

ITV plc Q1 Trading Update for the 3 months to 31 March 2022

Carolyn McCall, ITV Chief Executive, said:

“ITV has achieved strong Q1 revenues driven by a robust operational and financial performance with 23% revenue growth in ITV Studios, a 16% increase in total advertising revenue as expected and 24% increase in digital revenues.

“We are focused on the three core drivers of value for ITV. We are growing Studios with a strong quarter and an exciting pipeline of scripted and unscripted programmes as we further diversify the business by genre, by geography and by customer and grow ahead of the market. In Media and Entertainment, we maintained the strength of our linear business where we secured 93% of the largest commercial audiences. And we are making good progress in our goal to supercharge streaming by increasing our hours of content by 50% in the quarter to 6,000 hours and making available the majority of scripted programmes in full for streaming at the same time as the initial broadcast.

“All of this provides a solid foundation for ITVX – our free, ad-funded streaming service – which is on track for launch in Q4 and we remain confident that we will deliver at least £750 million of digital revenue by 2026.

“We welcome the Government’s recognition in the Media White Paper of the huge value the Public Service Broadcasters (PSBs) deliver to the UK and their determination to reform the legal and regulatory framework to ensure PSBs, including ITV, have prominence, inclusion and fair value for their content and therefore are able to continue to thrive in the future.”

Continued strong financial performance for the three months to 31 March

- Total external revenue was up 18% at £834 million (2021: £709 million)
- Total ITV Studios revenue was up 23% at £458 million (2021: £373 million)
- M&E revenue was up 13% at £545 million (2021: £483 million), with total advertising revenue (TAR) up 16%

Operational update

ITV Studios:

- Q1 was particularly strong with a wide range of new and returning programmes and formats delivered in the UK and internationally, including a number of programmes delayed from Q4 2021. Deliveries in Q1 included:
 - *Holding, Why Didn't They Ask Evans, Noughts and Crosses S2, Murder in Provence* and *Physical S2*

Media and Entertainment:

- Total advertising revenue (TAR) for 2022 has started well
 - TAR was up 16% for the three months to the end of March 2022 with good demand across the majority of advertising sectors. January was up 15%, February up 20% and March up 15% compared to the same period in 2021
 - Within this digital advertising revenue remains very strong, up 27% to the end of March compared to the same period in 2021

- Total non-advertising revenue for Q1 was down marginally with good growth in subscription revenue offset by the expected decline in SDN revenue and interactive revenues against tough comparatives in 2021

Digital Acceleration: Delivering Phase Two of our More Than TV strategy

ITV Studios:

- ITV Studios has an exciting pipeline of scripted and unscripted programmes in Q2 and the remainder of the year as we further diversify the business by genre, by geography and by customer and grow ahead of the market
 - Scripted is growing strongly with programmes such as *Snowpiercer* (USA), *The Outlaws* (UK), *The Suspect* (UK), *Django* (Italy) and *Summertime* (Italy)
 - Unscripted programmes expected to be delivered this year include *Hell's Kitchen USA*, *The Chase USA*, as well as *Love Island* in the UK, USA, Australia, Netherlands, Spain and Germany
- Revenues from streaming platforms globally continue to grow with development deals or commissions with most of the major streaming platforms including *Inganno* and *One Piece* for Netflix, *Love Island USA* for Peacock and a Benjamin Franklin drama for AppleTV+
- Our new labels set up through our recent talent deals have an impressive slate of programmes including *Night in Paradise* from Windlight Pictures for Starzplay, *Nolly* from Quay Street Productions for ITV and *Litvinenko* from Patrick Spence for ITV and Viaplay
- We continue to focus on advancing our digital innovations in ITV Studios to drive efficiencies and create a more sustainable way of working. This includes remote and cloud based editing and virtual production sets

Media and Entertainment:

Progress in the delivery of ITVX:

- The launch of ITVX is on track for Q4 2022
- Continuing to strengthen and evolve ITV's streaming experience with
 - Significant increase in the content available for streaming with 6,000 hours of content, up from 4,000 at the end of December 2021
 - Warner content is now available including titles such as *The Sex Lives of College Girls*, *The OC* and *One Tree Hill*
 - Majority of scripted programmes are available for streaming in full at the same time as initial broadcast. This has helped drive the best ever start to the year for drama viewing online with 125 million streams for the four months to the end of April, up 8% year on year
 - Product developments including rolling out new features such as start again, search improvements to improve accuracy, increased personalisation such as onward journey recommendations and design enhancements
 - Successfully working with distribution partners to ensure that ITVX will be widely available at launch
- BritBox UK has rolled out an exciting line up of new original content, including *Why Didn't They Ask Evans* and *Murder in Provence*, growing subscriptions since the beginning of the year

