

# WPP

## Trading Statement for the First Quarter 2012

April 2012



# First Quarter 2012

## Highlights

- Q1 organic growth of 4%, Q1RF revenue growth slightly better, with a slightly stronger second half.
- Q1 profits and operating margin above budget, ahead of last year and in line with Group's targeted margin improvement of 0.5 margin points.
- Strong growth rates in Asia Pacific, Latin America, Africa & the Middle East and Central and Eastern Europe, organic revenues up 9.5%. The UK and Western Continental Europe both up 2.5% like-for-like, with an improving trend in the USA, at lower levels of growth.
- Improving performance in consumer insight, with TNS Custom having its best quarter since 2008.
- Relative net debt position improved in first quarter. Average net debt/EBITDA in target range of 1.5-2.0x. Upgraded by Moody's to Baa2 in the quarter.



# First Quarter 2012

## Summary

- Reported revenue up 7.6% with constant currency revenue up 7.4%.
- Like-for-like revenue up 4.0% with gross margin also up 4.0%.
- First quarter profits and margins ahead of budget and ahead of last year in line with full year margin target of 0.5 margin points improvement.
- Net new business wins in the first quarter of \$1.855 billion compared to \$1.346 billion.



# First Quarter 2012

## Summary

- USA 1.4% like-for-like growth but improvement vs Q4 2011 and a strong Q1 2011.
- Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe continues to be fastest growth region with like-for-like growth of 9.5%.
- Western Continental Europe stable with like-for-like growth of 2.5% with the UK also up 2.5% on the same basis.
- Advertising and Media Investment Management is the Group's strongest sector with like-for-like growth of 6.2%.
- Branding & Identity, Healthcare and Specialist Communications like-for-like growth 3.8%.



# First Quarter 2012

## Summary – Revenue Growth

	%
Like-for-like	4.0
Acquisitions	3.4
Constant currency	7.4
Foreign exchange	0.2
<b>Reportable sterling</b>	<b>7.6</b>
<b>Reportable US dollars<sup>1</sup></b>	<b>5.5</b>
<b>Reportable euros<sup>2</sup></b>	<b>10.1</b>

<sup>1</sup> Translated into US\$, using among other currencies, average exchange rates of US\$/£ for Q1 2012 of \$1.572 (Q1 2011: \$1.603)

<sup>2</sup> Translated into Euros, using among other currencies, average exchange rates of €/£ for Q1 2012 of €1.198 (Q1 2011: €1.171)



# First Quarter 2012

## Revenue by Discipline

	2012 £m	2011 £m	Reported	% Change	
				Constant Currency	Like-for- like
Advertising, Media Investment Management	973	899	8.3	8.4	6.2
Consumer Insight	569	553	3.0	3.3	1.3 <b>0.6<sup>1</sup></b>
Public Relations & Public Affairs	225	208	8.1	6.8	1.9
Branding & Identity, Healthcare and Specialist Communications	625	563	10.8	10.0	3.8
<b>Total</b>	<b>2,392</b>	<b>2,223</b>	<b>7.6</b>	<b>7.4</b>	<b>4.0 <b>4.0<sup>1</sup></b></b>

<sup>1</sup> Gross margin like-for-like growth



## First Quarter 2012

### Advertising, Media Investment Management

- Strongest performing sector with like-for-like growth of 6.2% in first quarter.
- Strong growth in Ogilvy & Mather Advertising and Grey in the first quarter, particularly in the United States and Latin America following several major new business successes in 2011.
- Media investment management up 13% like-for-like in first quarter, with all regions positive and particularly strong growth in the United States, Asia Pacific and Latin America.



# First Quarter 2012

## Consumer Insight

- Consumer insight improved performance with like-for-like revenue growth of 1.3%.
- TNS Custom had its best revenue growth quarter since 2008.
- Like-for-like revenue growth in Asia Pacific, Latin America, the Middle East and Africa well above the average, but the United Kingdom, Western Continental Europe and North America more difficult.
- Kantar Media, Kantar Worldpanel, Lightspeed (including GMI) and Kantar Japan performed strongly.





