

ITV plc Q3 Trading Update for the 9 months to 30 September 2022

Carolyn McCall, ITV Chief Executive, said:

“ITV has performed strongly delivering a 6% increase in total revenue for the first nine months of the year, driven by double digit growth in both digital revenue and revenue from ITV Studios.

ITV Studios continues to outperform the growing content market and will exceed 2019 revenues in 2022. It's on track to deliver on all of its KPI targets and has a formidable slate to power it into 2023 as we further diversify the business by genre, geography and customer.

We are making good progress on our new, free, ad-funded streaming service ITVM, which will be rolled out across devices and platforms in the coming weeks with the full launch of new and exclusive content on 8th December, in time to reach millions of viewers who will come to ITV for the FIFA World Cup.

ITVM will supercharge our streaming business providing viewers with a content-rich destination rather than a catch up service and advertisers with valuable addressable audiences at scale. This will drive significant digital viewing and revenue growth, enabling ITV to deliver at least £750 million digital revenues by 2026.

While we remain mindful of the macroeconomic and geopolitical uncertainty there's strong operational momentum across both our Studios and Media & Entertainment divisions, as we continue to build a resilient, diversified business that can take advantage of the global growth in the demand for quality content and the desire of advertisers for both mass reach and data-led addressable advertising, targeting millions of UK viewers.”

Financial and operating performance for the nine months to 30 September as expected

- Total external revenue up 6% at £2,523 million (2021: £2,381 million)
- Total non-advertising revenue up 13% at £1,619 million (2021: £1,432 million), representing over 50% of total revenue, as we continue to grow and diversify the business

ITV Studios

- Total ITV Studios revenue up 16% at £1,387 million (2021: £1,193 million), growing ahead of the market
- ITV Studios delivered a wide range of new and returning programmes and formats in the UK and internationally, including A Spy Among Friends, Hell's Kitchen USA, Let The Right One In and The Voice Germany

ITV Media & Entertainment (M&E)

- M&E revenue was down 2% at £1,561 million (2021: £1,594 million), with total advertising revenue (TAR) down 2%, broadly as expected, against tough comparatives. Against 2019 TAR was up 6%
 - Within this digital advertising revenue remains strong, up 13% at £227 million to the end of September, compared to the same period in 2021
 - Total M&E non-advertising revenue for the nine months to the end of September 2022 was down 3% with good growth in subscription revenue offset by the expected decline in SDN revenue and interactive revenues against tough comparatives in 2021
- M&E's KPIs demonstrate good strategic progress with total digital revenues up 15% and total streaming hours broadly flat as we prioritise content on our own platforms to drive effective monetisation. Monetisable streaming hours on ITV Hub, ITV Hub+ and BritBox UK were up 10% in the nine months to 30 September 2022. At the same time, we maintained our strength in delivering mass reach with 93% of the top 1,000 commercially

broadcast TV programmes and by maintaining our share of commercial viewing on our channels

Outlook

ITV Studios

- ITV Studios will exceed 2019 revenues in 2022 with 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
- With our strong position in a growing market, we expect ITV Studios to deliver revenue growth in excess of our 5% medium-term target in 2023
- We remain committed to delivering our ITV Studios adjusted EBITA margin guidance of 13% to 15% from 2023. As we have previously guided, we expect the margin to be at the lower end of the range in the shorter term as a result of the current inflation in the production market

Media & Entertainment

- ITVX, will be rolled out across devices and platforms in the coming weeks with the full launch of new and exclusive content on 8th December. It will launch with over 10,000 hours of free content available including:
 - exclusive weekly premieres aimed at attracting young and light viewers, such as:
 - Litvinenko starring David Tennant; A Spy Among Friends with Damian Lewis and Guy Pearce; natural history series, A Year on Planet Earth; teen drama Tell Me Everything; and reality game show Loaded in Paradise - all produced by ITV Studios labels
 - one of the UK's largest free film libraries with over 250 titles and over 200 series available at launch
 - 20 FAST (free ad-supported TV) channels and ITV's 6 linear channels
- ITVX will enable ITV to continue to provide the largest free ad-funded premium streaming service in Europe by revenue
- ITV TAR for the full year 2022 is expected to be down between 1% and 1.5% on 2021's record year and this will represent high single digit revenue growth compared to 2019. In Q4, ITV will broadcast the FIFA World Cup, which will benefit TAR in November and December. There however remains a high degree of economic uncertainty

In 2022, given the nature of ITV's cost base and mitigations already in place, we expect to be able to manage inflation. For 2023, continued higher rates of inflation will impact our cost base although we are looking carefully at further mitigation measures.

