ITV plc

Interim results for the period ended 30th June 2020

6th August 2020

Agenda

Introduction and Highlights	Carolyn McCall
Financial and Operating Review	Chris Kennedy
COVID-19 Response and Strategic Update	Carolyn McCall
Outlook	Carolyn McCall
Q&A	

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Highlights

- **ITV has acted swiftly, decisively and proactively to manage and mitigate the impact of COVID-19**
    - Protecting our colleagues, culture, reducing costs and preserving cash
- **COVID-19 has had a significant impact on the operating and financial performance of the business**
- **ITV has made good progress in executing its strategy in spite of the COVID-19 disruption, as we transform ITV into a digital media and entertainment company**
    - ITV Hub acceleration plan is delivering strong online viewing
    - Successful rollout of Planet V continues
    - BritBox subscribers are ahead of target
    - Data and Analytics team augmented
- **ITV is now seeing an upward trajectory**
    - Our production teams have been very innovative and we restarted production in June with Coronation Street and Emmerdale, and have resumed or delivered 70% of the 230 shows that were impacted or paused by the lockdown
    - ITV Commercial continues to work closely with advertisers and agencies and currently we are seeing advertising trends improving

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H1 2020 Group Financials

External revenue
£1,218m
(2019: £1,476m, down 17%)

Total advertising revenue
£671m
(2019: £849m, down 21%

Total ITV Studios revenue
£630m
(2019: £758m, down 17%)

Total Non-TAR revenue
£783m
(2019: £900m, down 13%)

Adjusted EBITA
£165m
(2019: £327m, down 50%)

Adjusted EPS
2.9p
(2019: 6.2p, down 53%)

Statutory EBITA
£159m
(2019: £310m, down 49%)

Statutory EPS
0.5p
(2019: 4.8p, down 90%)

Profit to Cash*
138%
(2019: 89%)

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*Profit to cash conversion is calculated on a rolling 12 month basis

Financial and Operating Review

Chris Kennedy

ITV Studios

Production significantly impacted by lockdown

	2020 (£m)	2019 (£m)	Change %	Organic change %
Studios UK	263	331	(21)	(21)
Studios US	88	79	11	9
International	165	223	(26)	(25)
Global Formats & Distribution	114	125	(9)	(10)
Total Studios revenue	**630**	**758**	**(17)**	**(17)**
Total Studios costs	(568)	(642)	11	
ITV Studios adjusted EBITA*	**62**	**116**	**(47)**	**(47)**
Adjusted EBITA margin	10%	15%		

	2020 (£m)	2019 (£m)	Change %
Internal – ITVS to Broadcast and DTC	233	271	(14)
External revenue	397	487	(18)
Total revenue	**630**	**758**	**(17)**

- From mid-March, the majority of productions were paused globally
- ITV America continued to perform strongly with deliveries of Snowpiercer and Good Witch and increased sales to OTT platforms
- Global Distribution revenue was up 2%, with good demand for library content more than offset by a decline in Global Formats
- Total organic revenue at constant currency was down 17%
- £26m of cost savings delivered in H1
- Margin impacted by reduction in activity and costs associated with COVID-19 restrictions
- The impact on the rest of this year and 2021 will depend on how quickly these restrictions are reduced

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*EBITA includes the benefit of production tax credits

Broadcast

Good momentum in Q1, but a very significant impact from COVID in Q2

	2020 (£m)	2019 (£m)	Change %
Total advertising revenue	671	849	(21)
Direct to Consumer	43	40	8
SDN	36	34	6
Other revenue	74	68	9
Broadcast non-advertising revenue	**153**	**142**	**8**
Total Broadcast revenue	**824**	**991**	**(17)**
Network Schedule costs	(464)	(541)	14
Variable Costs	(75)	(59)	(27)
Broadcast infrastructure and overheads	(182)	(180)	(1)
Total Broadcast costs	**(721)**	**(780)**	8
Total adjusted Broadcast EBITA	**103**	**211**	**(51)**
Total adjusted EBITA margin	13%	21%	
BritBox UK venture losses	23	3	
Adjusted EBITA Broadcast (ex BritBox UK)	**126**	**214**	(41)
Adjusted EBITA margin (ex BritBox UK)	15%	22%	

