WPP 2019
Third Quarter
Trading Update

Morning Teleconference Transcript

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Overview

Mark Read

Chief Executive Officer, WPP

Good morning. Welcome to our third quarter trading update. I'm here with Paul Richardson, our CFO and Andrew Scott, our COO, and other members of the team and we'll take you through the statement. So we have our safe harbour statement on Page 2.

SLIDE 3

Turning to Page 3, I'll talk briefly through the highlights of the quarter and then Paul will take you through the numbers. We have a relatively short presentation today, I hope you welcome that, and we'll have time for questions afterwards. So, I think if you look at the third quarter, the most important number really is our like-for-like revenue less pass-through costs, which grew excluding Kantar at 0.5% or including Kantar at 0.7%.

For the presentation overall, we always sort of refer to the continuing group, so to some extent this quarter and the full year will be a transition. So we'll try to help you understand the migration of the business including Kantar to excluding Kantar by referring to both sets of numbers, but really on an ongoing basis, the relevant number to look at is 0.5; the number to compare with the guidance and also consensus is 0.7.

I think pleasingly, although it is one quarter and I don't want -- we have to look at it in the context of it being one quarter, the improvement was broad-based both geographically and functionally and we saw a continuing improvement in the US business from minus 5.9% to minus 3.5% in the third quarter.

The UK held up well and we had a number of questions in the first-half about the business in China, where we said we felt it was an impact of a strong comparative from the year before, some specific issues and you'll see that Mainland China was really flat at minus 0.4, flat for the quarter. Similarly, we're pleased that our global integrated agencies grew like-for-like plus 1.7 in the third quarter and it is referred to in the statement that VMLY&R, a business that we brought together around this time last year, actually grew both globally and in the United States.

And as we said before, we're seeing a consistent set of client wins. I wouldn't say anything enormous, but improved retention combining to gradually drive an improvement in the performance of our creative agencies, and overall I would point out wins that took place during the quarter, the creative win at Mondelez, the media win at eBay, the retention by Wunderman Thompson of its business with the US Marine Corps and the win or extension of our business with Centrica that we had much of the business in the UK, but not outside the UK. It was a hotly contested account during the quarter.

Yesterday, the Kantar transaction was approved by shareholders, I think 99.98% approval and we believe that makes sense for the company both strategically for the rest -- for WPP to focus on how we use data in our market, whether we own data financially, we had to put the company's balance sheet on a much stronger footing and give ourselves the financial resilience to operate throughout the whole business cycle.

And we also believe that it's the right thing to do for Kantar to enable Kantar to make the necessary investments in technology and automation and that WPP shareholders will benefit through a 40% shareholding in Kantar. As I pointed out at the beginning, the group results show Kantar as an asset held for sale at this point and we will try and help you understand what that means going forward. And the last point is we had a number of key hires throughout the quarter including John Rogers, who will start as our new CFO January 27th, and he'll report in the right time for -- be the right would say thank you to Paul.

So Paul turning to the sort of more detailed numbers.

Financial Outlook

Paul Richardson

Group Finance Director, WPP

SLIDE 4

Okay. Thank you, Mark. So I'm on Slide 4. Looking at the revenue growth and pass-through costs versus the prior year, so building it up focusing on the third quarter. So the like-for-like growth for the group including Kantar was plus 0.7. And as Mark has mentioned, we're having to sort of classify Kantar as an asset held for sale and that won't be in our consolidated numbers for the quarter nor for the first half, so actually we are removing the revenues and profits from the reported numbers and showing it as one line in the bottom of the P&L in the full-year results.

So all the stated numbers would end up being restated to remove Kantar from our numbers for the full 12 months 2019. So on that basis for the third quarter, the group -- the continued operations grew at 0.5% on a like-for-like basis. There were no acquisitions in the quarter, but foreign exchange is positive by 3.2%, leading to reported growth of 3.7% for the quarter. Taking the same on the full-year basis, the like-for-like growth including Kantar for the nine months, we were down 1.1%, but taking Kantar out for the nine months, the group continued operations declined by 1.5%.

Turning that into a reported number, acquisitions added 0.3% for the nine months, foreign exchange for the nine months added 2.3% and reported growth for nine months was 1.1%.

SLIDE 5

I'll turn now to foreign exchange on Slide 5. Last year, it was a headwind of 2.8%. This first-half we had a benefit of about 1.8% to 1.9%. In the third quarter, we saw a benefit of 3.2%, but now foreign exchange rates have moved quite considerably since the half year numbers where the pound dollar was 1.22 and the pound euro was 1.10. So when we predicted what the full-year impact would be at the interim statement, we thought the full-year impact would be 2.8%.