## First Quarter 2012

### Public Relations & Public Affairs

- Constant currency revenue growth 6.8% with like-for-like growth 1.9%. Burson-Marsteller and Cohn & Wolfe showed particularly strong growth in the first quarter.
- Geographically, strong growth in Asia Pacific, Latin America, the United Kingdom and Africa.



## First Quarter 2012

Branding & Identity, Healthcare and Specialist Communications

- Continuing good performance with constant currency revenues up 10.0% and like-for-like revenue growth of 3.8% in first quarter.
- The Group's Specialist Communications businesses showed the strongest growth of this sector, followed by direct, digital and interactive and healthcare.
- Geographically, double digit like-for-like growth in Asia Pacific, Latin America and Africa.



## First Quarter 2012

### Direct, Digital and Interactive

- At 31 March 2012, direct, digital and interactive revenues were \$1.2bn or 31% of total revenues (2011: \$1.0bn and 29% respectively) and up 8% like-for-like.
- The number of people working in the Group in this practice is almost 28,900 or 25% of headcount.
- Recent acquisitions Carnation, DT Digital, CIC Data and the investment in mysupermarket.com enhance digital capabilities.
- Ads delivered by WPP platforms up substantially (OAS up 23%, Xaxis up 28% and ZAP up 75%).



# First Quarter 2012

## Revenue by Region

	2012 £m	2011 £m	% Change		
			Reported	Constant Currency	Like-for- like
North America	864	808	6.9	4.9	1.4
UK	284	271	5.0	5.0	2.5 <b>3.0<sup>1</sup></b>
Western Continental Europe	563	532	5.8	8.2	2.5
Asia Pacific, Latin America, Africa & Middle East, Central & Eastern Europe	681	612	11.2	11.1	9.5
<b>Total</b>	<b>2,392</b>	<b>2,223</b>	<b>7.6</b>	<b>7.4</b>	<b>4.0 <b>4.0<sup>1</sup></b></b>

<sup>1</sup> Gross margin like-for-like growth



## First Quarter 2012

### Growth by Region

- Asia Pacific and Latin America delivered double digit like-for-like growth in first quarter, with the BRIC countries up over 16% and Next 11 up almost 10%.
- In Asia Pacific, Greater China continued the strong growth seen in 2011, with like-for-like growth of over 16% and India up over 10%.
- The UK was up 2.5% like-for-like, less than the 6.7% for the full year 2011, with strong growth in advertising and media investment management.
- Western Continental Europe, despite the Eurozone crisis was also up 2.5% like-for-like, with several countries well above the average. France, Greece, Portugal and Spain remain more difficult.



# First Quarter 2012

## Revenue Growth by Country

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

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

<sup>2</sup> Includes Hong Kong and Taiwan

<sup>3</sup> Includes Hong Kong



# First Quarter 2012

## Revenue Growth by Category

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

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



## First Quarter 2012

### Effects of Weakness of Sterling

- Currency movements accounted for a 0.2% increase in revenue, largely reflecting the weakness of the £ sterling against the US\$ and most other currencies, offset by strength against the euro.
- Sterling weaker on average as follows:

	2012	2011	Sterling (stronger)/ weaker
US\$	1.572	1.603	2%
€	1.198	1.171	(2%)
¥	124.8	131.9	6%





## First Quarter 2012

### Trade Estimates of Major New Business Wins – First Quarter

WPP Agency	Incumbent	Account	Office	Billings(\$m)
Equipe L'Oreal	PUB	L'Oreal	Germany	727
MediaCom	OMC	Etihad	Global	160
Wunderman	None	Levis	Global	100
MEC	OMC/Others	UK Government	UK	100
JWT/MEC/MediaCom	PUB	MOD	UK	80
MEC	HAV/AGS/Ind	Lavazza	Europe	66
Ogilvy	HAV	Vodafone	Australia	52
WPP	Ind	News International	UK	44
JWT	Ind	Premier Foods	UK	44
Mindshare	OMC	Rent-A-Center	USA	31
Maxus	Ind	GSK	Australasia	30
MediaCom	PUB	Subway	USA	30



