

# WPP

## Trading Statement for the First Quarter 2011

April 2011



# First Quarter 2011

## Summary

- Reported revenue up 7.0% with constant currency revenue up 8.4%.
- Like-for-like revenue up 6.7% with gross margin up 7.4%, continuing the recovery seen throughout 2010.
- First quarter profits and margins ahead of budget and well ahead of last year.
- Average Net Debt of £2.216 billion, down £574m compared with first quarter of 2010, at 2011 exchange rates.



# First Quarter 2011

## Summary

- USA continuing “emerging market” growth rates with like-for-like revenues up 7.0%.
- Like-for-like regional growth is strong with Asia Pacific, Latin America, Africa and Middle East and Central and Eastern Europe up 11.5%.
- Western Continental Europe remains slower growth with like-for-like revenues up 1.9% but UK continues strong at 5.4%.
- Advertising and Media Investment Management is the Group’s leading sector with like-for-like growth of 9.3%.
- Branding & Identity, Healthcare and Specialist Communications up 6.9%.



# First Quarter 2011

## Summary – Revenue Growth

|  | %           |
|--|-------------|
| Like-for-like                            | 6.7         |
| Acquisitions                             | 1.7         |
| Constant currency                        | 8.4         |
| Foreign exchange                         | -1.4        |
| <b>Reportable sterling</b>               | <b>7.0</b>  |
| <b>Reportable US dollars<sup>2</sup></b> | <b>10.3</b> |
| <b>Reportable euros<sup>2</sup></b>      | <b>11.2</b> |

<sup>1</sup> Average Q1 2011 exchange rate for US\$/£ was \$1.603 (Q1 2010: \$1.559), €/£ was €1.171 (Q1 2010 : €1.127) and Japanese Yen/£ was Y131.9 (Q1 2010 :Y141.3).

