



ITV on track to deliver

Interim Results 2017



26 July 2017

Agenda

Key Messages and H1 Highlights

Peter Bazalgette

Half Year Financial and Operating review

Ian Griffiths

Q&A

A photograph of three people standing against a solid blue background. On the left is a young woman with blonde, wavy hair, wearing a white dress with a black leopard print pattern. In the center is a woman with brown hair and bangs, wearing a bright orange V-neck top. On the right is a man with grey hair, wearing a light pink long-sleeved shirt and dark trousers with a black belt. All three are smiling at the camera.

Key Messages and H1 Highlights

Peter Bazalgette

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Key messages

- H1 performance in line with our expectations
- ITV on track to deliver full year guidance
- Confident in the underlying strength of the business
 - Broadcast business remains robust even with uncertain economic environment
 - Strong viewing performance onscreen and online
 - ITV Studios has a healthy pipeline of new and returning programmes
- Continue to execute the strategy to create an even stronger and more resilient business
 - Investing in ITV Hub, Hub+ and BritBox US as we further grow our digital capabilities
 - Strengthening our international drama and format business with the acquisition of World Productions, Tetra Media and Elk Production
 - Continue to see opportunities to invest in the UK and internationally
- Strong balance sheet and healthy liquidity
 - flexibility and capacity to invest across the business, and
 - deliver increasing returns to shareholders
- Retransmission fees: s73 will be repealed by the end of July

H1 2017 Highlights

- Total external revenue down 3%
 - Good growth in Non-NAR up 6% partly offsetting 8% decline in NAR
- Non-NAR now 55% of total revenues
- Double digit growth across Online and Pay
- ITV Studios delivered 7% total revenue growth, including benefit of foreign exchange
- More international business, over half of ITV Studios revenues from outside the UK
- Adjusted EBITA down 8% at £403m
- Ordinary dividend up 5% to 2.52p reflecting Board's confidence in underlying strength of the business
- Continuing to execute the strategy and we see further opportunities to invest

New Chief Executive – Carolyn McCall

- Strong track record in media
- Experience of an international operation
- Clear strategic acumen
- Reputation for delivering value to shareholders
- Joins on 8th January 2018

Emmerdale – Soap of the year

EMMERDALE

Please drive carefully
through our village

Half Year Financial and Operating Review

Ian Griffiths

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H1 Financial Highlights

H1 performance as we anticipated

	2017 (£m)	2016 (£m)	Change
Broadcast & Online	1,000	1,061	(6)%
ITV Studios	697	651	7%
Total revenue	1,697	1,712	(1)%
Internal supply	(239)	(209)	14%
Total external revenue	1,458	1,503	(3)%

Broadcast & Online	293	317	(8)%
ITV Studios	110	121	(9)%
Group EBITA	403	438	(8)%
Group EBITA margin	28%	29%	

Adjusted EPS	7.7p	8.5p	(9)%
Statutory EPS	5.1p	6.1p	(16)%
Ordinary dividend	2.52p	2.4p	5%

- Good growth in non-NAR partly offsetting decline in NAR - external revenues down 3%
- ITV Broadcast down 6%, but good growth from non-NAR revenue
- ITV Studios delivering 7% growth
- Profit growth impacted by NAR, investment and the fact that prior year includes benefit of the four year license deal for The Voice of China
- Dividend increased 5% to 2.52p
- Statutory EPS impacted by higher impairment and amortisation

