



ITV on track for another strong year

Interim Results 2015

28 July 2015

Agenda

2015 Highlights

Adam Crozier

Half Year Financial Results

Ian Griffiths

Strategic Outlook

Adam Crozier

Q&A

2015 Highlights

Adam Crozier



28 July 2015

ITV on track for another strong year

- Revenue and profit growth across all parts of the business as we continue to rebalance
- Further margin improvement
- Economic confidence driving advertising growth
- Strong growth in Online, Pay & Interactive
- Strengthening our international content business:
 - Organic growth
 - Acquisitions: Talpa Media; Mammoth Screen; Twofour Group; Cats on the Roof Media
- Improving SOV remains a key focus
- Delivering increasing returns to shareholders
- Positive outlook for the year unchanged

H1 2015 Highlights:

Revenue

External revenue	£1,356m	11%	↑
NAR	£838m	5%	↑
Non-NAR	£693m	18%	↑

Earnings

Broadcast & Online EBITA	£315m	26%	↑
ITV Studios EBITA	£85m	18%	↑
Group EBITA	£400m	24%	↑
Adjusted PBT	£391m	25%	↑
Adjusted EPS	7.7p	26%	↑

Shareholder returns

Ordinary dividend	1.9p	36%	↑
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Our renewed strategic priorities are focused on three key areas for growth

A lean ITV that can create world class content, executed across multiple platforms and sold around the world



1

Maximise audience and revenue share from free-to-air broadcast and VOD business

2

Grow international content business

3

Build a global pay and distribution business



Over time as we continue to rebalance the business and grow new revenue streams, both organically and through acquisition, there will be an increasing emphasis on international content creation and distribution

1

Maximise audience and revenue share from free-to-air broadcast and VOD business

Progress in 2015:

- Ad market strength driving growth
 - H1 NAR up 5% despite tough World Cup comparators
 - Q3 NAR expected to be up around 8%
 - Continuing to deliver unrivalled commercial audience reach
 - Expect to outperform the market over the full year
- Continued focus on improving on screen performance
 - ITV Family SOV down 4%
 - Digital channels up 2%
 - Online video on demand up 29%
- Further investment in ITV Player
 - Simulcast now available on all mobile apps
 - Over 18 million app downloads, up 30%
 - Over 10 million registered users, up 87%

Improved programme slate for 2015/2016 schedule

JEKILL
AND
HIDE

BEOWULF

Frankenstein Chronicles

Downton Abbey

Jericho

Doc
Martin

Unforgotten

Victoria

JUDGE
RINDER

Good
Morning
Britain

NINJA
WARRIOR

THE
WILL
WILLIS
SHRINE

ETERNAL
GLORY

THE
X
FACTOR

BRITAIN'S
GOT
TALENT

I'M A CELEBRITY
Get Me Out Of Here!

UEFA
EURO2016
FRANCE

IRB
RUGBY
WORLD CUP
2015

RUGBY
WORLD CUP
2015

UEFA
EURO2016
FRANCE

RBS
NATIONS

EMMERDALE

CORONATION ST.

AMERICAN
DAD!

FAMILY
GUY

love island

2

Grow international content business

Progress in 2015:

- Strong ITV Studios revenue and profit growth
 - ➔ Revenue up 23%
 - ➔ Profit up 18%
- Building on international scripted portfolio
 - ➔ Delivered 3 US dramas with Aquarius and The Good Witch already recommissioned
 - ➔ Strong slate of new UK dramas
 - ➔ Successful launch of Thunderbirds Are Go
 - ➔ Portfolio strengthened by acquisitions of Mammoth Screen, Twofour Group and investment in Monumental
- Developing and owning entertainment programmes and formats
 - ➔ Further strengthened through the acquisition of Talpa Media
 - ➔ 44 formats sold internationally in H1
- Growing international production in key creative markets
 - ➔ 53% of revenue in H1 generated outside UK
 - ➔ Strong growth in US, up 69% and RoW, up 41%

Scripted



Entertainment & Factual Entertainment



2

Grow international content business

2010

Scripted



2015



TOMORROW
STUDIOS

bigtalkproductions



Entertainment & Fact/Ent formats



3

Build global pay and distribution business

Progress in 2015:

- Online, Pay & Interactive revenue up 27% year on year
- Further developing our sources of pay revenue
 - Original commissions for ITV Encore to further strengthen profitable channel
 - Develop and extend 3rd party pay deals
 - Launched ITV Choice in South Africa
 - SVOD investment in Cirkus in Iceland
 - Digital investment in Believe, Indigenous and Zealot
 - 22 channels now on YouTube
- Expanding our global distribution network
 - Global Entertainment revenue up 18% in H1
 - Focus on scripted and factual entertainment formats that travel
 - Increasing 3rd party distribution deals

itv PLAYER

itv
CHOICE

CIRKUS

itv
ENCORE

ZEALOT

INDIGENOUS
MEDIA

believe
entertainment group

Half Year Financial Results

Ian Griffiths



28 July 2015

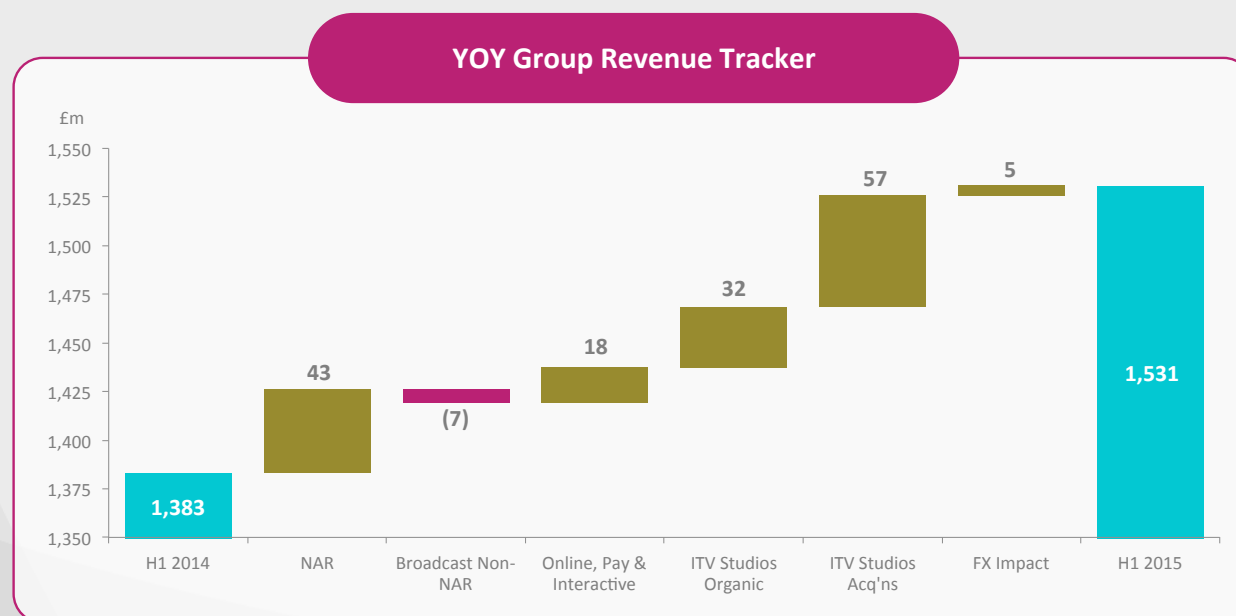
2015 Half Year Financial Highlights

External revenue	£1,356m	Up 11%, £131m	Growth across the business
Net Advertising Revenue (NAR)	£838m	Up 5%, £43m	Robust advertising revenue
Non-NAR	£693m	Up 18%, £105m	Continued strong growth
EBITA	£400m	Up 24%, £78m	Further margin improvement
EPS	7.7p	Up 26%, 1.6p	Double digit increase
Net Debt	£540m	£581m net outflow	Investing for growth
Ordinary dividend	1.9p	Up 36%, 0.5p	Increased shareholder returns