Overall, despite the current macro and geopolitical uncertainty we are making significant strategic progress and are well positioned to deliver Phase 2 of the More Than TV strategy, through growing ITV Studios and delivering at least £750 million of digital revenues in M&E by 2026 and creating long-term value for shareholders.

ITV's balance sheet is robust enabling us to invest in digital acceleration and deliver returns to shareholders in line with our capital allocation policy.

NOTES TO EDITORS

1. Unless otherwise stated, all financial and operating figures refer to the 9 months ended 30 September 2022, with growth compared to the same period in 2021.

2. Group financial performance

Revenue for nine months to 30 September (£m)	2022	2021	Change £m	Change %
Media and Entertainment	1,561	1,594	(33)	(2%)
ITV Studios	1,387	1,193	194	16%
Total revenue	2,948	2,787	161	6%
Internal supply	(425)	(406)	(19)	(5%)
Total external revenue	2,523	2,381	142	6%

Revenue for nine months to 30 September (£m)	2022	2021	Change £m	Change %
Total advertising revenue	1,329	1,355	(26)	(2%)
Non-advertising revenue	1,619	1,432	187	13%
Internal supply	(425)	(406)	(19)	(5%)
Total external revenue	2,523	2,381	142	6%

3. Total advertising revenue (TAR), which includes ITV Family NAR, digital advertising and sponsorship, was down 2% over the 9 months to the end of September. Q3 was down 14% against tough comparatives, with July down 9%, August down 21% and September down 14% compared to the same periods in 2021. TAR is forecast to be down between 1% and 1.5% over the full year with October down 9%, November expected to be up around 3% and December expected to be up around 5% to 10% compared to the same periods in 2021. 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	2022	2021	Absolute change	Change %
Total digital revenue (£m)	£276m	£239m	£37m	15%

Total streaming hours (hrs)*	813m	812m	1m	0%
Share of commercial viewing (SOCV)	33.2%	33.4%	-	(0.2%pts)
Share of top 1,000 commercial broadcast TV programmes	93%	93%	-	-

- 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 12-month rolling average to normalise seasonal scheduling
- % change for performance indicators is calculated on rounded numbers.

* Whilst total streaming hours were broadly flat, monetisable streaming hours on ITV Hub, ITV Hub+ and BritBox UK were up 10% in the nine months to 30 September 2022. 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 total streaming hours being broadly flat across all platforms.

5. Total Studios organic revenue at constant currency was up 13% to £1,344 million for the first 9 months of 2022, with a £31 million favourable 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. In September 2022, ITV redeemed its 2.125% €335 million Eurobond using available cash, in order to reduce gross cash and gross debt.

At 30 September 2022, net debt¹ was £751 million, up from £615 million at 30 June 2022 due to the acquisition of Plimsoll. ITV had total liquidity of £932 million, comprising total cash of £382 million (which includes £50 million of restricted cash) and committed undrawn facilities of £550 million.

7. The net pension surplus of the defined benefit schemes at 30 September 2022 on an IAS 19 basis was £338 million (30 June 2022: £352 million surplus). The movement in the quarter is a result of an increase in corporate bond yields partly offset by a decrease in asset values and increase in market implied inflation.

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.

The ITV Pension Scheme has fared well in the current challenging market conditions due to its relatively low risk investment strategy which matches the cashflows of the assets and liabilities and has relatively low levels of leverage and good levels of collateral.

8. As disclosed in the 2022 Interim Statement (Note 3.1), as expected the Group received a warning notice from the Pension Regulator (tPR) in H1 2022 in relation to the Box Clever Pension Scheme. As at 30 September 2022, the buy-out cost of the entire scheme has been estimated by the Group's actuarial adviser at £84 million. The Group formally responded to the warning notice on 31 October 2022. There remains a significant number of undecided issues as to the quantum and form of financial support and the Directors continue to believe there are many important factors which need to be taken into account in any decision, and therefore there remains uncertainty around the financial support to be provided. The provision remains at £52 million, and represents an IAS 19 valuation of management's best estimate of the required provision. We remain willing to engage with tPR to resolve the matter.

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 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.

For further enquiries please contact:

Investor Relations

Pippa Foulds	+44 7778 031097
Sarah Comfort	+44 7551 798668

Media Relations

Paul Moore	+44 7860 794444
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