Broadcast & Online

Good growth in Non-NAR revenues

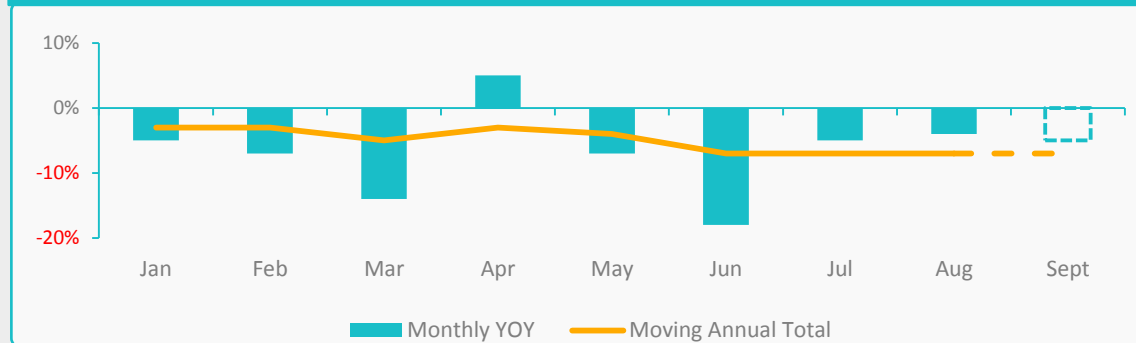
	2017 (£m)	2016 (£m)	Change
ITV NAR	769	838	(8)%
Online, Pay & Interactive	112	107	5%
SDN (external)	35	33	6%
Other commercial income	84	83	1%
Non-NAR revenue	231	223	4%
Total revenue	1,000	1,061	(6)%
Schedule costs	(532)	(547)	3%
Other costs	(175)	(197)	11%
Broadcast & Online EBITA	293	317	(8)%
EBITA margin	29%	30%	

- ITV Family NAR down 8% as expected
- Double-digit growth in high margin Online and Pay
- Schedule costs lower – sport savings partly offset by increased investment in entertainment
- Other costs down with cost savings coming through and helpful phasing of marketing and other spend
- Investment in ITV Hub to improve functionality and increase personalisation

NAR

ITV Family NAR impacted by economic uncertainty

2017 Monthly ITV Family NAR



Category	2017 (£m)	YOY % change
Retail	140	(3)
Finance	86	(2)
Entertainment & Leisure	73	(6)
Cars and Car Dealers	56	2
Food	52	(26)
Airlines Travel and Holidays	51	(2)
Cosmetics and Toiletries	48	(17)
Telecommunications	42	31
Publishing and Broadcasting	31	(18)
Pharmaceuticals	28	(15)
Others	162	(14)
Total	769	(8)

- ITV Family NAR down 8% in H1 with increased economic and political uncertainty, compared to flat last year
- ITV total advertising down 7% including sponsorship, VOD and self promotion
- FMCG categories continue to be impacted by rising input costs
- Supermarkets spend up year on year
- Cars and Telecommunications increased spend
- Entertainment & Leisure impacted by tough comparatives of Euros last year
- Digital businesses continue to spend heavily on TV to build brands
- Online brands spend over 70% of their ad budgets on TV
- ITV NAR expected to be down around 4% in Q3

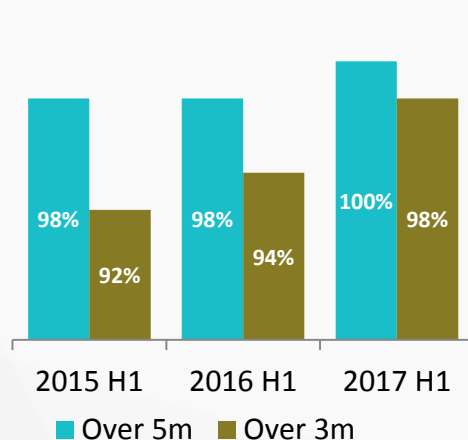


On-screen and online viewing

Delivering mass audiences
and key demographics

- TV market remains robust with live viewing just under 80% of total viewing
- ITV continuing to deliver mass audiences – 100% over 5 million and 98% over 3 million
- ITV reaching valuable young and male demographics on-screen and online
- ITV Hub reach and viewing continues to show significant growth
 - 75% of 16 to 24s registered with ITV Hub
 - 65% of 16 to 34s registered with ITV Hub

ITV Commercial
Audiences



2017 SOCI

YOY Change

ITV Family	0%
ITV Main Channel (all adults)	0%
ITV2 16-34 year olds	+15%
ITV3 (ABC 1 adults)	-3%
ITV4 (men)	+5%

ITV Hub	2017	2016	%
Consumption (hrs)	151m	113m	34%
Long form video requests	665m	506m	31%
Registered users - total	20m	15m	40%
Registered users 16 to 34	10m	7m	43%
App downloads	26m	22m	18%