Now with the movement of the rate, the pound dollar 1.29 and pound euro 1.16, the full-year effect would be plus 1.2 and actually a negative will come through in the final quarter of this year.

SLIDE 6

On Slide 6, we break out the business, showing you the quarterly run rate for those numbers that have been reported, which included Kantar for the first half, and the continuing operations for the group. So taking you through quarter-by-quarter if I can. So you will have seen and in your tables and your numbers will have a like-for-like decline for the group in the first quarter of minus 2.8%. You'll recall that Kantar in that quarter grew at 0.3, so the continuing operations for the business in quarter one declined by 3.3.

Likewise in quarter two, the group reported a second quarter decline of minus 1.4%. The Kantar business in the second quarter grew at plus 0.5, so the continuing operations excluding Kantar in the second quarter were down 1.7%.

Likewise, for the first half, we reported a decline in revenues less pass-through cost of 2%. In the half-year, the first six months, Kantar did grow at 0.4%. And so the continuing operations for the first half when restated to exclude Kantar was down 2.5%.

The third quarter, as Mark already mentioned, including Kantar the growth was 0.7%. Kantar had a strong quarter growing at 1.6% in quarter three and the group had a strong quarter growing at 0.5% excluding Kantar.

SLIDE 7

So turning now to Slide 7, and looking at the third quarter in a bit more detail by geography. So North America now with GBP1,034 million of revenue less pass-through cost in the quarter, out of a total of continuing operations of GBP2.7 billion, North America representing around 38% of the business. On a like-for-like basis, continuing operations declined 3.5%. When I compare that including Kantar for the third quarter, that would have been 3.2% down which compared including Kantar for the first half, we reported down 6.9. So a considerable sequential improvement in the performance of the North American business.

The UK, which is now 12% of business at GBP334 million of revenue less pass-through costs for the quarter sawlike-for-like on a continuing basis growth of 3.1%. If we were to include Kantar in the quarter, the growth would have been 2.1%, which compared to growth in the first half in the UK of 0.2%.

Western Continental Europe, which represents around 19% of the business now or GBP518 million of revenue less pass-through cost grew on a like-for-like basis 1.7%. If we were to include Kantar, the growth would be 1.8%, which compared to a decline of 0.1% in the first half. In Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe, which is 31% of business now or GBP839 million of revenue less pass-through cost, we saw growth on a like-for-like basis on continuing operations of 4%. Including Kantar, that would have been 4.1%, which compared to first-half growth of 1.7%.

So totally for the group on continuing operations, GBP2.7 billion of revenue less pass-through cost, growing on a like-for-like basis 0.5%, including Kantar growing at 0.7% and on a half year basis, the same, we were declining at 2%. Down below, we note the asset sale with Kantar which had GBP492 million of revenue less pass-through cost in

the quarter had good growth of 1.6% in the quarter and pleasingly the insight business, which had always traditionally grown in the faster growth markets has struggled in more mature markets saw good or improved performance in some of the mature markets like the

USA and returning to growth in France and Germany and also continue to be well-performing in the BRIC markets where its growth for the quarter was over 6%.

SLIDE 8

So turning now to Slide 8, the same analysis on a year-to-date basis, so the North America now after nine months, we see like-for-like revenue less pass-through cost decline at 6.1%. The UK overall for the nine months, we see growth of 1.9%. In Western Continental Europe, overall in continuing operations, we see growth of 0.4%, and in Asia Pacific, Latin America, Africa & the Middle East overall for nine months we see growth at 2.1%. Overall for the group after the nine months, we see continued operations declined of minus 1.5% and if you were to include Kantar for the nine months, the decline will be slightly less at minus 1.1%, which means that Kantar for the nine months had overall growth of plus 0.8%.

We do give you a very detailed breakdown in the appendix on Page 17, listing out the seven sort of sub regions, and the numbers we quote by quarter have been restated to show you the continuing operations like-for-like performance in each of the seven sub-regions.

SLIDE 9

Turning now to the revenue and pass-through cost for sectors. The global integrated agencies, which are GBP2,036 million or 75% of the continuing operations saw like-for-like growth of 1.7% in quarter three compared to the first half, where they saw a decline of 1.8%. As Mark has already mentioned, we saw broad-based growth, we saw in the global integrated agencies growth in North America or improved performances in North America, UK and Continental Europe with improved performance in Wunderman Thompson, VMLY&R, Grey and pleasingly global growth of VMLY&R including growth in North America.

