

# WPP

## Trading Statement for the Third Quarter 2011

October 2011



# Third Quarter 2011

## Summary

- Reported revenue up 9.0% with constant currency revenue up 8.5%.
- Like-for-like revenue up 4.7% with gross margin up 5.5%.
- Third quarter profits and margin continue ahead of budget, ahead of full year expectations and well ahead of last year.
- Average net debt of £2.737bn down £332m or \$531m compared with same 9 month period last year at 2011 exchange rates.
- Acceleration in Asia, offset by slow down in US and Western Continental Europe.



# Third Quarter 2011

## Summary – Revenue Growth

% change	Third Quarter	YTD
Like-for-like: Gross Margin	5.5	6.4
Like-for-like: Revenue	4.7	5.6
Acquisitions	3.8	2.6
Constant currency	8.5	8.2
Foreign exchange	0.5	-1.1
<b>Reportable sterling</b>	<b>9.0<sup>1</sup></b>	<b>7.1</b>
<b>Reportable US dollars<sup>2</sup></b>	<b>13.1</b>	<b>12.9</b>
<b>Reportable euros<sup>2</sup></b>	<b>3.6</b>	<b>5.2</b>

<sup>1</sup> Average Q3 2011 exchange rate for US\$/£ was \$1.610 (Q3 2010: \$1.551), €/£ was €1.140 (Q3 2010: €1.200) and Japanese Yen/£ was Y125.1 (Q3 2010:Y133.0).

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

# Third Quarter 2011

Summary – Increasing Revenue Momentum<sup>1</sup>

% change	2010/09	2011/10	Combined	Combined Gross margin
Q1	0.0	6.7	6.7	7.5
Q2	4.7	5.6	10.3	10.6
Q3	7.5	4.7	12.2	13.0

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

# Third Quarter 2011

## Revenue by Discipline: Third Quarter

	2011 £m	2010 £m	Reported	% Change		
				Constant Currency	Like-for-like	
					Revenue	Gross Margin
Advertising, Media Investment Management	1,010.1	890.6	13.4	12.5	6.3	6.6
Consumer Insight	593.2	581.9	1.9	0.7	-0.2	1.2
Public Relations & Public Affairs	222.6	207.7	7.2	7.4	5.6	6.1
Branding & Identity, Healthcare and Specialist Communications	630.8	572.8	10.1	10.5	6.8	6.8
<b>Total</b>	<b>2,456.7</b>	<b>2,253.0</b>	<b>9.0</b>	<b>8.5</b>	<b>4.7</b>	<b>5.5</b>