**Averaged 40% share of 16-24s and
30% share of 16-34s across the series**

**1.3m simulcast requests for
the final**

**Average of 1.5m online catch-
up requests per day**

**Final peaked at 2.9m viewers and
averaged 2.4m (10% share) across the
series**

**Recommissioned for a
4th series**

love island



**9m votes across the
series**

**Requests across the series, up
>100%**

**Finished series sold to 15 countries
and format produced in 2 countries**

**Around 1.5m app downloads and
>150m short form video views**

ITV Studios

Revenue and profit growth in all areas, except Studios RoW

	2017 (£m)	2016 (£m)	Change
Studios UK	306	292	5%
ITV America	143	96	49%
Studios RoW	159	184	(14)%
Global Entertainment	89	79	13%
Total Studios revenue	697	651	7%
Total Studios costs	(587)	(530)	(11)%
ITV Studios EBITA	110	121	(9)%
EBITA margin	16%	19%	

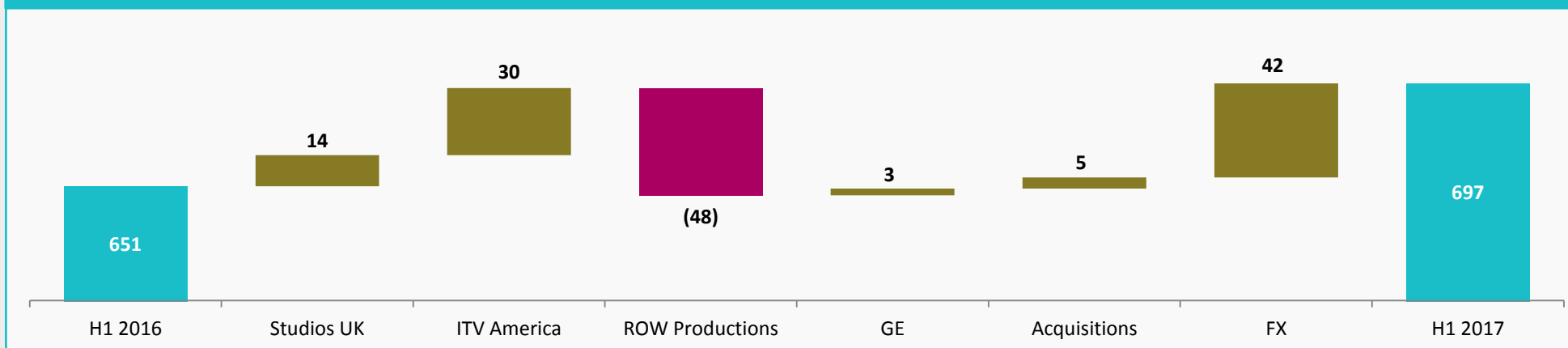
Internal – ITVS to ITV Network	239	209	14%
External revenue	458	442	4%
Total revenue	697	651	7%

- Total Studios revenue up 7%, with organic revenue flat over H1
- 52% of revenues generated outside UK
- Studios UK: healthy revenue growth driven by entertainment
- ITV America: delivered strong growth
- Studios RoW: impacted by timing of deliveries
- Global Entertainment: benefiting from strong slate of scripted programmes
- Profit growth impacted by investment and the fact that prior year includes the full benefit of the four year license deal for The Voice of China
- £42m of revenue and £8m EBITA benefit from FX
- Acquisitions continue to deliver returns in excess of our cost of capital

ITV Studios

Confident in delivering good organic revenue growth over the full year

YOY Studios Revenue Tracker (£m)