Public relations which is around GBP225 million of revenue less pass-through cost for the quarter were approximately 8% of the continuing operations and saw a revenue decline of 0.9% in the quarter, which compared to a decline of 1.5% at the half year point. The Specialist agencies which represents 17% of business or GBP464 million of revenue less pass-through cost in the quarter saw a decline of minus 3.4% in the quarter, which at the half-year point was down 5.7%. So an improvement in the run rate.

We did see improvements from some of our specialist agencies coming during the quarter, specifically Geometry and AKQA showing growth along with better performances coming out of Commarco and the brand consulting businesses. So overall, the continued businesses that I have mentioned, the quarterly growth was plus 0.5%, which on a similar basis for the half-year we were minus 2.5. Kantar as I've mentioned, grew in the quarter 1.6% and the group including Kantar, therefore for the quarter would have grown at 0.7%.

SLIDE 10

Turning now to the same on a nine month basis on Slide 10. So the continuing operations, the global integrated agencies like-for-like growth for the nine months is minus 0.6%. For the public relations, the nine-month decline is 1.3%. For the specialist agencies, the decline for nine months is 5.3%. So overall for the group, the continuing operations, the nine-months like-for-like decline is 1.5%, if you were to include Kantar's growth for nine months at 0.8%, the group's number would be down 1.1%.

SLIDE 11

Turning now to Slide 11, so the trade estimates of assignments won and lost in the third quarter. A pleasing number but a smaller number than prior year. This activity has been lower this year compared to some years, but with some pleasing wins mainly of media businesses coming through and obviously pleasing one creative win for Ogilvy and Mondelez, a global piece of business coming through for them. A couple of losses, one was a switch on the media business for Allergan the loss of our global business of Vodafone, Wavemaker, but retaining three key markets of Australia, India and the Netherlands.

SLIDE 12

Turning now to net debt. So, the average on a constant currency basis was GBP4.4 billion, a GBP625 million improvement or 12% lower than this time last year for the nine months of GBP5.1 billion. And on a point-to-point basis, the similar improvement GBP4.4 billion at the 30th of September, an improvement of GBP493 million or broadly 10% than a year ago where we were GBP4.9 billion.

SLIDE 13

On Slide 13, turning to the uses of free cash, we show on the right-hand column, the full year 2018 numbers that show in acquisitions we spent GBP288 million and on disposals generated GBP849 million. So net disposals over in full-year '18 was GBP561 million. When combined with the disposals year-to-date of GBP311 million, you could see with the GBP849 million and the GBP311 million that's GBP1.1 billion for disposals. Add to that the consideration from the Kantar sale of a further GBP2.5 billion. When it comes in, that will be basically GBP3.5 billion, GBP3.6 billion for disposal proceeds generated since the beginning of 2018.

So, year-to-date, as I mentioned, disposals of GBP311 million, acquisitions fairly modest, around GBP44 million, no share buybacks year-to-date and strong headroom on undrawn facilities in the -- on the banking side.

SLIDE 14

On Slide 14, just to reiterate for the year, our 2019 financial guidance previously given including Kantar remains unchanged both including and excluding the Kantar numbers as follows. On a like-for-like basis, revenue less pass-through costs we expect to be in the range of minus 1.5% to minus 2% and the headline operating margin to revenue less pass-through costs down around one margin point on a constant basis excluding in the impact of IFRS 16, which on a margin basis is approximately positive by half a margin point.

And now, I'd like to hand back to Mark.

Progress on Strategy

Mark Read

Chief Executive Officer, WPP

SLIDE 15

Thanks Paul. So I'll just wrap up by just making a few remarks on our strategic progress. I think, we set out a three-year plan on December 11th last year to return WPP to sustainable growth. I think there are two key objectives in that, one or two key metrics. One was organic growth and the second was leverage, and I think you can see in this set of numbers and yesterday's approval of the Kantar transaction good progress on both. And so we really remain on track to deliver our three year plan.

Sort of turning to each of the elements of it, in December, we set out a new vision and offer for the company, really the vision to be a creative transformation company and a broader offer covering communications, experience, commerce and technology, a broader offer, better positioned to the faster growing parts of our market and what a modern marketing business needs to grow and succeed in today's environment. And I think you can see in the wins in our business, the improved retention of clients such as Centrica or the US Marine Corps that is having some success and an increasingly integrated proposition is working with clients.

The second task was really to have a much simpler structure for the group. Importantly, to eliminate this artificial distinction between analog and digital or creative and digital and to integrate our activities to make it much simpler for clients to access the talent that we have inside the business and frankly make it easier for us to manage the group and sort of cut down some of its sprawling nature.

