

ITV plc Q3 Trading Update – 9 months to 30 September 2019

ITV on track to deliver full year guidance

Carolyn McCall, ITV Chief Executive, said:

“ITV’s overall performance for the first nine months of 2019 was as we expected, and although the economic environment continues to be uncertain, we are making good progress in executing our strategy. We have successfully launched **BritBox** and are encouraged by the positive feedback received on the service so far. We have also agreed a distribution and marketing deal with BT and EE and a content partnership with Channel 4. Development of our **addressable advertising platform** is on track for a roll out to media agencies in Q1 2020.

“ITV Studios’ performance in 2019 will benefit from a very strong second half delivery schedule and our Q3 performance reflects this, with good growth across the business, particularly from ITV America with Love Island US and the part delivery of Hell’s Kitchen and Snowpiercer. We expect this performance to continue in Q4, and over the full year we are confident that we will deliver at least 5% growth in ITV Studios’ total revenues at a margin of 14% to 16%.

“The phasing of deliveries in the second half of 2019 will adversely impact ITV Studios’ performance in 2020 although we continue to expect that over the medium term ITV Studios revenues will grow by at least 5% CAGR with a 14% to 16% margin. We continue to build our creative pipeline and have a strong slate of new and returning programmes in the UK and internationally for both broadcasters and OTT platforms, including The Serpent, Zero Zero Zero, Suburra, Crank Yankers, Queer Eye, Saturday Night Takeaway, and Love Island globally.

“On screen and online viewing performed well with highlights including four of the five highest rating new dramas so far this year and the Rugby World Cup which saw a peak audience of 12.8m viewers during the final. We have reached our 2021 target of 30m registered users on ITV Hub ahead of plan. We have an exciting schedule for the remainder of the year and into next year, including I’m A Celebrity... Get Me Out of Here!, Sticks and Stones, England qualifiers for the 2020 European Football Championships, The Masked Singer, Flesh and Blood, and the return of Saturday Night Takeaway and Liar.

“Online revenues continue to grow strongly, up 23% for the first nine months. **Total advertising** revenue was up 1% in Q3, at the top end of our guidance. We expect Q4 to be flat to up 1%, and as a result to be down around 2% across the full year.

“Our cost programme is on track to deliver £20m of savings this year and £55m to £60m over the four years to 2022. We are confident in delivering our 2019 full year guidance.

“We remain very focused on building a digitally led media and entertainment company to create a stronger, more diversified and structurally sound business. We have a solid balance

sheet which enables us to make the right investment decisions and deliver returns to shareholders in line with our guidance of at least an 8p **dividend** for 2019.”

Performance for the 9 months in line with our expectations

- Total external revenues down 2% at £2,209m (2018: £2,257m)
- Total ITV Studios revenue up 1% at £1,116m with organic growth flat, at constant currency
- Broadcast & Online revenue down 3% at £1,464m (2018: £1,509m) with ITV total advertising down 3% as guided and online revenues up 23%

Continued good performance

- ITV Studios delivered a successful slate of new and returning programmes in Q3, with a strong Q4 expected, particularly in the US
- Continued good viewing onscreen and online, with ITV Family share of viewing maintained and online viewing up 10% against tough comparators of the Football World Cup last year
- Strategy progressing well;
 - BritBox successfully launched and we have agreed a distribution and marketing deal with BT and EE and a content partnership with C4.
 - Currently in the testing phase of the programmatic addressable advertising platform, Planet V
 - ITV Hub has reached its target of 30m registered users two years early

On track to deliver our full year guidance

- Confident that ITV Studios will deliver revenue growth of at least 5% at a 14% to 16% margin
- The phasing of deliveries in the second half of 2019 will adversely impact ITV Studios' performance in 2020 although we continue to expect that over the medium term ITV Studios revenues will grow by at least 5% CAGR with a 14% to 16% margin
- Total advertising revenue forecast to be down around 2% for the full year
- Will deliver double-digit revenue growth in Online, and revenue growth in Direct to Consumer
- Network programme budget (NPB) will be £1,090m in 2019, £10m lower than previous guidance due to the timing of European qualifier games, some of which will broadcast in 2020 and therefore the NPB in 2020 will be £1,110m
- Cost programme on track to deliver £20m of savings in 2019
- We will maintain a solid balance sheet and deliver on our full year dividend guidance of at least 8.0p per share

NOTES TO EDITORS

1. Unless otherwise stated, all financial and operating figures refer to the 9 months ended 30 September 2019, with growth compared to the same period in 2018.

