

# WPP



## Trading Statement for the Third Quarter 2012

October 2012



# Third Quarter 2012

## Summary



- Reported revenue up 1.6% at £2.496bn with constant currency revenue up 4.8%. Like-for-like revenue up 1.9%.
- Operating profits and operating margins in first nine months in line with budget and ahead of last year.
- Average net debt of £3.105bn up £329m compared with same 9 month period last year at 2012 exchange rates, continuing to reflect improvement on 2011 year end position.
- Slow down in North America and Continental Europe, particularly in September and functionally in advertising and media investment management and public relations and public affairs.
- Net new business billings of £3.359 billion in first nine months, ranked first in all net new business tables.



# Third Quarter 2012

## Summary – Revenue Growth



% change	Third Quarter	YTD
Like-for-like	1.9	3.0
Acquisitions	2.9	3.1
Constant currency	4.8	6.1
Foreign exchange	-3.2	-1.9
<b>Reportable sterling</b>	<b>1.6<sup>1</sup></b>	<b>4.2</b>
<b>Reportable US dollars<sup>2</sup></b>	<b>-0.1</b>	<b>1.9</b>
<b>Reportable euros<sup>2</sup></b>	<b>12.5</b>	<b>11.9</b>

<sup>1</sup> Average Q3 2012 exchange rate for US\$/£ was \$1.58 (Q3 2011: \$1.61), €/£ was €1.26 (Q3 2011: €1.14) and Japanese Yen/£ was ¥124.3 (Q3 2011: ¥125.1).

<sup>2</sup> Translated into US\$ and € at average actual exchange rates for each of the periods.



# Third Quarter 2012

## Revenue by Discipline: Third Quarter



	2012 £m	2011 £m	% Change		
			Reported	Constant Currency	Like-for- like
Advertising, Media Investment Management	999	1,010	-1.1	2.2	2.9
Consumer Insight	591	593	-0.4	3.5	0.8
Public Relations & Public Affairs	227	223	2.3	3.3	-1.7
Branding & Identity, Healthcare and Specialist Communications	679	631	7.6	10.6	2.7
<b>Total</b>	<b>2,496</b>	<b>2,457</b>	<b>1.6</b>	<b>4.8</b>	<b>1.9<sup>1</sup></b>

<sup>1</sup> Direct, digital & interactive growth of over 6%



# Third Quarter 2012

## Revenue by Discipline: Year to Date



	2012 £m	2011 £m	% Change		
			Reported	Constant Currency	Like-for- like
Advertising, Media Investment Management	3,043	2,937	3.6	5.7	5.0
Consumer Insight	1,783	1,771	0.7	3.3	0.9
Public Relations & Public Affairs	686	652	5.3	5.3	0.1
Branding & Identity, Healthcare and Specialist Communications	1,956	1,810	8.1	9.6	2.9
<b>Total</b>	<b>7,468</b>	<b>7,170</b>	<b>4.2</b>	<b>6.1</b>	<b>3.0<sup>1</sup></b>

<sup>1</sup> Direct, digital & interactive growth up well over 7%



# Third Quarter 2012

## Advertising, Media Investment Management



- Strongest performing sector as in 2011 and first half of 2012. Advertising improved in third quarter, with media investment management slower than quarter two albeit at a higher absolute rate than advertising.
- Advertising stronger in North America, the Middle East and Latin America, partly offset by lower growth in the United Kingdom, Continental Europe and Asia Pacific.
- Media Investment Management growth lower in North America and Continental Europe, with double digit growth in all other regions.



# Third Quarter 2012

## Consumer Insight



- Like-for-like growth in third quarter the same as quarter two, with relative improvement in North America and strong growth in the United Kingdom.
- Double digit growth in Latin America, Africa and the Middle East. Custom research continues to be under pressure in the mature markets, but strong growth in the faster growing markets maintained.
- Millward Brown, Kantar Media, Kantar Worldpanel, Lightspeed and KIMRB performed strongly.



# Third Quarter 2012

## Public Relations & Public Affairs



- Difficult third quarter, particularly in September, with like-for-like revenues down 1.7% and North America down across all Group brands.
- Geographically, strong growth in the United Kingdom, with double digit like-for-like growth in Latin America and Africa.





