WPP 2021
Interim Results

Morning Teleconference Transcript

Thursday, 5 August 2021

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Interim Highlights

Mark Read

Chief Executive Officer, WPP

Thank you, very much, and good morning, everybody. Welcome to our 2021 interim results. I'm here in London with John Rogers, our CFO; and Peregrine Riviere, who heads our Investor Relations team, and we'll take you through the results and then answer any questions you have at the end.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This presentation contains statements that are, or may be deemed to be, "forward-looking statements". Forward-looking statements give the Group's current expectations or forecasts of future events. An investor can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as 'anticipate', 'estimate', 'expect', 'intend', 'will', 'project', 'plan', 'believe', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance.

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Please turn to Page 2 to read the cautionary statement before we go through the results.

AGENDA

1. FIRST HALF HIGHLIGHTS
2. FINANCIAL PERFORMANCE
3. BUSINESS UPDATE
4. Q&A

I'll just briefly cover the highlights before handing over to John to talk you through our financial performance.

FIRST HALF: STRONG PERFORMANCE

- H1 LFL revenue less pass-through costs +11.0% (H1 20: -9.5%)
  Q1 +3.1% (Q1 20: -3.3%), Q2 +19.3% (Q2 20: -15.1%)
- Strong growth across the board in Q2: GIA +19.2% (Q2 20: -15.7%), PR +12.9% (Q2 20: -7.5%), Specialist Agencies +27.8% (Q2 20: -16.3%)
- Business mix shifting to faster-growth areas:
  - 26% Experience, Commerce and Technology vs 25% in 2019
  - GroupM billings 43% digital, with 61% growth in commerce media
- $2.9 billion in net new business YTD: AstraZeneca, Bumble, JP Morgan Chase, Pernod Ricard; US Navy retention
- Leading in creativity: most creative company of the year at 2021 Cannes Lions
- Interim dividend +25% to 12.5p; £248m share buybacks in H1; further £350m in H2
- Guidance raised: LFL revenue less pass-through costs 9-10%; headline operating margin towards the upper end of 13.5-14.0% range
- Back to 2019 levels a year ahead of plan: H1 +0.5% on 2019, Q2 +1.3% on 2019; positive momentum

Turning to Page 4. I think we saw a strong performance in the first half of the year. If you look at net sales growth, we led our peers that reported so far, and I think that reflects really a pretty strong performance across the board geographically by business sector and by client sector with revenues less pass-through costs for the first half up 11% against the backdrop of being down 9.5% in the first half of last year and an acceleration in performance from Q1 of 3.1% to 19.3%, so close to 20% net sales growth in the second quarter.

As I said, we had strong growth across the board in our integrated agencies, our public relations firms and our specialist agencies and a particularly strong performance from GroupM. And I think the results also reflected a shift in business mix to the faster-growing areas of our business within communications, into digital media, commerce media, but also within the areas experience, commerce and technology, we saw that percentage increase from 25% to 26%.

We've had a respectable or solid start so far in terms of new business. We'll get into that a little bit later, but we've probably seen a slightly stronger performance in creative, than media than we did last year. And actually, our creative performance was extremely good. We won most creative company of the year at the 2021 Cannes Lions, the first time that we've done that since 2017.

Overall, the results enable us to increase our dividend by 25% and return further money to our shareholders through GBP248 million in share buybacks and another GBP350 million planned in the second half of the year. And net-net, we're raising our guidance for the second time this year for revenues less pass-through costs to 9% to 10% and our operating margin being at the upper end of the range that we set out at the beginning of the year.

I think we've seen really good momentum across the business. John will talk you through both the revenue and profit performance, but it takes us back to 2019 levels a year ahead of plan and a positive two-year stack of 0.5% for the first half and improving to 1.3% for the second quarter. So good momentum going into the back half of this year and into next year.

So John, do you want to take everyone through the financial performance?

Financial Performance

John Rogers
Chief Financial Officer, WPP

Thank you, Mark. Good morning, everyone.

