

ITV Investor Webinar: A Spotlight

Tuesday, 4th June 2024

Introduction

Carolyn McCall

Chief Executive, ITV

Welcome

Good afternoon and welcome to the first in a series of webinars which we will host over the coming months. These 'a spotlight on' sessions will provide a deeper dive into the key value drivers of ITV's business and introduce you to the team who are leading in those areas. Our aim is to show you how each of these contributes to the successful delivery of growth and drives long-term value for our shareholders. We hope you find them useful, and we would, of course, be keen to hear what other areas you would like us to address in the future.

A Spotlight on ITV Commercial

We begin the series with a spotlight on ITV Commercial, and we will follow that with webinars on ITV Studios and ITVX. ITV Commercial is absolutely pivotal to our 'More Than ITV' strategy, as you all know, as we supercharge streaming and optimise broadcast. The very significant progress ITV Commercial has made over the last five years has enabled us to successfully monetize our advertising inventory and significantly grow our digital advertising revenues.

As a result, we have outperformed the broader TV ad market, and we have established ourselves as industry leaders with a winning proposition for advertisers. We have done this by delivering more for our existing advertisers, attracting and retaining new advertisers, creating more valuable products, and as you will see today, there is a really strong pipeline of innovation centred on driving our clients' business growth and their success.

Our unique proposition and extensive first-party data set distinguishes us from our commercial competitors in a really competitive ad market, which Kelly and the team will talk you through.

ITV continues to be the home of mass simultaneous reach, which is critical as a differentiator and extremely valuable for advertisers. Planet V, our addressable advertising platform, has been a step-change in the industry and has fundamentally changed how we engage with advertisers digitally. It enables us to deliver sophisticated, data-driven, addressable advertising at scale.

In addition, the team have made huge strides in measuring outcomes. This work demonstrates the effectiveness of both our linear TV and digital advertising, and it is at an early stage, but is extremely promising, and you will see more of that today.

Our compelling commercial proposition and continuous innovation in our advertising proposition, combined with the strong performance of ITVX, continues to give us confidence that we will deliver at least £750 million of digital revenues by 2026.

Now, you will have all met Kelly at some time or another, our MD of Commercial, and I am now delighted to hand over to him and to his team. Kelly?

ITV Commercial

Kelly Williams

Managing Director, Commercial, ITV

Introduction

Thank you, Carolyn.

Hello, everyone, and welcome to our special spotlight on ITV's advertising business, with a particular focus on what we are doing in the digital space, which is giving us huge opportunities to further grow our revenues.

Television today has never been more dynamic, and that is maybe why perceptions of TV can sometimes lag behind reality. A great example is how we are often described as a broadcaster, and yet today we are so much more than that. We do broadcast, yes, but we now also stream tens of thousands of hours of live and on-demand content. So we are a broadcaster and a streamer. We also produce, creating much of our own content, about 60% of what we broadcast. Meaning we can get advertisers closer to our programming, talent and intellectual property. And we are also a platform owner. Through Freeview, Freesat, YouView and now Freely.

A Modern Television Business

We are a modern television business with one of the largest first-party data sets in the UK, not just a broadcaster. That is also why when we talk to you about TV advertising today, we will be talking about total TV advertising. A combination of both broadcast advertising, where all viewers see the same shows and the same adverts, combined with addressable advertising delivered over the Internet, where every viewer is served a different advert depending on the registration data they have shared with us and which audience the advertiser is trying to reach.

Now, until recently, addressable advertising was only available on ITVX, but over the last year, we have started to introduce addressability to our live channels on some of the platforms that operate online over IP. That is YouView and Virgin Media are up and running, and Sky Glass and Sky Stream launch later this year. It is a major development for us.

The Most Effective Medium For Advertisers

Now, there is a very famous quotation, often attributed to the American author Mark Twain, who wrote, 'The reports of my death are greatly exaggerated.' I have worked in TV now for over 35 years and TV's premature death has been wrongly called throughout that time. The reality is that TV continues to be. It has always been the single most effective medium for advertisers on the planet. And here is why. TV delivers instant impact for advertisers, unrivalled trust, brand safety and exceptional value with gold standard third-party measurement. It is the ultimate people-mover as it grabs attention and touches viewers hearts with the most emotional storytelling. It makes brands famous, it energises and lifts the performance of the other platforms on the media schedule. It continues to evolve and adapt with advanced tech and data capabilities. And it does all of this at scale.

In 2023, linear TV and broadcast video on-demand, also known as BVOD, consistently delivered a combined reach of over 90% of the adult population every week. By the way,

BVOD is vital to younger audiences and accounts for 28% of their viewing to broadcaster content. That is more than double the average viewer. If you spend £100,000 on commercial TV, you will reach 10 million people. Nothing works harder than TV advertising. Nothing else comes close, and it is the unrivalled performance as an advertising medium, our position within the TV market and our continued innovation that gives us our ability and our right to win. This is not only in our existing markets, but also attracting and retaining new advertisers as well.

Planet V

Planet V allows ITV to compete for online video budgets, particularly platforms such as YouTube, and take share in this large and growing addressable advertising market that has been estimated to have been around 5.8 billion in 2023. While a long tail of very small advertisers is not that relevant to us, we are able to effectively compete for the larger brands who are ready to scale up, which Rhys and Kate will talk about in a second.

For all of the analysts watching, I urge you to check out the recent study called 'Profit Ability 2: the new business case for advertisers'. It is the most comprehensive analysis of the effectiveness of all types of advertising. It is a completely independent data set built by independent measurement experts, and it shows that across all media channels, television generates by far the greatest return on investment, delivering £5.61 for every £1.00 spent. By comparison, online video, which is mainly YouTube, generates £3.86. All of which gives us a unique combination of three distinct and powerful propositions.