# Third Quarter 2011

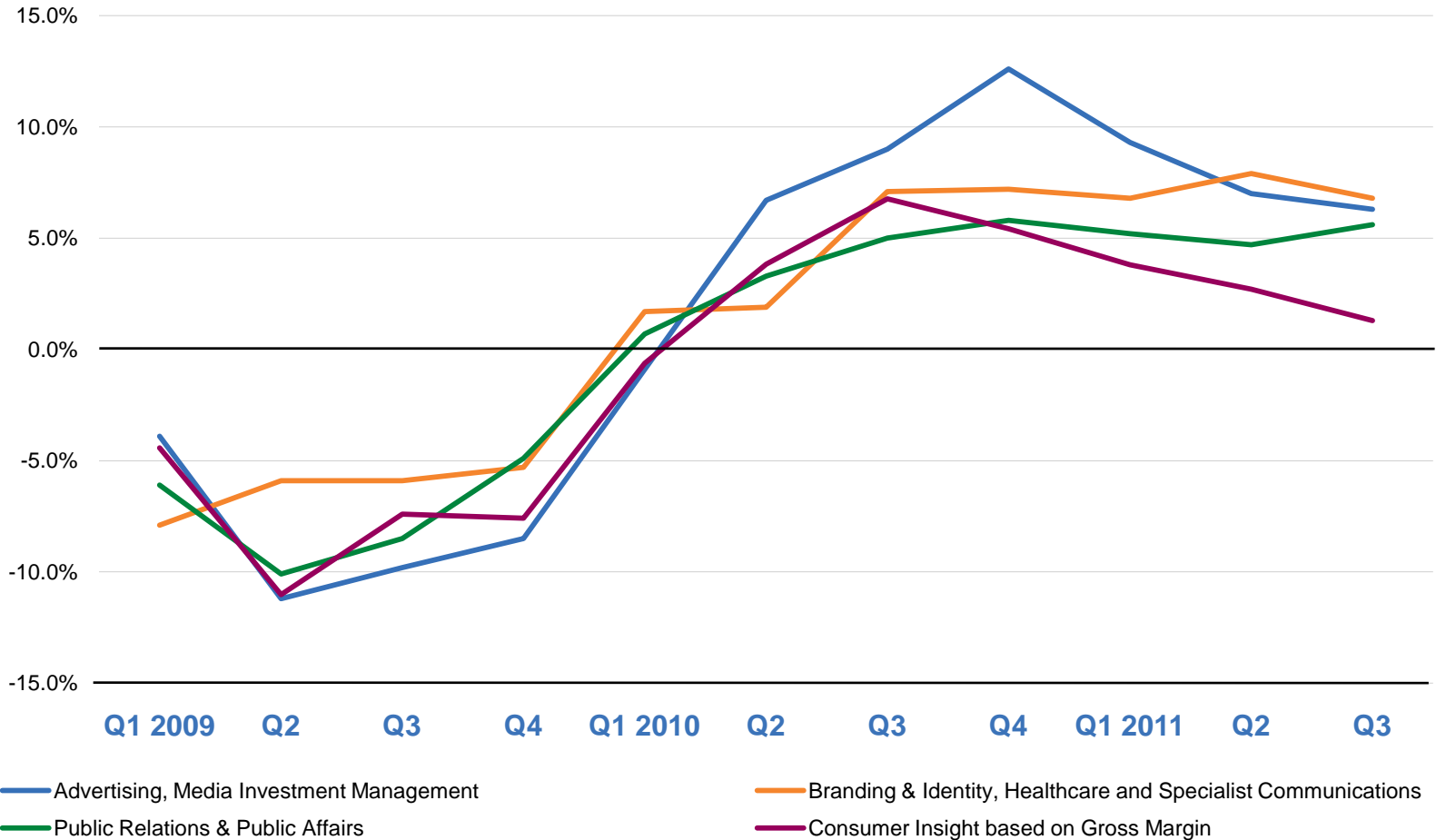
## Revenue by Discipline: Year to Date

	2011 £m	2010 £m	Reported	% Change		
				Constant Currency	Like-for-like	
					Revenue	Gross Margin
Advertising, Media Investment Management	2,937.2	2,636.7	11.4	12.2	7.5	7.7
Consumer Insight	1,770.5	1,744.4	1.5	2.0	1.4	2.6
Public Relations & Public Affairs	651.9	624.7	4.4	6.4	5.2	5.4
Branding & Identity, Healthcare and Specialist Communications	1,810.0	1,688.1	7.2	9.2	7.2	7.4
<b>Total</b>	<b>7,169.6</b>	<b>6,693.9</b>	<b>7.1</b>	<b>8.2</b>	<b>5.6</b>	<b>6.4</b>



# Third Quarter 2011

## Organic Revenue Growth Trends by Discipline 2009-2011 Q3 Quarter by Quarter



# Third Quarter 2011

## Advertising, Media Investment Management

- Maintained strong performance of H1, with like-for-like growth of 6.3% in Third Quarter and 7.5% year-to-date.
- Latin America, Asia Pacific and the United Kingdom well above the average. Some slow down in advertising in Third Quarter, with Western Continental Europe and the Middle East weaker.
- Media Investment Management up over 13% in Third Quarter, with all regions positive and particularly strong growth in Asia Pacific, Latin America and the United Kingdom.





# Third Quarter 2011

## Consumer Insight

- Consumer Insight below the Group average with like-for-like revenue growth flat and gross margin growth 1.2%.
- The United States, the United Kingdom and Western Continental Europe difficult, but double digit like-for-like growth in Latin America and almost 9% in Asia Pacific.
- Millward Brown, Kantar Media, Kantar Worldpanel and Center Partners performed strongly.



# Third Quarter 2011

## Public Relations & Public Affairs

- Increasing momentum across the Group's PR businesses with like-for-like revenue growth of 5.6% in the Third Quarter vs 4.7% in Second Quarter.
- Geographically, double digit like-for-like growth in Asia Pacific, with above average growth in the United Kingdom, Latin America and Western Continental Europe. Strong growth in Ogilvy PR, Cohn & Wolfe and the Group's specialist PR businesses Finsbury in the United Kingdom and Hering Schupener in Germany.