- TAR in H1 was down 21%, with online revenues down 3%
- Good momentum in Q1 with ITV TAR up 2%, the third consecutive quarter of TAR growth
- ITV TAR down 43% in Q2
- Direct to Consumer growth driven by interactive
- Schedule costs down £77m with the absence of the Euros and Love Island
- Non-programming costs includes strategic investments in ITV Hub, Planet V and BritBox and £25m of cost savings
- Within Broadcast EBITA is £23m of BritBox venture losses

ITV Viewing

Total viewing volumes up and continued strong online viewing

ITV Total Viewing up 4%	ITV Family Light Viewers up 8%	ITV Family SOV 22.6% down 4% YOY	ITV Main Channel SOV 16.9% down 2% YOY	ITV Main Channel SOCI 26.2% Up 1% YOY
96% of all commercial audiences >5m	Online Viewing up 13%	ITV Hub dwell time up 11%	ITV Hub MAU's up 15%	32m registered user accounts on the ITV Hub

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Total Advertising

Significant decline in Q2 across most categories

Top 10 largest categories (Spot and VOD combined)	Q1 YOY % change	Q2 YOY % change	H1 YOY % change	H1 2020 £m
Retail	24%	(57)%	(25)%	85.3
Finance	(4)%	(39)%	(22)%	68.1
Entertainment and Leisure	(4)%	(44)%	(24)%	55.6
Telecommunications	(1)%	(18)%	(10)%	44.1
Publishing and Broadcasting	(6)%	14%	3%	42.7
Cosmetics and Toiletries	8%	(20)%	(6)%	40.8
Food	7%	(44)%	(19)%	40.7
Airlines, Travel and Holidays	8%	(97)%	(32)%	38.1
Government, Charities and Other	8%	74%	30%	36.8
Cars and Car Dealers	(15)%	(69)%	(38)%	36.6

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Investments & Cost Savings

Significant overhead and programme budget cost savings in 2020 are largely temporary

Investments – guidance unchanged	FY 2020 (£m)
Essential investments	18
BritBox venture losses	55-60
Total investments	73-78

Overhead cost savings	FY 2020 (£m)
Original guidance	10
Announced on 23rd March	20
Announced on 6th May	30
Total overhead savings for 2020	**60**

£10m of overhead savings in 2020 are permanent

Programme budget savings	FY 2020 (£m)
Announced 23rd March	100
Announced 6th August	50
Total programme savings	150

- We delivered **£51m** of cost savings in H1 2020
- We are on track to deliver **£60m** over the full year 2020, of which around **£10m** are permanent
- We continue to look at further ways to reduce our cost base permanently and as previously guided we are targeting a further **£25m to £30m** of permanent overhead savings by 2022 as part of the cost savings plan we started in 2018

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Adjusted and Statutory results

Adjusted Earnings	Adjusted EPS	Statutory EPS	Net Exceptional Items
£118m (2019: £248m, down 52%)	**2.9p** (2019: 6.2p down 53%)	**0.5p** (2019: 4.8p down 90%)	**£89m** (2019: £35m)

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Balance sheet and liquidity

Profit to Cash* **138%** **(2019: 89%)**	**Reported Net Debt**** **£783m** **(2019: £1,195m)**	**Reported Leverage*** **1.3x** **(2019: 1.5x)**
Adjusted Leverage* **1.6x** **(2019: 1.9x)**	**Undrawn Facilities***** **£829m** **(2019: £740m undrawn)**	**Net Pension Surplus** **£26m** **(31 Dec 2019: £87m deficit)**

*Profit to cash conversion and reported and adjusted net debt/adjusted EBITDA leverage are calculated on a rolling 12 month basis
**Includes IFRS 16 lease liabilities
*** Covenants for the RCF from 31 March 2020 to 30 December 2021 are as follows: Covenant net debt cap of £1.8bn and minimum covenant liquidity requirement of £250m

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2020 Planning Assumptions – based on current expectations

P&L	
Schedule Costs	Estimated to be around **£960m**
Investments	Total essential investments of around **£18m**
BritBox	BritBox venture losses expected to be **£55-60m**
Cost Savings	**£60m** cost savings in 2020, of which around **£10m** are permanent
Adjusted Interest	Around **£40m**, in line with previous year
Tax	Adjusted effective tax rate of **18%,** and expected to remain at 18-19% over the medium term
Exceptional Items	Around **£110m**, mainly due to COVID-19 and Other costs and acquisition related expenses