Number one is mass reach, and specifically mass simultaneous reach, which uniquely combined with number two, our ability to deliver addressability at scale through Planet V, through data-driven targeting on ITVX, and now on our growing number of linear channels, as I mentioned, using our significant first-party data set. And because we own 100% of the value chain, there are no pay aways to third parties. And then there is number three, our unique creative content partnerships. It is because we produce and own the intellectual property to so much of our programming that we can integrate brands within content, make content for brands, licence our content talent and intellectual property, and produce social content for our brands to use in their own and third-party channels. And that is why ITV is a great business.

We Can Now Evaluate The Effectiveness of Each Pillar

The newest chapter in our story is how we can now evaluate the combined effect of each of these three pillars with our outcomes and effectiveness measurement proposition. Kate will share more about this a little later, but it really is a game changer and makes our revenues more resilient, proving what we already know that TV is the most effective advertising medium, enabling us to compete for budget with digital media and providing the CMO with the ammunition to persuade the CFO to release budget to TV.

ITVX Is Critical For Our Future

Now, over the next ten years, TV will naturally transition from a broadcast medium, airdials, cables, satellites, to one that will be delivered almost exclusively online over IP. This is why the launch of ITVX has been so critical for our future business. It delivers all of our live channels and on-demand viewing. And as we see the future of our ad business converging, we have been building the tech infrastructure to offer our customers a converged proposition,

the best of both worlds: mass reach, plus more targeted addressability at scale, something nobody else can offer, and makes ITV a more compelling advertiser proposition.

We are thrilled by the success of ITVX so far. So here is a little, short reminder of what it is. It has been two and a half years since we delivered our last Commercial Capital Markets presentation and since then, we have made enormous progress embedding Planet V across all of our customers, developing a growing range of innovative ad products and, most recently, measuring outcomes. This has significantly diversified our ad revenue base, with double-digit growth in digital ad revenues, which are proving to be remarkably resilient to cyclical downturns. This is a good time to bring in the team and hand over to Rhys McLaughlin, our Director of Advanced Advertising, who joined the team back in 2020 after eight years at a pioneering video ad tech startup. He will share more of the progress we have made in our digital transformation, and particularly Planet V.

Planet V

Rhys McLachlan

Director, Advanced Advertising, ITV

Introduction

Thank you, Kelly.

Good afternoon. Let us dive straight into the world of Planet V because this is what has transformed ITV's advertising proposition more than anything else. And this afternoon, you are actually the first to hear that we have passed the milestone of £1 billion of digital advertising revenue through the platform since we launched in October 2020.

What is Planet V? In a single sentence, Planet V is ITV's wholly owned planning and buying platform for addressable digital advertising. And it is become not just the biggest advertising platform on television, but also the UK's second-largest video advertising platform after Google.

Self-Service for Buyers

Crucial to Planet V's success is that it is been completely self-service for buyers since we launched in autumn 2020. It is their advertising in their hands. I will share a demo in a moment, but here is a handy screenshot. It might not look like much to you, but trust me, in the world of ad tech, it is a beauty. And because it is ours, we get to design it all. It has got an easy-to-use interface for intuitive and speedy access so that media agencies and advertisers can plan, buy and manage addressable campaigns for themselves. The platform is flexible and fully transparent, and can be customised to help buyers make smarter planning and activation decisions for their campaigns.

Planet V is now the exclusive entry point for ITVX advertising and handles over 99% of our digital ad bookings. So how have we done this? We have trained and onboarded over 2,000 users from the very largest agency holding companies such as GroupM and Publicis Groupe, through to clients own in-house media teams, regional agencies and boutique specialists and independents. It has literally changed how UK TV buyers buy. Planet V is now a completely normalised part of a buyer's daily routine.

Rapid Take-up

The scale and speed of take-up has enabled strong growth in our digital advertising revenue, which has doubled since Planet V's launch. We expect the strong growth to continue in 2024. Now, here is a really crucial bit. Because we have developed and deployed Planet V ourselves, we have complete control over our advertising inventory, and we also receive and retain 100% of every penny spent on advertising.

Now, if you are not aware, in recent years it has become clear that the video marketplace has become increasingly cluttered and impenetrable, with literally thousands of tech vendors and intermediaries who can insert themselves at various points in the value chain. That is, between the advertiser placing their ad and that ad actually reaching an audience. The ISBA AOP PwC report into the programmatic supply chain revealed that these third parties can take anywhere between 5% and 15% each for their services, effectively an advertising tax. With Planet V, that does not happen. We own it. We are the value chain, so we get to realise the full value for ourselves.

On £1 billion of booked revenues, we have retained more than £150 million for ITV that would otherwise have been lost. And this becomes even more important as we eventually move to 100% of our advertising being addressable, as viewing naturally moves from broadcast to IP delivery.

Addressable Advertising

Now, there have always been forms of broad targeting in TV, such as by region or groups of demographics, but addressable advertising allows brands to target viewers as individuals based on the GDPR-compliant data we get from our ITVX registered users dynamically serving different ads to different viewers at the same time. I will share some specific examples of this in a moment.

Planet V has also helped us raise our prices. Our digital addressable ad products sell for about 15% more than our typical non-addressable options in fact, in some of our more sophisticated solutions, the CPMs are as much as 50% higher. In spring of last year, we rolled out the 2.0 version of the platform, once again fully specced and developed in house to ensure all platform intellectual property belongs to ITV with the full freedom to exploit. Now, I think it is time we saw it in action.