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



# First Quarter 2011

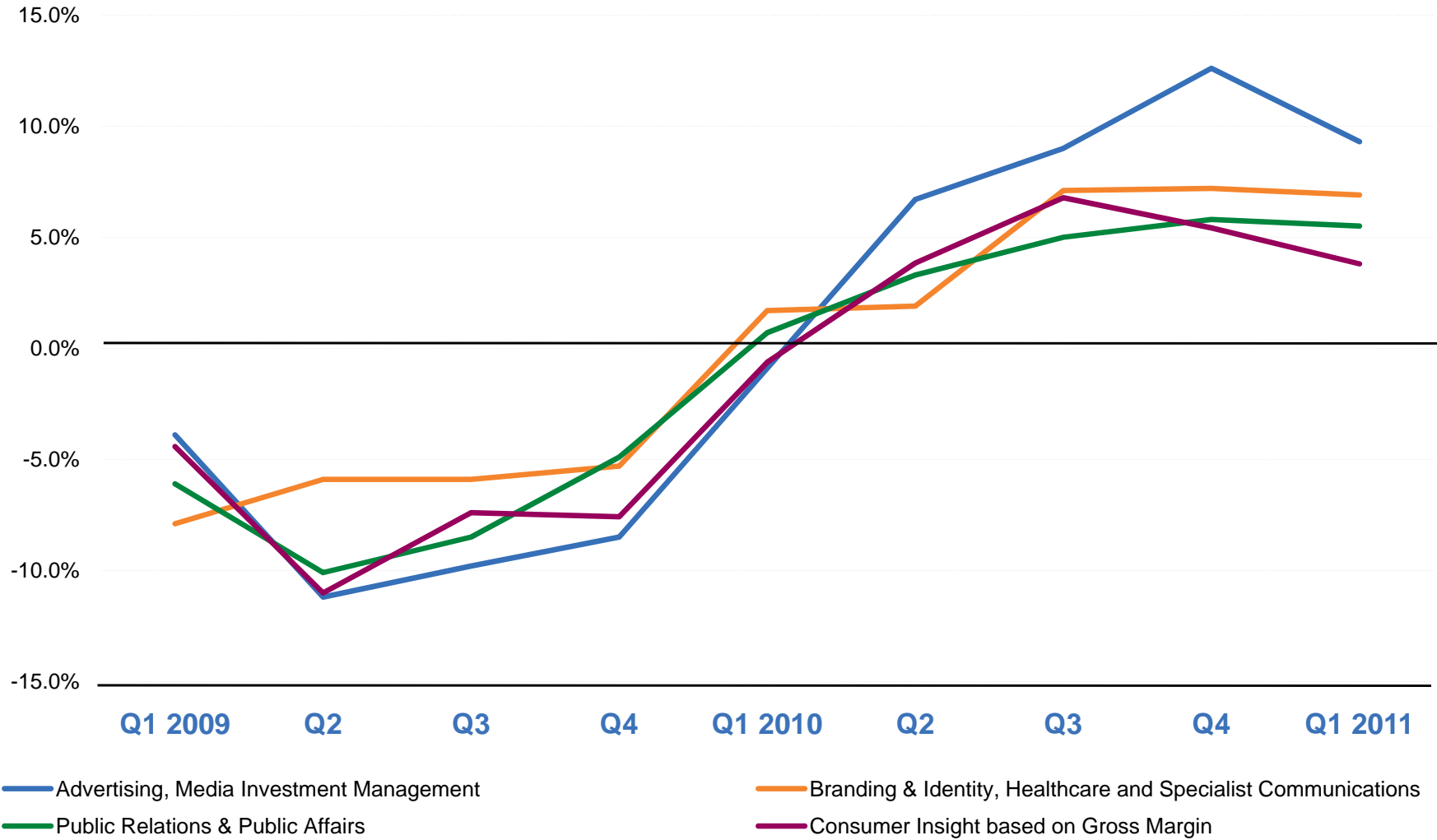
## Revenue by Discipline

|  | 2011<br>£m     | 2010<br>£m     | % Change   |                      |                   |
|--|----------------|----------------|------------|----------------------|-------------------|
|  |                |                | Reported   | Constant<br>Currency | Like-for-<br>like |
| Advertising, Media Investment<br>Management                      | 899.0          | 805.9          | 11.6       | 12.9                 | 9.3               |
| Consumer Insight   | 552.8          | 542.5          | 1.9        | 3.4                  | 3.0               |
| Public Relations & Public Affairs                                | 207.9          | 199.7          | 4.1        | 5.6                  | 5.5               |
| Branding & Identity, Healthcare and<br>Specialist Communications | 563.4          | 530.0          | 6.3        | 7.9                  | 6.9               |
| <b>Total</b>   | <b>2,223.1</b> | <b>2,078.1</b> | <b>7.0</b> | <b>8.4</b>           | <b>6.7</b>        |



# First Quarter 2011

## Organic Revenue Growth Trends by Discipline 2009-2011 Q1 Quarter by Quarter



# First Quarter 2011

## Advertising, Media Investment Management

- Strongest performing sector with like-for-like growth of 9.3% in first quarter.
- Advertising up almost 7% like-for-like, with strong growth in North America, Asia Pacific and Latin America. Western Continental Europe and the Middle East still lower growth.
- Media investment management up over 13% in first quarter, with all regions positive and particularly strong growth in the United States, Asia Pacific and Latin America with Western Continental Europe less so.



# First Quarter 2011

## Consumer Insight

- Consumer insight below the Group average with like-for-like revenue growth of 3.0% and gross margin growth 3.8%.
- 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.
- Millward Brown, Kantar Media, Kantar Worldpanel and IMRB performed strongly.





# First Quarter 2011

## Public Relations & Public Affairs

- Solid performance across most of the Group's businesses with like-for-like revenue growth of 5.5% in the first quarter.
- Geographically, all regions positive with Asia Pacific, Western Continental Europe and the Middle East performing well. Strong growth in Ogilvy PR Cohn & Wolfe and the Group's specialist PR businesses Buchanan in the United Kingdom and Hering Schupener in Germany.