Cash	
Tax	Will reflect a one-off of **six quarterly payments**
Capex	Around **£85m-£95m** of Capex, which includes investment in our addressable advertising platform , Talpa integration and our US property moves
Exceptional items	Cash cost of exceptionals are expected to be around **£250m** comprising mainly of COVID-19 costs and accrued earnouts which includes the final earnout payment for Talpa
Profit to cash	Around **75%**
Pension	Deficit funding contribution for 2020 is expected to be around **£59m** benefitting from contribution deferral agreed with Trustees

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COVID-19 Response & Strategic Update

Carolyn McCall

Our strategy remains the right strategy – we are making good progress despite the COVID-19 disruption

Studios

Grow scripted business

Globalise and maximise value of key formats and brands

Continued growth via inorganic and / or organically

TRANSFORM
GROW
EXPAND

Broadcast

Accelerate ITV Hub growth

Grow addressable on VOD, rolling out Planet V

Build more strategic and creative partnerships with advertisers

Focus on mass quality audiences

TRANSFORM
GROW
EXPAND

DTC

Grow SVOD subscribers and optimise retention

- BritBox UK
- BritBox US, and roll out internationally
- ITV Hub+

Drive DTC revenues through ITV Win and focused DTC products

TRANSFORM
GROW
EXPAND

Enablers

Embedding data, analytics and tech

Strengthening capabilities in all areas

Ensure we own and manage our rights effectively

Create strong partnerships in the UK and internationally

Delivering our social purpose strategy

Executing our strategy - Social purpose

Better Health

Relaunched mental health campaign Britain Get Talking

Worked with PHE and government on health campaigns during COVID-19

Diversity & Inclusion

Launched Diversity Acceleration Plan

Improving social mobility

Top media company in FTSE 100 for equality (Tortoise responsibility index)

Target set to double disability in the workforce

Environment

Launched environmental targets
By 2021: 100% albert certification for all our productions
By 2025:
- 100% renewable energy

By 2030:
- reduce greenhouse gas emissions by 46.2%
- 100% sustainable supply chain
- Become zero waste

Giving Back

'Paused for applause' for NHS every Thursday at 8pm

Raised over £3.6m for NHS charities Together

Working with UNICEF on Soccer Aid 2020

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Executing our strategy: ITV Studios – Progress in H1

- **Operating with COVID-19**
  - Systematically closed down productions
  - Continued to produce daytime and restarted soaps first
  - Maintained development budget
  - Planning and innovation to resume production safely more widely

- **Further strengthening creative talent**
  - Bedrock, Work Friends, Nobody's Hero

- **Integration of Talpa and reorganisation of the distribution and commercial division**
  - New formats: Rat in the Kitchen, Let Love Rule

- **Continuing to build a strong pipeline of programmes**
  - Growing scripted
  - Globalising our formats
  - Diversifying our customer base and increasingly serving OTTs particularly in US

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Executing our strategy: Broadcast – Progress in H1

- **Operating with COVID-19**
  - Continuing to inform and entertain our viewers – increased viewing figures
  - Working very closely with advertisers and agencies to create effective marketing solutions – new creative campaigns

- **Accelerating the growth of ITV Hub**
  - Strengthening content, launched the extended catch-up window trial, Euro 96, Rugby 2003
  - Improving the user experience with the Hub redesign and increased personalisation
  - Increasing prominence of and access to ITV Hub across different platforms
  - Redesigned ITV News

- **Planet V**
  - Continue to roll it out successfully to major agencies
  - 35% of ITV Hub inventory now delivered through Planet V

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Executing our strategy: Direct to Consumer – Progress in H1

- **Operating with COVID-19**
  - Significant revenue growth on interactive as we have extended competitions and improved ITV Win platform

- **BritBox UK**
  - Good growth in subscriptions
  - Continue to strengthen its content offering with Channel 4 content and further curation
  - Extended distribution, with BritBox now available to 60% of streaming households

- **BritBox International**
  - Strong growth of BritBox US to over 1.2m subscribers
  - Launch of BritBox Australia in Autumn is on track