Speaker: Planet V is ITV's programmatic buying platform. It is not just the biggest in television, but also the UK's second largest programmatic video platform. Launched in 2020, Planet V has welcomed over 2,000 users to manage 99% of bookings, totalling £1 billion of billings. It is completely self-service for advertisers and agencies advertising in their hands, designed to be simple to use and configurable and putting them in complete control.

Here is the explore audiences area, which helps users quickly plan an audience and check pricing outside of the campaign creation journey, the new audience builder offers a much quicker user experience as well as search functionality, allowing brands to browse all the targeting opportunities on offer and customise campaigns in real-time with transparent pricing on view. With over 20,000 targeting options, we meet the needs of all organisations, from big brands creating large-scale campaigns to sole traders targeting a specific postcode. Planet V has fast become an integral tool for our buyers, and we have got quicker at bringing new users on board.

Users can browse and plan more efficiently and can save audiences to use later, allowing teams to work faster and more fluidly across all types of campaigns.

Broadcaster promotions is our new shopfront, where buyers can explore current packages and audiences at a glance, including ITV's latest ad labs innovations and for the broadcaster, they are incredibly easy to configure and publish live. These exciting, curated packages run for a limited time and can either be available to everyone or targeted towards selected brands. Our total TV packages combine digital and linear products, allowing brands to streamline their whole campaign purchase and furthers our journey to making Planet V a one-stop-shop for all types of TV video campaigns.

Speaker: Planet V has been a game-changer for us at ITV and also our customers. It has enabled us to be able to showcase thousands of different targeting options and new products and bring to market, and it is enabled agencies to be able to seamlessly build and plan campaigns.

Speaker: All the Omnicom agencies have been using Planet V for a number of years now. It quickly became part of a day-to-day within the VOD landscape. If I had to describe Planet V, I would say it is easy to use, it is really popular within the teams, and it always has the most up-to-date information that we need. We expect it to get better and better and knowing ITV, they will be continuing to evolve it year in, year out for the foreseeable future.

Speaker: It is the future developments that are really exciting. The introduction of new products and a focus on outcomes is something that we are really looking forward to bringing to market and opening up our linear addressable inventory into the platform to enable advertising agencies to be able to actually buy into live TV as well as on-demand TV. So the start has been great, but it is what is coming next is really exciting for us.

Rhys McLachlan: Planet V is our beautifully dressed shop window where buyers are greeted with a large and tempting array of easy to browse addressable packages and customizable opportunities. This includes audiences based on different behaviours, lifestyle preferences, demographics, locations, shopping habits, TV shows or event TV moments such as the Euros or Love Island. Right through to our very latest beta testing, ad labs innovations, more on those in a couple of minutes.

40 Million Registered Users

And the foundation for all of this, ensuring we can deliver addressability at scale, as Kelly mentioned, are over 40 million registered users who have each signed up to ITVX. Through the registration process, viewers provide us with name, postcode, house address, gender and date of birth. This is highly accurate first-party data, properly consented and GDPR-compliant, one of the largest data sets in the UK. And by using this data as our base, we have built over 20,000 different targeting options, all available within Planet V. This not only satisfies the appetites of the largest TV advertisers, but has also driven valuable new revenues from the long tail of smaller brands too.

At the fatter end of the tail, as we like to say, we have secured repeat business from both Porsche and Rolex, who have each deployed forensically targeted campaigns focused on high-net-worth individuals. At the other end, Planet V has welcomed over 1,100 first-time advertisers to ITV. For example, we have now not only unlocked budgets from the boutique brand sitting within the FMCG giants such as Ben and Jerry's ice cream from Unilever, but in

the last 12 months we have also worked with the likes of Persimmon Homes, Coral Island, a Blackpool arcade business and Coleg Gwent. This is a Welsh college in the greater Newport area who are looking to target a very specific commute time radius around its five campuses.

Planet V – a new business engine

Planet V has become a new business engine. This long tail of new clients now represents over 10% of our annual digital revenues. Just last month alone, we welcomed 22 new customers.

Beyond the self-service proposition of Planet V, advertisers are also attracted to the access it provides to our growing suite of addressable ad labs products. Developed and launched as beta pilots, these help us compete on a level footing with the larger digital platforms. There is particular interest from brands that have previously used social media or influencers of their primary channels, and we have made huge inroads into carrying campaigns from advertisers as diverse as Lindt chocolate, Estee Lauder, La Cruises and Pukka Pies. Believe me when I say I would love to do nothing other than talk you through every single one of our ad labs products in immense detail. I am a real nerd for this stuff, but Kate's coming up in two minutes, so let me share details on those that are turning the most heads.

Ad Labs

Automated contextual targeting, or ACT for short, is our highly sophisticated AI-powered contextual targeting solution. ACT uses artificial intelligence to analyse our shows to identify the most perfect content environment for advertisers to sit in by categorising key moods, moments and objects. It does this by scanning our show's subtitles to see what is happening on screen and then finds key moments such as where food might be eaten or cooked, for example, or a party may be happening or characters are driving. You get the drift? Here it is in action. Analysing and identifying food moments as they appear in Coronation Street and The Cabins.

ACT has been used to launch the Office for Health Inequalities and Disparities mental health awareness campaign, where they wanted to be adjacent to moments of joy in our programmes, other clients have included British Airways, John Lewis, Nestle and even Columbia Threadneedle, who wanted to target moments in our soaps and dramas where characters were talking about finances.

Next there is Matchmaker, our route to securing budgets from the retail media market. Matchmaker is powered by overlapping ITVX's 40 million-plus first-party data, with customer data from 20 million Tesco club card members and 15 million Boots advantage cardholders. Now that is a powerful combination. When its combined, brands can target individual shoppers of specific categories and measure precise uplift in sales. For example, Shiseido, the high-end Japanese beauty brand, has been targeting shoppers who regularly spend more than 50 quid on face cream. Because it is so accurate, Matchmaker has delivered sales uplift as much as 46% from those more precisely targeted viewers. We have run over 100 Matchmaker campaigns since its launch last autumn.