# First Quarter 2011

## Branding & Identity, Healthcare and Specialist Communications

- Continuing strong performance with like-for-like revenue growth of 6.9% in first quarter, following the strong like-for-like growth of 7.1% and 7.2% in the last two quarters of 2010.
- Strong growth driven by the Group's direct and interactive networks of Wunderman and OgilvyOne Worldwide, together with specialist agencies VML and JWT Inside, with double digit growth in the Group's branding & identity agencies Fitch, VBAT, Lambie Nairn and The Partners.
- Geographically, strong like-for-like growth in direct, digital and interactive in Western Continental Europe, Latin America and Africa.



# First Quarter 2011

## Direct, Digital and Interactive

- At 31 March 2011, direct, digital and interactive revenues were \$1.0bn or 28% of total revenues (2010: \$0.9bn and 27% respectively).
- The number of people working in the Group in this sector is almost 25,000 or 23% of headcount.
- Like-for-like revenue growth in first quarter almost 8%.
- Encouraging start for newly formed specialist digital network, Possible Worldwide.
- Recent acquisitions Digitaria, iBehaviour, Blue State Digital and Comwerks enhancing digital capabilities.



# First Quarter 2011

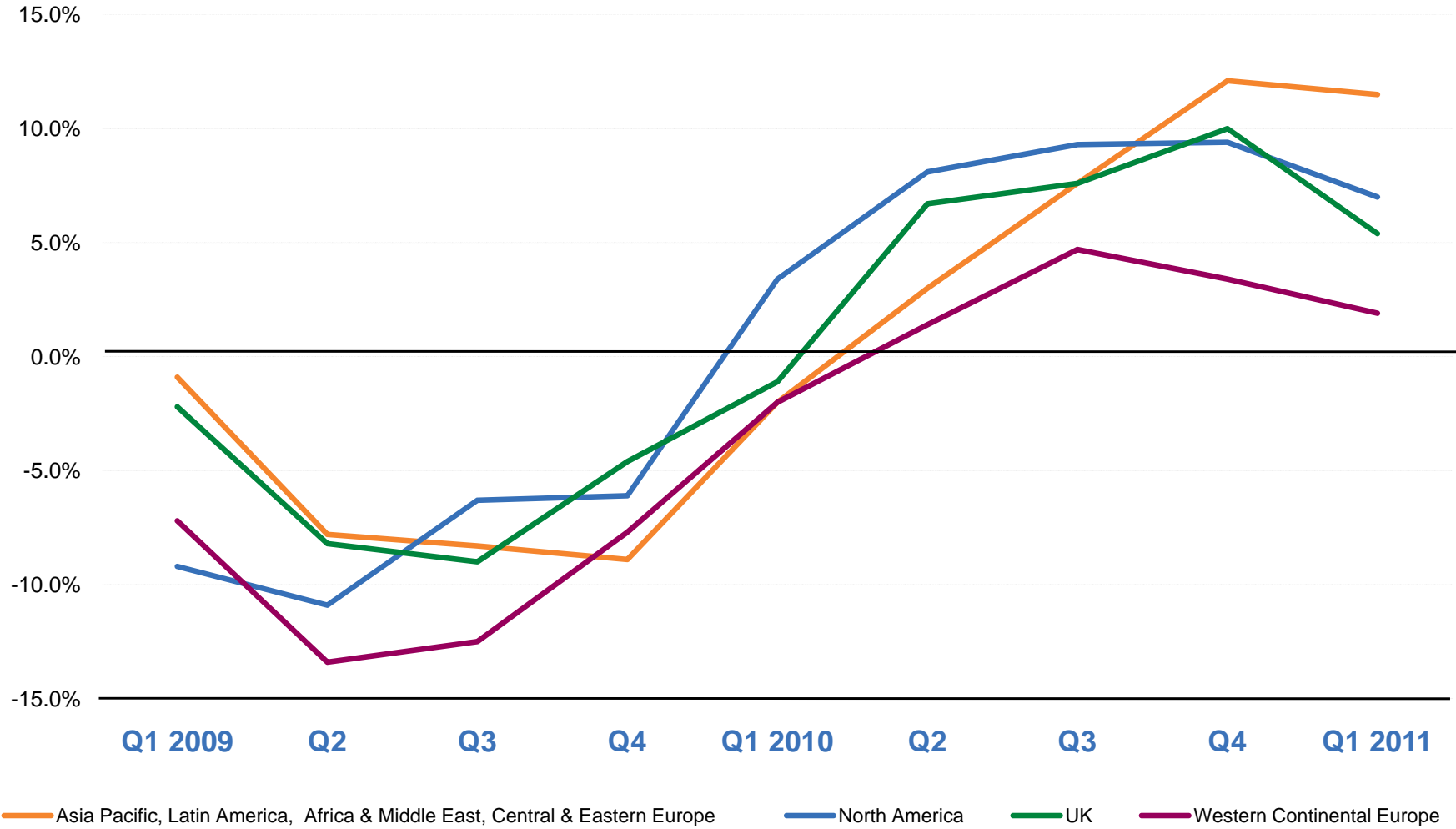
## Revenue by Region

|   | 2011<br>£m     | 2010<br>£m     | % Change   |                      |                   |
|---|----------------|----------------|------------|----------------------|-------------------|
|   |                |                | Reported   | Constant<br>Currency | Like-for-<br>like |
| North America   | 807.9          | 754.4          | 7.1        | 9.9                  | 7.0               |
| UK  | 271.0          | 251.6          | 7.7        | 7.7                  | 5.4               |
| Western Continental Europe  | 531.9          | 535.9          | -0.7       | 2.2                  | 1.9               |