# First Quarter 2012

## Trade Estimates of Major New Business Losses – First Quarter

WPP Agency	Winning Agency	Account	Office	Billings(\$m)
Mindshare	PUB	Sprint	Global	1,000
Grey	OMC	GSK	Global	158
Ogilvy	PUB	Kraft	USA	60



## First Quarter 2012

Internal Estimates of Net New Business Wins – Year to Date

(\$m)	Creative	Media	Total
Advertising	455	1,006	1,461
Other Businesses	394	-	394
<b>Total</b>	<b>849</b>	<b>1,006</b>	<b>1,855</b>



# First Quarter 2012

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

	<b>WPP Agency</b>	<b>Incumbent</b>	<b>Account</b>	<b>Office</b>	<b>Billings(\$m)</b>
WINS	MediaCom	PUB	Procter & Gamble	Germany	225
	Grey	Ind	RadioShack	USA	200
	MediaCom	PUB	Procter & Gamble	China	100
	Ogilvy	G2	Aetna	USA	30

	<b>WPP Agency</b>	<b>Winning Agency</b>	<b>Account</b>	<b>Office</b>	<b>Billings(\$m)</b>
LOSSES	MediaCom	PUB	Procter & Gamble	China	100
	Mindshare	OMC	Pepsi	UK	40
	G2	Ogilvy	Aetna	USA	30