And finally, as we say on News at Ten, there is Dynamic Creative. This is where the advertising creative itself can be automatically changed depending on a viewer's demographic location or any other data point. Here is a great example. We have a campaign live right now with Mercedes dealerships, where more than 180 different potential landings for a single advert are tailored to viewers depending on where they live.

Planet V has transformed ITV and established and normalised a new pathway for the wider industry. As we lean fully into addressable programmatic advertising and amplifying our commitment to new digital ad products, we are attracting and retaining hordes of new advertisers to TV. In turn, it is delivering significant growth in revenue and attractive return on investment.

Now, as I am fond of reminding my team, action without outcomes is just noise. There is little point in pursuing opportunities unless they present a clear path to driving business outcomes for advertisers, for ITV and, of course, for our investors. To that end, I would like to introduce my colleague, Kate Waters, ITV's Director of Client Strategy and Planning, a 25-year industry luminary whose team has been instrumental in proving out how we are making TV advertising work even harder. Kate?

Driving Business Outcomes

Kate Waters

Director Client Strategy and Planning, ITV

Kelly Williams

Managing Director, Commercial, ITV

Introduction

Hello. TV is, and in fact has always been, the most fantastic advertising product. It is the not so secret sauce that is built the brands that take centre stage in our homes and lives, from Tesco and McDonald's to Finish and Persil. However, beyond these more established categories, TV also fuels many of the fastest-growing categories and businesses today. In fact, last year, TV's top advertisers included Amazon, Apple, EE, Google, Vodafone and Samsung, a clear indicator that TV is just as important to the businesses building the modern economy as it is to more established brands.

TV – a multiplier medium

TV is what we call a multiplier medium. It is a multiplier because, whilst it directly affects brands and businesses, it also enhances the performance of other media channels and multiplies their effect too. So, for example, cinema works 54% harder when used with TV and paid social works 31% harder. TV is a bit like the piano in the orchestra. You might not always notice the sound of the piano during a piece of music, but take it away and its absence is obvious. And interestingly, just as our advertisers have evolved, so have the media channels that they use and the way they work. And this presents a brilliant opportunity for TV because the more complex the media environment, the harder TV works as a multiplier to lift the impact of the whole media plan. Or to put it another way, TV is an incredible advertising product and in today's media environment, it creates even more value than it gets the credit for.

Investing in Outcomes Measurement

So if we can measure all of that impact and help advertisers build the case for more investment in TV, then we can create much more value for ITV. And that is why we have been investing in an outcomes measurement programme.

Across the last two years, we have created a dedicated team of data scientists, econometricians and digital measurement experts to work on an exciting project with one key ambition: to modernise the measurement of TV advertising, so we can reveal all the value that TV advertising creates and uncover these new and hidden effects of TV advertising. Importantly, this programme is not about measuring outputs or eyeballs. It is about understanding and quantifying how those eyeballs convert to the behavioural and business outcomes that advertisers really care about. Whether that is search queries, web traffic, sales or margin. This is transformational for TV. It means that we can create better, more rigorous arguments with our customers to increase their investment in TV, and therefore into ITV.

And we have made great progress. Since we launched the programme two years ago. We have worked with over 100 brands, measured over £225 million worth of advertising and run 40 experiments across six different measurement propositions. And despite being in only the experimental stage of this work, we estimate that we have generated a return on investment of three to one. That is, for every pound that we have invested in outcomes measurement, we have generated three pounds of revenue for ITV.

On screen, you can see just some of the brands, like Etsy, Hotel Chocolat and icelolly.com, from whom we have secured additional revenues as a result of our outcomes measurement programme. So, as you can see, our outcomes measurement is already working. However, you might well ask why, given that advertisers have always tried to measure the impact of their advertising, what is it that we are adding that is new? Well, advertising measurement has always been notoriously hard to do well. I am sure you are all familiar with the quote from Lord Leverhulme, 'Half of my advertising spend is wasted. The trouble is, I just do not know which half.' Now, even though he said that over 100 years ago, it is still the case for many advertisers.

So our outcome strategy is designed to help solve measurement problems like this, that will therefore unlock new spend for us, or help us claw back spend from less effective platforms that should rightfully be in TV. Let me illustrate with some examples.

Addressable Lift

Firstly, Addressable Lift, which is the key measurement product that we are developing to unlock new investment into broadcaster VOD. The biggest advertisers can usually do one-to-one data matches to evaluate the performance of their broadcaster VOD campaigns because they have substantial e-mail databases of their own. However, for the longer tail of smaller advertisers who do not have first-party data, we have a solution that is powered by viewer IP addresses where we can now quantify the incremental value of their broadcaster VOD investment.

SPOKE is a fashion business that sells premium menswear in 150 different size and shape variations. They are a digital native brand, and they are also one of our media for equity partners. Now, we have worked closely with them over the past few years to help them realise the power of linear broadcast advertising to fuel their business. However, they remain sceptical of investing in broadcaster VOD without a sufficiently robust measurement solution. So SPOKE challenged us to create one, and that is why we built Addressable Lift. And as a result, SPOKE has become our first pilot partner for this new measurement proposition. With

a low six figure TV budget, SPOKE's advertising on ITVX delivered over 60,000 incremental website visits, visits that simply would not have happened without their investment on ITV and subsequently led to a high conversion to sale. Here is how it landed with spokes founder Ben Farren, 'Addressable Lift now provides the accountability that we have become accustomed to from the digital performance platforms. However, for our broadcaster VOD investment, we have proven the case for more refined and smarter targeting and now feel confident to further develop our marketing plans to incorporate a greater share of our investment into broadcaster VOD.' So it has given SPOKE the confidence to bring forward further broadcaster VOD spend to support their spring campaign and increase broadcaster VOD's share of their overall spend. And now we are rolling out this product to additional advertisers, including eToro, White Stuff, Child's Farm, Peacocks and Bonmarche and Butternut Box.

