

ITV plc Q3 Trading Update for the 9 months to 30 September 2021

Carolyn McCall, ITV Chief Executive, said:

“By any standards ITV has had an outstanding nine months. Both our Studios and Media & Entertainment (M&E) businesses have performed very strongly. Revenue from each business over the nine months is up both on last year and on 2019. This drove total external revenue up 28% compared to 2020 and 8% higher than 2019.

“We are becoming an increasingly scaled digital business. Our online viewing was up 39% in the nine months which, together with the roll out of Planet V, helped our video on demand advertising (AVOD) revenue to climb 54%. Our monthly active users (MAUs) now stand at 9.6 million, a 22% increase year on year reflecting the focus on our AVOD strategy.

“With the combination of Broadcast and ITV Hub’s mass simultaneous reach, our brand safe addressable advertising product and the strong economy, 2021 looks set to have the highest advertising revenue in ITV’s history, despite the lockdown in Q1.

“ITV Studios continues to attract and support brilliant creative talent delivering significant growth in the UK and internationally. It has produced the biggest dramas of the year so far on both the BBC and ITV and revenue from streamers globally is growing very strongly. Like the rest of our business, ITV Studios is embracing new digital processes with more of our productions being managed remotely, utilising tools such as cloud-based editing.

“Today’s results further illustrate that ITV has successfully completed the first phase of its More Than TV strategy and is accelerating the second phase of digital transformation as we evolve our products, user experiences and ways of working.”

Continued strong financial performance for the nine months to 30 September

- Total external revenue was up 28% at £2,381 million (2020: £1,860 million) and up 8% compared to 2019
 - Total ITV Studios revenue was up 32% at £1,193 million (2020: £905 million) and up 6% compared to 2019¹
 - M&E revenue was up 26% at £1,594 million (2020: £1,267 million), with total advertising revenue (TAR) up 30% within which total AVOD revenue was up 54%. Total M&E revenue was up 9% compared to 2019¹ and TAR was up 8% compared to 2019

Operational update

ITV Studios:

- We have delivered a wide range of new and returning programmes and formats in the UK and internationally, including:
 - Vigil for BBC One, Physical for Apple TV+, The Long Call and Endeavour for ITV, Ten Year Old Tom for HBO Max, Snowpiercer season 2 for Netflix and Love Island in the UK for ITV and in the US for CBS

¹ On a like-for-like basis reflecting the reallocation of gaming, live events and merchandising revenue from M&E to ITV Studios in 2021

- COVID-19 protocols remain in place but the teams are very effectively managing the challenges this presents

Media and Entertainment:

- Total advertising revenue (TAR) for 2021 is expected to be the highest in ITV's history
 - TAR was up 30% for the 9 months to the end of September 2021, with July up 68%, August up 24% and September up 16% compared to the same period in 2020
 - AVOD revenue remains very strong, up 54% to the end of September compared to the same period in 2020
 - Q4 TAR is expected to be up between 11% and 13% against strong comparatives in 2020, with October up 17% and we forecast November to be up around 12% and December to be up between 5% and 10%
- Share of viewing and online viewing growing
 - ITV main channel's share of viewing (SOV) for the 9 months to the end of September was up from 16.6% to 17.0% and ITV Family SOV was up from 22.2% to 22.5% with the Euros, Love Island and dramas such as Manhunt: The Night Stalker and Vera, delivering strong ratings as we continue to provide both mass audiences and key demographics
 - Online viewing was up 39%, with dwell time up 9% and simulcast viewing up 51%
 - ITV total viewing was down 5%, against a tough comparative in 2020 which was driven by the rise in viewing due to the lockdown

Delivering our More Than TV strategy

ITV Studios:

- We have a strong pipeline of scripted and unscripted programmes going into Q4 and 2022 as we further diversify the business by genre, by geography and by customer
 - Scripted programmes include Gomorrah and Django in Italy; Let The Right One In, Snowpiercer season 4 and Physical season 2 in the US; and The Outlaws and A Spy Among Friends in the UK
 - Unscripted programmes include I'm A Celebrity in the UK; Rat in the Kitchen, My Mom Your Dad and Hells Kitchen in the US; Let Love Rule in The Netherlands; and Love Island Australia
 - We continue to grow revenues from streaming platforms globally very strongly

Media and Entertainment:

- Acceleration of our AVOD strategy has driven a 22% increase in MAUs to 9.6 million at 30 September 2021
 - Further roll out of the redesigned ITV Hub with improved functionality and increased personalisation
 - On track to double the number of hours of content available on ITV Hub over 2021
- Over 90% of orders are now booked through Planet V, with 850 individual users, comprising all the major media and digital agency groups, independents, and a growing number of advertiser in-house programmatic teams

- We have agreed a new multi-year carriage relationship with Virgin which includes the full integration of the ITV Hub platform, both on Virgin Media's existing set top boxes and new IP product. This, along with our new Sky deal, will enable us to increase our digital addressable advertising inventory and deliver linear addressable advertising
- BritBox UK continues to perform well and on plan and has recently launched on Xbox. It has an exciting pipeline of new content including the Irvine Welsh drama, Crime, available shortly and Hotel Portofino, Magpie Murders and Why Didn't They Ask Evans? in 2022
- BritBox International is delivering strong growth in subscriptions across the US, Canada and Australia and successfully launched in South Africa in August with more markets expected in 2022