Revenue – good revenue growth from both businesses

£m	2015	2014	Change
Broadcast & Online	1,035	981	6%
ITV Studios	496	402	23%
Total revenue	1,531	1,383	11%
Internal supply	(175)	(158)	(11)%
Total external revenue	1,356	1,225	11%

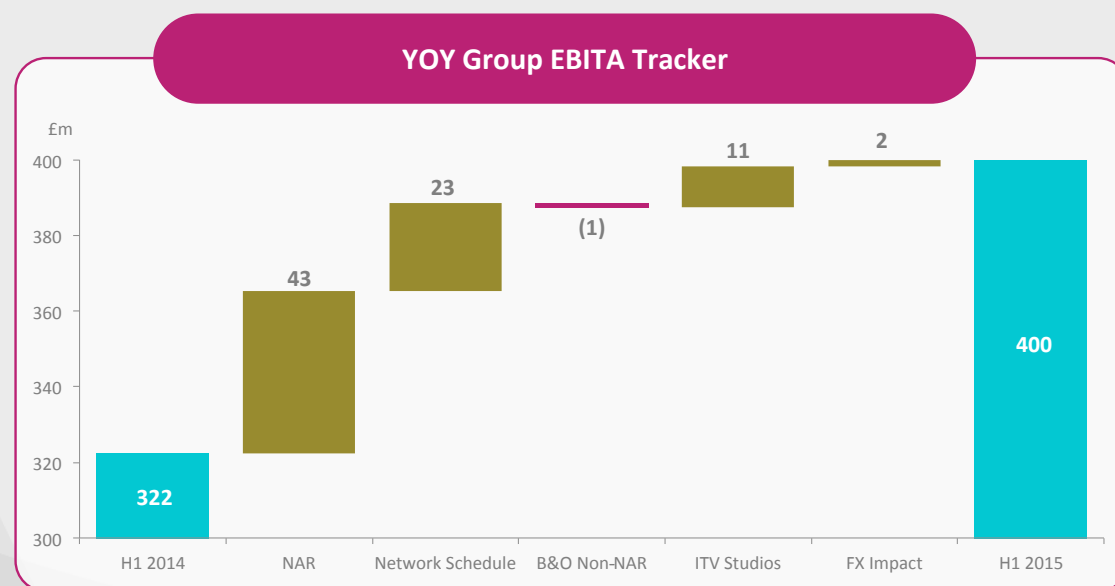
- ITV Family NAR up 5% as expected
- Continued strong growth in Online, Pay & Interactive, up 27%
- £7m decline in other broadcasting revenue
- ITV Studios returned to good organic revenue growth, up 8%
- Acquisitions coming through as planned



Group EBITA – strong conversion of revenue growth to increased profit

£m	2015	2014	Change
Broadcast & Online	315	250	26%
ITV Studios	85	72	18%
Group EBITA	400	322	24%
Group EBITA margin	29%	26%	

- Double digit EBITA growth in both businesses
- Group EBITA up £78m
- Margins improved 3% to 29%
- Broadcast profits helped by high margin NAR, Online and Pay revenue
- Non-NAR held back by SDN and sponsorship timing
- No major sporting event in H1
- Studios margin impacted by investment in scripted dramas
- Dollar impact partly offset by increased Euro exposure



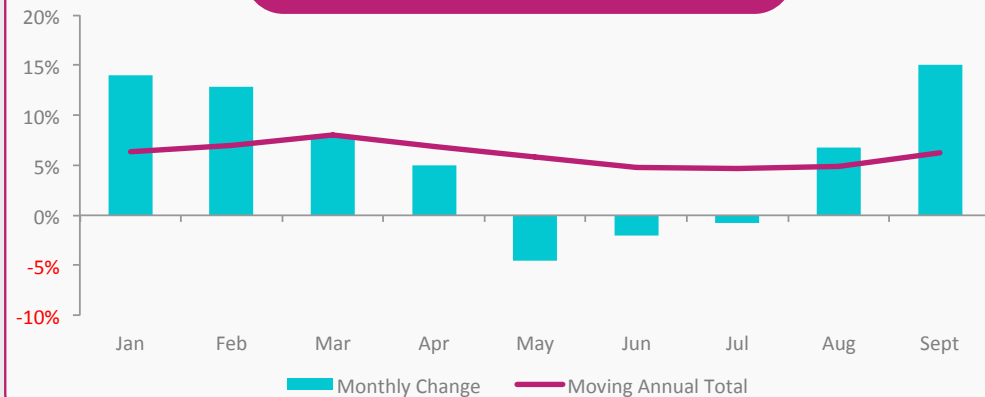
Broadcast & Online – strong revenue growth delivers 5% margin improvement