And I think that you can see in this quarter that we're demonstrating results. VMLY&R, I mentioned before grew positively in both the US and globally in the third quarter and Wunderman Thompson has shown improvements as well in its performance both globally and in the US in the course of the year. It's a much larger company to bring together. And so I think it will take more time to see the results there. But I think the initial impact is positive and certainly, we know we continue to believe in both of those cases that it was the right thing to do as was bringing our healthcare businesses together in the core agencies.

We set out a goal of really building a stronger, more diverse leadership team, and I think we've had continued progress in building the team and attracting talent to the company. John Rogers, our new CFO will start at the end of January and we made good progress in hiring creative talent into the company. Taras Wayner we announced will join us as Chief Creative Officer for Wunderman Thompson in North America and there's been a number of other key creative hires at VMLY&R, Grey in Europe in the last couple of months.

In terms of the balance sheet, we really needed to get the company into a stronger financial position and to be resilient, as I said throughout the whole of the business cycle. And the approval of the Kantar transaction yesterday I think at 99.98% was very positive and once the transaction is completed, it will take our leverage to the low-end of our target range, well ahead of time. We have raised GBP3.6 billion through disposals since April last year. I'm pleased that we've done that, it puts the company on a much firmer financial footing and gives us the space that we need to reinvest in the company and confidence that we need for our clients.

Now on guidance, and I'm sure we'll get questions on this from you during the Q&A. We are reiterating our guidance for 2019 of minus 1.5% to 2%, both including and excluding Kantar. I think that's an important distinction. We have discussed the reasons for that, but I think we felt that at this point given where we are, we did not want to change the guidance and so it made sense to hold it where it is. We don't see anything in our business that gives us particular cause for concern in Q4, but the comparators are a little bit tougher compared to Q3, we felt the right thing to do was to hold it at this point.

To really to summarize, I think the positive growth in Q3 is encouraging. It is just one quarter. As we said in the statement, there will be twists and turns along the way. It's not going to be a straight line given where we started the year and necessarily the end of the year or indeed to 2021. But I think there's a -- it's positive, reflects the benefits and the actions that we've taken and the strategy remains on track.

So, I think that that's sort of the formal presentation and we'll be happy to take questions from all of you on the call.

Q&A

Adrien de Saint Hilaire (Bank of America): Yes. Good morning, everyone, and well done on the improvement in Q3. I've got a few questions, please. First of all, in this quarter, we've seen a number of big advertisers in the consumer space producing disappointing growth, cutting guidance. Does that make you worry for this category into Q4 and 2020? That's the first question.

Second question Mark and Paul in the release this morning you've highlighted that VMLY&R returning to growth, can you discuss a bit when you would expect Wunderman Thompson to turn positive? I saw they lost a bit of business from Johnson & Johnson recently, so does that have an impact for next year?

And then sticking to functions, I think you highlight lot of the improvements around the creative businesses, which is obviously good, but media and GroupM and doesn't really get mentioned in the release is it because -- it's slowing or is it just because you wanted to keep the release short and neat? Thank you.

Mark Read: Yes. Okay. So I think on the first question is related to sort of consumer packaged goods. I think, as I said in the last call, we do see something of a divergence in performance -- divergence in trends in consumer packaged goods. I think if you'd asked us a year ago, there was sort of pressure downwards from most of them. I'd say it's more mixed today and we see some with a more positive trend on budgets and some of the more negative trend.

Look, I think that you saw -- if you saw P&G's results the other day they covered an increase in marketing spend. So, I think that I wouldn't draw any -- I wouldn't draw anything particular positively or negatively from the fact that some of them are finding, growth tougher. I think it shows as we found out from Kraft/Heinz that they need to increase their marketing investments. And so, I'd be more concerned about the overall macro environment than I would be about specific package goods companies.

On VMLY&R and Wunderman Thompson, I don't think we want to give a sort of a running commentary on sort of growth company by company; we're pointing out the performance of VMLY&R because it was notable, I think in Wunderman Thompson, we've seen an improvement in the course of the year and don't forget these are two companies to come together. They're collectively more than twice the size of the VMLY&R and they didn't have the close relationship which VMLY&R had historically, I think we'll see that it will take longer for them and that's what we expected at the time and they have a number of losses coming into the year from last year.

I think the they did lose three brands in the consumer space from Johnson & Johnson in the past couple of months, but I don't think that was a particularly sizable -- certainly was not as sizable as some of the more dramatic headlines were in the press. And I don't think that gives us a particular cause for concern in terms of when we can expect that business to return to growth and I think that it's really part and parcel of the day-to-day of the business.