Geo-X

Next is our proposition called Geo-X, short for geo experiments. Geo-X is built on a simple principle of comparing what happens in one geographical area where there is TV advertising with another where there is none. Although regional tests like this have long been a part of the advertising measurement toolbox, modern statistical techniques and AI have enabled us to bring these experiments right up-to-date. They are now twice as sensitive as they were before, and this means they can pick up even more subtle effects of TV advertising, everything from incremental e-mail open rates to the impact of search auctions or the cost per acquisition in paid social.

We launched Geo-X less than a year ago, and we have already completed 24 studies across retail, home, online, pet care and travel categories. We are seeing incredibly positive results from clients big and small, and we can now confidently predict expected uplifts in web traffic from TV spend. Digital-first brands want exactly this kind of accountability, and it is therefore extending our reach into this longer tail of advertisers.

However, Geo-X works for big and well established brands too, and we have used it to support the case for incremental TV investment. A good example is a well-established travel operator who had not been on TV for five years, but with the promise of Geo-X to prove effectiveness, committed to their largest ever ITV campaign. The campaign was a great success, driving a 10% uplift in sales in the advertised regions, along with a 25% uplift in website traffic and search volumes nearly doubling. There were also longer-term benefits we could measure for their brand awareness growing by 4.6% and purchase preference jumping by 12.7%.

However, how did this benefit ITV? Well, the geo experiment helped unlock an additional £2 million of investment to back a new product, led to a second expanded travel campaign and built the case for an integrated brand partnership. However, more generally, Geo-X is valuable for us because they provide the fundamental truths that inform the models which agencies and clients use to set advertising budgets. Given all the new effects that we are uncovering, Geo-X results are usually very strong for TV. So Geo-X gives us a powerful data set to challenge outdated model assumptions and rebase them in TV's favour. Put simply, we can now influence the models that influence TV budgets.

Pricing Power – helping The CMO sell to the CFO

So on to our third area, which is about providing more compelling evidence for the financial community to support investment in brand advertising on TV. In a nutshell, helping the CMO sell to the CFO. Now the conventional view of brand advertising involves payback over the long term, what we might call the jam tomorrow argument. TV is usually the primary channel for such advertising, which is all well and good. However, as the digital platforms have grown and offered advertisers guaranteed returns over the short-term, it is become harder to argue for value tomorrow when there is another channel that is promising returns today.

A new study called pricing power is our response to this challenge. Using an innovative, AI-driven modelling technique, we have been able to uncover what we now call the jam today effect of TV advertising. For one carbonated soft drinks brand, for example, we can demonstrate that TV is adding a third to that brand's current advertising-driven profit through the role it plays in defending the brand's price versus its competition. I am going to pause here to emphasise the importance of this finding.

This is a completely new effect of TV brand advertising that, to our knowledge, has never before been measured anywhere in the world. So it is incremental to the value that existing techniques measure. Secondly, it is an effect that plays out in the here and now, today, not tomorrow. Everyone knows that TV's superpower is its ability to build powerful brands. However, now we have a way to directly link that superpower to short-term profit. And that gives us a compelling new argument with which to attack performance channel's perceived strength in driving short-term metrics.

So now we have proof that no other advertising channel can match the power of TV to drive return in both the short and the long term. Addressable Lift, Geo-X and pricing power. Just three examples of the work we are doing within the outcomes programme. We are also developing Auction Boost, which measures how TV advertising influences online search auction mechanics; Brand Lift, which improves the measurement of brand metrics and online outcome booster to measure the impact of TV on the short-term performance metrics so beloved of direct response and digital-native brands.

Our solutions, together with the research carried out by the likes of Peter Field, Thinkbox, Essence, Mediacom, Ubiquiti and others, all point to the same irrefutable conclusion: TV advertising is the most effective advertising channel on the planet. Moreover, that is only likely to continue, since an increasingly fragmented and complex media landscape will increase TV's power as a multiplier medium. So if you only take out one thing about our outcomes measurement programme, it is that better outcomes for advertisers deliver better outcomes and profit for ITV.

Summary

Kelly Williams: So over the last four years, we have transformed our commercial proposition into one that is leading the market way beyond television. ITVX is delivering addressable audiences at scale, providing advertisers with incremental reach to their linear campaigns, and providing us with a massive opportunity to grow the number of new to TV advertisers from the long tail of brands developed by the global digital platforms.

This long tail of advertisers is very important. The fastest-growing category of advertisers on TV are what we call online-born brands, often direct-to-consumer digital brands. There are

literally tens of thousands, if not hundreds of thousands, of brands that have launched and developed almost exclusively using paid search and paid social advertising. And this is providing television with a ready-made pipeline of new opportunities.

Paid search and paid social can only get a brand to a certain size. So by targeting this fatter end of this long tail, we are identifying the brands ready to scale up and introducing them to TV. To help, we are now using AI to produce fast turnaround low-cost TV ads for these brands, which has often been a barrier to using TV in the past. Here are a few examples of these kind of brands. Now, before we get to questions, let me mention the global streamers introducing ad tiers. The market is becoming more competitive, but we are very well-placed.