| Asia Pacific, Latin America, Africa &<br>Middle East, Central & Eastern<br>Europe | 612.3          | 536.2          | 14.2       | 12.6                 | 11.5              |
| <b>Total</b>  | <b>2,223.1</b> | <b>2,078.1</b> | <b>7.0</b> | <b>8.4</b>           | <b>6.7</b>        |



# First Quarter 2011

## Organic Revenue Growth Trends by Region 2009-2011 Q1 Quarter by Quarter



# First Quarter 2011

## Growth by Region

- Continuing strong performance in the United States with like-for-like revenue growth of 7.0% - still more like an “emerging market”.
- Double digit like-for-like revenue growth in Asia Pacific and Latin America. All the Group’s major markets in Asia, except Japan and Malaysia, showing strong growth, with Mainland China and India combined like-for-like revenue growth of over 18%.
- UK like-for-like growth of 5.4% with Western Continental Europe up 1.9%.
- The Middle East affected by the current political turmoil, up 1.3% on a like-for-like basis.



# First Quarter 2011

## Revenue Growth by Country

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

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



# First Quarter 2011

## Revenue Growth by Category

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

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





# First Quarter 2011

## Effects of Strength of Sterling

- Currency movements accounted for a 1.4% decrease in revenue, largely reflecting the strength of the £ sterling against the US\$ and the euro.
- Sterling stronger on average as follows:

|      | 2011  | 2010  | Sterling<br>(stronger)/<br>weaker |
|------|-------|-------|-----------------------------------|
| US\$ | 1.603 | 1.559 | (3%)                              |
| €    | 1.171 | 1.127 | (4%)                              |
| ¥    | 131.9 | 141.3 | 7%                                |



