

ITV plc Q3 Trading Update – 9 months to 30 September 2018

Continued strong performance on screen and online

Carolyn McCall, ITV Chief Executive, said:

“ITV’s performance in the first nine months of the year was very much as we expected. We delivered 6% growth in external revenues with total advertising up 2%, driven by 43% growth in online revenues, and 10% growth in total ITV Studios revenues.

“Our strong on screen and online viewing performance has continued with ITV total viewing, which measures our viewing across the ITV Family and the ITV Hub, up 5% driven by a 4% increase in total minutes viewed across the ITV Family and a 37% increase in the time spent viewing online on the ITV Hub. This supports our confidence in the robustness of the ITV integrated producer broadcaster model and also reflects the strength and breadth of our content. We have an exciting schedule for the remainder of the year and into next year with entertainment shows I’m A Celebrity and Dancing On Ice, and dramas including Cheat, Cleaning Up, Manhunt and The Widow as well as the Rugby World Cup exclusively on ITV.

“ITV Studios has delivered a strong performance in the first nine months with organic revenue up 7%. Over the full year we expect to deliver good growth in total ITV Studios revenues and profit in line with our expectations. Organic revenue growth is expected to be around 3% over the full year as a result of no Hells Kitchen deliveries in 2018 compared to two in 2017 and Snowpiercer now being delivered in 2019 rather than Q4 2018 as originally anticipated. We continue to have a strong pipeline of programmes which will be delivered in 2019 and beyond, with entertainment shows in new territories, including Love Island US and Sunday Night Takeaway in Australia, new dramas including World on Fire, Noughts and Crosses, Wild Bill, The Bay and Zero Zero Zero and returning dramas Gormorrah and Line of Duty.

“Online advertising continues to deliver strong double digit revenue growth. We are seeing some softening in ITV Family NAR in Q4 due to the increasingly uncertain economic environment and as a result we expect total advertising to be down around 3% in Q4 and broadly flat over the full year.

“We are very focused on executing our strategy to create a stronger, structurally sound business, building on our strong operating performance in the areas of the business which are under our control. We are making good progress with implementing the strategy - the investment and cost saving programmes which we set out in July are on track, and as previously mentioned, we will update the market in February on our SVOD plans.”

- Overall performance for the first nine months in line with our expectations
- Total external revenue was up 6% at £2,257m (2017: £2,139m), with continued growth across all parts of the business
- Total ITV Studios revenue was up 10% at £1,107m (2017: £1,004m), with organic revenues up 7%
- ITV total advertising (NAR, online and sponsorship) was up 2%, with 43% growth in online advertising
- Broadcast & Online revenue was up 2% to £1,509m (2017: £1,482m)
- Strong viewing performance with ITV Family share of viewing up 9% and online viewing up 37%
- ITV total advertising (NAR, online and sponsorship) is expected to be broadly flat over the full year with continued double digit growth in online
- Strong balance sheet and healthy liquidity

NOTES TO EDITORS

1. Unless otherwise stated, all financial and operating figures refer to the 9 months ended 30 September 2018, with growth compared to the same period in 2017.

2.

Revenue for 9 months ended 30 September (£m)	2018	2017*	%
ITV Broadcast & Online	1,509	1,482	2
ITV Studios	1,107	1,004	10
Total revenue	2,616	2,486	5
Internal supply	(359)	(347)	3
Total external revenue	2,257	2,139	6

Revenue for 9 months ended 30 September (£m)	2018	2017*	%
Total advertising revenue	1,285	1,266	2
Non-advertising revenue	1,331	1,220	9
Internal supply	(359)	(347)	3
Total external revenue	2,257	2,139	6

* IFRS 15 (Revenue from Contracts with Customers) was effective from 1 January 2018 and requires the reclassification of various costs in the income statement which are now deemed to be attributable to revenue. The 2017 comparatives have been restated to reflect IFRS 15. Over the full year 2017 there is no material impact on the Group's revenues and no impact on the Group's profit or adjusted EBITA.

3. Total advertising, which includes ITV Family NAR (adjusted for IFRS 15), online VOD and sponsorship, was up 2% over the 9 months to end of September and flat in Q3, with July up 10%, August down 6%, and September down 2%. Total advertising is forecast to be down around 3% in Q4 with October down 3%, November up 2% and December down 6%-8%. Over the full year we expect total advertising to be broadly flat.

