the defining strengths of ITV Studios, which we will continue to build upon in 2024 and beyond. These strengths are our scale and diversity; our investment in development, creating very strong pipelines; our high-quality IP; and our strong relationships with a really broad range of customers. We expect to see growth in the key segments we operate in, include content licensing and increasing stream and demand for unscripted content as well as the continued demand for premium scripted content. Therefore, we believe ITV Studios is very well-positioned to take advantage of the growth while continuing our track record of growing faster than the market.

ITV Studios continues to attract and retain premium creative talent

Our ability to attract creative talent is, of course – we have already said this – key to our success. And ITV Studios is a really attractive home for talent due to our label structure, because of the culture – it is a very creative culture – and the vertical integration with M&E is definitely a benefit for creative talent. So this slide demonstrates some of our more recent talent deals or renewals, and also examples of their really impressive slates, such as Fool Me Once for Netflix by Quay Street, Big Beasts from Plimsoll Studios for Apple, and One Piece by Tomorrow Studios for Netflix. Now that was one of their most watched original scripted productions globally in 2023 with 38 million views.

Supercharge streaming

Now, I am going to move on to the second strategic pillar, which is supercharged streaming, where our aim, of course, is to drive digital viewing through ITVX and drive digital revenue through Planet V.

On track to deliver 2026 KPI targets

As you all know, we launched ITVX, and we were on time, and our investment is completely on plan. In its first full year, we delivered a step-change in digital viewing, so we have increased the number of monthly active users by almost 20%, and those viewers are spending more time on the platform, with streaming hours up 26% to 1.5 billion hours. This has been a key goal for us and will continue to be. It has enabled us to reduce the ad load as planned, which users really like. So ITVX viewing has driven a significant increase in advertising inventory, and we have monetised that effectively, using the power of Planet V and our digital ad innovations. That has enabled us to grow digital revenues by 19%.

Through ITVX Premium, we have simplified our viewer proposition and taken ownership of the relationship with subscribers, and, as a result, the number of UK subscribers have declined marginally year-on-year as we have transitioned subscribers from BritBox UK into ITVX Premium. And that has also been combined with the closure of the Amazon ITV catch-up channel. As we continue to simplify our ITVX Premium proposition, which is really, really important to consumers, the BritBox service on Amazon channels and the BritBox standalone app will close in 2024. And that will also have an impact on subscriber numbers and subscription revenues in the short term.

We are clear that our focus for ITVX has to be on our ad-funded proposition, and the momentum we are seeing on ITVX and the successful monetisation of the digital advertising inventory means we are firmly on track to deliver at least £750 million of digital revenues by 2026.

Step change in viewing: Investment in ITVX was on plan and on budget and has driven a successful launch year for ITVX

So looking at the viewing performance now of ITVX in a bit more detail, we are very pleased, as you can imagine, with the strong results our investment has delivered. Brand awareness has increased from 60% to over 90%. We are attracting more people, and, importantly, we are attracting those hard-to-reach target audiences, many of them who had already moved from linear to streaming viewing, and we could not capture them before. Streaming hours now amongst light viewers are up 65%. And these viewers are coming to ITVX more frequently, and they are watching for longer, with streaming hours per viewer up 27%. It is an impressive demonstration of the power of exclusive content. 90% of those that watched an ITVX premiere went on to watch additional content on the platform.

The team has now moved from an incredibly intense launch year of ITVX to running the business and will continue to make further improvements for viewers. We started the year really well, we are confident ITVX will continue to grow strongly, building on the momentum we already have.

Step change in viewing: ITVX's strong viewing performance will continue as we further enhance the product, content, distribution and marketing

Examples. In product, we already seeing double-digit increases in viewers watching more content due to the recommendation engine which we introduced in November. We are going to look to increase viewing further through greater personalisation. We are also making further improvements on our home page to boost engagement and improve the news experience across mobile.

