

ITV Consumer Limited

Strategic Report for the Year Ended 31 December 2020

The Directors present their Strategic Report for the year ended 31 December 2020.

Principal activity

The principal activity of ITV Consumer Limited ("the Company") continues to be that of exploiting content both in the free to air and pay environments to promote engagement and meet emerging video demand.

Fair review of the business

The results for the Company show a profit before tax for the year £171,669,000 (2019: £154,022,000) and revenue of £277,987,000 (2019: £245,450,000). At the statement of financial position date the Company had net assets of £275,378,000 (2019: £136,325,000). The higher revenues and profit the year were driven by demand for digital advertising which grew despite the adverse impact of Covid-19 on online viewing due to the issues it created in relation to the production and supply of content.

KPIs

In October 2020, the Group announced a restructure of its Broadcast segment to better reflect and serve the changing viewing habits. As part of the restructure, which came into effect from 1 April 2021, Broadcast has been renamed Media & Entertainment ('M&E') with two business streams. These are Broadcast, which includes the ITV linear channels and Streaming, which focuses on digital products such as the ITV Hub+, Britbox and other direct to consumer revenues.

The Directors of the ITV plc Group manage the Group's operations on a divisional basis with this Company being included within the Broadcast (M&E) division. For this reason, the Company's Directors use the ITV plc Broadcast (M&E) division Operating and Performance Review in managing and understanding the development, performance and position of the Company. The business review is included on pages 28 to 41 of ITV plc's 2020 Annual Report.

Further to the divisional key performance indicators, the Directors would consider the key financial performance indicators of the Company during the year to include:

- Revenues which are up 13.3% in the year to £277,987,000 (2019: £245,450,000) driven by increases in Video on Demand (VOD) advertising revenues following the continued growth of the ITV Hub and an increase in Hub + revenue driven by increased subscribers.
- Online viewing measures how long viewers are spending online watching long-form content. It is calculated as the total number of hours ITV VOD content is viewed on owned and operated ad-funded platforms and ITV Hub+ viewing. Online viewing was down 4.7% in 2020. The reduction in online viewing in the period was due to fewer episodes of the soaps, and the absence of Love Island and Euro 2020 during the Covid-19 pandemic. Simulcast viewing hours were up 13% year-on-year.
- ITV Hub registered users which are now 33 million (2019: 31 million).

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Developments during the year

During 2020, despite the challenges presented by the COVID-19 pandemic, we continued to invest in, and deliver the Hub acceleration plan which is a key part of ITV's More than TV strategy. There has been a process of continued improvement in the ITV Hub, focused on redesigning the interface on all platforms to further improve the overall user experience to make it a destination for viewing our content, and integrating BritBox UK, to make the transition to the service seamless. During 2020 we strengthened the content available through extending the catch up window for content from 30 days to 12 months.

The ITV Hub+ offers an ad-free subscription version of the ITV Hub with content download capability. The number of subscriptions at the end of December 2020 was circa 410,000 which was broadly in line with 2019. The absence of key programming, a lower volume of new content along with travel restrictions resulting in people not requiring download functionality or EU portability, all had an impact on our ability to drive new subscriptions in the year. We continued our process of improvement on ITV Hub+, launching an annual subscription pass, incorporating programme download functionality on Android devices and integrating in-app purchases on Amazon. At 31 December 2020, EU portability on ITV Hub+ was disabled as the Brexit transition period ended.

Future developments

Our investment in the ITV Hub in 2021 will be focused on further accelerating its growth to make the ITV Hub a destination, not just catch up service, along with rolling out the redesign across connected TVs. We plan to trial a new windowing strategy which will include: increasing the number of dramas series we make available in full on the ITV Hub once the first episode launches on linear – such as Finding Alice, The Bay and Marcella; having exclusive content including spin-offs from large entertainment shows such as The Masked Singer and Saturday Night Takeaway; and increasing the curation of content using our vast archive. We will also focus on the increased distribution of the ITV Hub on new platforms and TVs. In 2021 we would expect our investment to drive an increase in online viewing and monthly active users. We would also expect the return of key entertainment shows and sport to positively impact our Hub+ subscriptions and we will focus on other initiatives including embedding Google Play billing in the app and creating more upselling opportunities for ITV Hub+ within the ITV Hub.

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Section 172 (1) Statement - Directors Statement in performance of their duties under section 172(1)

The Board of ITV plc are responsible for governance and oversight across the ITV Group and the duties under Section 172(1) of the Companies Act 2006 ('s172') in respect of ITV plc. As ITV Consumer Limited (the 'Company') is part of the ITV Group, its directors (the "Directors") believe that certain matters they are responsible for under s172 in respect of the Company have been considered to an appropriate extent by the Board of ITV plc in relation both to the ITV Group and the Company and reference to this is made below.