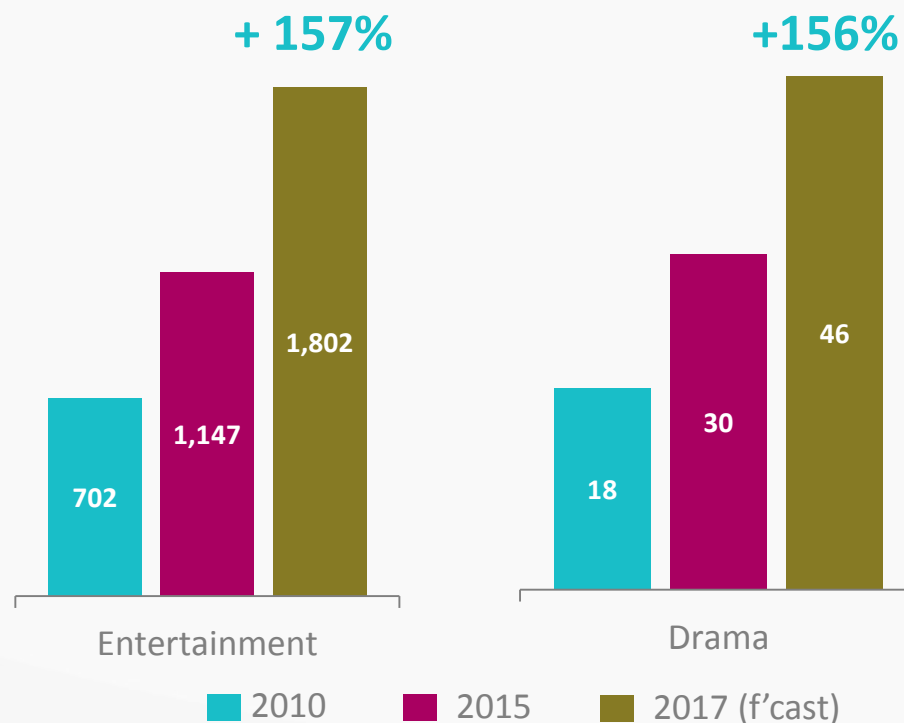
- Organic revenue growth in all areas, except RoW
- On track to deliver good organic revenue growth, excluding currency, over the full year
- 85% of our full year revenues already secured, over £100m more than this time last year
- Strong slate of deliveries in H2 including Hell's Kitchen, Snowpiercer, Victoria, Cold Feet and Cannonball
- Profit over the full year will be broadly in line with last year impacted by investment and the fact that the prior year includes the benefit of the four year license deal for The Voice of China
- Underlying growth in production business continues to be lumpy

ITV Studios

Creating a scaled international content business

- Focused on building a global scripted business and creating entertainment formats that return and travel
- Good growth in the number of hours of returning programmes in key genres
- Healthy pipeline of new and returning programmes in the UK and internationally

Growth in hours produced of returning programmes*



Scripted

SOMEWHERE BETWEEN UNFORGOTTEN
Highland Cold Feet VERA
 ABERBERGEN Good Witch NEXT OF KIN
 SNOWPIERCER VICTORIA POLDARK
 ENDEAVOUR VANITY FAIR

Entertainment

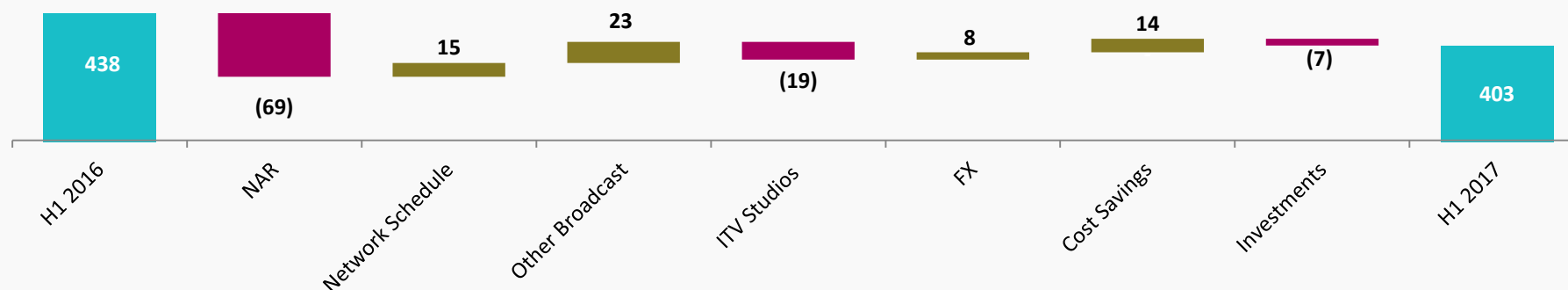


*Excludes key bankers such as Coronation Street and Emmerdale

H1 Group Profit Tracker (£m)

Good group profit margin at 28%

YOY Profit Tracker (£m)



- Decline in profitability due to NAR, timing of programme deliveries and increased investment
 - 8% decline in NAR falls straight through to profit
 - the prior year includes the full benefit of the four year license deal for The Voice of China
 - increased investment across the business, particularly in ITV Hub and US scripted business
- Good growth in high margin Online and Pay
- Programme budget down year on year with no major sports tournament partly offset by increased spend on entertainment
- Overhead savings coming through with continued focus on cost management and phasing of marketing and other costs