Then turning to your question on media and creative, I think it's really, you know we've had a good performance from GroupM in the quarter, we haven't called it out because really it's been in line with where it's been for the balance of the year. We're really focusing on those things in the released that changed from one year to the next, if anything it was marginally stronger in Q3 than it was in Q2, but marginally so it wasn't something that we need to call out.

Adrien de Saint Hilaire: Okay, very clear Mark and since I have the opportunity to ask you about macro. You said you are to be more concerned about global macro than consumer goods, so can you give us your sense around the general tone of business as we enter the critical months?

Mark Read: Yes. Look, I think since I started this job, people have been concerned about a global recession sort of three to six months out and it's remained three to six months out. So I think at this point it is right to be cautious coming into the year, as you know, the fourth quarter is the biggest and most important quarter for our business, our guidance relates both to revenue and to margin and we didn't want to get into the process of sort of micro targeting the guidance up or down, we've got ourselves into trouble doing that last year. So I think the right thing to do is to say that we will deliver what we said we would deliver at the beginning of the year. But we haven't seen any sort of macro deterioration and if we thought we had we would have -- we would have remarked on it. I think it is notable that the UK has remained relatively resilient. Although, we did have a tough second half in the UK last year to the comparatives with the UK in the second half of the year are a little bit easier as well.

Adrien de Saint Hilaire: That's all very clear Mark. Thank you very much.

Lisa Yang (Goldman Sachs): Good morning, everyone. And congratulations on the results. My first question is on the US, obviously, we continue to see a good improvement there, in Q2, I think there was a quite a big impact from the account losses impact I would say being a bit smaller than expected. Could you talk about Q3, how much would improvements -- account loss as opposed to the underlying improvement, could we get a growth rate ex the account losses? That's my first question.

The second one is on your guidance, obviously you already achieved minus 1.1 for the first nine months including Kantar, so ahead of your full-year target. So could you help us to understand like how you think about Q4 are you seeing a deterioration in any of your businesses with any phasing of kind of spending from Q4 to Q3? Or is it just because it's too early to revise the budget at this point of the year?

And the last question is regarding your performance versus peers, so actually in Q3, I think you outperform the peers already. I mean we calculate about 0.2% growth for the peer group. So if we think about 2021 and your targets, obviously, the industry growth is very low to-date at 0.2%. So what gives you the confidence that the overall industry growth could improve as opposed to WPP catching up with peers? Thank you.

Mark Read: Yes. So I'll work my way -- through the questions. I think looking at the US, it's very hard to split that out in as easy a way you -- as you would like Lisa. But I think that the improvement is partially driven by some of the losses pulling out and partially driven by spending with existing clients getting better. So it's not all one or all the other it's a blend and I'm looking at the list of clients in front of me now trying give you a better answer. I think that it's a little bit of both which I guess is reassuring a little bit improvement in the core business and little bit the losses cycling out, but a number of them do continue across the whole of the year and a number of clients we are seeing an improvement.

On your second question on the guidance. I think it just felt we just didn't want to change it at this point, and therefore, we decided not to. And then on the question of growth in line with peers by 2021 I guessed that we would hope that it will be higher than 0.2% as you point out. So I don't think we would -- I don't think we would declare that as victory. So I think there's a number of issues that we need to address as an industry, and I think as I said before, I do think that this is an industry of structural change not structural decline. We need to re-orientate our portfolio and our work towards the faster growing parts of our business, which is what we are in the process of doing. And I think that would be -- that would be our goal.

Lisa Yang: Okay. Just to follow up on the guidance.

Mark Read: Yes.

Lisa Yang: So just to confirm you are not seeing any deterioration so far in Q4, so you didn't change this because I mean it's your decision but you're not -- it's not based on any underlined deterioration in business right now?

Mark Read: No, we're not changing it because we think things are going to get -- the economy is getting worse in Q4, we're just not changing it because we don't think that we should change it.

Lisa Yang: Okay. Very clear. Thank you very much.

Patrick Wellington (Morgan Stanley): Good morning. It's actually Patrick Wellington from Morgan Stanley. A couple of questions. Firstly just follow-up on Lisa's point, I mean, if you take the current inc Kantar guidance minus 1.1 after nine months to get to minus 1.5 for the year. You'd have to do minus 2 .7 in the fourth quarter and I think what people want to hear is for you to say that you don't think you'll do minus 2 .7 in the fourth quarter. So if that's a question, that's what it is.

Secondly, Mark if you would put your happy hat on in relation to FMCG, there's a number of people in the industry, who seem to think that actually it's all a bit more positive in FMCG and that you'd want FMCG customers at this stage of the cycle, because they are getting more committed to spending on advertising and marketing. So could you interpret things that way?