And in content, we will have more exclusive live events such as the Oscars Red Carpet and Celebrity Big Brother. We will further improve our content windowing strategy, harnessing the significant data we have to continuously test and learn what is working best.

Now turning to distribution, ITVX is available in almost 100% of UK households and all the main TV platforms. In Q2, we will launch ITVX to millions of PlayStation 4 and 5 games consoles, which will be really good. We will further improve the discoverability of ITVX by creating additional links that bring users directly into ITV programmes from the main screens of their devices. The launch of Freely, which is imminent, the new TV streaming service which combines live TV and catch-up of the free-to-air broadcasters, will also help make ITV, along with the other PSBs, more accessible.

And finally, we are further evolving our marketing strategy where we see an opportunity to adopt a more responsive approach to highlight popular programmes to commercially valuable audiences. We have already seen an awareness spike since making this change, and our modelling indicates we can attract incremental, monthly active users. And for this reason, we are investing an additional £15 million in the year in marketing. Each of these actions will drive further reach and viewing of ITVX and will deliver more inventory to sell to advertisers.

Strong monetisation: Planet V has transformed the way we interact with advertisers; improved monetisation of our digital advertising inventory and grown our serviceable addressable market

Now, onto digital revenue. Planet V, of course, has been critical to the success of ITVX. It has transformed the way we interact with advertisers. It enables us to significantly improve the monetisation of our digital ad inventory and grow our serviceable, addressable market. We offer increasingly sophisticated and valuable ad inventory which advertisers are prepared to pay more for. Over the last two years, we have transformed all advertisers onto targeted audiences, which has enabled us to deliver double-digit growth in our CPMs.

Planet V also allows ITV to compete for online video budgets, which we could never do before, such as YouTube, and take share in this large and growing addressable advertising market. Now in total, that market is estimated to have been around £6.8 billion in 2023. That is based on the latest figures we have available. Now, there is a hugely long tail of really, really tiny advertisers in YouTube that are not really at all relevant to us, but it does mean that we are able to compete effectively for the larger brands in that cohort. And since we launched Planet V, we have attracted over 1,000 new advertisers to ITV.

Now we are going to be doing a deep dive into Planet V out of this results cycle, so you can meet the wider team, and we can share a lot more detail on this.

Strong monetisation: Grown digital revenues by over £140 million since 2021; outperformed the digital display market and paid search market in 2023; delivered double-digit growth in CPMs

Driven by our very compelling digital advertising proposition, we have grown our digital revenues by over £140 million since 2021. We have grown digital advertising revenues faster than the entire digital display advertising market and the paid search ad market in 2023. And we have grown CPMs. ITVX now has 40 million registered users on ITVX, which we augment with third-party data sources such as Tesco's Dunnhumby, and Boots Advantage Card to create a range of targeting solutions for advertisers. We have also introduced a number of innovative digital ad solutions such as weather-based targeting and automated contextual targeting. This is where we apply machine learning to scan and catalogue our entire content library, which means we are able to identify mood, moments and objects in our programmes, which gets advertisers closer to relevant content. And we will continue to roll out more ad solutions and products, such as pause ads, which is launching imminently and will seamlessly play ads when a user pauses content.

Also, we have expanded our sponsorship proposition on ITVX with exclusives, sponsored rails[?] and advertiser-funded fast channels. And shortly, we will be introducing subtitles on our ads. Demonstrating the effectiveness of all the advertising on ITVX to advertisers is also key to growing revenues, and we have built a range of measurement tools focused on outcomes which demonstrates this. And that has really been welcomed by advertisers. So we have been really very busy on ad innovation and product development, which is meeting the needs of advertisers.

Optimise broadcast

Now let us move to our final strategic pillar; optimise broadcast. We have already significantly digitally transformed the broadcast business. We are going to continue to do that, and we are going to adapt to changing viewer habits. Internally, what this means is we are looking at ways of increasing our efficiency and our productivity. While, for our viewers, it is about ensuring we engage our audiences through our live content, such as sport and our big entertainment shows. That continues to drive the live mass audiences, which are so valuable to advertisers and which only really ITV can do.