# Third Quarter 2011

## Branding & Identity, Healthcare and Specialist Communications

- Continuing strong performance with like-for-like revenue growth of 6.8% in Third Quarter, following the strong like-for-like growth of 6.8% and 7.9% in the first two quarters of 2011.
- Strong performances by the Group's specialist agencies, branding and identity businesses and WPP digital with an improving performance in the healthcare agencies. Continuing good growth in the direct and interactive networks of Wunderman and OgilvyOne Worldwide, together with specialist agencies VML, JWT Inside, Digitaria, Blue State Digital, 24/7 Real Media and F.Biz.
- Geographically, strong like-for-like growth in direct, digital and interactive in Latin America, Asia Pacific and the United Kingdom.



# Third Quarter 2011

## Direct, Digital and Interactive

- At 30 September 2011, Direct, Digital and Interactive revenues were \$3.2bn or 29% of total revenues (2010: 28%).
- Acquisition of businesses primarily in the USA – Global Market Insite, Lunchbox and Rockfish.
- WPP Digital Investor Day held on 18 October set out our strategy and reinforced understanding of our resources.
- Increasing penetration of our technology platforms with media billings to exceed \$1.0bn in 2011 from \$0.4bn in 2008.



# Third Quarter 2011

## Revenue by Region: Third Quarter

	2011 £m	2010 £m	Reported	Constant Currency	% Change	
					Like-for-like Revenue	Gross Margin
North America	837.4	819.5	2.2	5.6	1.7	2.7
UK	285.6	262.3	8.9	8.9	6.7	10.0
Western Continental Europe	587.7	519.5	13.1	7.6	1.3	2.1
Asia Pacific, Latin America, Africa & Middle East, Central & Eastern Europe	746.0	651.7	14.5	12.4	10.5	10.1
<b>Total</b>	<b>2,456.7</b>	<b>2,253.0</b>	<b>9.0</b>	<b>8.5</b>	<b>4.7</b>	<b>5.5</b>