And then thirdly, your largest private shareholder with 1.4% of the company seems to think that after the success of the Kantar sale, you should sell GroupM to a third-party, you might think it's worth more to a third-party than it is to WPP. So just to kill that one off have you any such intention of so doing and do you think there's masses of value in GroupM?

Mark Read: Okay. So tackle it direct -- so directly as I can take your first question. I think what we would say is that we didn't -- we're not going to give a forecast quarter-by-quarter, and therefore we don't want to change the guidance in a way that we're trying to give you an exact number the Q4, so we decided to keep the guidance where it is, that's a sort of precise response as I can get.

If I were to make the number exactly what we thought it would be, then we got something for different situation, right, as a different difficult situation. So I think we felt that the right thing to do was to hold it where it is, so it's not -- really not to answer your questions directly one way or another, but I think that's as direct as a we can get. Does that help?

Patrick Wellington: Yes, that's what I think we've got the point, you don't want to change guidance, fair enough.

Mark Read: I think the second point to make is -- I agree, I mean when the conversation we had with Mondelez, which was really interesting. And it's much more about focused on creative work and the quality of the creative work on mass personalization or really think driving through an integrated sort of creative and media strategy in the work. And actually I think if you look at Kantar's result, it does come off the back of a number of packaged goods companies I think deciding that they cut their investment in research and insight harder and actually the part of Kantar that has performed better is the Insights part of the business. It's had a very-very tough few years.

I think if you look at our packaged goods clients in our top 30, six of them grew in the quarter and three of them declined. That's a way of helping you understand, sort of understand where we are now, this is one quarter. On your last question, I think you know the answer, I mean normally we say we don't respond to sort of speculation, but I don't think that makes any sense at all.

Patrick Wellington: Excellent. Although GroupM is clearly a very valuable business.

Mark Read: We think WPP is a very valuable business. So I think that, I don't know whether any of the mathematics what we're talking about is correct or not correct. But I think that we wanted to get our leverage to a level where it was sustainable. And that's really what we've tried to do. So -- and I think that we're where we said we would be at the beginning, when we started in April we made the remarks -- every conversation we have with clients, said they want to bring things closer together not split them further apart.

So I don't think it makes sense to break up media from the rest of the business. I mean everyone talks about the integration of creative, and media and technology so How can it make sense to split that off from the rest of the business here? Many of our most successful client wins have been through the integration of those two things and even when we're not winning both of them, the major topic on clients' mind is how we're integrating, creative and data both together. And other people bang on about creative and data and everything else being together, I think that's true in WPP's case as well it's easy to be together, so I do think that makes sense.

Patrick Wellington: Very clear. Thank you.

Mark Read: Thanks, Patrick.

Julien Roch (Barclays): Yes. good morning. Thank you for taking my questions. My first question is have you decided on how you will return the Kantar cash to shareholders - most of the investors I speak to favor a buyback?

Second question again on Kantar, how much did Kantar rise in millions over all at what coupons and on this basis assuming flat operating profit what will be the associate contribution in 2020? And lastly, specialist agencies have become the trouble spot at WPP with the largest decline in Q3. Can you explain why and what are the biggest agencies in there so we get more colour on the division? Thank you.

Mark Read: I'll take the third -- I'll take the last question and Kantar will take the two questions -- I'm sorry, Andrew will take -- and Andrew the two questions on Kantar. So in terms of the specialist agencies there was one notable client loss last year, the creative business at Ford, and while Ford remains WPP's single largest client by some way the impact of that is mainly felt through the specialist agency line, I think it brings it more -- looking at it this way brings it more closely into focused than the -- you to better understand, what's going on.

We did have some pressure in our shopper marketing business, and we've had some pressure on the event side of the business and both of those come through the specialist agency line. So that's really what it is – I mean it comprises really GTB, our specialist operations for Ford, Geometry, AKQA which had a good year and a number of other sort of events and specialist marketing companies in our branding and identity companies and some of our international healthcare marketing business. Andrew?

Andrew Scott: On the shareholder return, I mean, I think we're okay -- we can confirm what you said I think having spoken to investors there is a preference for share buyback versus dividend. So I think we'll be going in that direction. I don't think we want to get into today talking about the precise details on amount and timing, but we will communicate that at the right time.

And then on the financing, the terms are still -- the terms are within the range that they and the banks had anticipated, obviously, for local markets are stronger in Europe than the US, and I think there was a sort of I think they shifted a few of the tranches to Europe. We're comfortable with where they ended up on that, it's a process being led by Bain.