£m	2015	2014	Change
ITV NAR	838	795	5%
Online, Pay & Interactive revenue	85	67	27%
SDN external revenue	31	36	(14)%
Other commercial income	81	83	(2)%
Non-NAR revenue	197	186	6%
Total revenue	1,035	981	6%
Schedule costs	(507)	(530)	4%
Other costs	(213)	(201)	(6)%
Broadcast & Online EBITA	315	250	26%
EBITA margin	30%	25%	

- ITV Family NAR up 5%
- Strong growth in Online, Pay & Interactive benefitting from full six months of ITV Encore
- SDN revenue impacted by lower renewal fees
- Sponsorship revenue impacted by timing of major sporting events
- Lower schedule costs reflect the timing of major sporting events partly offset by spend on new channels
- Other costs increased, mainly timing differences
- 5% increase in margin to 30%

NAR – good growth in key categories as phasing comes through as expected

2015 Monthly ITV Family NAR



Category	H1 2015 (£m)	YOY % change
Retail	151	5%
Finance	93	16%
Food	79	15%
Entertainment & Leisure	71	(7%)
Cosmetics & Toiletries	52	(3%)
Airlines, Travel and Holidays	50	9%
Cars and Car Dealers	50	11%
Telecommunications	36	9%
Publishing and Broadcasting	34	11%
Household Stores	29	5%
Others	193	1%
Total	838	5%

- H1 impacted by timing of major sporting events
- Robust growth across key categories
- Retail driven by supermarkets
- Finance driven by banks
- Food and cars also up strongly
- Decline in Entertainment & Leisure reflects good performance from Football World Cup last year
- Similar category growth expected in Q3
- Strong advertising performance around Rugby World Cup
- Total NAR market becoming increasingly difficult to measure

ITV Studios – good organic growth and acquisitions performing as planned

£m	2015	2014	Change
Studios UK	208	205	1%
Studios US	145	86	69%
Studios RoW	72	51	41%
Global Entertainment	71	60	18%
Total Studios revenue	496	402	23%
Total Studios costs	(411)	(330)	(25)%
ITV Studios EBITA	85	72	18%
EBITA margin	17%	18%	

£m	2015	2014	Change
Internal – ITVS to ITV Network	175	158	11%
External revenue	321	244	32%
Total revenue	496	402	23%

- 53% of H1 revenue generated outside UK
- Studios UK: revenue growth driven by drama and entertainment
- Off-ITV deliveries impacted by timing
- Studios US achieved good organic growth
- Full six months from Leftfield making a significant contribution
- Studios RoW: benefit from just two months of Talpa
- Distribution revenue up driven by new dramas and Thunderbirds Are Go
- Margin impacted by genre mix, in particular scripted investment
- On track to deliver as expected



EBITA is adjusted for production tax credits

ITV Studios – Talpa Media deal structure

Acquisition of Talpa Media

Completed 30 April 2015

- Initial cash consideration of **€500m** - €150m potentially repayable during the first two years
- Additional payments are in three tranches. All are based on EBITDA thresholds and contingent on John De Mol remaining with the business
 - **Tranche 1:** Up to €100m payable if **average EBITDA** in 2015 and 2016 is between **€50m and €60m**, with a partial clawback if **average EBITDA** for that period is below **€50m**
 - **Tranche 2:** A contingent cash payment of up to €400m if **average EBITDA** from 2017 to 2019 is between **€75m and €100m**
 - **Tranche 3:** Up to €100m if **average EBITDA** from 2020 to 2022 is between **€115m and €130m**
- The total maximum consideration is **€1.1 billion**