2.

Revenue for 9 months ended 30 September (£m)	2019	2018	%
ITV Broadcast & Online	1,464	1,509	(3)
ITV Studios	1,116	1,107	1
Total revenue	2,580	2,616	(1)
Internal supply	(371)	(359)	(3)
Total external revenue	2,209	2,257	(2)

Revenue for 9 months ended 30 September (£m)	2019	2018	%
Total advertising revenue	1,249	1,285	(3)
Non-advertising revenue	1,331	1,331	-
Internal supply	(371)	(359)	(3)
Total external revenue	2,209	2,257	(2)

3. Total advertising, which includes ITV Family NAR, online VOD and sponsorship, was down 3% over the 9 months to end of September and was up 1% in Q3, with July down 5%, August up 3%, and September up 6%. Total advertising is forecast to be flat to up 1% in Q4 with October up 5%, November flat to down 1% and December flat to down 3%. Over the full year we expect total advertising to be down around 2%. Figures for ITV plc are based on ITV estimates and current forecasts.

4. Operational summary

Broadcast & Online performance indicators – 9 months ended 30 September	2019	2018	%
ITV Total viewing (hrs)	12.0bn	12.7bn	(6)
ITV Family SOV	23.2%	23.3%	-
Long form online viewing (hrs)	378m	346m	10
ITV Hub registered users	30.1m	26.9m	12

- 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 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 is an individual viewer who has signed up to the ITV Hub. 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 external ITV Studios revenues were flat at £747m (2018: £749m]. Total Studios organic revenue at constant currency was flat at £1,099m for the first 9 months of 2019 (2018: £1,103m). The favourable translation impact of foreign exchange on revenue was £10m over that period. Our definition of constant currency assumes exchange rates remain consistent with 2018. The translation impact of foreign exchange, assuming rates remain at current levels, could favourably impact revenues by around £15m to £20m and adjusted EBITA by around £2m over the full year.
6. Net debt at 30 September 2019 was £1,167m (30 June 2019: £1,082m). In September ITV issued a new €600m 7 year Eurobond at a coupon of 1.375% which was swapped into sterling using a number of cross currency swaps. The net sterling interest rate payable on these swaps is 2.94%. The proceeds of the bond were used to partly refinance the existing notes which expire in 2022 and 2023 to extend ITV's debt maturity, and to pay down part of the Revolving Credit Facility.
7. The net pension deficit of the defined benefit schemes at 30 September 2019 was £2m (30 June 2019: £105m). The decrease in the deficit was driven by our deficit funding contribution and an increase in asset values more than offsetting the increase in liabilities arising from a fall in corporate bond yields.
8. On 8 November 2019, ITV exchanged contracts for the sale of the London Television Centre on the South Bank to Mitsubishi Estate London Limited in an all-cash transaction for £145.6m. Completion is expected to occur by the end of November. 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 of the defined benefit pension scheme being increased by £50m. Part of proceeds of the sale of the South Bank site, net of tax and fees, will be used to replace the asset security, and the remaining sale proceeds used to reduce ITV's net debt. The accounting profit on the sale of the South Bank will be treated as exceptional.
9. 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) significant change in regulation or legislation, (ii) the impact of a financial crisis or macroeconomic change, (iii) a faster than expected shift towards non-linear viewing, (iv) a major deterioration in the current outlook for UK advertising and consumer demand, (v) failure to identify and obtain, or significant loss of, optimal programme rights.

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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