Outlook

- ITV Studios is performing strongly and remains on plan for the year, mitigating many of the challenges from COVID-19, and taking advantage of the strong global demand for content
- Our digital transformation of M&E continues at pace, delivering quality content in whatever way our viewers want to consume it, driving streaming viewing and revenues
- We have a strong programming slate going into next year as we continue to invest in content and we expect total schedule costs will be around £1.16 billion in 2022. This includes the FIFA World Cup, the FA Cup and a strong schedule of dramas which will drive increased levels of live and streaming viewing
- ITV TAR for the full year 2021 is expected to be the highest in ITV's history, up around 24%. This is driven by the re-opening of the economy and the delivery of the Commercial strategy to reinforce the power of mass simultaneous reach and build a strong addressable advertising platform
- Profit to cash conversion is expected to be around 60% in 2021, up from our previous guidance of 30%, due to the stronger than expected TAR performance
- We are on track to deliver our previously announced £30 million cost saving target for 2021
- Our social purpose priorities are embedded within our strategy and we have recently announced a range of new measures to help us deliver on our climate action commitments
- We remain very focused on continuing to deliver the next phase of our More Than TV strategy and are holding a series of investor seminars over the coming months to provide a deeper dive into the business and the implementation of our strategy, starting today with ITV Commercial at 15:30 GMT

ITV Commercial investor seminar - live webcast and Q&A

The webcast will be streamed at 15:30 GMT today via the following link: <https://www.investis-live.com/itv/6177c2ce2d9ef81300089dc6/cisityv>. You are now able to pre-register to join

This will be followed by a live Q&A for investors and analysts. To ask a question, please use the following Conference Call details:

- United Kingdom: 0800 640 6441
- United Kingdom (Local): 020 3936 2999
- All other locations: +44 203 936 2999
- Participant access code: 806903 - Participants will be greeted by an operator who will register their details

NOTES TO EDITORS

1. Unless otherwise stated, all financial and operating figures refer to the 9 months ended 30 September 2021, with growth compared to the same period in 2020.

2. Group financial performance

Revenue for 9 months to 30 September (£m)	2021	2020*	Change £m	Change %
Media and Entertainment	1,594	1,267	327	26
ITV Studios	1,193	905	288	32
Total revenue	2,787	2,172	615	28
Internal supply	(406)	(312)	(94)	(30)
Total external revenue	2,381	1,860	521	28

* 2020 comparatives for M&E have been restated to reflect the reclassification of gaming, live events and merchandising revenues to ITV Studios. The impact is a £3 million decrease to 2020 M&E revenue and a £3 million increase to ITV Studios revenue.

Revenue for 9 months to 30 September (£m)	2021	2020	Change £m	Change %
Total advertising revenue	1,355	1,043	312	30
Non-advertising revenue	1,432	1,129	303	27
Internal supply	(406)	(312)	(94)	(30)
Total external revenue	2,381	1,860	521	28

3. Total advertising revenue (TAR), which includes ITV Family NAR, AVOD and sponsorship, was up 30% over the 9 months to the end of September. Q3 was up 32%, with July up 68%, August up 24%, and September up 16% compared to the same periods in 2020. TAR is forecast to be up between 11% and 13% in Q4, with October up 17%, November forecast to be up 12% and December to be up between 5% and 10% compared to the same periods in 2020. Over the full year we expect TAR to be up

around 24%. This assumes there are no changes to current COVID-19 restrictions. Figures for ITV plc for November and December are based on ITV estimates and current forecasts.

4. Media and Entertainment key performance indicators

Nine months to 30 September	2021	2020	Absolute change	Change %
ITV Total viewing (hrs)	11.6bn	12.2bn	(0.6)bn	(5)
ITV Family Share of Viewing (SOV)	22.5%	22.2%	0.3pts	1
Online viewing (hrs)	494m	356m	138m	39
ITV Hub registered user accounts	34.8m	32.1m	2.7m	8
Monthly active users (average)	9.6m	7.9m	1.7m	22

- ITV Total viewing is the total number of hours spent watching ITV channels live, recorded broadcast channels within 28 days, third party VOD platforms, ITV Hub on owned and operated ad-funded platforms and ITV Hub+.
- SOV data based on BARB/AdvantEdge. SOV data is for individuals and is based on 7 days (C7). ITV Family includes ITV, ITV2, ITV3, ITV4, ITV Encore, ITVBe, CITV, ITV Breakfast, CITV Breakfast and associated "HD" and "+1" channels. All viewing on a TV set, therefore, includes catch up and Hub on television where the viewing relates to a programme watched within the C7 consolidated catch-up window.
- Online viewing is the total number of hours ITV VOD and simulcast content is viewed on owned and operated ad-funded platforms, and Hub+ viewing on owned and operated platforms. In 2021, it also includes the viewing of newly launched short-form content on the ITV Hub, there are no comparatives in 2020. All data is from Crocus.
- A registered user account is an individual viewer who has signed up to the ITV Hub using one email address. The individual has to have been active within the last 3 years to remain a registered user.
- A monthly active user (MAU) is a registered user who has accessed content on an ITV owned and operated on-demand platform in a given month. The KPI represents the monthly average number of active users across the period 1 January to 30 September.
- % change for performance indicators is calculated on unrounded numbers.