Adjusted results – double digit profit growth on every profit measure

£m	2015	2014	Change
Total external revenue	1,356	1,225	11%
Adjusted EBITA	400	322	24%
Internally generated amortisation	(5)	(6)	(17)%
Financing costs	(4)	(4)	-
Profit before tax	391	312	25%
Tax	(81)	(64)	(27)%
Profit after tax	310	248	25%
Non-controlling interests	(2)	(2)	-
Earnings	308	246	25%
Adjusted EPS (p)	7.7p	6.1p	26%
Diluted adjusted EPS (p)	7.6p	6.1p	25%
Statutory EPS (p)	6.4p	4.9p	31%

- Strong revenue and operating profit growth
- Tax rate remains at 21%
- All translates to 26% increase in adjusted EPS
- £30m of operating exceptionals - acquisition costs largely employment linked consideration

Technical points:

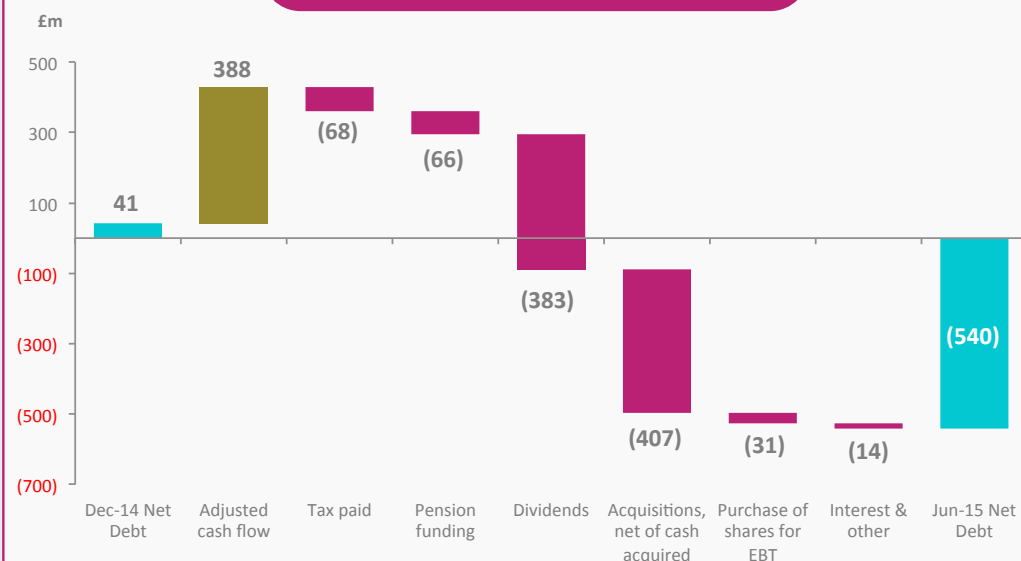
- Basic shares in issue of 4,004m
- Diluted shares in issue of 4,034m
- Talpa acquisition accounting – impact on statutory results

Profit to cash conversion – strong cashflows fund investments and increasing shareholder returns

£m	2015	2014
Adjusted EBITA	400	322
Working capital movement	(8)	(5)
Share based costs	8	8
Capex	(25)	(19)
Depreciation	13	13
Adjusted cash flow	388	319
Profit to cash ratio 6 months to 30 June	97%	99%
Profit to cash ratio 12 months rolling	92%	97%

£m	2015	2014
Adjusted cash flow	388	319
Net cash interest paid	(8)	(10)
Cash tax paid	(68)	(35)
Pension funding	(66)	(91)
Free cash flow	246	183

Net Cash/(Debt) Movements



- Focus on working capital remains a priority
- Profit to cash conversion of 97%, 92% on a rolling 12 month basis
- Free cash flow up £63m, 34%, to £246m
- Net debt of £540m as we run our balance sheet more effectively
- Fixed element of pension deficit funding contribution paid monthly
- £109m (€150m) of acquisition costs relate to employment linked consideration for Talpa

2015 full year planning assumptions – no change other than to reflect Talpa acquisition