And in terms of the forecasting, we will come back -- I mean, obviously we built in our analysis of where we think the business will be next year and the Associates income and that's all baked into the -- what we communicated on EPS or the likely impact that we communicated at the time of the deal. I don't want to give you a number for the Associates income from that business on the call, and I guess the team can come back to you in terms of what we want to communicate, how precisely we communicate that.

Paul Richardson: Yes, I think it's bit early Julien, there are a lot of adjustments at the year-end to our balance sheet, obviously taking Kantar out making adjustments to the pro forma debt as a result of the consideration coming in and the interest adjustment.

There's something on the share count reduction assumption, timing and amount also to be brought in on a pro forma basis. So there's a lot of elements that we have to communicate to you. I think on the year-end numbers, adjusting the P&L for 2020 on a continuing operation basis and the impact of both the capital reserves for the equity side and the debt repayments side that all have to flow through plus obviously whatever the Associate income is on the joint venture for 2020, when they prepare their final budget. So I think it's the end of the year we give you all that update on it.

Julien Roch: Okay. Thank you.

Richard Eary (UBS): So. Good morning, everyone. Apologies. Mark first thing is that can you talk about the healthcare and the PR repositioning and where we’re at through that process? And where we can see sort of a pathway to recovery as you've seen that sort of with VMLY&R? That's the first question.

The second question is on retention, it's nice to see that you talked about retention and growing within clients, I mean, I don't know whether you can expand on that. I think historically at the strategy day you called out 13 of your top 30 clients were only growing, you said now six of CPG were growing. Can you talked about the pathway in terms of how we're starting to expand offering and solutions within the top 30 as well?

Third thing is just on China, it's good to see that we've seen a turnaround China which I think Paul you called out as well recently, how we think about China into fourth quarter, whether there's any headwinds?

And then just lastly on FX impacts full-year called out, what the impacts are going to be for this year. I'm just wondering if you roll forward the FX rates into next year. What would be the headwinds for the full-year at constant currency to-date? Thanks.

Mark Read: Okay, so I think on sort of the first question about Healthcare and PR. I think the PR business had a tougher year. A tougher start to the year then they did last year. I think part of that is -- some specific business issues in one of the units in the US not down to the overall -- less down to the overall strategy. And I think that we're pleased with where we are there, I point out that -- AnnaMaria DeSalva only started at Hill & Knowlton -- I think in the middle of May. So she's starting to get to grips with that and Donna Imperato has done an excellent job at a big task bringing Burson-Marsteller and Cohn & Wolfe together.

And I think we will work our way through that, and I think some of what you see in our PR businesses is just a little bit the result of some sort of deal related activities pluses and minuses on deal activities it's somewhat related to M&A. We have strengthened our financial PR businesses last year. And as you know, M&A activity has been lower this year, so I think you'll see some of that. So I don't think there's a particular trend that I would read into the progress in the PR business I think it's just some lumpiness quarter-by-quarter.

On the healthcare business, we did have a lot of attrition with healthcare clients during 2018 running into 2019. And I think that will take some time to work its way through. We have seen an improving trend in a number of our healthcare clients in the US, which I'd say is positive. The international healthcare business has probably had a tougher year this year than it did last year. Just to give you some context and insight into that.

On the top 30 clients, I think you've got to remember this is just one quarter, so it's hard to extrapolate trends from one quarter to the next and I think there's people that pointed out, if we hit our guidance, we will not be growing in the fourth quarter. So, given the comparatives, so that's where we are. So, hence we use the term twists and turns in the guidance. But I'd say if you look at our top clients, they had a slightly better quarter in Q3 than they did in the first half of the year, which again I take this as positive. What was the question on China, I mean there was an observation?

Paul Richardson: China I mean -- how was it trending for the rest of the year. The current view of the business is that we will continue to grow in the fourth quarter, in spite of strong growth in the fourth quarter of last year. So across the business, actually both it may be Global Integrated Agencies then the specialist services in particular to specialist businesses are looking for a strong fourth quarter, and overall growth in China for the year just coming through because of that. So again strong business doing relatively well.

And then finally on FX, I think we did run some numbers the other day, and it's likely to be at the current rates that they roll forward for a year a minus 1% impact on 2020 headwind for foreign exchange fixed remain as they are today for the whole of 2020.

Richard Eary: Thank you very much.

Tom Singlehurst (Citi): Morning, it's Tom here from Citi, one question I suppose. You mentioned P&G earlier on very strong performance in the quarter on the face of it as you mentioned, sort of decent overall trends in media investment and also, I mean it's an intriguing company because there's a CMO who's constantly going on the record sort of talking fairly positively about relationship with agencies and how important they are, yet, at the same time P&G not necessarily specifically, but companies like P&G are often flagged as being one of the main sources of attrition for the larger agency group.