Adjusted results

Lower tax rate offsets higher financing costs

6 months to 30 June	2017 (£m)	2016 (£m)	Change
Adjusted EBITA	403	438	(8)%
Internally generated amortisation	(3)	(3)	-
Financing costs	(17)	(10)	(70)%
Share of losses on JVs	(2)	-	100%
Profit before tax	381	425	(10)%
Tax	(71)	(85)	16%
Profit after tax	310	340	(9)%
Non-controlling interests	(3)	-	100%
Earnings	307	340	(10)%
Adjusted EPS (p)	7.7p	8.5p	(9)%

Diluted adjusted EPS (p)	7.6p	8.4p	(10)%
Statutory EPS (p)	5.1p	6.1p	(16)%

- Financing costs reflect new Eurobond
- JV losses associated with launch of BritBox US
- Tax rate lower at 19%, sustainable over the medium term
- Statutory results impacted by higher amortisation and impairment

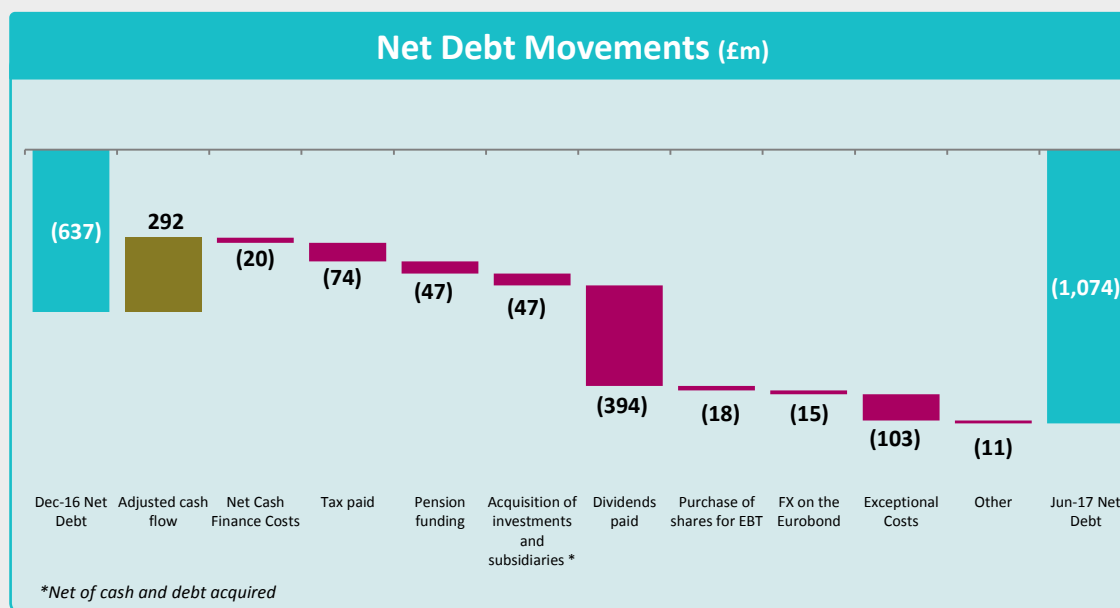
Exceptional items (£m)	2017	2016
Acquisition-related expenses	(50)	(54)
Restructuring and property	(3)	-
Total exceptional items (net)	(53)	(54)



Profit to cash conversion

Continued strong cash conversion

Six months to 30 June	2017 (£m)	2016 (£m)
Adjusted EBITA	403	438
Working capital movement	(114)	(60)
Share based costs	9	7
Capex	(23)	(23)
Depreciation	17	15
Adjusted cash flow	292	377
Profit to cash ratio 6 months to 30 June	72%	86%
Profit to cash ratio 12 months rolling	91%	86%
Adjusted cash flow	292	377
Net cash interest paid	(20)	(6)
Net cash tax paid	(74)	(55)
Pension funding	(47)	(47)
Free cash flow	151	269



- Healthy free cash flow generation of £151m
- Working capital build up to support scripted projects, most of which will reverse in H2
- Profit to cash conversion strong at 91%
- Focus on working capital continues to be a priority
- Net debt of £1,074m, after dividends, acquisitions and pension deficit contributions

Capital Allocation

Increasing shareholder returns while maintaining flexibility to invest

- Strong balance sheet with leverage of 1.2x Net debt to adjusted EBITDA
- Facilities in place give us just under £700m of undrawn liquidity
- Policy to maintain at least £250m of available liquidity and investment grade rating
- IAS19 deficit of £343m, up £15m, with increase in liabilities offsetting deficit funding contribution
- The accounting deficit does not impact ongoing cash funding
- Triannual valuation currently being undertaken as at 1st January 2017