On track to deliver 2026 KPI targets

We have outperformed our target by giving advertisers over 90% of the biggest 1,000 commercial programmes. Our share of commercial viewing has also been broadly maintained at just under 33%, and this robust performance demonstrates ITV's market-leading position in the UK.

What sets us apart from our competitors commercially is our unique proposition. A person sees about 5,000 ads every day, so advertising has to be memorable. Most importantly, it has to engage that person emotionally. And TV really does move people, and we can give you so many examples of that. ITV does this particularly well.

Commercial proposition

First, it delivers mass simultaneous reach. Second, it offers advertisers scaled and sophisticated targeted advertising, which is wholly owned and operated by ITV. And third, it works with clients and agencies really closely on innovating and emotionally connecting partnerships across streaming and linear, using our flagship programme brands at a scale not seen anywhere else.

And all of this is in a brand-safe and completely trusted environment. And that is what ensures that ITV remains highly compelling in a competitive ad market. This has enabled us to outperform the TV ad market in the year with ITV's digital advertising revenues growing faster than the digital market, as I mentioned, and sponsorship is also ahead of the market, delivering a record year for ITV.

Summary

So, in summary, in 2023, we delivered a robust and resilient financial and operating performance. We have made significant progress against our three strategic pillars, and we are well on track to deliver our 2026 KPIs.

Diversifying ITV

As you can see in this final slide, the successful delivery of the strategy is repositioning ITV towards growth, growth driven by Studios and by digital. We are very focused, as you can see, on growth, and also on efficiency and productivity, which will ensure we can grow profit with a more resilient and future-proof business. By 2026, we expect two-thirds of business to come from these growth drivers.

Thank you, and over to you now for questions.

Q&A

Adam Berlin (UBS): Yeah, hi, good morning everyone, and thanks for taking the questions. I will ask three if I can. The first question is, you have given us really helpful guidance on Q1 TAR. Is there anything that you can tell us about bookings into April and May? And whether that kind of growth rate can continue?

My second question is about the content costs. Is the £1,275 million, your guidance for 2024, is that the right kind of level going forward now? Obviously, it will vary year-to-year, but are we done with incremental spend to drive ITVX usage?

And then my final question is, has there been any impact from the launch of Amazon Prime Video advertising in the market so far this year? Are you worried about that as a competitor to ITVX and digital revenues? Thanks.

Carolyn McCall: Thanks Adam. And can I just say thanks to you and everyone who is on, I know how busy a day it is out there today, not just with the budget, but with other results. So thanks for joining us.

I will just take the Q1 TAR. We would say that we would expect Q2 with the Euros for ITV, we have got one month of the Euros in Q2, we are cautiously very positive about it, if that makes sense. So we are seeing an improvement in the ad market, for sure. We are up against very easy comps if you like. It was very tough year last year for linear, as you know. But I would say that the conversations we are having and the performance we have had in Q1 is definitely an improved market than compared to last year. And also pleasingly, I think if you look at 2019 Q1, which was the last normalised quarter, really, of Q1 we have had, given COVID and then the bounce-back, etc., we are up 3% on 2019 ad performance. So I think there is an improving ad market out there.

Chris Kennedy: And then on content, Adam, we are really, really pleased with the performance of the incremental spend that we made in 2023 around ITVX. And you will see actually, we have spent less than we said we would spend when we announced the launch of ITVX back in 2021. And that is because we have been able to drive that viewing without spending as much as we had planned. It is fair to say we have taken an awful lot of learnings. The beauty obviously of having an online service is, we have got really granular viewing data and we know the viewing behaviours as well, people going from one piece of content to another. So, as Carolyn mentioned, the exclusives absolutely did their job. The exclusives, they are the fireworks to bring people in. 90% of people who watched an exclusive went on to watch something else. And then the acquisitions we have made, so that wealth of hours we have got on the service, has also really performed well for us.