- Planet V, ITV's leading addressable advertising platform, now has in excess of 1,300 users (up from over 1,000 at 31st December 2021) and in Q1 attracted almost 50 new digital-only advertisers to ITV

Key performance indicators

- Total digital revenues grew 24% in Q1 with strong growth in digital advertising revenues up 27% and subscription revenues up 37%
- Total streaming hours on ITV Hub, ITV Hub+ and BritBox UK were up 8% in Q1. ITV has taken the strategic decision to reduce the availability of pre-transmission drama drops and box sets outside of its own streaming services, such as on Sky and Virgin, where we cannot serve and monetise dynamic advertising. Therefore, this decision does not reduce existing revenues. Over time and with the launch of ITVX we anticipate that we will see this viewing move to ITV's streaming services and be more effectively monetised. The transitional impact of this decision has been the overriding driver of a 7% reduction in total streaming hours in the quarter, across all platforms
- We increased our share of linear viewing with ITV's share of commercial viewing (SOCV) for the three months to the end of March of 34.5% (2021: 34.1%)
- ITV continues to deliver the majority of commercial mass audiences with 93% share of top 1,000 commercial broadcast TV programmes in Q1 (2021: 92%)
- BritBox International is delivering good growth in subscriptions in line with our plan across the US, Canada, Australia and South Africa and the recent successful launch in the Nordics including Sweden, Denmark, Norway and Finland

Driving positive change through our social purpose priorities

- ITV's Concert for Ukraine raised £13.4m for the Disasters Emergency Committee's appeal for Ukraine
- Launched two successful campaigns in the quarter - Eat Them to Defeat Them to promote healthy eating and the ITV2 partnership with CALM to support younger people's mental health

Outlook

- ITV Studios is performing strongly and is on plan for the year, taking advantage of the strong global demand for content
- As expected, advertising comparatives get much tougher in Q2 and Q3 against the Euro Football championships in 2021 and we are mindful of the macroeconomic and geopolitical uncertainty
 - Q2 2022 TAR, as expected, is forecast to be down around 6% against strong comparatives in Q2 2021 when TAR was up 89% compared to 2020. H1 is expected to be up around 5% compared to the same period in 2021
 - April 2022 TAR was up 9% and we forecast May to be down around 8% and June to be down around 15% compared to the same period in 2021
 - Compared to 2019, Q1 TAR was up 12%, Q2 is forecast to be up around 2% and H1 TAR is forecast to be up around 7%
- ITV is well positioned to deliver ITVX, as a free, ad-funded streaming service, with our deep relationships with advertisers, strong demand for Planet V and a significant track record for growing digital advertising revenues. We remain confident that this will enable us to deliver at least £750 million of digital revenues by 2026

- We are on track to deliver our previously announced £17 million cost saving target for 2022
- The 1 January 2020 actuarial valuation of the main section of the ITV Pension Scheme was agreed during the period, with the documentation currently being finalised. On the basis agreed with the Trustee, the deficit as at 1 January 2020 amounted to £252 million, down from £489 million at 1 January 2017. The Group has revised the existing deficit reduction contribution plan in order to eliminate the deficit of £252 million (see notes to editors for further details)
- ITV's strong balance sheet and free cash flow generation enables it to fund investments to deliver its digital acceleration and returns to shareholders

NOTES TO EDITORS

1. Unless otherwise stated, all financial and operating figures refer to the 3 months ended 31 March 2022, with growth compared to the same period in 2021.

2. Group financial performance

Revenue for 3 months to 31 March (£m)	2022	2021	Change £m	Change %
Media and Entertainment	545	483	62	13%
ITV Studios	458	373	85	23%
Total revenue	1,003	856	147	17%
Internal supply	(169)	(147)	(22)	15%
Total external revenue	834	709	125	18%

Note: 2021 comparatives have been restated to reflect the reclassification of gaming, live events and merchandising revenues from the M&E business to Studios. The impact is a £1 million transfer from M&E to Studios.

