

ITV plc Q1 Trading Update – 3 months to 31 March 2020

Carolyn McCall, ITV Chief Executive, said:

“ITV has taken swift and decisive action to manage and mitigate the impact of COVID-19, by focusing on our people and their safety, and by continuing to reduce costs and tightly manage our cashflow and liquidity. We are also ensuring that we continue to inform and entertain our viewers and stay close to our advertisers. Everyone at ITV has responded extremely well to the challenges we are facing. We are now very focused on emerging from this crisis in a strong position, continuing to offer advertisers effective marketing opportunities and making preparations to restart productions safely.”

Performance for the three months to 31 March

- Total external revenue was down 7% at £694m (2019: £743m)
- Total ITV Studios revenue was down 11% at £342m (2019: £385m), impacted by the phasing of deliveries and restrictions on working practices due to COVID-19
- Broadcast revenue was up 2% at £500m (2019: £489m) with ITV total advertising up 2% as originally guided, and online revenues up 26%
- ITV total viewing was up 2% with very strong growth in online viewing up 75%, simulcast viewing up 112% and reach up 40% on the ITV Hub
- ITV main channel's share of viewing (SOV) was marginally up at 17.9%, its best quarter since 2009 while ITV Family SOV was down 2% at 23.6%, partly impacted by the volume of the BBC's news output

Operational and financial performance significantly impacted by COVID-19

Negative:

- Since mid-March ITV Studios has had to pause the majority of its productions globally as a result of the restrictions on working practices
- Significant impact on the demand for advertising across most advertising categories, particularly from April which was down 42%

Positive:

- ITV Studios Global Distribution is seeing good demand for library content internationally
- ITV Commercial is working very closely with advertisers and agencies to create relevant and innovative marketing and advertising opportunities
- ITV is seeing good growth for BritBox free trial starts and subscriptions
- Interactive revenues are growing well with increased demand for ITV's competitions

Continuing to implement significant measures to reduce costs in 2020

- In total we will reduce overhead costs by £60m in 2020
 - £30m previously announced and well underway
 - A further £30m of savings has been identified
- £30m of capex savings, as previously announced, being implemented with the delay in non-business critical investments
- At least £100m reduction in the programme budget to around £1bn, as previously guided

- We have furloughed around 800 colleagues, broadly 15% of our UK workforce, the majority of whom work in ITV Studios. Internationally we are taking part in other schemes where appropriate
- We have put in place a recruitment and salary freeze and taken action on Plc Board and Management Board level remuneration

Action taken to tightly manage cashflow in 2020

- Withdrawal of the 2019 final dividend
- Agreements with ITV pension trustees and tax authorities to delay at least £150m of payments out of H1 and into H2 and 2021

ITV has good access to liquidity

- Over £100m of unrestricted cash
- £630m undrawn Revolving Credit Facility (RCF) expiring in December 2023
- £300m bilateral facility expiring in June 2026 of which £199m is available

Operational update

- Throughout the crisis our News and Daytime teams have continued to keep the public informed with over ten hours of live programming every weekday. The majority of ITV staff moved seamlessly to home working and enabled ITV to continue to broadcast our six channels, offering hundreds of hours of content each week, together with ITV Hub and BritBox
- ITV is planning a phased approach to office re-entry in consultation with external medical advisers to align with how the Government plans to approach relaxing restrictions
- ITV is in the final stages of working with others across the industry on a return-to-production protocol and we are in active discussions with Government on this
- Thanks to the innovation of our production teams we have resumed production of *Loose Women* this week and have broadcast the first of the acclaimed new *Isolation Stories* dramas on ITV. Across our international markets we have announced the resumption of filming of *The Chase* and *The Voice* in Australia and *The Chase* in Germany

Continuing to deliver our strategic priorities

- Continuing to implement the ITV Hub acceleration plan which delivered a very strong viewing performance in Q1
- Further roll out of Planet V, our programmatic addressable advertising platform, to media agencies, with 30% of VOD inventory delivered through the platform in March
- BritBox distribution deal with EE has launched, C4 content is now available on the platform and we will shortly be extending BritBox's availability on YouView and Freeview Play

Outlook

- The outlook remains uncertain and is changing rapidly and therefore we are not giving guidance for Q2 or for the remainder of the year
- We are using rigorous internal and external analysis and scenario planning to continue to monitor the COVID-19 situation and its impact on the business. This is informing our planning and decision making and we will take further action as necessary to manage our costs and cash tightly

NOTES TO EDITORS

1. Unless otherwise stated, all financial and operating figures refer to the 3 months ended 31 March 2020, with growth compared to the same period in 2019.

2.

Revenue for 3 months to 31 March (£m)	2020	2019	%
ITV Broadcast	500	489	2
ITV Studios	342	385	(11)
Total revenue	842	874	(4)
Internal supply	(148)	(131)	(13)
Total external revenue	694	743	(7)

Revenue for 3 months to 31 March (£m)	2020	2019	%
Total advertising revenue	426	417	2
Non-advertising revenue	416	457	(9)
Internal supply	(148)	(131)	(13)
Total external revenue	694	743	(7)

3. Total advertising, which includes ITV Family NAR, online VOD and sponsorship, was up 2% over the 3 months to end of March with January down 1%, February up 8% and March flat. In April total advertising was down 42% impacted by COVID-19. The situation remains uncertain and therefore we are not in a position today to give guidance for May and June. Total advertising for the four months to the end of April was down 9%.

4. Broadcast key performance indicators

Three months to 31 March	2020	2019	%
ITV Total viewing (hrs)	4.43bn	4.36bn	2
ITV Family Share of Viewing (SOV)	23.6%	24.0%	(2)
Long form online viewing (hrs)	169.4m	96.8m	75
ITV Hub registered user accounts	32.0	28.4m	13

- 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, ITV Hub+, and managed YouTube channels.
- 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 TV set, therefore includes catch up and Hub on television.
- Long form online viewing is the total number of hours ITV VOD content is viewed on owned and operated ad funded platforms, and Hub+ viewing on owned and operated platforms, based on data 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.
- % change for performance indicators is calculated on unrounded numbers.

5. Total Studios organic revenue at constant currency was down 10% at £346m for the first 3 months of 2020. The unfavourable translation impact of foreign exchange on revenue was £4m over that period. Our definition of constant currency assumes exchange rates remain consistent with 2019.

6. Net debt at 31 March 2020 was £851m (31 December 2019: £804m).

In March 2020, the Group extended the maturity of its existing £300m bilateral loan facility by 5 years to 30 June 2026. The facility remains free of financial covenants and £101m of the facility was utilised as at 31 March 2020. At the Group's option drawdowns under the facility can be refinanced under the same economic terms in bond format. Both formats will be deliverable by the lender under market standard credit hedging contracts.

The RCF has leverage and interest cover covenants. The leverage covenant requires us to maintain a net debt to EBITDA ratio of below 3.5x and interest cover (EBITDA to net finance charges) at above 3.0x.

7. The net pension surplus of the defined benefit schemes at 31 March 2020 on an IAS 19 basis was £285m (31 December 2019: £87m deficit). The movement was driven by the increase in the discount rate resulting from the increase in corporate bond yields and the reduction in inflation assumptions.

8. 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 such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting 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. They are not historical facts, nor are they guarantees of future performance. 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, regulatory and social conditions in the key markets in which the Group operates, (ii) a significant event impacting our 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. 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 these forward-looking statements. Nothing in this statement should be construed as a profit forecast.

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