Capital allocation framework

Investing to drive organic growth

Acquisitions in line with strategic priorities

Dividend policy

- Board is committed to a sustainable dividend policy
- Ordinary dividends will grow in line with earnings, targeting dividend cover of around 2x adjusted EPS over the medium term



2.52p ordinary dividend, up 5% for 2017

Our objective is to maintain leverage below 1.5x net debt to adjusted EBITDA

Strong cash generation and robust balance sheet provides flexibility to invest and deliver returns to shareholders

Outlook for 2017 and beyond

Broadcast & Online

- ITV Family NAR expected to be down around 4% over Q3 and down around 7% over the first 9 months
- Expect to again outperform TV ad market in 2017
- Investing behind continued strong growth in Online, Pay & Interactive, driven by a strong performance in VOD and Pay
- Further develop ITV Hub and Hub+ with increased distribution, functionality, personalisation and targeting
- International roll out of SVOD through Britbox and Cirkus, building on the launch of Britbox US

ITV Studios

- On track to deliver good organic revenue growth over the full year
- 85% of revenue secured for the full year, over £100m more than this time last year
- Healthy pipeline of new and returning shows, both in the UK and the US
- Adjusted EBITA, net of cost savings and investments, will be broadly in line with 2016 impacted by continued investment and the fact that prior year includes the full benefit of the four year license deal for The Voice of China
- Continuing to grow and strengthen our global content business, with a focus on US scripted

Healthy balance sheet and strong cash flows

- Enables us to invest across the business and deliver sustainable returns to shareholders
- Board is committed to a long-term sustainable dividend policy and for ordinary dividends to grow broadly in line with earnings, targeting dividend cover of around 2x adjusted earnings per share over the medium term

Planning assumptions

- Largely unchanged except for exceptional items which have increased principally due to property project costs

Appendix Interim Results 2017

2017 FY Planning Assumptions – largely unchanged

Cost savings	On track to deliver £25m of overhead cost savings across the business
Investments	Total of around £25m – £15m of EBITA, £10m of JVs including BritBox US and US scripted
Adjusted interest	Around £40m – reflecting the cost of the new €500m Eurobond
Tax	Adjusted effective tax rate around 19% , expected to be sustainable over the medium term
Foreign exchange	Translation impact of FX, assuming rates remain at current levels, could benefit revenue by around £50m and profit by around £10m over the full year
Exceptional Items	Around £110m , mainly due to acquisition accounting. Cash cost of exceptionals will be around £150m, mainly accrued earnouts. This includes the impact of the London property
Capex	Around £50m of regular capex and in addition there will be capex relating to ITV's London property move, currently estimated to be around £30m in 2017
Profit to cash	85 to 90% – continued strong cash flow generation and investment in scripted
Pension	£80m deficit funding contribution – no change

Statutory numbers

Six months to 30 June	2017 (£m)	2016 (£m)	Change
Revenue	1,458	1,503	(3)%
EBITA	395	424	(7)%
Amortisation and impairment	(58)	(40)	45%
Exceptional items	(53)	(54)	(2)%
Profit before interest and tax	284	330	(14)%
Net financing costs	(23)	(21)	10%
JV's & Associates	(2)	-	100%
Profit before tax	259	309	(16)%
Tax	(53)	(63)	(16)%
Profit after tax	206	246	(16)%
Loss after tax for the period from discontinuing operations	-	(3)	(100)%
Non-controlling interests	(3)	-	100%
Earnings	203	243	(16)%
Basic earnings per share	5.1p	6.1p	(16)%

Reconciliation between 2017 statutory and adjusted earnings

Six months to 30 June 2017	Statutory (£m)	Adjustments (£m)	Adjusted (£m)
EBITA*	395	8	403
Total exceptional items	(53)	53	-
Amortisation and impairment	(58)	55	(3)
Financing costs	(23)	6	(17)
JV's & Associates	(2)	-	(2)
Profit before tax	259	122	381
Tax	(53)	(18)	(71)
Profit after tax	206	104	310
Non-controlling interests	(3)	-	(3)
Earnings	203	104	307
Number of shares (weighted average)	4,010		4,010
Earnings per share	5.1p		7.7p