All of that is to say the £1.275 billion we have guided for 2024, I would say plus or minus - content budgets will always go up and down a little bit, but plus or minus, then that is the new normal. We will keep the content ROI under review at all times. If we can spend less and still drive the viewing, we will do that. And then we also flagged in the announcement that we are actually increasing our marketing spend next year by £15 million. And again, that is from the learnings we have from 2023. It is great to have this wealth of content, but actually looking at the ROI on the incremental spend, we believe we can drive even further viewing from that.

And I suppose the other thing I would say is, we are really confident about continuing to drive viewing, because, as Carolyn said in the presentation, there are a lot of initiatives on the product as well. So we have got the marketing, we have got expanded distribution, we have got the annualisation of the distribution that we put on last year, and then we have got things like personalisation coming through and using AI and machine learning obviously to then make sure that we are constantly keeping viewers in. And again, we mentioned the stat in the presentation, that 27% increase in dwell time, how long people are on the service, is really important too. We want light viewers, we want them to stay for longer, and we have got a real path to do that on the content spend that we have guided.

Carolyn McCall: Yeah, I think on the Amazon question, it is very early days. I think there is no question Amazon Prime advertising is going to be a player in the market. There is no question. I think with Netflix and Disney, that is very early days, and I think they do not have the scale that ITV or Amazon have actually. And they do not have the measurement tools. So I think it is different. Amazon, it is going to be interesting to see how that evolves, what kind of model they evolve. It is still early days.

I would go back to, we have a really compelling advertising proposition and a sponsorship proposition, and we can offer mass simultaneous reach, as you know. And we do that better than anybody else can do, that mass simultaneous reach. And that is not just for live. 70% of people are still watching live TV, or over 70%. But the fact is, we do that on entertainment shows, we do that on dramas, you get these big audiences. That is a competitive advantage for us, and we will continue to do that.

And then we have this, as Chris said, highly sophisticated targeted advertising. We do data matching with Tesco's Dunnhumby and Boots. We do a whole range of other things. We can do creative partnerships that none of the global tech platforms do. We get very, very closely involved with the advertisers, sponsors as well as the content, as well as the talent, and produce things that are very, very different. So our proposition is extremely compelling. It is also highly differentiated in the market. And I am not sure an advertiser... They will go digital or they will go, which we will be a part of, as well as Amazon, and then they will go TV, but they will also do sponsorship and partnerships where we will get a big share of that cake. So I think it is just very different. We will never be complacent about new entrants to the advertising market, but I do think it is a very different kind of model and a very different kind of sell.

Adam Berlin: Thanks so much. My question was more about, it is hard to speculate about how things will evolve in the future, but just in Q1 so far, you have not noticed any kind of change since that is been launched in terms of advertisers leaving ITVX to go to Amazon or any kind of impact like that that you have actually seen?

Carolyn McCall: No.

Adam Berlin: Okay, thank you very much, it is clear.

Tom Singlehurst (Citi): Yeah, good morning. Thank you for the presentation. A couple of questions, if it is okay. On ITVX and the relationship between the impressions you are delivering and the advertising, I know it is a reversal of perhaps how it trended in the past, but it does look like there has been a big investment in the user experience by reducing the ad load. So I suppose-

Carolyn McCall: Tom, I am sorry, Tom, I am really sorry, we are not hearing you very well. Do you think you could just repeat that first question? It was ITVX impressions, is what we got.

Tom Singlehurst: Yeah, so the question was the overall impressions grew faster than the revenue for ITVX, which I know is reversing a trend from history, but nevertheless, it is a big investment in the user experience, by reducing the ad load. And so I just wanted to know whether we are now in steady state on ITVX in terms of the ad load? And whether we should anticipate revenue to grow more in line with impressions from here on in? Or is there any other moving part in terms of pricing that we might expect? So that was the first question.