- **Hub+ has a**round 390k subscribers

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Priorities for H2 and 2021

Studios

- Continue to resume production safely and at scale
- Continue to take opportunities to strengthen our talent
- Continue to grow scripted and globalise our formats
- Further diversify our customer relationships particularly with OTT platforms

Broadcast

- Further accelerate the ITV Hub, strengthening its user experience, content and distribution
- Complete roll out of Planet V to most major agencies by the end of the year
- Explore linear addressable opportunities
- Continue to build deep strategic relationships with advertisers

DTC

- Grow BritBox UK subscribers with further distribution and the first original, Spitting Image, due to launch in Autumn
- Launch BritBox in Australia and develop the plan for the phased roll out of BritBox International to up to 25 countries
- Further support ITV Hub+
- Extend ITV Win

Deliver cost saving targets

- Deliver full year cost reduction target of £60m
- Deliver additional £25 to £30m permanent cost savings by 2022 and continue to identify more saving opportunities
- Use technology and data to drive cost and revenue efficiencies
- Learnings from COVID to deliver savings

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Outlook

- We have the right strategy to transform ITV into a digitally led media and entertainment company and we are making good progress

- We are adapting the business following COVID disruption, with a continued focus on our colleagues safety and wellbeing

- We continue to monitor our performance against a range of scenarios and internal and external analysis to inform our planning and decision making and we will continue to manage our costs and cash appropriately

- Continued uncertainty as to the broader outlook and therefore it is not possible to provide financial guidance for Q3 or the remainder of the year

- Today are seeing an upward trajectory

    - Productions are restarting
        - We have resumed or delivered 70% of the 230 shows that were impacted or paused by the lockdown and we anticipate restarting further productions in the coming weeks

    - Advertising trends are improving in July and August

- ITV's successful performance during COVID was driven by the determination and sense of purpose of ITV’s people

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Q&A

Appendix

Financial Highlights

Six months to 30 June	2020 (£m)	2019 (£m)	Change %
Broadcast & Online	**824**	**991**	(17)
ITV Studios	**630**	**758**	(17)
Total revenue	**1,454**	**1,749**	(17)
Internal supply	**(236)**	**(273)**	14
Total external revenue	**1,218**	**1,476**	**(17)**
Broadcast & Online adjusted EBITA	103	211	(51)
ITV Studios adjusted EBITA	62	116	(47)
Group adjusted EBITA	**165**	**327**	**(50)**
Group adjusted EBITA margin	**14%**	**22%**	-
Adjusted EPS	**2.9p**	**6.2p**	**(53)**
Statutory EPS	**0.5p**	**4.8p**	**(90)**
Ordinary dividend	**-**	**2.6p**	-

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Broadcast Schedule Costs

Six months to 30 June	2020 (£m)	2019 (£m)	Change %
Commissions	261	310	(16)
Sport	33	50	(34)
Acquired	18	15	20
ITN News and Weather	25	24	4
Total ITV main channel	**337**	**399**	**(16)**
Regional news and non-news	33	35	(6)
ITV Breakfast	21	23	(9)
Total ITV inc regional & Breakfast	**391**	**457**	**(14)**
ITV2, ITV3, ITV4, ITV Encore, ITVBe, CITV	73	84	(13)
Total schedule costs	**464**	**541**	**(14)**

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Reconciliation Between 2020 Statutory and Adjusted Earnings

Six months to 30 June 2020	Statutory (£m)	Adjustments (£m)	Adjusted (£m)
EBITA*	159	6	165
Total exceptional items	(89)	89	-
Amortisation and impairment	(37)	28	(9)
Net financing costs	(23)	5	(18)
Share of profits on JVs and Associates	5	-	5
Profit before tax	**15**	**128**	**143**
Tax	-	(29)	(29)
Profit after tax	**15**	**99**	**114**
Non-controlling interests	4	-	4
Earnings	**19**	**99**	**118**
Number of shares (weighted average million)	4,001		4,001
Basic EPS	**0.5p**		**2.9p**
Diluted EPS	**0.5p**		**2.9p**