So I suppose, well, actually a two-part question: one is can you just try and reconcile all those different moving parts, they're growing better but they're spending less in agencies how is that happening? And why is it happening? What does it mean in terms of sort of where the emphasis in terms of spend is? And then link to that, attrition within your business is this are you seeing that attrition stable as the quarters progress or it is the drag from attrition within traditional FMCG, for example, just beginning to fade away. Thank you.

Mark Read: Yes. I think on P&G and maybe less about them specifically and more about what we're trying to do, I don't think that clients and as they would attest are trying to spend less on marketing or perhaps indeed the services that agencies broadly defined offer. I think that we just to some extent service them in some of the categories.

Our biggest market share with them has been in the parts of the business that have been most under pressure - the analog parts of advertising. And what we're trying to do with our -- the new strategy and positioning and the types of people putting on the business is broaden it into the areas where they're growing their spend. Leveraging the relationships that we've had traditionally.

And I think part of the reason or major reason that we brought VMLY&R and Wunderman and JWT together was so that we could offer more easily and more straightforwardly an integrated solution to those clients across all of the channels and which they reach their consumers, and make it easier for them to do that. I think in the cases where we have lost business, I think largely, it's a result of historic inability to do that over a number of years. This resulted in them re-evaluating the relationship.

In terms of your second question on attrition, I think if you're referring to sort of the impact of losses over the year, I'd say it's relatively, it is what we said at the beginning of the year it's more weighted in the first half then the second half and I think that remains the case, we do ways -- our business is one where we win business and lose business, but I think that we're now, this year back in normal business if you like. So, I think the impact running into 2020 will be much more similar to what we've experienced, normally and what our peers experience normally. And really it's up to us to position the business better and win a disproportionate share of the opportunities that we have.

Tom Singlehurst: That's very clear. Thank you.

Simon Baker (Societe Generale): Yes. Thank you. Good morning and well done again on the quarter. Two questions, please. One is on the US improvement, that goes through into the third quarter. Certainly a very significant improvement versus Q1. Could you just sort of walk us through the action points that you now have on your agenda to continue that improvement towards the sort of 2021 sort of industry growth for the group. Should we think of it as sort of more linear fashion from here as the impact of global integrated agencies, and branding and account losses unwinding et cetera, has its impact? So trajectory is the first question.

Secondly, on the twists and turns in guidance that you refer to earlier Mark, so this is less than a question about the fourth quarter, but perhaps more one about the Q3, is there anything that you sort of break out that make Q3 a little bit more positive favored maybe from what was going on in the background from Publicis or anything else? Thank you.

Mark Read: Yes, so I think on the trajectory, I do -- to be direct, if you are sort of looking at the numbers simply in the US is minus 9, minus 6, minus 3, I would not necessarily draw the conclusion from that Q4 will be zero.

Or we'll go directly from there to 20 -- to where we are in 2021. So, I don't think that it's practical to expect that degree of improvement in the year that quickly and in the year. And we do -- we are -- we do -- we are pleased with the leadership changes that we've made and the people that we've been able to hire. We are a people business and both on the positive side attracting new talent, working with clients on new opportunities takes time. And similarly, it takes time on the negative side dealing with the client losses and attrition to work through the system.

So, I would encourage people to have to be patient in that sense. But I think we -- we did lay out a three-year plan and there was a reason why it was three years. To your question about, what was positive about Q3, I think that we called out the situation of VMLY&R specifically, because there has been some commentary that perhaps it hasn't been successful. So we just wanted to be clear that it had been successful, but I think that we've seen an improvement really we know in all parts of the world and across most of the activities of the company.

So now again, we know where we are in Q4, so we don't want to be in a position to sort of declare victory in Q3. So that it would be declaring defeat in Q4, I think we should look at the half overall, and most people at the beginning of the year a sort of minus 3 in the first half, minus 1 in the second half. I'm not saying that's the forecast of the second half, but I'm saying that we should look at the half overall and look for a better half in the second half than the first to set ourselves up, for incrementally better performance in 2020 and to get where we need to get to by the end of 2021, I think that's sort of how we're thinking about that.

Simon Baker: Thank you.

Mark Read: Yes. So thank you very much. As I said at the beginning is it is an encouraging quarter, but the comment I just made we're not declaring victory at this point, there's work to do, and that's really what we're focused on. So thank you for listening from us at WPP and we will speak to you soon.

[END OF TRANSCRIPT]