# First Quarter 2011

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

| Agency    | Incumbent | Account                      | Office    | Billings (\$m) |
|-----------|-----------|------------------------------|-----------|----------------|
| Ogilvy    | PUB       | Claro                        | Brazil    | 500            |
| Grey/G2   | BBH       | Ally Financial               | USA       | 200            |
| MediaCom  | Ind       | DFS                          | UK        | 145            |
| Mindshare | IPG       | Unilever                     | Australia | 80             |
| Y&R       | Ind/IPG   | Beeline                      | Russia    | 70             |
| RKCR/Y&R  | Ind       | Dreams                       | UK        | 55             |
| JWT       | HAV       | Nestle                       | Global    | 50             |
| MediaCom  | OMC       | Mars/Wrigley                 | Canada    | 40             |
| JWT       | None      | Central Vigilance Commission | India     | 25             |
| MediaCom  | PUB       | Yum! Restaurants             | Canada    | 25             |
| MediaCom  | Ind       | Findus                       | Europe    | 25             |



# First Quarter 2011

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

| WPP Agency | Winning Agency | Account             | Office    | Billings (\$m) |
|------------|----------------|---------------------|-----------|----------------|
| MediaCom   | IPG            | Hasbro              | USA       | 150            |
| MediaCom   | IND            | Scottish Government | UK        | 120            |
| MediaCom   | PUB            | Dairy Queen         | USA       | 100            |
| MEC        | Ind            | Toshiba             | USA       | 50             |
| Y&R        | Ind            | Hilton Hotels       | USA       | 50             |
| Y&R        | Ind/HAV        | Dell                | Worldwide | 40             |
| Maxus      | AGS            | Friso               | Hong Kong | 35             |
| GroupM     | IPG            | Yili                | China     | 30             |



# First Quarter 2011

Internal Estimates of Net New Business Wins – Year to Date

| (\$m)            | Creative   | Media      | Total        |
|------------------|------------|------------|--------------|
| Advertising      | 466        | 586        | 1,052        |
| Other Businesses | 294        | -          | 294          |
| <b>Total</b>     | <b>760</b> | <b>586</b> | <b>1,346</b> |