UNAUDITED HEADLINE[1] IFRS INCOME STATEMENT

HALF YEAR TO 30 JUNE	2021 £M	2020 £M	Δ REPORTED	Δ LFL[2]
Continuing operations				
Revenue	6,133	5,583	9.8%	16.1%
Revenue less pass-through costs	4,899	4,668	5.0%	11.0%
Operating profit	**590**	**382**	**54.4%**	
Income from associates	29	-	-	
PBIT	**619**	**382**	**62.0%**	
Net finance costs	(117)	(106)	(10.4%)	
Profit before tax	**502**	**276**	**81.9%**	
Tax at 24.1% (2020: 23.1%)	(115)	(64)	(78.9%)	
Profit after tax	**387**	**212**	**82.8%**	
Non-controlling interests	(34)	(21)	(64.0%)	
Profit attributable to shareholders	**353**	**191**	**85.0%**	
Diluted EPS	**28.7p**	**15.4p**	**86.4%**	
Operating profit margin[3]	**12.1%**	**8.2%**	3.9pt	
EBITDA	699	480	45.8%	

- Disposals account for 0.2% reduction in revenue less pass-through costs with currency 5.8% unfavourable
- Associate income up by £29m as we lap COVID related downsides
- Diluted EPS from continuing operations up 86%

1 Figures before goodwill and intangibles charges, gains/losses on step ups, gains/losses on disposals of subsidiaries and investments, investment and other write-downs, share of exceptions, gains/losses of associates, restructuring and transformation costs, restructuring costs in relation to COVID-19, litigation settlement and revaluation of financial instruments

2 Like-for-like growth at constant currency exchange rates and excluding effect of acquisitions and disposals

3 Margin as % of revenue less pass-through costs

So straight into the headline income statement on Slide 6. We've got revenue less pass-through costs for the half of GBP4.899 billion, which is up 5% on a reported basis, given the currency drag and up 11% on a like-for- like basis. All of which delivers an operating profit of GBP590 million, up 54.4%, and taking account of the income from associates, net finance costs and of course, tax, delivers a profit after tax of GBP387 million, up 82.8% year-on-year.

Adjusting for non-controlling interest delivers profit attributable to shareholders of GBP353 million, up 85.0% year-on-year and a diluted EPS of 28.7, up 86.4% year-on-year and an operating margin for the first half of 12.1%, up 3.9 percentage points year-on-year. And for good measure, EBITDA of GBP699 million, up 45.8% year-on year. So clearly, a strong half.

RECONCILIATION OF HEADLINE OPERATING PROFIT TO REPORTED OPERATING PROFIT

HALF YEAR TO 30 JUNE	2021 £M	2020[1] £M	Δ £M
Headline operating profit	**590**	**382**	**208**
Goodwill impairment	-	(2,813)	2,813
Amortisation and impairment of intangibles	(30)	(53)	23
Investment and other write -downs	-	(226)	226
Restructuring and transformation costs	(34)	(18)	(16)
Restructuring costs in relation to COVID -19	(19)	(39)	20
(Loss)/gain on disposal of investments & subsidiaries	(1)	16	(17)
Litigation settlement	(22)	-	(22)
Non headline items	**(106)**	**(3,133)**	**3,027**
Reported operating profit/(loss)	**484**	**(2,751)**	**3,235**

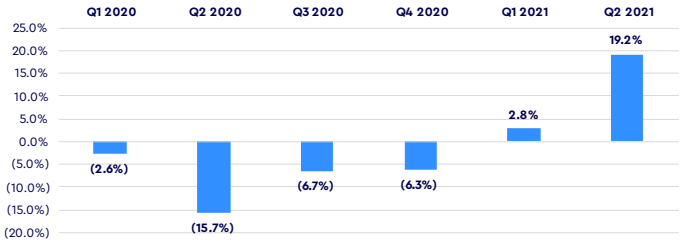
1. 2020 figures have been restated as described in note 2 of Appendix 1 to the 2021 Interim Results press release

Moving now to the reconciliation of headline operating profit to reported operating profit. So, we start off with a headline operating profit of GBP590 million in the half. Adjusting for amortization, restructuring costs, both COVID and transformation driven, and also other costs give an adjustment of GBP106 million and a reported operating profit of GBP484 million. Obviously, significantly ahead of last year given the goodwill impairments and the investment write-downs that we made this time last year.