# Third Quarter 2012

Branding & Identity, Healthcare and Specialist Communications



- Like-for-like growth of 2.7% in third quarter, stronger than the second quarter driven by direct, digital and interactive growth partly offset by softness in branding & identity and healthcare communications.
- Geographically, strong like-for-like growth in direct, digital and interactive in the United Kingdom, Continental Europe, Asia Pacific and Latin America.
- In healthcare communications, the United Kingdom was slower but Continental Europe improved compared with quarter two.



# Third Quarter 2012

Direct, Digital and Interactive



- In the first nine months almost 32% of Group revenues came from direct, digital and interactive, up over 200 basis points from the previous year. Direct, digital and interactive revenues up well over 7% in the first nine months.
- Acquisition of AKQA, the leading digital agency, completed in the third quarter. The Group now has four of Forrester's seven digital leaders in Wunderman, OgilvyOne, VML and AKQA. No other group has more than one.



# Third Quarter 2012

## Revenue by Region: Third Quarter



	2012 £m	2011 £m	% Change		
			Reported	Constant Currency	Like-for- like
North America	885	837	5.6	4.0	-0.4
UK	311	286	8.9	8.9	4.7
Western Continental Europe	537	588	-8.6	0.5	-2.1
Asia Pacific, Latin America, Africa & Middle East, Central & Eastern Europe	763	746	2.3	7.4	6.8
<b>Total</b>	<b>2,496</b>	<b>2,457</b>	<b>1.6</b>	<b>4.8</b>	<b>1.9</b>



# Third Quarter 2012

## Revenue by Region: Year to Date



	2012 £m	2011 £m	% Change		
			Reported	Constant Currency	Like-for- like
North America	2,633	2,483	6.0	3.9	0.1
UK	902	846	6.7	6.7	3.6
Western Continental Europe	1,724	1,763	-2.2	4.6	0.4
Asia Pacific, Latin America, Africa & Middle East, Central & Eastern Europe	2,209	2,078	6.3	9.8	8.7
<b>Total</b>	<b>7,468</b>	<b>7,170</b>	<b>4.2</b>	<b>6.1</b>	<b>3.0</b>



# Third Quarter 2012

## Growth by Region



- Faster growing markets of Asia Pacific, Latin America, Africa & the Middle East continued the strong growth seen in the first half with like-for-like growth of 6.8%. The United Kingdom also grew strongly in the third quarter with like-for-like growth of 4.7%.
- Latin America remains the strongest sub-region, as it was in the first half, with like-for-like growth of 14.4%.
- Central and Eastern European revenues were down 6.1% in the third quarter, with Russia and Romania up strongly but more than offset by Poland, the Czech Republic, Slovakia and the Ukraine.
- On a like-for-like basis, BRICs up over 11%, Next 11 up almost 10%, CIVETS up over 11%. MIST was up 9%.



# Third Quarter 2012

## Revenue Growth by Country



Revenue Growth <sup>1</sup>	Countries
>20%	Argentina
15% to 20%	South Africa
10% to 15%	Brazil, Mexico, Thailand
5% to 10%	Greater China <sup>2</sup> , India, Mainland China <sup>3</sup> , Singapore
<5%	Australia, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Poland, Russia, South Korea, Spain, Sweden, UK, USA

<sup>1</sup> Like-for-like growth  
<sup>2</sup> Includes Hong Kong and Taiwan  
<sup>3</sup> Includes Hong Kong



# Third Quarter 2012

## Revenue Growth by Category



Revenue Growth <sup>1</sup>	Categories
>15%	Government, Retail
10% to 15%	Drinks, Oil
5% to 10%	Automotive, Travel & Airline
<5%	Computers, Electronics, Entertainment, Financial Services, Food, Personal Care & Drugs, Telecommunications

<sup>1</sup> Like-for-like growth





# Third Quarter 2012

## Effects of Currency

- Currency movements accounted for a 3.2% decrease in revenue, largely reflecting the strength of the £ sterling against the euro and faster growing market currencies, partly offset by weakness against the US\$.
- Sterling stronger overall as follows:

	Q3 2012	Q3 2011	Sterling (stronger)/weaker
US\$	1.58	1.61	2%
€	1.26	1.14	(11%)
¥	124.3	125.1	1%
Brazilian Real	3.21	2.63	(22%)
Chinese Renminbi	10.04	10.33	3%
Indian Rupee	87.1	73.7	(18%)
South African Rand	13.1	11.5	(14%)





# Third Quarter 2012

## Trade Estimates of Major New Business Wins (1)



WPP Agency	Incumbent	Account	Office	Billings(\$m)
Team BofA	OMC	Bank of America	Global	2,000
Equipe L'Oreal	PUB	L'Oreal	Germany	727
MediaCom	PUB	Procter & Gamble	Germany	225
Grey	Ind	RadioShack	USA	200
Mindshare	AGS	SFR	France	200
MediaCom	OMC	Etihad	Global	160
MEC	AGS	Beiersdorf	N. Europe	126
MEC	IPG/HAV/AGS/MediaCom	SAB Miller	Europe	125
Team IHG	IPG	IHG	Global	124
Cavalry	IPG/PUB	MillerCoors	USA	120
Wunderman	None	Levis	Global	100
MEC	OMC/Others	UK Government	UK	100
Y&R	Ind	Dell	Global	90
JWT/MEC/MediaCom	PUB	Ministry of Defence	UK	80



# Third Quarter 2012

## Trade Estimates of Major New Business Wins (2)



WPP Agency	Incumbent	Account	Office	Billings(\$m)
MEC	HAV/AGS/Ind	Lavazza	Europe	66
Grey	None	FDA	USA	65
Maxus/MEC/KR Media	AGS	Fiat	France	60
Ogilvy	HAV	Vodafone	Australia	52
Ogilvy	Ind	Nascar	USA	50
MediaCom	PUB	P&G	Korea	50
Team News	Ind	News International	UK	44
JWT	Ind	Premier Foods	UK	44
MediaCom	PUB	PharmaCare Labs	Australia	35
MediaCom	None	American Eagle	Global	35
Mindshare	OMC	Rent-A-Center	USA	31
Mindshare	Various	Smithfield Foods	USA	30
Ogilvy	G2	Aetna	USA	30
Kinetic	OMC	Amway	China	30
Maxus	Ind	GSK	Australasia	30
MediaCom	PUB	Subway	USA	30



WPP

Shaded figures are Q3 wins

# Third Quarter 2012

## Trade Estimates of Major New Business Losses



WPP Agency	Winning Agency	Account	Office	Billings(\$m)
Mindshare	PUB	Sprint	Global	1,000
Mindshare	OMC	Farmer's	USA	160
Grey	OMC	Aquafresh/GSK	Global	158
MEC	OMC	Specsavers	UK	63
Ogilvy	OMC	Cisco	Global	60
Ogilvy	PUB	Toblerone/Kraft	USA	60
Ogilvy	Ind	Ragu/Unilever	USA	43
MediaCom	AGS	Tanduay	Philippines	33
Mindshare	PUB	Heineken	Netherlands	31
G2	Ogilvy	Aetna	USA	30



Shaded figures are Q3 losses.

# Third Quarter 2012

Internal Estimates of Net New Business Wins – Year to Date



(\$m)	Creative	Media	Total
Advertising	1,239	3,328	4,567
Other Businesses	808	-	808
<b>Third Quarter YTD 2012</b>	<b>2,047</b>	<b>3,328</b>	<b>5,375</b>
<i>Third Quarter YTD 2011</i>	<i>2,020</i>	<i>2,191</i>	<i>4,211</i>



# Third Quarter 2012

Trade Estimates of Major New Business Wins/Losses Since 1 October



	<b>WPP Agency</b>	<b>Incumbent</b>	<b>Account</b>	<b>Office</b>	<b>Billings(\$m)</b>
WINS	VML	PUB	Wendy's	USA	273
	Grey	OMC/Y&R	Allianz	Global	100
	MEC	IPG	LegalZoom	USA	50