## First Quarter 2012

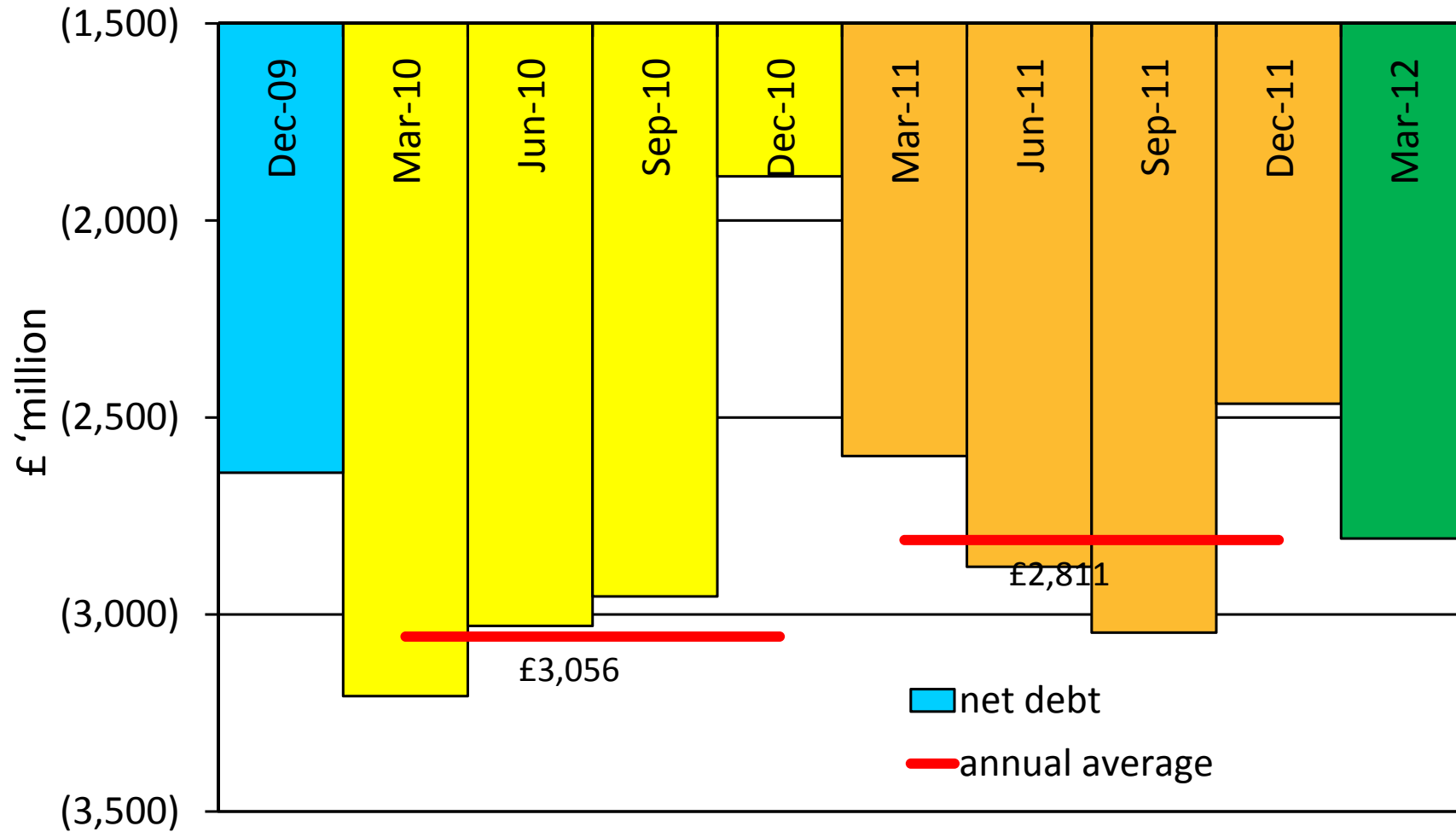
### Cash Flow and Net Debt

- Average net debt in the first three months up £416 million to £2.644 billion, compared to £2.228 billion in 2011, at 2012 exchange rates.
- Net debt at 31 March up £291 million to £2.816 billion, compared to £2.525 billion last year, at 2012 exchange rates.
- Free cash flow in the 12 months to 31 March 2012 of £1.287 billion.
- Average net debt to Headline EBITDA, for 12 months to 31 March, remains in our target range 1.5x – 2.0x range.
- Ratings upgrade in the quarter by Moody's to Baa2, S&P remains at the equivalent BBB.