# Third Quarter 2011

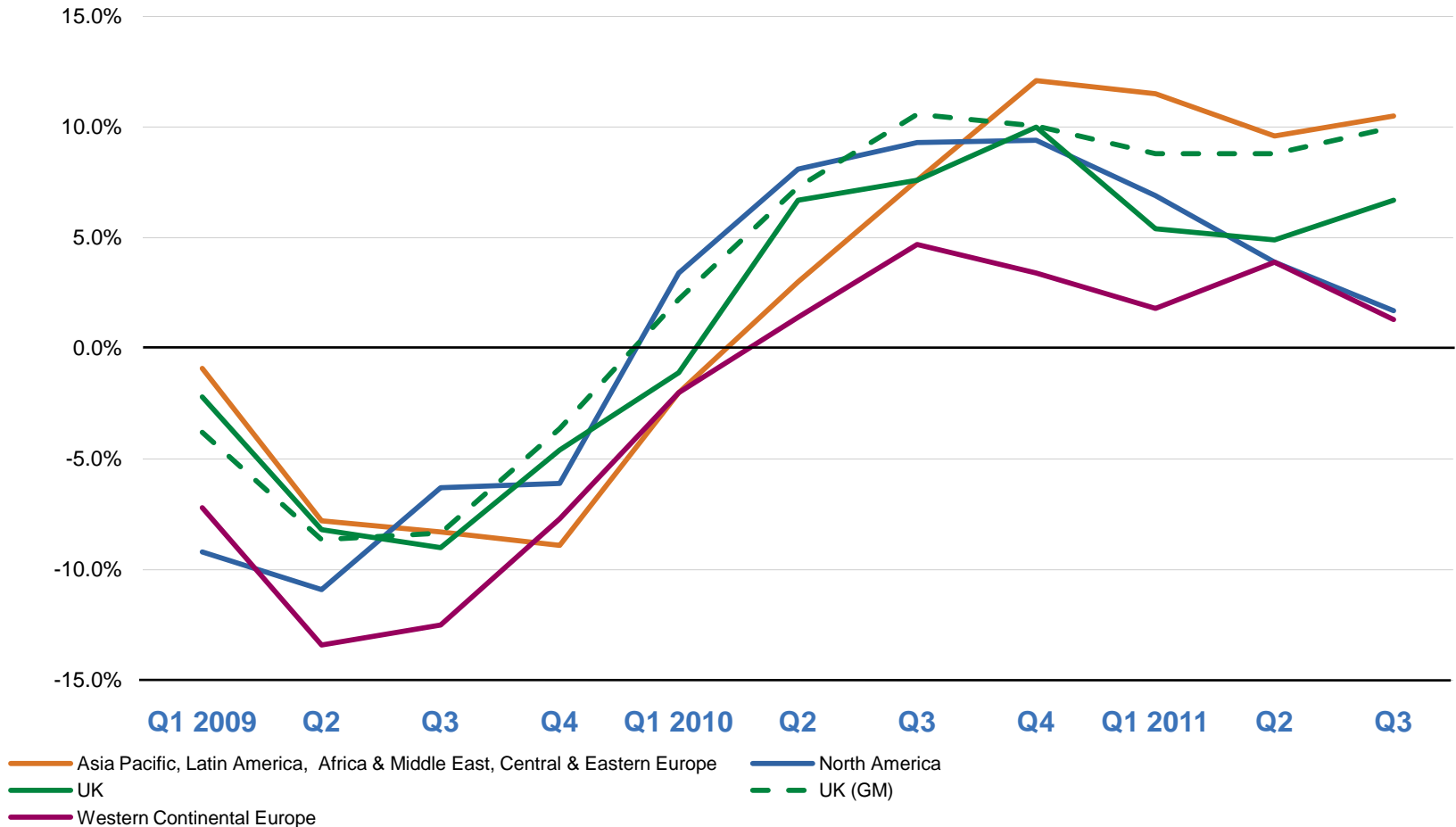
## Revenue by Region: Year to Date

	2011 £m	2010 £m	Reported	Constant Currency	% Change	
					Like-for-like Revenue	Gross Margin
North America	2,482.7	2,427.8	2.3	7.4	4.1	5.0
UK	845.8	785.4	7.7	7.7	5.7	9.2
Western Continental Europe	1,762.6	1,640.4	7.4	5.3	2.4	2.7
Asia Pacific, Latin America, Africa & Middle East, Central & Eastern Europe	2,078.5	1,840.3	12.9	12.2	10.5	10.1
<b>Total</b>	<b>7,169.6</b>	<b>6,693.9</b>	<b>7.1</b>	<b>8.2</b>	<b>5.6</b>	<b>6.4</b>



# Third Quarter 2011

## Organic Revenue Growth Trends by Region 2009-2011 Q3 Quarter by Quarter



# Third Quarter 2011

## Growth by Region

- Strong performance in the United Kingdom with like-for-like revenue growth of 6.7%.
- Double digit like-for-like revenue growth in Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe, following 11.5% and 9.6% in first two quarters. All the Group's major markets in Asia, except Japan, showed double digit growth, with Mainland China up over 23%.
- On a like-for-like basis, BRICs up over 17%, Next 11 up over 12%, CIVETS up well over 6% and "new G8" up over 16%.





# Third Quarter 2011

## Revenue Growth by Country

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

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



# Third Quarter 2011

## Revenue Growth by Category

Revenue Growth <sup>1</sup>	Categories
>20%	Government
15% to 20%	Automotive, Travel & Airline
10% to 15%	Retail
5% to 10%	Oil, Personal Care & Drugs, Telecommunications
<5%	Computers, Drinks, Electronics, Entertainment, Financial Services, Food

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



# Third Quarter 2011

## Effects of Currency

- Currency movements accounted for a 0.5% increase in revenue, largely reflecting the weakness of the £ sterling against the euro and most other currencies, partly offset by strength against the US\$.
- Sterling weaker on average as follows:

	Q3 2011	Q3 2010	Sterling weaker/ (stronger)
US\$	1.610	1.551	(4%)
€	1.140	1.200	5%
¥	125.1	133.0	6%

# Third Quarter 2011

## Trade Estimates of Major New Business Wins >\$100m

WPP Agency	Incumbent	Account	Office	Billings (\$m)
Maxus	IPG	SC Johnson	Global	1,000
Maxus/MediaCom	OMC/Ind	Comcast NBCU	Global	865
Ogilvy	IPG	SC Johnson	Global	500
MediaCom	PUB	Procter & Gamble	Japan	500
Ogilvy	OMC	Claro	Brazil	500
MediaCom	PUB	Procter & Gamble	SE Asia	450
Y&R/Taxi	Ind	Revlon	Global	265
JWT/MediaCom	n/a	US Corp. for Travel Promotion	Global	200
Grey/G2	PUB	Ally Financial	USA	200
JWT	PUB	Indesit	Global	156
Maxus	Ind	Barclays	Global	150
MediaCom	Ind	DFS	UK	145
MEC	n/a	Netflix	Latin America	100



Shaded figures are Q3 wins.