*Adjusted EBITA includes the benefit of production tax credits

Reconciliation Between 2019 Statutory and Adjusted Earnings

Six months to 30 June 2019	Statutory (£m)	Adjustments (£m)	Adjusted (£m)
EBITA*	310	17	327
Total exceptional items	(35)	35	–
Amortisation and impairment	(35)	31	(4)
Net financing costs	(16)	(4)	(20)
Share of profits on JVs and Associates	(2)	–	(2)
Profit before tax	**222**	**79**	**301**
Tax	(32)	(22)	(54)
Profit after tax	**190**	**57**	**247**
Non-controlling interests	1	–	1
Earnings	**191**	**57**	**248**
Number of shares (weighted average million)	3,999		3,999
Basic EPS	**4.8p**		**6.2p**
Diluted EPS	**4.8p**		**6.2p**

*Adjusted EBITA includes the benefit of production tax credits

Acquisitions – between 2012 and 2020

Company	Initial consideration (£m)	Additional consideration paid (£m)	Expected future payments* (£m)	Total expected consideration** (£m)	Expected payment dates
Total for acquisitions between 2012-2020	957	193	251	1,401	2020-2026

* Undiscounted and adjusted for foreign exchange. All future payments are performance related.
** Undiscounted and adjusted for foreign exchange, including the initial cash consideration and excluding working capital adjustments. Total maximum consideration which was potentially payable at the time of acquisition was £2.4 billion.

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Financing Costs

Six months to 30 June	2020 (£m)	2019 (£m)
€335m Eurobond at 2.125% coupon Sept 22	(3)	(6)
€259m Eurobond at 2% coupon Dec 23	(2)	(7)
€600m Eurobond at 1.375% coupon Sept 26*	(8)	-
£630m Revolving Credit Facility	(1)	(2)
Financing costs directly attributable to bonds and loans	**(14)**	**(15)**
Cash-related net financing costs	(4)	(5)
Amortisation of bonds	-	-
Adjusted financing costs	**(18)**	**(20)**
Imputed pension interest	(1)	(1)
Other net financial losses and unrealised foreign exchange	(4)	5
Net financing costs	**(23)**	**(16)**

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* effective coupon of c2.9%

P&L Tax Charge and Cash Tax

Six months to 30 June	2020 (£m)	2019 (£m)
Profit before tax	**15**	**222**
Production tax credits	6	17
Total Exceptional items	89	35
Amortisation and impairments of intangible assets*	28	31
Adjustments to net financing costs	5	(4)
Adjusted profit before tax	**143**	**301**
Tax charge	-	(32)
Production tax credits	(6)	(17)
Charge for exceptional items	(16)	(2)
Charge in respect of amortisation and impairments of intangible assets*	(7)	(5)
Charge in respect of adjustments to net financing costs	(1)	1
Other tax adjustments	1	1
Adjusted tax charge	**(29)**	**(54)**
Effective tax rate on adjusted profits	**20%**	**18%**
Total adjusted cash tax paid (excluding receipt of production tax credits)	**(61)**	**(68)**

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*In respect of intangible assets arising from business combinations and investments.
Also reflects the cash tax benefit of tax deductions for US goodwill.

Analysis of Net Debt

30 June	2020 (£m)	2019 (£m)
£630m Revolving Credit Facility	-	(190)
€335m (previously €600m) Eurobond	(304)	(535)
€259m (previously €500m) Eurobond	(235)	(424)
€600m Eurobond	(561)	-
Other debt	(10)	(18)
IFRS 16 lease liabilities	(108)	(113)
Gross cash*	435	85
Reported net debt	**(783)**	**(1,195)**

30 June	2020 (£m)	2019 (£m)
Gross cash*	435	85
Gross debt (including IFRS 16 lease liabilities)	(1,218)	(1,280)
Reported net debt	**(783)**	**(1,195)**

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* Gross cash includes £50 million of restricted cash in relation to the LTVC Pension Funding Partnership.