Revenue for 3 months to 31 March (£m)	2022	2021	Change £m	Change %
Total advertising revenue	468	402	66	16%
Non-advertising revenue	535	454	81	18%
Internal supply	(169)	(147)	(22)	15%
Total external revenue	834	709	125	18%

3. Total advertising revenue (TAR), which includes ITV Family NAR, digital advertising and sponsorship, was up 16% over the 3 months to the end of March. Within this,

January was up 15%, February up 20%, and March up 15% compared to the same periods in 2021. TAR is forecast to be down around 6% in Q2 against very tough comparatives in 2021, which was up 89%. In 2022, April was up 9%, and May is forecast to be down around 8% and June to be down around 15% compared to the same periods in 2021. Figures for ITV plc for May and June are based on ITV estimates and current forecasts.

4. Media and Entertainment key performance indicators

Three months to 31 March	2022	2021	Absolute change	Change %
Total digital revenue (£m)	£82m	£66m	£16m	24%
Total streaming hours (hrs)	247m	267m	(20m)	(7%)
Share of commercial viewing (SOCV)	34.5%	34.1%	0.4pts	
Share of top 1,000 commercial broadcast TV programmes	93%	92%	1pt	

- Total digital revenue includes online advertising revenue and subscription revenue as well as linear addressable revenue, digital sponsorship and partnership revenue, ITV Win and any other revenues from digital business ventures.
- Total streaming hours measures the total number of hours viewers spent watching ITV across all streaming platforms. This figure includes viewing funded by digital advertising and subscriptions.
- ITV Family share of commercial viewing is the total viewing of audiences over the period achieved by ITV's family of channels as a proportion of all ad-supported commercial broadcaster viewing in the UK. ITV Family includes ITV, ITV2, ITV3, ITV4, ITV Encore, ITVBe, CITV, ITV Breakfast, CITV Breakfast and associated "HD" and "+1" channels.
- The share of top 1,000 commercial broadcast TV programmes KPI includes TV viewing from transmission and seven days post-transmission on catch up, as well as six weeks prior to the transmission window. It excludes programmes with a duration of <ten minutes. This metric is calculated as a two year rolling average to normalise the impact of large sporting events.
- % change for performance indicators is calculated on rounded numbers.

5. Total Studios organic revenue at constant currency was up 24% at £461 million for the first 3 months of 2022, with a £3 million adverse impact from foreign exchange over the period. Our definition of constant currency assumes exchange rates remain consistent with 2021.

6. ITV continues to have good access to liquidity and its financial position remains robust. At 31 March 2022, reported net debt¹ was £435 million (31 Dec 2021: £414 million) and ITV had total liquidity of £1,395 million, comprising total cash of £747 million (which includes £50 million of restricted cash) and committed undrawn facilities of £648 million.

7. The 1 January 2020 actuarial valuation of the main section of the ITV Pension Scheme was agreed during the period, with the documentation currently being finalised. On the basis agreed with the Trustee, the deficit as at 1 January 2020 amounted to £252 million, down from £489 million at 1 January 2017. The Group has revised the existing

¹ 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.

deficit reduction contribution plan in order to eliminate the deficit of £252 million. We expect the deficit reduction contributions to be around £40 million in 2022, £43 million in 2023, £48 million in 2024 and £28 million in 2025. The deficit funding contributions are driven by the actuarial deficit valuation, and not the accounting (IAS19) valuation.

In 2010, ITV established a Pension Funding Partnership (PFP) with the Trustees backed by SDN, which was subsequently extended in 2011. The PFP addressed £200m of the funding deficit in Section A of the defined benefit pension scheme and under the original agreement, a payment of up to £200m was due in 2022. ITV has agreed in principle with the Trustee to extend and amend the existing PFP agreement to 2031, such that the Scheme will receive through the arrangement an upfront payment of £80 million in 2022 and up to nine annual payments of £16.4 million starting in 2023. In 2022, ITV will make a total payment under the SDN PFP arrangement of £94 million as there will be a payment of £14 million in respect of the final income payment due under the original agreement.

The net pension surplus of the defined benefit schemes at 31 March 2022 on an IAS 19 basis was £162 million (31 December 2021: £8 million deficit). The movement in the quarter is a result of an increase in corporate bond yield and funding deficit contributions, partly offset by a decrease in asset values and increased in market implied inflation.

We have received a warning notice from the Pension Regulator (tPR) in relation to the Box Clever Pension Scheme for the amount of £133 million. Our view with regards to this matter remains as set out in note 3.5 in the Annual Report and Accounts for the year ended 31 December 2021. We will continue to engage with tPR to resolve the matter.

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 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 2021 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.

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