In fact, we are better placed now to compete with them and everyone else for that matter. Why? Well, we have scale. The combination of our linear and addressable inventory across our live and on-demand channels dwarfs others, including the streamers in terms of both volume and reach, illustrated by this quote from Enders a couple of weeks ago, who wrote, 'The broadcasters and ITV in particular have the inventory the SVODs can only dream about.' This means we continue to have top-table relationships with the agencies and advertisers. We are a must-have partner. Agencies need and want a strong relationship with ITV because no agency will win a major pitch based on their ability to guarantee a Netflix price.

We are also measured well, and I cannot overstate how important this is. Trusted industry audience measurement is critical for agencies and advertisers. We have the killer combination of BaRb and CFlight, which enables the measurement of duplicated reach and frequency at an individual campaign level. And as Rhys shared, we have a massive advantage when it comes to data-driven products. Both Netflix and Disney only have a small percentage of their user base on their ad tier and were never set up to use their own data for the purpose of advertising, whereas we have over 40 million registered users, valuable first-party data that we augment with a wide range of third-party data sets to offer a comprehensive, addressable proposition, all widely available on our market leading platform, Planet V. And yes, our content is all proudly British produced for a UK market, not a global audience.

And given the effectiveness of TV advertising, as we have discussed, we believe that more professionally produced, high-quality TV inventory from the streamers should actually grow the entire TV market, and we are certainly seeing that this year.

So to close, we believe the significant progress we have made and will continue to make, puts us in a very strong position to continue to take share in a highly competitive advertising market and deliver strong growth in digital advertising revenues through delivering increasingly valuable, effective and measurable inventory, empirically proving the tremendous impact of TV not only in its own right, but as a multiplier for all the other mediums, attracting and retaining new advertisers to TV, and driving incremental revenue from existing advertisers.

Thank you for listening, and I will be back with Kate and Rhys so we can take some questions.

Q&A

Thomas Singlehurst (Citi): Yes, thank you. Yes, Tom here from Citi. Thank you for the presentation. It was a great initiative and very much appreciate it. So thank you. I was going to say I have got two and a half questions, but I think it is three if I am being honest.

The first one is on the point you make about reach. Speaking to some other broadcasters in Europe, and I am particularly thinking media for Europe, they sort of also articulate how reach is obviously central to the broader broadcast proposition and that they are actively selling on that basis. I am just wondering whether the ITV1 sales mechanism, CRR, is a constraint on your ability to fully realise that sort of reach premium that you are offering and what, if anything, you can do about it? That was the first question.

The second one, which is linked, is the extent to which, in order to even further extend reach, you might be willing to or can offer third-party sales. So, you know, I presume radio would be complementary or other streaming platforms. So whether you can talk about potential for third-party sales.

And the final question was on dynamic creative. I have always assumed that the smaller advertisers, things like creative, would be something of a bottleneck. And I am just wondering whether there is scope for you to provide these smaller advertisers with traditional creative, whether AI offers up an opportunity for you to do that on a more human capital-light or automated basis. So those are the three questions. Thank you.

Kelly Williams: Okay, thanks, Tom. So I guess the reach point, although we do not sell specifically or trade reach, it is definitely why advertisers buy us, and because we can measure it pretty accurately, it is definitely part of our sell. We are just not trading against it. I do not think CRR would stop us. I think if ultimately, CRR protects advertisers' deals. However, an advertiser is well within their remit to, if they want to change the way they trade with us, they can.

We have not, to my knowledge, had any advertisers come to us saying they specifically wanted to trade against reach. However, I do not think CRR would get in that way. However, look, let me be clear. Reach is fundamentally what we deliver, and it is fundamentally what all advertisers are after. They are just trying to get their message in front of as many different people as possible. So it will always remain really important. However, as we said, it is an output. I think what Kate's talked through is, which I think is the really interesting part of our future, is measuring outcomes as opposed to outputs. And I think that is the bit that is really exciting advertisers.

The second question on third-party sales, we are very open-minded about third-party sales. I think it would have to be the right opportunity. It would have to be someone who offered us incremental reach, you know, a unique audience, an audience that we do not currently have. However, we are definitely open-minded to that. We sell on behalf of STV today. We know how to do it, we have got the systems to do it. And if the right opportunity came along, that is certainly something we would consider.

And I guess the third one on dynamic creative, I will hand over to Rhys to maybe build on this, but we have a very small team based in the regions actually, that produces adverts for smaller advertisers. They have been doing it for many years. We make about 1,000 different

advertises every year. We are literally just about to test AI in that production process, which we are very confident is going to allow us to scale that, bring down the cost. We can do it pretty cost effectively without AI at the moment. So we think this could really, really shift the dial by using AI to create fast turnaround, relatively decent quality TV ads, which has been a barrier for smaller advertisers. However, we are literally testing it this month or next month, so we can probably update more on how that is going in future sessions.

However, anything on dynamic creative?

Rhys McLachlan: No, nothing that you have already covered.

Kate Waters: The thing I would add is to say that we can also, because of our understanding of what drives outcomes through the creative process, and we will be exploring how we can use AI to build not just ads more quickly and more cheaply, but also more effective ads as well. So I think being able to offer smaller advertisers advertising that can work really hard for them as well.

Thomas Singlehurst: That is great. Thank you.

Julien Roch (Barclays Capital): Yes. Good afternoon, everybody. Thank you for the presentation. Three questions as well.

The first one is, can you explain what targeting capabilities do you have? So you said you have 40 million registered users, but you only have their name, address, sex and age, which is limited in terms of targeting. So you bought third-party data, but which one, what target can you offer specifically? So if we could get a couple more concrete example on targeting, that is number one.