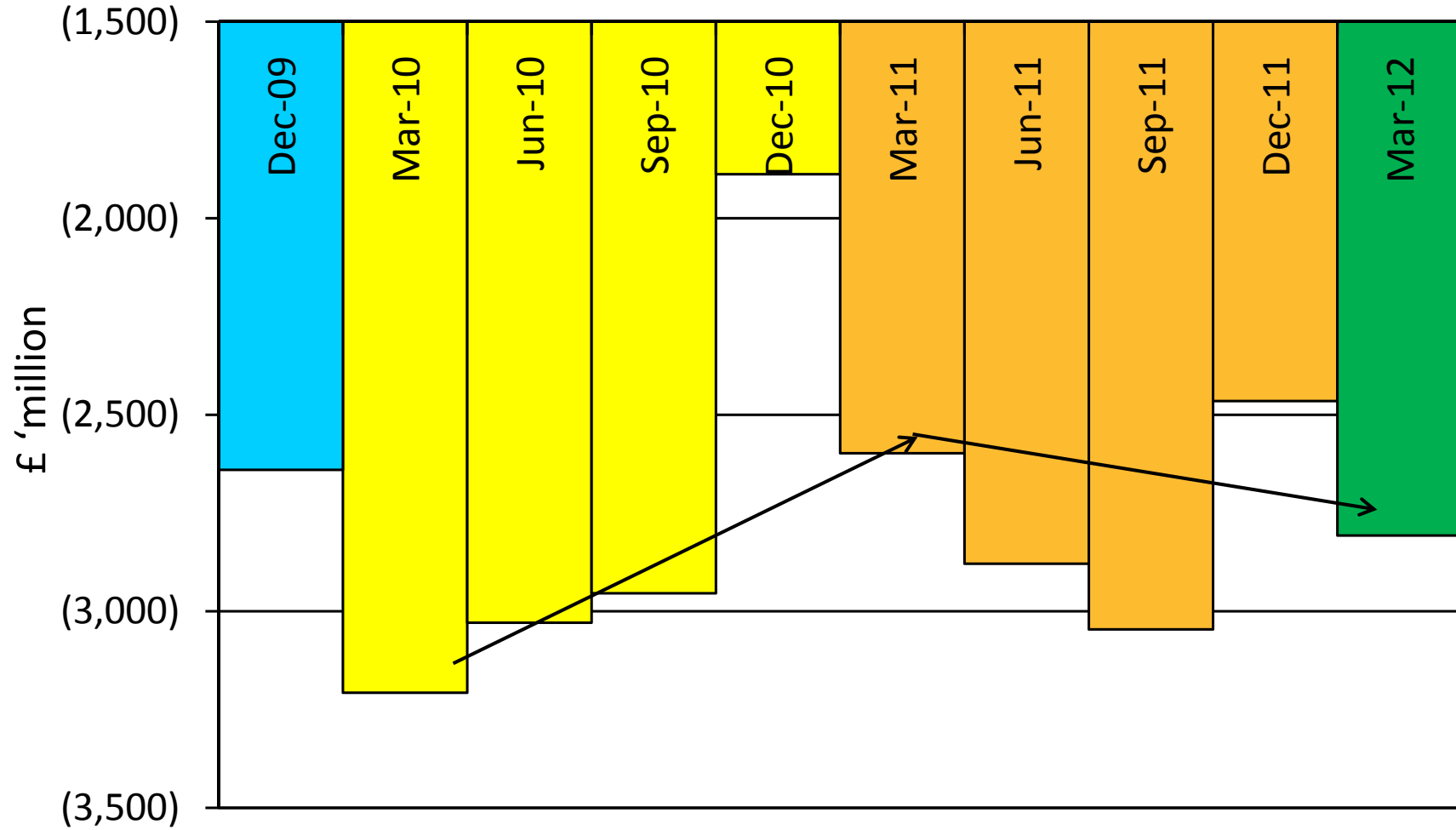
# First Quarter 2012

Average debt continues to reduce



# First Quarter 2012

Q1 2012 below Q1 2010

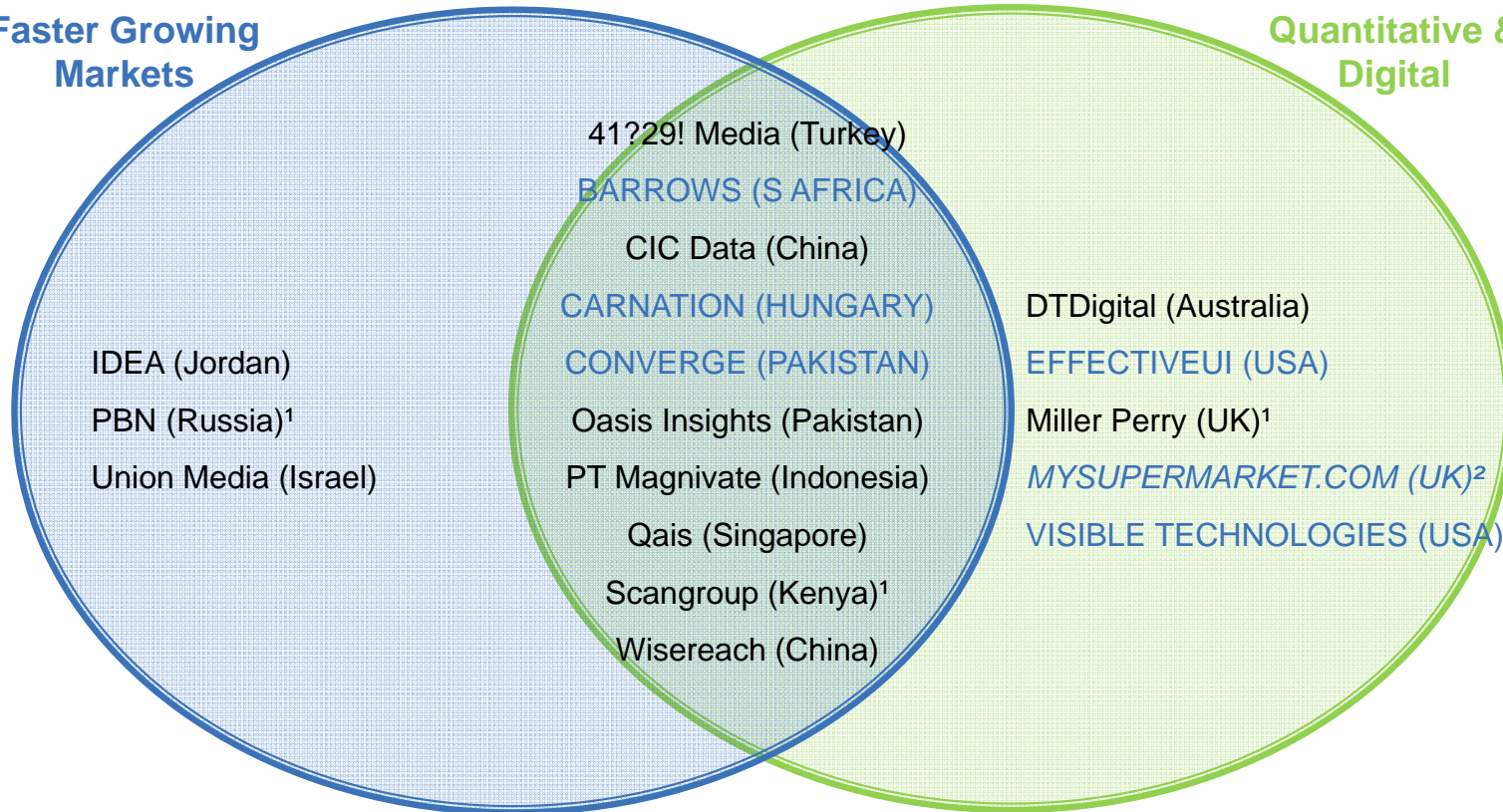


# First Quarter 2012

## Acquisitions and Investments – Year to Date

**Faster Growing Markets**

**Quantitative & Digital**



**Advertising**

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

**Public Relations & Public Affairs**

CROWDVERB (USA)

FIRST MOVIES (UK)

Pohjoisranta (Finland)



**WPP**

<sup>1</sup> Step-ups in investments, associates and subsidiaries' equity <sup>2</sup> Investment CAPITALS ARE Q2 ACQUISITIONS



# First Quarter 2012

## Uses of Free Cash Flow

Category	March YTD 2012	March YTD 2011	FY 2011
New acquisitions <sup>1</sup>	£27m <sup>2</sup>	£18m <sup>2</sup>	£381m <sup>2</sup>
Share purchases/ cancellations:	£21m	£64m	£182m
% of issued share capital	0.2% <sup>3</sup>	0.6%	2.1%
Dividend increase	n/a	n/a	38.3%

<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> 2.5 million shares cancelled at a cost of £21m and an average of £8.37 per share



# First Quarter 2012

## Summary

- The year has started well with like-for-like revenues up 4.0%, in line with budget, with all geographies and sectors growing revenues.
- Better revenue performance from consumer insight.
- First quarter profits and margins ahead of budget and last year in line with the full year margin target of 0.5 margin points improvement.
- Strong free cash flow from operations, average net debt/EBITDA remains in target range.



# First Quarter 2012

## Outlook

- Trading in the first quarter consistent with budget which showed organic revenue growth of 4% and targeted improvement in margin of 0.5 margin points.
- Preliminary quarter one revised forecasts show like-for-like revenue growth slightly better than budget, with targeted improvement in margin the same.
- Growth in faster growing markets remains strong and improvement seen in all regions.
- Second half now forecast slightly above budget, with a stronger third quarter.
- Revenue and headcount remain appropriately balanced.



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