# Third Quarter 2011

## Trade Estimates of Major New Business Wins <\$100m

WPP Agency	Incumbent	Account	Office	Billings (\$m)
Mindshare	IPG	Unilever	Australia	80
RKCR/Y&R	PUB	Vodafone	UK	73
Y&R	Ind/IPG	Beeline	Russia	70
MEC	MediaCom	T-Mobile	UK	61
RKCR/Y&R	Ind	Dreams	UK	55
VML	PUB	Kellogg's	USA	51
JWT	HAV	Nestlé (Lean Cuisine)	Global	50
Y&R/Taxi	IPG	Kraft (Mio)	Global	40
MediaCom	OMC	Mars/Wrigley	Canada	40
MediaCom	Ind	Universal Media Group	USA	35
Mindshare	Ind	Belk	USA	33
JWT	None	Central Vigilance Commission	India	25
MediaCom	PUB	Yum! Restaurants	Canada	25
MediaCom	Ind	Findus	Europe	25

Shaded figures are Q3 wins.

# Third Quarter 2011

## Trade Estimates of Major New Business Losses >\$100m

WPP Agency	Winning Agency	Account	Office	Billings (\$m)
MediaCom	OMC	Warner Bros	USA	800
Mindshare	PUB	Burger King (resigned)	USA	300
MEC	PUB	Pizza Hut	USA	217
Ogilvy	OMC	TD Ameritrade	USA	165
Mindshare/JWT	PUB	Tourism Ireland	Global	156
MediaCom	IPG	Hasbro	USA	150
MEC	OMC	Activision Blizzard	North America	150
MEC	OMC	Sony	Asia Pacific	125
MediaCom	Ind	Scottish Government	UK	120
JWT	Ind	Rimmel	Global	109
MediaCom	PUB	Dairy Queen	USA	100

Shaded figures are Q3 losses.

# Third Quarter 2011

## Trade Estimates of Major New Business Losses <\$100m

WPP Agency	Winning Agency	Account	Office	Billings (\$m)
MEC	OMC	Sara Lee	Asia Pacific	75
MediaCom	MEC	T-Mobile	UK	61
Y&R	IPG	Sears	USA	60
Y&R	OMC	Office Depot	USA	60
Y&R	OMC	Accenture	Global	50
MEC	Ind	Toshiba	USA	50
Y&R	Ind	Hilton Hotels	USA	50
Y&R	Ind/HAV	Dell	Global	40
Maxus	AGS	Friso	Hong Kong	35
Grey	Ind	Toshiba	Global	31
GroupM	IPG	Yili	China	30

Shaded figures are Q3 losses.

# Third Quarter 2011

## Internal Estimates of Net New Business Wins – Third Quarter

(\$m)	Creative	Media	Total
Advertising	670	1,297	1,967
Other Businesses	322	-	322
<b>Total</b>	<b>992</b>	<b>1,297</b>	<b>2,289</b>





# Third Quarter 2011

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	JWT	n/a	Johnson & Johnson	Global	100
	MEC	AGS/PUB	Marriott	Global	80
	MediaCom	OMC	Westpac	Australia	70
	Maxus	AGS	Pfizer	China	31
	Y&R/Taxi	IPG	Kraft Gevalia	USA	25



# Third Quarter 2011

## Cash Flow and Net Debt

- Average net debt in the first nine months down £332 million or \$531 million to £2.737 billion, compared to £3.069 billion in 2010, at 2011 exchange rates.
- Acquisitions (including earnouts) and share buy-backs totalled £588 million in nine months to 30 September 2011.
- Net debt at 30 September up £123 million or \$197million to £3.046 billion, compared to £2.923 billion last year, at 2011 exchange rates. This reflects the increase in acquisition activity and share buy-backs.
- Free cash flow in the 12 months to 30 September 2011 of over £950 million.
- Average net debt to Headline EBITDA, for 12 months to 30 September, is below 1.8x.