Number two is outside of ITVX, you now do targeted in your linear channels. What percentage of ads in your linear are not targeted? So we have a broad idea how advanced that is.

And then lastly, coming back on CRR, is that in any way limiting your targeting capabilities because of shared deal, or you think that CRR is actually irrelevant to targeting? Thank you.

Kelly Williams: Okay, I will start with the third question, Julien, if that is okay, then I will hand over to Rhys to talk about targeting.

However, we do not think CRR is relevant to addressability. It is not getting in the way at all of any of the targeting we are doing. It is fair to say that linear addressable, the linear addressable that we have launched so far has all been on our multi channels. It is all been on ITV2, 3, 4 and ITVB. That is where we have started it. It is present just on the YouView platform and the Virgin Media IP platform. And as we said, soon to launch on Sky.

In terms of the percentage of spots, do you know, off the top of your head?

Rhys McLachlan: I can give it some value, yes. So since we initiated the trial, we have decisioned, that is, we have considered and optimised on half a billion spots, of which we have elected to replace 175 million of those. So the overall addressable component is half a billion. However, we have determined by using AI and machine learning in runtime. So this is happening in real time. It has to be frame perfect with the things that are happening in that ad break that we have replaced for a better audience, for a better spot on 175 million occasions.

Kelly Williams: Julien, just to give you a sense of the scale, again, off the top of my head, I think this year, so it will only be probably half a year on YouView and Virgin and, sorry, a full year on YouView and Virgin and half year on Sky. I think we are forecasting that it will be broadly 2% of our addressable revenue, total digital revenue. So still relatively small at the moment.

Rhys McLachlan: Okay. And picking up on the, on the audience and targeting question, Julien. So in a world of cooking depreciation, having really rich, robust and diverse first-party audience data is a big differentiator in the digital market. So the process by which we elicit, in a consent, appropriate GDPR-compliant manner, age, gender, postcode, street address, and there is always one that I forget, is there not? First name, surname. There we go. Thank you, Kate. The way in which we elicit and manage for that data set, which has been third-party certificated for accuracy, is incredibly important for us as a business because that is the foundational element of building out a scaled, addressable business.

Then we augment that through aligning those data points with data points that we get from Experian, from Mastercard, from YouGov, and in the instances where third parties also have compliant data sets, we intersect our registered users with the data held on file from, say, a Boots or a Mastercard or an advertiser that has a scaled database of its own. And we again do that in a bunker environment provided by our partner, InfoSum, in a compliant and GDPR-consented process.

And so to that end, it may have come across as a glib or throwaway comment in my script slightly earlier, but there are in excess of 20,000 targeting options available to buyers on Planet V. It is, you know, you have got those clients who are availing a very niche, very specific target audiences in ITVX via Planet V now. So there is hardly an audience that you could not imagine that will not be available.

Julien Roch: Thank you.

Lisa Yang (Goldman Sachs): Yes, good afternoon. I have a few questions as well.

Firstly, you mentioned you will be very open-minded in terms of accepting other broadcasters onto Planet V. Could you maybe share some of the conversations you have had, especially with, for instance, Channel 4, and why have they not they joined the platform so far? What needs to be basically done? Because I imagine if you start to gather the inventory from all the key broadcasters in the UK, I guess that would make a significant difference.

And you said you are selling on behalf of STV today, so how are you charging STV for doing the third-party sales? That is the first question.

Secondly, just on ITVX, could you maybe share some colour on where you stand in terms of ad loads and CPM? I think you set up to 50% uplift versus linear TV, but on average, what is the sort of uplift today, and where do you see the opportunity going forward in terms of maybe increasing ad loads and CPM over the coming years?

And the third question is, in terms of thinking about the opportunity for Planet V, ITVX, what percentage of your existing, maybe linear TV advertisers also use Planet V? And why have they not used it so far? And what do you think is the opportunity over time in terms of cross-selling ITVX to your more traditional advertisers? Thank you.

Kelly Williams: Okay, so look, the idea of Planet V is there is two different things I just do not want to conflate here, is when we say we are open-minded to representing other inventory sources, that is what I would call sales representation. That is what we do with STV, we represent them. And as part of that representation, their inventory is available on Planet V. There is kind of a second, and it is slightly nuanced. This is where we do not represent a particular broadcaster, but they could use Planet V as a platform, themselves. That is definitely possible. We have announced that Sky are testing Planet V at the moment. We are not selling Sky, they are selling the inventory, just starting to trial Planet V as a platform.

So we have got a number of conversations going on with other broadcasters. I would rather not talk about those publicly now because they are. They are still confidential NDA'd conversations.

In terms of charging STV, as I said, we have an overall sales representation deal, and the cost of STV being on Planet V is wrapped up into that contract. So again, it is specific to that contract. I do not think it would be appropriate to share publicly.

And then in terms of the ad load and CPM growth on ITVX, as we have been able to deliver more sophisticated targeting, when people use Planet V, the more targeting that they decide to use in the platform, premiums get added to their base CPM price. So as more and more people are using the platform, as we have delivered more and more opportunities from a data perspective, we have naturally been seeing an increase in CPM. I think we have seen overall, generally about a 15% increase in CPMs. Going forward, I think CPM Inflation will depend on a number of factors. It will depend on how much more sophisticated we can get in that area, equally, how big and scaled the platform becomes and the slight difference between linear and digital.

The digital world is in the linear world, we have a floating station average price mechanic. So the price of linear is an outcome based on supply and demand. So it moves up and down depending on the supply of audience and the demand from revenue. Digital is a different trading model where it is effectively a fixed price with premiums based on targeting. On a monthly basis, the only lever we have as demand goes up or down, although we have only seen demand going up, the only lever we have, is ad load.