The second question was on the BritBox sale. Speaking for myself, that slightly caught us by surprise, partly because I did not necessarily expect you to sell it, but also did not really value it at the level that you ended up achieving. I suppose, is there anything else left down the back of the sofa in terms of potential assets sales?

And then finally, for Chris, the pension looks like it is in much better shape. I know you mentioned the triennial valuation, but when can we expect that improved pension position to translate into a lower cash drag?

Carolyn McCall: Why do not you take the whole lot then?

Chris Kennedy: Okay. So yeah, on ITVX impressions and advertising, you are absolutely right, the ad load has come down. It is about 40% from the Q4, 2022 into H1 of 2023. And we did flag at the time, when we launched ITVX, we did say one of the reasons was that ad revenue had been growing faster than viewing and that we felt that ad loads were getting to an unsustainable level. So we have reset those ad loads to a level we think is more normal. So that is in answer to your question.

Carolyn McCall: And it is a much-improved viewer experience, user experience. And the feedback on that has been positive. And I think what it does is it actually makes people want to stay on the site. So it increases the stickiness of that. So you have seen those numbers on that. So it is actually working. We will never stay static on ad load. I think it will depend on the period, it will depend on the event, etc., etc. But our aim is to sustain this, to keep the ad loads at this kind of level, within a range, because it is a better user experience.

Chris Kennedy: And again, that is another great use of our data and our viewing data because we can see how viewers react to different ad loads. So that will inform the decisions as well.

And then, so yes, I think there has been a reset of the ad load. As Carolyn said, going forward it will be more like at this level, and therefore you probably should see revenue growing in line with impressions. But I would say, we are generating the viewing and then Kelly's team monetise it, and there will always be slight differences. So do not expect it to constantly grow every quarter in the same relationship, because there will be differences over the period and with the content schedule.

BritBox sale, we are really pleased with that sale, and we are really pleased that we have been able to use the proceeds to fund a buyback for shareholders. We do think that gives them a really good return, and it is a significant buyback. It will be almost 10% of the market capitalisation. So it will make a real difference to EPS[?].

Carolyn McCall: And I would just say on that, is precisely what you asked in your question, which is you did not really value it, you could not really value BritBox International. And for us it was a non-strategic asset. And I use those words carefully, in that our core growth drivers are ITVX and Studios obviously. And those are the two things we need to focus on. And so we felt this was the right time, especially with the share price where it was. So it was a combination of a great asset, which was a joint venture, which we could never really consolidate and was not strategic for us. And it was the right price. Most importantly, it was the right price.

Chris Kennedy: And also, just a really healthy return for ITV. The team at BritBox International did an absolutely amazing job to go from a start-up at the backend of 2017 to a business worth £0.5 billion in 2023. So that team did a great job.

Carolyn McCall: And I think on the sofa question, obviously we have not got a sofa, nothing in the back of it.

Chris Kennedy: But we always look at all of the labels around the world where the team are constantly investing further in labels, investing further in genres and so on. So we do keep a very careful eye on returns from all the businesses around the world.

On pensions, we are very close to getting the triennial valuation done. I am probably in weekly contact now with the trustees, so we are pretty much there. As it said in the statement, we are hopeful that it will in surplus. From a deficit funding perspective, that is what determines what contributions go into the scheme. There is an asset-backed scheme that pays in around £5 million a year. That will continue into the future. But after that, we are very hopeful that the contributions will be significantly less than the £75 million a year that we have historically had to pay, and less than the £40 million we paid in 2023.

Tom Singlehurst: Thank you.

Julien Roch (Barclays): Yes, good morning, and congratulations for those results. My first question is on Studios. As you invested there in December 2021, you got a 5% medium-term guidance for ITV Studios. Has your market view changed? Can you update the 5% guidance? That is my first question.

