

ITV Consumer Limited

Strategic Report for the Year Ended 31 December 2019

The Directors present their strategic report for the year ended 31 December 2019.

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 £154,022,000 (2018: £120,252,000) and sales of £245,450,000 (2018: £200,148,000). At the statement of financial position date the Company had net assets of £136,325,000 (2018: £146,556,000).

KPIs

The Directors of the ITV plc Group manage the Group's operations on a divisional basis with this Company being included within the Broadcast & Online division. For this reason, the Company's Directors use the ITV plc Group Broadcast & Online division's operating and performance review in managing and understanding the development, performance and position of the Company. The operating and performance review is included on pages 37 to 43 of ITV plc's 2019 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 23% in the year to £245,450,000 (2018: £200,148,000) 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 up 13% in 2019, driven by viewing on connected TVs. Simulcast requests were up 17% year-on-year.
- ITV Hub registered users which are now 31 million (2018: 28 million).

Developments during the year

The ITV Hub, the online home for all of our channels and content, continues to grow rapidly. This is driven by our viewers' appetite to watch our content whenever and wherever they want, be it catch up or, increasingly, simulcast. The ITV Hub is available on 28 platforms and is pre-installed on the majority of connected televisions currently sold in the UK.

The ITV Hub+ is an ad-free version of the ITV Hub, which also allows download and EU portability currently. ITV Hub+ has over 400,000 subscribers which is up over 50% year-on-year.

ITV Consumer Limited

Strategic Report for the Year Ended 31 December 2019

Future developments

The Company's operational and financial performance in the first half of 2020 has been impacted by the COVID-19 pandemic. While the future is still uncertain due to the pandemic, we are seeing some signs of improvement in advertising demand. The actions we have taken in response to the pandemic, along with the resilience of our colleagues and strength of our business has all helped to mitigate some of the impact of COVID-19, and puts us in a good position to continue to invest in our strategy.

We will accelerate the growth of the ITV Hub to increase viewing and monetisable monthly active users (MAUs). We will do this by strengthening our content offering, further improving the user experience with increased personalisation, better navigation and features, and enhancing its prominence. We have built and successfully started to run live programmatic addressable advertising campaigns delivered through Planet V, and we will further roll out and embed this offering. We will continue to work more closely with advertisers through our strategic and creative partnership teams to further drive our advertising revenues.

ITV Consumer Limited

Strategic Report for the Year Ended 31 December 2019

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

The Directors of ITV plc are responsible for the governance of, and oversight over, the ITV Group as a whole and have their respective duties under Section 172(1) of the Companies Act 2006 ('s172') in respect of ITV plc. As the Company is part of the ITV Group, 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 Directors of ITV plc in relation both to the ITV Group and the Company and reference to this is made below as appropriate.

The Directors consider and approve matters that relate to the Company. To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Directors have 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 to accelerate the growth of ITV Hub and drive digital ad-funded viewing amongst light viewers over the longer term. During the year, the ITV Group launched Planet-V - its addressable advertising platform as part of the longer-term investment opportunities for the division. The Directors 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 employees 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 the Directors of ITV plc have engaged and taken its workforce into consideration in its discussions and decision making is set out on page 92 of ITV plc's 2019 annual report, which does not form part of this report. For more information on ITV's commitment to its workforce is set out on pages 50 to 51 of ITV plc's 2019 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. The Directors recognise that an understanding of 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 with detail on viewers and subscribers is set out on page 90; suppliers, advertisers and platform owners set out on page 91; and detail on legislators and regulators set out on page 92 of ITV plc's 2019 annual report, which does not form a part of this report.
- **Community and environment:** The Directors have regard to the impact of its operations on the environment and consider that as a part of the ITV Group, due consideration is given to the community and wider environmental issues. Further information on ITV's Social Purpose strategy - structured around better health, diversity and inclusion, environment and giving back targets - is set out on page 62 and pages 44 to 49 of ITV plc's 2019 annual report, which does not form a part of this report.

ITV Consumer Limited

Strategic Report for the Year Ended 31 December 2019

• **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 94 ITV plc's 2019 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 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.

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 11/12/2020 and signed on its behalf by:



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Christopher Swords
Director