Prior to ITVX launching, I think it would be fair to say that our ad load had got too big. The ITV hub, as was, I think we had been very successful in monetizing it. Arguably too successful. And as a result, that ad load got to a quite a challenging level, arguably a little bit unwatchable at times. That is why ITVX has been so crucial for us because we really needed to drive audience and my God, it has delivered. So it has allowed us to continue to grow our revenue, but at the same time, bring our ad loads down to a very watchable level. And that is the balance we have to kind of play as we move forward, making sure that we drive revenue, but also make sure that the platform has a watchable ad load.

And the final question, I think, was what percentage of our linear advertisers are using digital? Again, off the top of my head, I just do not know that exact number. I would suspect it is in the 60%, 65% level. So we have got real opportunity there to convert that kind of last cohort. And equally, as we discussed in the session, we have got the opportunity to bring lots and lots of new advertisers onto ITVX. I hope that answers.

Rhys McLachlan: Yes. However, just to add to Kelly's comments, looking through the other end of the telescope, we have now got a significant base of ITVX Planet V-only customers, which over the course of time, we are optimistic we can move on to linear television.

Lisa Yang: Very helpful. Thank you.

Adam Berlin (UBS): Hi, good afternoon, everyone. A couple of follow-up questions from ESA.

So I just wanted to follow up on the pricing discussion we were just having about how you set prices, and it seems that you are not setting them dynamically, that you are setting the price and just seeing what happens to the amount of demand. Do you have a sense of how much value you are leaving off the table by not having an auction-based pricing model, and how much higher price could be? I mean, how do you know how to set the price each day? And what data are you using to do that?

And I suppose the follow-on question from that is, why are you not using more of an open model, like, say, Netflix or Disney are doing, connecting to other DSPs to get extra demand and setting pricing more dynamically? Just how do you get confidence that you are setting pricing correctly in that context? So that is the first question.

And the second question is around growth. You talked a lot today about bringing new advertisers onto the platform and the potential for that, but do you still think there are opportunities to grow budgets with your kind of existing large national advertisers as well? Or is it more just about maintaining budgets with those national advertisers whilst you get growth from these new advertisers? Thanks.

Kelly Williams: Okay, I will start with the last question.

Yes, we really feel there is opportunities to grow established advertisers. I always look at the really big TV advertisers that. The advertisers that really know what they are talking about. If you look at what they are doing today, and I will not say specifically because I do not want to talk about what individual advertisers are doing, but, look, you would be able to look on Nielsen to corroborate this. However, the big established TV advertisers are really moving back to TV. I think Mark Reed, in the results, the WPP results, commented on this. He talks about CPG. We say FMCG in this country, but those big FMCG brands have really moved back.

A big part of our growth this year has been driven by established advertisers coming back to TV. A lot of that is all about effectiveness. There has been a kind of shift towards digital historically, but as we and advertisers themselves are better able to measure effectiveness and outcomes, it all points to the effectiveness of television. There was a huge study that we mentioned at the beginning of the presentation. It is really, really compelling when you look at large independent data sets of econometric modelling, how effective TV is. So we have not given up on linear, by any chance. It is a very, very important part of what we do.

In terms of price setting, we are not doing anything different to what Netflix are doing. Netflix are setting a base price, just as we are. In fact, in the UK, Netflix set a base price when they launched, nobody would buy. They set a base price that they really struggled to sell to the market. They have since reduced that base price. However, by setting the price that we have and not going to pure auction model, we have not left any money on the table.

It is the opposite. We have set our price at what we believe and are very confident is a strong CPM, and then built a business on top of that.

So we have a floor in our price. If you go into any open auction market, there are not any floors. That price can drop very significantly. In fact, in the programmatic world, the whole programmatic world was built because in display advertising, there was way too much inventory for the amount of advertising dollars chasing it. That is where those auction models came from. We have made, I think, a decision to set our prices where we have. We have built a platform that is just a base price in the platform. Those prices are then dynamic above that. And going back to why have we not plugged into all of the DSPs in the market? And this is a really, really important point. Those DSPs grew up in this market or established themselves in this market, coming into the bottom of our industry to the kind of the very low-value digital online inventory. And they created a business for themselves, the likes of Trade Desk. The likes of Xander. Yes. And what they are doing, they have established themselves in this low-value market, and they are trying to grow their business. They are moving from online display into video, and they now want to get into TV. That is where they want to go.

We are a market leader, and I think we have to be a market maker. And given all of our inventory, is going to become addressable at some point. The idea that a Trade Desk or Xander is in control of my market, I do not think, is a very good thing. The fact that they are taking a percentage of the revenue that an advertiser wants to spend with us, they are taking a percentage, I do not think is a very good, strategic thing to do. Which is why we have built Planet V so that we get every pound that an advertiser spends ends up with us. And I cannot tell you how I think that is a big strategic move for us, but I think a really, really important one.

Rhys McLachlan: If I could just add to that as well. Look, it is responsibility of my team to ensure that we are not cutting off our nose despite our faces in this market. And to that end, we are constantly assessing the market to ensure that there is not any incrementality or any accretive revenue out there that we would otherwise be missing out on. And in the four years since we have launched Planet V, that has yet to be substantiated. We feel very confident that our strategy is delivering and that we are not inadvertently out of scope for advertisers that want to work with us. It is quite the contrary.

Kelly Williams: Look, I think we have outperformed. Well, I know we have outperformed all of the other broadcasters in the market over the last few years. I know we have.

Rhys McLachlan: With revenue retention. Thank you.

Kelly Williams: Okay. Thank you very much.

Kate Waters: Thank you.

[END OF TRANSCRIPT]