5. Total Studios organic revenue at constant currency was up 35% at £1,222 million for the first 9 months of 2021, with a £29 million adverse impact from foreign exchange over the period. Our definition of constant currency assumes exchange rates remain consistent with 2020.

6. ITV continues to have good access to liquidity and its financial position remains robust. At 30 September 2021 net debt² was £671 million (30 June 2021: £467 million) and ITV had total liquidity of £1,268 million, comprising total cash of £490 million (which includes £50 million of restricted cash) and committed undrawn facilities of £778 million.

7. The net pension deficit of the defined benefit schemes at 30 September 2021 on an IAS 19 basis was £11 million (30 June 2021: £10 million deficit). The limited movement in the quarter is a result of an increase in market-implied inflation being offset by an

² Net debt is defined as total loans and facilities (including cross currency interest rate swaps held against euro-denominated borrowings) and lease liabilities less total cash and cash equivalents and restricted cash.

increase in corporate bond yields, an increase in scheme assets due to the increase in inflation, and our deficit contributions.

8. 2021 full year planning assumptions

The following planning assumptions for 2021 are largely unchanged. These are based on our current best view but may change depending on how events unfold over the remainder of the year

Profit and Loss impact:

- Total schedule costs are estimated to be around £1.1 billion
- Total essential investment of around £25 million in 2021, which will remain in the cost base going forward
- Total BritBox UK venture losses are expected to be around the same level as 2020 and will decline thereafter
- Overhead cost savings are expected to be around £30 million in 2021. In addition we will deliver £8 million of temporary savings
- Adjusted financing costs are expected to be around £36 million, which is in line with 2020
- The adjusted effective tax rate for 2021 and 2022 is expected to be between 18% and 19%, and then move to around 25% over the medium term as a result of the increase in the UK statutory rate to 25% from April 2023
- The translation impact of foreign exchange, assuming rates remain at current levels, could have an adverse impact of around £50 million on revenue and around £5 million on EBITA. The revenue impact has increased from our previous guidance of £38 million
- Exceptional items are expected to be around £170 million, mainly due to acquisition related expenses, restructuring and reorganisation costs, and reducing our transponder capacity. This includes an additional £108m in relation to the final earnout payment for Talpa

Cash impact

- Tax: the payment of £75 million of VAT deferred from 2020
- Total capex is expected to be around £75 million as we further invest in our digital transformation
- The cash cost of exceptionals is expected to be around £310 million, largely relating to accrued earnouts which includes the final earnout payment for Talpa, made in August
- Profit to cash conversion is expected to be around 60% in 2021, which has increased from our previous guidance of 30%, due to the stronger than expected TAR performance
- Total pension deficit funding contribution for 2021 is expected to be £74 million
- As previously guided, the Board expects to propose a final dividend of 3.3p at the full year, based on two-thirds of a notional 5.0p full year dividend in respect of the current financial year

9. Figures presented in this Trading Statement are not audited. This announcement contains certain statements that are or may be forward-looking statements. Words such as "targets", "expects", "aim", "anticipate", "intend", or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify forward-looking statements. These forward-looking statements are

based upon current expectations and assumptions regarding anticipated developments and other factors affecting ITV. Although ITV believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. 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. They are not historical facts, nor are they guarantees of future performance; actual results may differ materially from those expressed or implied by these forward-looking statements. 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) the general economic, business, political, legal, regulatory and social conditions in the key markets in which the Group operates, including the duration and severity of COVID-19 impacts on ITV's colleagues, business, partners and customers, (ii) a significant event impacting ITV's liquidity or ability to operate and deliver effectively in any area of our business, (iii) a major change in the UK advertising market or consumer demand, (iv) significant change in regulation or legislation, (v) a significant change in demand for global content, and (vi) a material change in the Group strategy to respond to these or any other factors. Certain of these factors are discussed in more detail in ITV's 2020 Annual Report and Accounts including, without limitation, in the description of ITV's approach to risk management.

Forward-looking statements speak only as of the date they are made and, except as required by applicable law or regulation, ITV undertakes no obligation to update any forward-looking statements, whether written or oral that may be made from time to time, whether as a result of new information, future events or otherwise. Nothing in this statement should be construed as a profit forecast.

For further enquiries please contact:

Investor Relations

Pippa Foulds	+44 20 7157 6555 or +44 7778 031097
Faye Dipnarine	+44 20 7157 6581

Media Relations

Paul Moore	+44 7860 794444
Jenny Cummins	+44 7595 106670