The Directors consider and approve relevant matters during the year. During 2020 the challenges arising from the COVID-19 pandemic required the Directors to act swiftly and approve measures to increase the resilience of the Company, and protect the interest of all stakeholders. To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Directors have specifically considered the matters set out in s172 is set out below:

- **The long term:** The Directors are fully cognisant of the evolving competitor and viewer landscape in which the Company operates and the main focus during the year has been helping to drive ITV's Group strategy to transform the Broadcast business over the longer term. The Company operates and the main focus during the year has been to accelerate the growth of ITV Hub and drive digital ad-funded viewing amongst light viewers over the longer term. They have continued to grow interactive revenues through the competitions portal ITV Win, focus on driving growth within Direct to Consumer products and to engage with key programme brands.

- **Employees:** The Directors know that the workforce are key to the Company's success and are dedicated to nurturing an inclusive working environment where everyone can reach their full potential and thrive. As the Company is embedded within the ITV Group governance structure it is fully aligned with ITV on workforce engagement and an explanation of how ITV plc have engaged with the workforce and taken them into consideration through its discussions and decision-making is set out on page 102 of ITV plc's 2020 annual report. Further information on ITV's commitment to its workforce is set out on pages 50 to 51 of ITV plc's 2020 annual report, which does not form part of this report.

- **Business relationships - suppliers, customers:** The Directors are committed to fostering good working business relationships with their key stakeholders which include Partners, other Broadcasters and Platform Owners. The Directors recognise that an understanding of the issues relating to these stakeholders is fundamental to building and maintaining the successful relationships, enabling the Company to take advantage of the strong and mutually beneficial opportunities needed to ensure the success of the Company. As the Company is fully embedded within the ITV Group governance structure, the Directors seek to align themselves with ITV plc's engagement mechanisms and an explanation of how the Directors of ITV plc have had regard to the need to foster the Company's business relationships in the context of the significant financial and economic uncertainty caused by COVID-19 and Brexit are set out on page 97 to 102 of ITV plc's 2020 annual report which does not form a part of this report, with detail on Partners, other Broadcasters and Platform Owners set out on page 98.

- **Community & environment:** The Directors have regard to the impact of the Company's operations on the environment and consider that as a result of being embedded within the ITV Group governance structure, the Directors of ITV plc have taken the lead in carrying out the duties in respect of the community, wider environmental issues and diversity and inclusion targets. Further information on ITV's Social Purpose strategy and 2020 initiatives that were influenced by the COVID-19 pandemic - structured around better health, diversity and inclusion, environment and giving back targets - is set out on page 99 and pages 42 to 49 of ITV plc's 2020 annual report, which does not form a part of this report.

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• **High standards of business conduct:** The Directors' intention is to ensure that the Company operates in an ethical and responsible way. As a part of the ITV Group, they recognise that a healthy corporate culture is the cornerstone to ensuring high standards of business conduct and governance that also pervade business dealings with stakeholders outside of the organisation. The Directors consider that as a result of being embedded within the ITV Group governance structure, the Directors of ITV plc have taken the lead in promoting these facets and details on how it monitored and assessed culture during the year is set out on page 105 in ITV plc's 2020 annual report, which does not form a part of this report. ITV's commitment to high standards of business conduct is also enshrined in the Code of Ethics and Conduct available on the ITV plc website. ITV's culture also pervades its business dealings with stakeholders outside of the organisation, as exemplified by its work with suppliers in relation to modern slavery and membership of the Prompt Payment Code.

Principal risks and uncertainties

The principal risks and uncertainties of the Company will relate to the growing businesses of exploiting new media, largely online and international content. These are considered on pages 66 to 79 of the Group's 2019 annual report.

Covid-19 has had and may continue to have a strategic, operational and financial impact on the business. In particular, interruption to production and sport events restricting access to online content. The ITV Group has developed a Covid-19 response governance structure with responsibility for managing the response to the risks of the pandemic. Detailed information on the Group's response to the pandemic is discussed on page 76 of the ITV plc 2020 Annual Report.

A comprehensive strategic review of the Company's strategy, outlining the development, performance and position of the Company's business can be found in the Strategic Report of the group in the ITV plc Annual Report. The Annual Report of ITV plc is available to the public and may be obtained from www.itvplc.com or the Company Secretary, 2 Waterhouse Square, 140 Holborn, London, EC1N 2AE.

Approved by the Board on 15/12/2021 and signed on its behalf by:



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Ann Cook
Director