Profit to Cash Conversion and Free Cash Flow

Six months to 30 June	2020 (£m)	2019 (£m)
Adjusted EBITA	**165**	**327**
Working capital movement	289	(43)
Adjustment for production tax credits	6	(12)
Share-based compensation and pension service cost	-	5
Acquisition of property, plant and equipment, and intangible assets	(36)	(31)
Capex relating to redevelopment of new London HQ	-	1
Depreciation	28	29
Lease liability payments	(11)	(16)
Adjusted cash flow	**441**	**260**
Profit to cash ratio six months to 30 June	**267%**	**80%**
Profit to cash ratio 12-months rolling	**138%**	**89%**

Six months to 30 June	2020 (£m)	2019 (£m)
Adjusted cash flow	**441**	**260**
Net cash interest paid	(6)	(11)
Adjusted cash tax paid	(61)	(68)
Pension funding	(29)	(44)
Free cash flow	**345**	**137**

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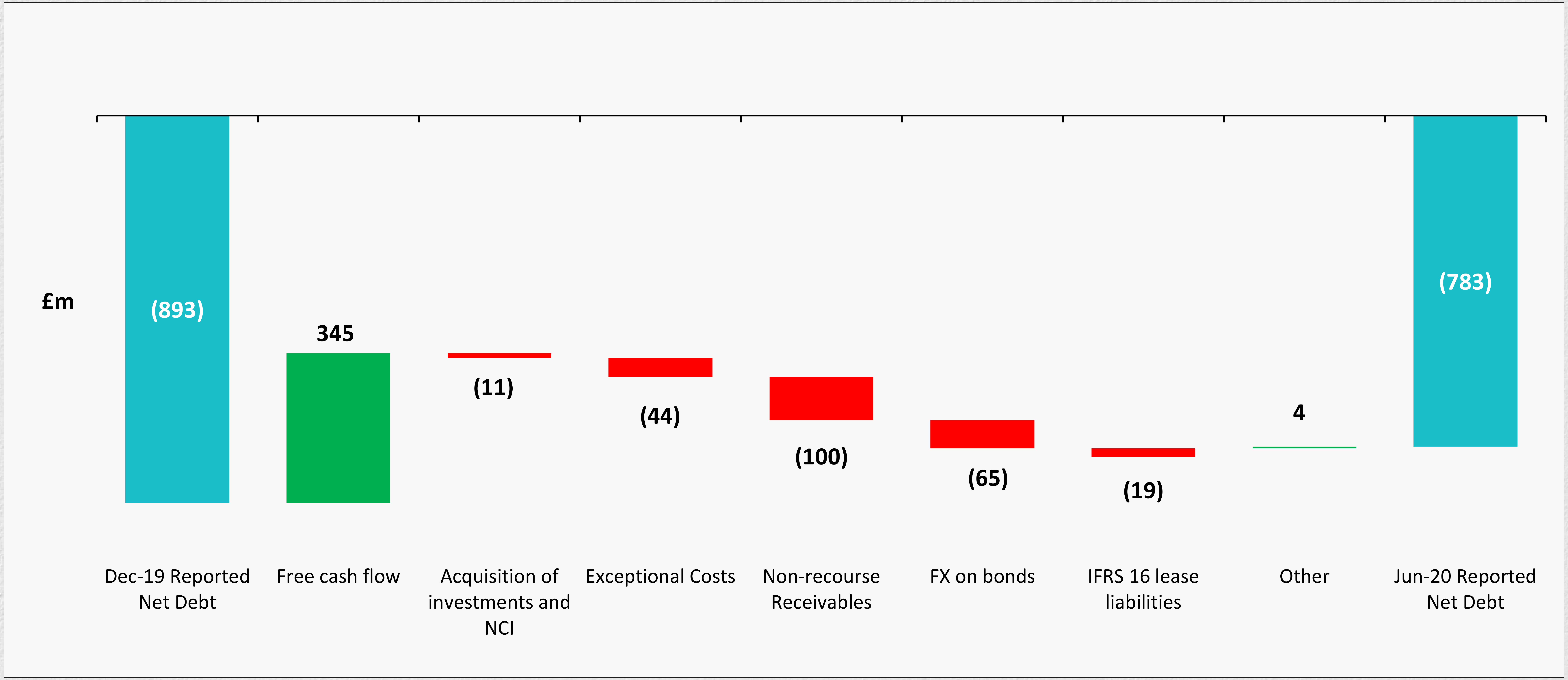
Reported Net Debt tracker



Borrowing Facilities

Type of Facility	Facility Amount £m	Amount utilised at 30/06/20 £m	Maturity
Revolving Credit Facility (RCF)	630	-	Various
Bilateral financing facility	300	101	June 2026
Total	**930**	**101**	

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