Figures for ITV plc are based on ITV estimates and current forecasts.

4. Operational summary

Broadcast & Online performance indicators	2018	2017	%
Total ITV viewing – 9 months to 30 September (hrs)	12.7bn	12.2bn	5
ITV Family SOV – 9 months to 30 September (%)	23.3	21.5	9
ITV Family SOCI – 9 months to 30 September (%)	36.2	34.2	6
Long form online viewing – 9 months to 30 September (hrs)	346m	253m	37
Total long form video requests (all platforms) – 9 months to 30 Sept	1.4bn	1.1bn	32

Total viewing is the total number of hours spent watching ITV channels and platforms. The volume of hours of viewing on the ITV Hub is adjusted to align with the panel-based viewing for linear channels. Share of viewing (SOV) data is based on BARB/AdvantEdge data and Share of Commercial Impacts (SOCI) data based on BARB/DDS data. SOV data is for individuals and SOCI data is for adults. Both SOV and SOCI are based on 7 day viewing. ITV Family includes: ITV, ITV2, ITV3, ITV4, ITV Encore, ITVBe, CITV, ITV Breakfast, CITV Breakfast and associated "HD" and "+1" channels. Total long form video requests are measured across all platforms, based on data from Crocus, comScore Digital Analytix, pay and OTT platforms, and include simulcast. Long form online viewing is the total number of hours ITV VOD content is viewed on ad funded platforms, based on data from Crocus and comScore Digital Analytix. % change for performance indicators is calculated on unrounded figures.

5. Total Studios organic revenue at constant currency was up 7% at £1,051m for the first 9 months of 2018. The unfavourable translation impact of foreign exchange on revenue was £15m over that period. Our definition of constant currency assumes exchange rates remain consistent with 2017. The translation impact of foreign exchange, assuming rates remain at their current levels, could unfavourably impact revenues by around £11m and profit by around £1m over the full year.

6. Net debt at 30 September 2018 was £1,064m (30 June 2018: £1,034m).

7. The net pension surplus of the defined benefit schemes at 30 September 2018 was £9m (30 June 2018: £86m surplus). The 1 January 2017 actuarial valuation was agreed during the period. On the basis agreed with the Trustee, the combined deficits of the ITV Pension Scheme as at 1 January 2017 amounted to £470m. The Group continues to make deficit funding contributions in line with the most recent actuarial valuation in order to eliminate the deficits in each section. The accounting deficit does not drive the deficit funding contribution. We expect the deficit funding contributions for 2018 to be around £80m and for 2019 to be around £75m.
8. In October, ITV confirmed that it will be marketing its South Bank site for sale. This will result in an increase in overall property operating costs on an annualised basis by around £6m for this year onwards.

In 2014 ITV established a Pension Funding Partnership with the Trustees backed by the London Television Centre which resulted in the assets of Section A being increased by £50m. With the planned sale of the asset we are commencing discussions with the Trustees around providing a suitable equivalent asset. The proceeds of the sale of the South Bank site could be used to replace the £50m asset security and to reduce ITV's net debt position.

9. There is no change in the guidance for net exceptional costs which are expected to be around £85m profit and loss impact in 2018. This largely relates to employment linked contingent consideration and includes the costs relating to ITV's move out of the London Television Centre and an initial view of the costs associated with delivering the organisational redesign in 2019 as part of the strategic refresh. The cash cost of exceptional items will be around £85m, a significant proportion of which is acquisition related contingent consideration.
10. On 5 November, ITV announced the appointment of Chris Kennedy as CFO. Chris is expected to join ITV on 1 February 2019.
11. Figures presented in this Trading Statement are not audited. This announcement contains certain statements that are or may be forward looking with respect to the financial condition, results or operations and business of ITV. By their nature forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward looking statements. These factors include, but are not limited to (i) a major deterioration in the current outlook for UK advertising and consumer demand, (ii) significant change in regulation or legislation, (iii) failure to identify and obtain, or significant loss of, optimal programme rights, (iv) the loss or failure of transmission facilities or core systems and (v) a significant change in demand for global content.

Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. The Group accepts no obligation to revise publicly or update these forward looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

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