NPB

Around **£1,040m** reflecting full year of our new channels

Interest

£15m – increase to reflect Talpa acquisition

Tax

Tax rate consistent with 2014 at **21%**, cash tax will be more in line with P&L charge

Capex

£40-45 million, similar to 2014

Profit to cash

85% due to continued investment in scripted content

Pension

Will not exceed contributions made in 2014

Ordinary dividend

Policy for **at least 20% p.a. growth** in ordinary dividend to 2016

Foreign exchange

If rates stay broadly similar, expect revenue to be £5m lower and profit £3m lower

Strategic Outlook

Adam Crozier

Key opportunities for growth

1

Maximise audience and revenue share from free-to-air broadcast and VOD business

- Economic confidence driving growth in ad market
- Improve on screen viewing performance in key demographics
- Further strengthen our content, channels and brand to maintain our unique scale
- Grow our share of total TV and VOD advertising
- Continue to drive new revenue streams through sponsorship, interactivity and brand extensions
- Support platforms that make ITV content prominent
- Further invest in the quality and distribution of ITV Player

2

Grow international content business

- Continue to develop IP in key creative markets to exploit growing worldwide demand
- Maximise the use of our cash flows to finance the production of dramas straight to series
- Build an international portfolio of scripted series
- Grow our portfolio of entertainment and factual entertainment programmes and formats that return and travel
- Create more 16-24 focused content
- Attract and retain key creative talent to generate more hits
- Continue to look at potential strategic acquisitions

3

Build a global pay and distribution business

- Explore new models for content creation
- Develop new pay services and channels to take advantage of demand in the UK and internationally
- Consider wider partnerships with OTT/VOD players
- Secure retransmission fees in the medium term
- Scale international distribution business
- Invest in developing third party distribution deals
- Package and sell our content to maximise its value

Full year outlook

Outlook

- Economic confidence driving growth in ad market
- NAR expected to be up 6% over 9 months to end of September
- Expect to outperform our estimate of the market again over the full year
- Improving share of viewing remains a key focus
- Online, Pay & Interactive revenue will continue to grow strongly
- ITV Studios is on track to deliver strong revenue growth over the full year, with good organic growth and acquisitions coming through as planned
- Will maintain a robust, efficient and flexible balance sheet
- Clear opportunities for further investment while increasing shareholder returns

Strategy

- Enter the next stage of ITV's growth strategy from position of strength
- Remain committed to our vision of creating a global content and distribution business
 - We see clear opportunities for growth across the business – in content, online, pay and advertising
 - We will continue to rebalance the business and grow new revenue streams
 - Increasing emphasis on international growth

Positive outlook for the full year unchanged

Appendix

Interim Results 2015

Reported numbers

£m six months to 30 June	2015	2014	Change
Revenue	1,356	1,225	11%
EBITA	395	322	23%
Amortisation	(27)	(30)	10%
Exceptional items (net)	(30)	(4)	(650)%
Profit before interest and tax	338	288	17%
Net financing costs	(11)	(38)	71%
Profit before tax	327	250	31%
Tax	(68)	(53)	(28)%
Profit after tax	259	197	31%
Non-controlling interests	(2)	(2)	-
Earnings	257	195	32%
Basic earnings per share	6.4p	4.9p	31%

Reconciliation between 2015 reported and adjusted earnings

£m six months to 30 June	Reported	Adjustments	Adjusted
EBITA	395	5	400
Exceptional items (net)	(30)	30	-
Amortisation and impairment	(27)	22	(5)
Financing costs	(11)	7	(4)
Profit before tax	327	64	391
Tax	(68)	(13)	(81)
Profit after tax	259	51	310
Non-controlling interests	(2)	-	(2)
Earnings	257	51	308
Number of shares (weighted average)*	4,004m	-	4,004m
Earnings per share	6.4p	1.3p	7.7p