Second one is, Q1 TAR at 3%. Usually, you give January, February and a range for March. Can we get that?

And then last one for Chris, planning assumptions on page 14. On non-programming costs in M&E, what absolute level can we expect in full-year 2024? Because you give us the cost savings, [inaudible] marketing, but there is also other moving parts, underlying inflation and so on and so forth. So while you are already very good at giving us numbers, that is the job of an analyst asking for more.

Chris Kennedy: Thank you.

Carolyn McCall: What page was that, 14?

Chris Kennedy: Yeah, the planning assumptions.

Carolyn McCall: So I think the first question, Julien, was just slightly harder to hear. I think that was on medium-term guidance?

Chris Kennedy: On the Studio market [inaudible].

Julien Roch: On Studios and your 5% guidance at the 2021 Investor Day.

Carolyn McCall: Yes, so we would say on a CAGR basis, our KPI target is not changing. We are sticking to that target. We believe that that can be made, so there is no question on that. I think just to give you some colour on the market itself, I would say the strikes, both actor and writer strikes, not only has shifted a chunk, £80 million we have said, of production right into next year, it is just a shift right, basically, because we cannot place it anywhere else. So that is the first thing.

Second thing is, I think it is worth bearing in mind that when those strikes were on, the impact was twofold. One was the shift in production year-on-year, but the other one was that any conversations on commissioning stopped completely[?]. So ideas, pitches, any kind of commissioning conversations could not happen because of the strike rules, effectively. And everything on the commissioning side has been delayed as well. So this is a blip for this year.

There is also the effect of the free-to-airs being very much more careful about their overall budget, not just their content budget, just because last year has been so tough on advertising on linear. So I think you have got those external factors, and we would say this is a blip for the Studios' market. We believe it is still a very large and attractive market.

And one other point on that, where ITV Studios is active are the areas that global streamers have not really cut. So they have cut a lot of children's TV, and they have cut a lot of very, very high-end dramas. And we are in the premium sector of dramas, but we are not very high-end. So Fool Me Once is a brilliant example on Netflix, Quay Street, Nicola Shindler, brilliant producer, recent talent deal for us. It is in the top 10 of all Netflix shows ever last year. So absolutely, that kind of drama is a premium drama, but it is not a Lord of the Rings or anything remotely like that. So that is one thing.

And then the second thing is that unscripted is an area which is growing from the streamers, and we are obviously leaders in production in unscripted. Just to give you an example, in 2021, we were taking about £50 million on unscripted, and that has gone up 250% from the streamers. So we are in a market where they are commissioning more unscripted content, and we are obviously the place where... So Squid Game is a great example. There is just a whole range of examples - like Love Island Games is another example - of unscripted shows that are being commissioned by global streamers.

And I think the third thing is content licensing, where we are very, very strong. So we are seeing really big growth, 10% growth in that market, where the overall market is only growing about 4%. So just to give you an example of the content market as a whole or an illustration of what is going on in the Studios' content market.

Chris Kennedy: And Julien, I think you were asking about Q1 TAR, and being up 3%. We know that the monthly trends really are not indicative of anything in terms of trend. So we are sticking to quarterly guidance on that because the monthly numbers just bounce around so much with sports events and so on.

Carolyn McCall: And then the last question was [inaudible].

Chris Kennedy: Around M&E non-programming[?] costs, if I heard you rightly. So obviously, you should have the existing cost programme in your numbers. We have guided a £30 million of additional in-year benefit from the strategic programme that we talked about. And broadly speaking, I think your non-content, I think, consensus was somewhere around the £600 million[?] mark. It will definitely be less than that next year. Probably £10 million or £15 million less than that, depending on...

Julien Roch: Okay. Thank you very much.

Chris Kennedy: Thanks, Julien.

Carolyn McCall: Great. Just to thank you all very much for being with us today, and we will see you all soon. Thanks a lot, bye.

[END OF TRANSCRIPT]