# Third Quarter 2011

## Acquisitions and Investments – Year to Date

Faster Growing Markets

Quantitative and Digital

Arcay (South Africa)<sup>4</sup>  
 C&G (PHILIPPINES)  
 JWT China<sup>1</sup>  
 Ogilvy South Africa<sup>1</sup>

A4A<sup>4</sup>  
 CBC II (China)<sup>2</sup>  
 f.biz (Brazil)  
 Gringo (Brazil)  
 Mindshare South Africa<sup>1</sup>  
 Leading Smart (China)<sup>2,4</sup>  
 LMRB (Sri Lanka)<sup>1,4</sup>  
 Promo (Russia)<sup>4</sup>  
 TNS OBOP (Poland)<sup>1,4</sup>  
 Who (Vietnam)  
 TNS S. Africa<sup>1</sup>  
 TNS Russia<sup>1</sup>  
 Y&R Brazil<sup>1</sup>

AFFECTIVA (USA)<sup>2</sup>  
 DATACORE (USA)<sup>1</sup>  
 ECOMMERA (UK)<sup>2</sup>  
 gkk (Germany)<sup>3</sup>  
 GLOBAL MARKET INSITE (USA)  
 I-BEHAVIOR (USA)<sup>1</sup>  
 Jumptap (USA)<sup>1,2</sup>  
 INDEX VENTURES(UK)<sup>2</sup>  
 Lightstorm (USA)<sup>2</sup>  
 LUNCHBOX (USA)  
 KR Media (France)<sup>1</sup>  
 nPario (USA)  
 PXP (Austria)  
 ROCKFISH INTERACTIVE(USA)  
 Spring und Pischke (Germany)  
 Vice (USA)<sup>2</sup>  
 Visible Technologies (USA)<sup>1,2</sup>

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

<sup>2</sup> Investment <sup>3</sup> Division of Commarco GmbH <sup>4</sup> Acquisition since 1 October

# Third Quarter 2011

## Other Acquisitions – Year to Date

### Advertising

JMI (USA)

Scholz & Friends(Germany)<sup>2</sup>

St. John & Partners (USA)

Y&R France<sup>1</sup>

### Public Relations & Public Affairs

Chime (UK)<sup>1</sup>

Quill (UK)



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

<sup>2</sup> Division of Commarco GmbH *CAPITALS ARE Q3 ACQUISITIONS*

# Third Quarter 2011

## Uses of Free Cash Flow

Category	Sept YTD 2011	Sept YTD 2010	FY 2010
New acquisitions <sup>1</sup>	£291m <sup>2</sup>	£26m <sup>2</sup>	£97m <sup>2</sup>
Share purchases:	£161m	£29m	£46m
% of issued share capital	1.8%	0.4%	0.5%
Dividend increase	25%	15%	15%

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

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

# Third Quarter 2011

## Summary

- Strong revenue and gross margin growth in quarter with continued momentum, particularly over combined two years.
- Slowdown in USA and Western Continental Europe as predicted.
- Consumer Insight strong profit and operating margin performance but not on revenue.
- Variable costs (incentive pools, freelance and consultants) reaching peak levels as we close the year.
- Operating margin well ahead of prior year and full year expectation with cash generation strong.
- Increased acquisition flow starts to have impact with a 3.8% contribution to revenue in the quarter.



# Third Quarter 2011

## Outlook

- Faster growing markets will hold up well and should contribute over 75% of absolute organic growth.
- Western Continental Europe and USA to continue low growth with Media Investment Management and Digital, Direct and Interactive strongest disciplines.
- Preliminary Q3RF indicates full year like-for-like revenue growth of 5% and gross margin growth of 5.7% on the same basis, in line with budget.
- Operating margins before and after bonus continue to be strong, with full year operating margin likely to improve beyond the 0.7 margin points achieved in the first half, ahead of our target of 0.5 margin points.



# Third Quarter 2011

Summary – Increasing Revenue Momentum<sup>1</sup>

% change	2010/09	2011/10	Combined	Combined Gross Margin
Q1	0.0	6.7	6.7	7.5
Q2	4.7	5.6	10.3	10.6
Q3	7.5	4.7	12.2	13.0
Q4	8.6	3-4	11.5-12.5	12-13

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



# Third Quarter 2011

## Conclusion

- The Group is well placed as we begin preparations for 2012, with:
  - high level of variable costs
  - headcount growth below revenue growth
  - costs well controlled and operating margin rising
- The trends in Faster Growing Markets and Digital support our revenue goal of industry growth or more.
- There are good opportunities to achieve EPS growth in 2012 from top line growth of 0% to 5%, margin improvement of up to 50 bps and the application of our substantial cash flow to acquisitions, share buy-backs and debt reduction.



# WPP

## Trading Statement for the Third Quarter 2011

October 2011