	<b>WPP Agency</b>	<b>Winning Agency</b>	<b>Account</b>	<b>Office</b>	<b>Billings(\$m)</b>
LOSSES	MEC	AGS	Macy's	USA	300



# Third Quarter 2012

## Cash Flow and Net Debt



- Average net debt in the first nine months up £329 million to £3.105 billion, compared to £2.776 billion in 2011, at 2012 exchange rates.
- Acquisitions (including earnouts) and share buy-backs totalled £558 million in nine months to 30 September 2012.
- Net debt at 30 September up £533 million to £3.556 billion, compared to £3.023 billion last year, at 2012 exchange rates, reflecting increased spending on acquisitions – chiefly AKQA.
- Free cash flow in the 12 months to 30 September 2012 of over £1.3 billion.
- Average net debt to Headline EBITDA, for 12 months to 30 September, is 1.8x.



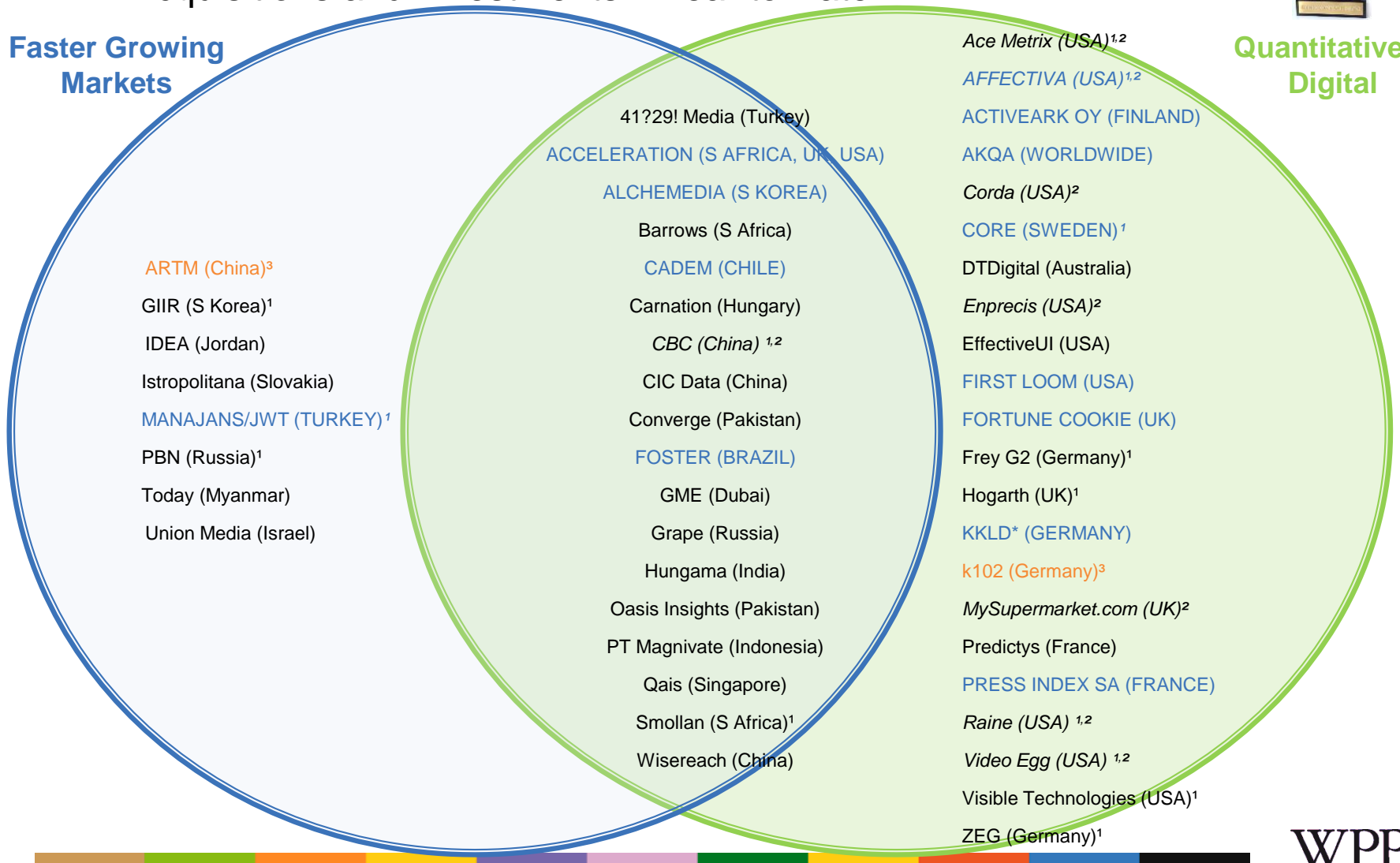
# Third Quarter 2012

## Acquisitions and Investments – Year to Date



### Quantitative & Digital

### Faster Growing Markets



<sup>1</sup> Step-ups in investments, associates and subsidiaries' equity <sup>2</sup> Investment <sup>3</sup> Acquisition since 1 October CAPITALS ARE Q3 ACQUISITIONS

# Third Quarter 2012

## Other Acquisitions – Year to Date



### Advertising

Colmar Brunton (New Zealand)<sup>1</sup>

Siboney (USA)

Ubachs Wisbrun (Netherlands)<sup>1</sup>

### Public Relations & Public Affairs

ABC (DENMARK) <sup>1</sup>

ASCENTUM (CANADA)

CrowdVerb (USA)

First Movies (UK)

I&E (FRANCE)

Ogilvy Impact (Australia)<sup>1</sup>

Pohjoisranta (Finland)



<sup>1</sup> Step-ups in investments, associates and subsidiaries' equity  
CAPITALS ARE Q3 ACQUISITIONS



# Third Quarter 2012

## Uses of Free Cash Flow



Category	Target	Sept YTD 2012	Sept YTD 2011	FY 2011
New acquisitions <sup>1</sup>	£300m+	£487m <sup>2</sup>	£291m <sup>2</sup>	£381m <sup>2</sup>
Share purchases	Minimum 1%	0.7%	1.8%	2.1%
Dividend increase	EPS growth + 500 basis points	18% <sup>3</sup>	25% <sup>3</sup>	38%

<sup>1</sup> Includes investments and step-ups in subsidiaries equity

<sup>2</sup> Net of disposal proceeds and net of acquired cash

<sup>3</sup> First interim dividend