*Adjusted EBITA includes the benefit of production tax credits

Broadcast schedule costs

Six months to 30 June	2017 (£m)	2016 (£m)	Change
Commissions	300	289	4%
Sport	50	73	(32)%
Acquired	16	14	14%
ITN News and Weather	25	24	4%
Total ITV main channel	391	400	(2)%
Regional news and non-news	35	34	3%
ITV Breakfast	21	22	(5)%
Total ITV inc regional & Breakfast	447	456	(2)%
ITV2, ITV3, ITV4, ITV Encore, ITVBe, CITV	85	91	(7)%
Total schedule costs	532	547	(3)%

ITV Studios revenue

Six months to 30 June	2017 (£m)	2016 (£m)	Change	Organic change*
Studios UK	306	292	5%	5%
ITV America	143	96	49%	31%
Studios RoW	159	184	(14)%	(26)%
Global Entertainment	89	79	13%	4%
Total revenue	697	651	7%	0%

Acquisitions – 2012 to 2017

Company	Initial consideration (£m)	Additional consideration paid in 2017 (£m)	Expected future payments* (£m)	Total expected consideration** (£m)	Expected payment dates	Total maximum consideration** (£m)
2017						
Various	33	-	15	48	2020-2024	253
Total for 2017	33	-	15	48		253
Total for 2012-2016	860	88	242	1,190	2017-2021	1,911
Total	893	88	257	1,238		2,164

Financing costs

Six months to 30 June	2017 (£m)	2016 (£m)
£161m Eurobond at 6.125% coupon Jan 17	-	(4)
€600m Eurobond at 2.125% coupon Sept 22	(6)	(5)
€500m Eurobond at 2% coupon Dec 23*	(7)	-
£630m Revolving Credit Facility	(2)	(1)
Financing costs directly attributable to bonds and loans	(15)	(10)
Cash-related net financing costs	(2)	-
Adjusted financing costs	(17)	(10)
Mark-to-market swaps and foreign exchange	-	1
Imputed pension interest	(4)	(2)
Unrealised foreign exchange and other net financial losses	(2)	(10)
Net financing costs	(23)	(21)

P&L tax charge and cash tax

Six months to 30 June	2017 (£m)	2016 (£m)
Profit before tax	259	309
Production tax credits	8	14
Total Exceptional items	53	54
Amortisation of intangible assets*	55	37
Adjustments to net financing costs	6	11
Adjusted profit before tax	381	425
Tax charge	(53)	(63)
Production tax credits	(8)	(14)
Charge for exceptional items	(3)	(1)
Charge in respect of amortisation of intangible assets*	(7)	(6)
Charge in respect of adjustments to net financing costs	(1)	(2)
Other tax adjustments	1	1
Adjusted tax charge	(71)	(85)
Effective tax rate on adjusted profits	19%	20%
Total adjusted cash tax paid (excluding receipt of production tax credits)	(74)	(55)

Analysis of net debt

30 June	2017 (£m)	2016 (£m)
£161m Jan 17	-	(161)
£630m Revolving Credit Facility	(240)	(65)
£150m bilateral loan	-	(150)
£100m bilateral loan	-	(100)
€600m Eurobond*	(523)	(495)
€500m Eurobond**	(425)	-
Finance Leases	(6)	(6)
Other debt	(3)	-
Cash and cash equivalents	123	(181)
Net debt	(1,074)	(796)

30 June	2017 (£m)	2016 (£m)
Cash and cash equivalents	123	181
Debt	(1,197)	(977)
Net debt	(1,074)	(796)

Borrowing facilities

Type of Facility	Facility Amount £m	Amount drawn at 30/06/2017	Maturity
Revolving Credit Facility (RCF)	630	240	Dec 2021 (option to extend to Dec 2023)
Bilateral financing facility	300	-	Jun 2021
Total	930	240	

Foreign exchange

Revenue by currency – 12 months to 31 December	2016 (£m)	2015 (£m)
GBP	2,357	2,347
US dollar	397	408
Euro	224	161
Other currencies	86	56
External revenue	3,064	2,972

Foreign Exchange Sensitivity – impact of a 10% appreciation/depreciation in Sterling on a full year basis*		
Currency	Revenue (£m)	Adjusted EBITA (£m)
USD (\$)	±50-60	±8-10
EUR (€)	±25-30	±3-4

*An appreciation in Sterling has a negative effect on revenue and adjusted EBITA, a depreciation has a positive effect