# First Quarter 2011

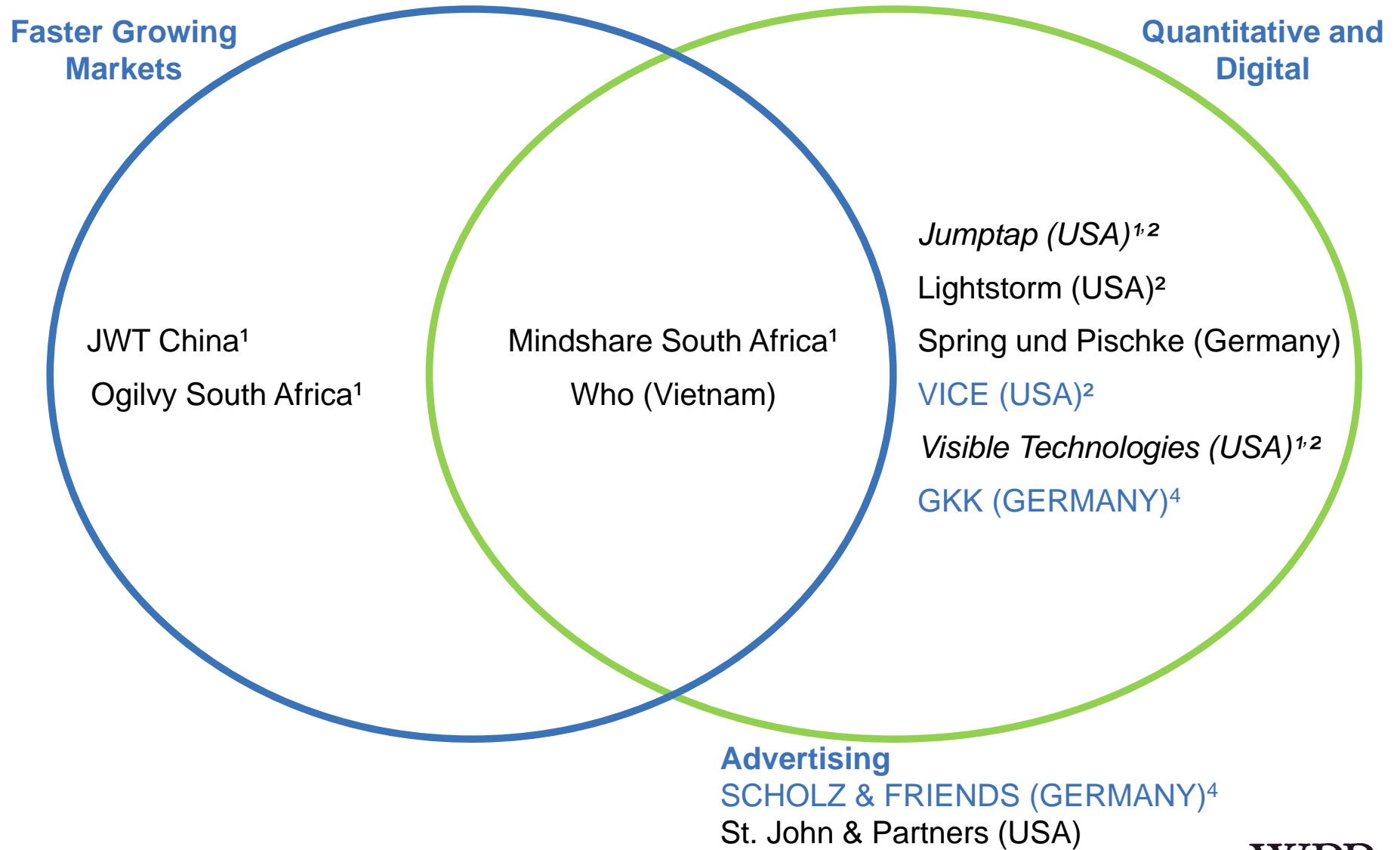
## Cash Flow and Net Debt

- Average net debt in the first three months down £574 million to £2.216 billion, compared to £2.790 billion in 2010, at 2011 exchange rates.
- Net debt at 31 March down £511 million to £2.598 billion, compared to £3.109 billion last year, at 2011 exchange rates.
- Free cash flow in the 12 months to 31 March 2011 of £1.169 billion.
- Average net debt to Headline EBITDA, for 12 months to 31 March, below 2.0x.



# First Quarter 2011

## Acquisitions and Investments – Year to Date



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

<sup>3</sup> CAPITALS ARE Q2 ACQUISITIONS

<sup>4</sup> Division of Commarco GmbH

# First Quarter 2011

## Uses of Free Cash Flow

| Category                      | March YTD<br>2011 | March YTD<br>2010 |
|-------------------------------|-------------------|-------------------|
| New acquisitions <sup>1</sup> | £18m <sup>2</sup> | £13m <sup>2</sup> |
| Share purchases               | 0.6% <sup>3</sup> | 0.4%              |
| Dividends                     | n/a               | n/a               |

<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> 7.8 million shares purchased at a cost of £64m and an average of £8.12 per share.



# First Quarter 2011

## Summary

- The year has started strongly with first quarter like-for-like revenues up 6.7%, in line with budget, with gross margin up 7.4%.
- First quarter profits and margin both ahead of budget and well ahead of last year.
- Strong cash flow from operations with first quarter average net debt down £574m at 2011 exchange rates.
- All disciplines and regions up versus same quarter last year.





# First Quarter 2011

## Outlook

- Overall preliminary quarter one revised forecasts show like-for-like revenue growth above 6%.
- Key trends are strong faster growing markets growth and improvement in growth from a low base in Western Continental Europe.
- There has been some “re-balancing” between H1 and H2 with the second half now forecast well above budget, with a more realistic fourth quarter.
- Revenue and headcount remain appropriately balanced and we are on track to meet or exceed our target of 0.5 margin points improvement.



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