# Third Quarter 2012

## Summary



- Marked slowdown in September reduced Q3 like-for-like growth to 1.9% with North America and to a greater extent Continental Europe impacted.
- UK still strong as is Asia Pacific, Latin America and Middle East & Africa.
- Advertising and media investment management strongest discipline followed by branding & identity, healthcare and specialist communications where direct, digital and interactive revenues continue to drive overall growth.
- Strong cash flow to support acquisitions and increase in dividend and dividend pay-out ratio.
- First nine months operating profits and operating margins in line with budget and ahead of prior year.
- Acquisitions contribute 3% to Group revenue.
- Exceptional gains in year from sale of stake in Buddy Media and conditional sale of freehold property in New York.

# Third Quarter 2012

## Outlook



- Faster growing markets and UK projected to remain stronger in line with Q3.
- More uncertainty over North America and Continental Europe.
- Full year like-for-like outlook for the Group in 2.5% to 3.0% range.
- Operating profits and profit margins in first nine months in line with budget and ahead of prior year with increased focus in Q4 on cost control and headcount run rate
  - to enable us to meet our margin improvement target of 0.5 margin points
  - to enable us to enter 2013 with controlled salary run rate



# Third Quarter 2012

## Conclusion



- The Group is well placed as we begin preparations for 2013:
  - variable costs in the 6% to 7% range
  - headcount held at around December 2011 level through the year
  - good new business momentum
  - strong cash flow, debt maturity profile and balance sheet ratios
- Global GDP projections for 2013 puzzlingly remain as high as 2012 with trends in faster growing markets and digital, supporting our growth and margin targets against more difficult conditions in USA and Europe.
- There are good opportunities to achieve EPS growth in 2013 from top line like-for-like growth, margin improvement of up to 50 bps and application of our substantial cash flow for acquisitions, share buy-backs and debt reduction.



# WPP



## Trading Statement for the Third Quarter 2012

October 2012