Reconciliation between 2014 reported and adjusted earnings

£m six months to 30 June	Reported	Adjustments	Adjusted
EBITA	322	-	322
Exceptional items (net)	(4)	4	-
Amortisation and impairment	(30)	24	(6)
Financing costs	(38)	34	(4)
Profit before tax	250	62	312
Tax	(53)	(11)	(64)
Profit after tax	197	51	248
Non-controlling interests	(2)	-	(2)
Earnings	195	51	246
Number of shares (weighted average)*	4,003m	-	4,003m
Earnings per share	4.9p	1.2p	6.1p

Broadcast schedule costs

£m six months to 30 June	2015	2014	Change
Commissions	272	258	5%
Sport	59	118	(50)%
Acquired	15	18	(17)%
ITN News and Weather	24	22	9%
Total ITV	370	416	(11)%
Regional news and non-news	32	33	(3)%
ITV Breakfast	22	20	10%
Total ITV inc regional & Breakfast	424	469	(10)%
ITV2, ITV3, ITV4, ITV Encore, ITVBe, CITV	83	61	36%
Total schedule costs	507	530	(4)%

ITV Studios revenue

£m six months to 30 June	2015	2014	Change	Organic change*
Studios UK	208	205	1%	1%
Studios US	145	86	69%	21%
Studios RoW	72	51	41%	4%
Global Entertainment	71	60	18%	18%
Total revenue	496	402	23%	8%

Acquisitions

Acquisition	Initial consideration (£m)	Expected future payments* (£m)	Total expected consideration** (£m)	Expected payment dates	Total maximum consideration** (£m)
Talpa Media	362	186	548	2015-2019	796
Twofour Group	55	10	65	2016-2021	280
Other	15	28	43	2015-2020	81
Total for 2015	432	224	656		1,157
Total for 2012-2014	328	63	391	2016-2021	847
Total	760	287	1,047		2,004

Equity interest currently not owned:

- Gurney 38.5%
- Thinkfactory 35%
- High Noon 40%
- DiGa Vision 49%
- Leftfield 20%
- Twofour 25%

Financing costs

£m six months to 30 June	2015	2014
€50m Eurobond at 10% coupon Jun 14	-	(1)
£78m Eurobond at 5.375% coupon Oct 15	1	1
£161m Eurobond at 6.125% coupon Jan 17	(4)	(4)
Financing costs directly attributable to bonds and loans	(3)	(4)
Cash-related net financing (costs)/income	(1)	1
Cash-related financing costs	(4)	(3)
Non-cash movements		
Amortisation of bonds	-	(1)
Adjusted financing costs	(4)	(4)
Mark-to-market swaps and foreign exchange	(2)	(4)
Imputed pension interest	(5)	(9)
Losses on buybacks	-	(30)
Other net financial income	-	9
Net financing costs	(11)	(38)

Exceptional costs

£m six months to 30 June	2015	2014
Acquisition-related expenses	(31)	(5)
Total operating exceptional items	(31)	(5)
Gain on sale of subsidiaries and investments	1	1
Total non-operating exceptional items	1	1
Total exceptional items	(30)	(4)

P&L tax charge and cash tax on reported basis

£m six months to 30 June	2015	2014
Profit before tax	327	250
Production tax credits	5	-
Exceptional items (net)	30	4
Amortisation of intangible assets*	22	24
Adjustments to net financing costs	7	34
Adjusted profit before tax	391	312
Tax charge	(68)	(53)
Charge for exceptional items	(6)	(1)
Charge in respect of amortisation of intangible assets*	(5)	(5)
Charge in respect of adjustments to net financing costs	(1)	(7)
Other tax adjustments	(1)	2
Adjusted tax charge	(81)	(64)
Effective tax rate on adjusted profits	21%	21%
Total cash tax paid	(68)	(35)

Analysis of net (debt)/cash

£m	30 June 2015	31 December 2014
£78m Oct 15	(78)	(78)
£161m Jan 17	(161)	(161)
£525m Revolving Credit Facility	(130)	-
€500m Bridge Loan	(354)	-
Finance Leases	(11)	(17)
Other debt	(7)	-
Cash and cash equivalents	201	297
Net (debt)/cash	(540)	41

£m	30 June 2015	31 December 2014
Cash and cash equivalents	201	297
Debt	(741)	(256)
Net (debt)/cash	(540)	41

Pension deficit