GLOBAL INTEGRATED AGENCIES: GROUPM VERY STRONG, INTEGRATED AGENCIES RECOVERING

£M	H1 2021 £M	Δ REPORTED	Δ VS 20 LFL	Δ VS 19 LFL
Revenue less pass-through costs	4,069	4.4%	10.9%	0.4%
Headline operating profit	483	71.1%		
Headline operating margin	11.9%	+4.7pt		

LFL REVENUE LESS PASS-THROUGH COSTS GROWTH



Note: 2020 growth rates have not been restated for the reassignment of AKQA, Geometry, GTB and International Healthcare from Specialist Agencies to Global Integrated Agencies from Q1 2021

H1 PERFORMANCE

- GroupM +17.0% in H1 (Q2: +28.6%) – strong global recovery in ad spend
- Growth driven by leadership in programmatic and CTV
- Encouraging two -year growth from GroupM and VMLY&R
- Q2 double -digit LFL growth at Hogarth, Wunderman Thompson and Ogilvy

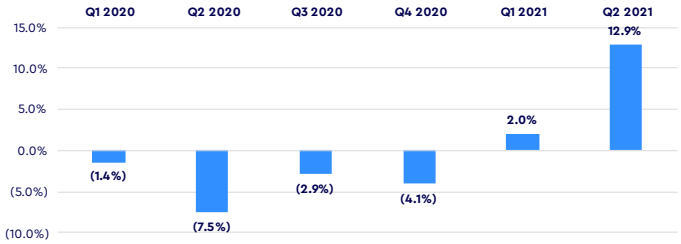
Coming on now to performance within the different segments and on to global integrated agencies, which delivered an overall net revenue less pass-through costs of just over GBP4 billion, up 10.9% on a like-for-like basis and also very pleasingly up 0.4% versus 2019. So really strong growth, delivering a profit of GBP483 million, up 71.1% and a margin of 11.9%, up 4.7 points. And you can see in the graph below the trajectory of that growth, and you can see the building momentum. So Q1 on Q1 versus Q2 on Q2, you can see the momentum building in the business as we travel through the year.

And the highlights. GroupM, up 17% in the half and 28.6% in the second quarter, really strong performance driven by recovery in global advertising spend and driven, of course, by our Xaxis and Finecast businesses. Also encouraging two-year growth from both GroupM and VMLY&R and indeed double-digit like-for-like growth in Q2 for Hogarth, Wunderman Thompson and very good growth in Ogilvy, very encouraging performance from Ogilvy, a strong performance in Q2. So overall, strong performance all around.

PUBLIC RELATIONS: INCREASING IMPORTANCE OF REPUTATION TO BRAND

£M	H1 2021 £M	Δ REPORTED	Δ VS 20 LFL	Δ VS 19 LFL
Revenue less pass-through costs	429	0.7%	7.4%	2.6%
Headline operating profit	63	(11.7%)		
Headline operating margin	14.8%	(2.1pt)		

LFL REVENUE LESS PASS-THROUGH COSTS GROWTH



Note: 2020 growth rates have not been restated for the reassignment of AKQA, Geometry, GTB and International Healthcare from Specialist Agencies to Global Integrated Agencies from Q1 2021

H1 PERFORMANCE

- Continued strong demand for strategic advice, increasing client focus on purpose
- Up 2.6% on 2019
- BCW and H+K both growing double-digits LFL in Q2
- Finsbury Glover Hering merger completed
- Margin affected by relatively strong prior year performance, investment in people and merger -related costs

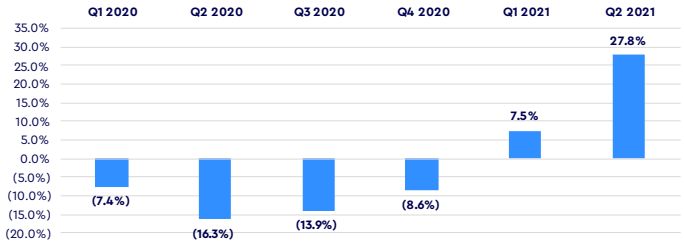
Coming on now to public relations, which is an area that didn't suffer as much under COVID as some of our other segments. But overall, revenue less pass-through costs of GBP429 million, up 7.4% on a like-for-like basis and also good growth versus 2019, up 2.6%. Profit in at GBP63 million, down 11.7% and margin at 14.8%, down 2.1 percentage points.

So, we saw continued strong growth, really driven of course by demand for strategic advice. BCW and Hill+Knowlton both growing double-digit like-for-like in Q2, since we've got the Finsbury Glover Hering merger now completed. The margin was a little bit challenging, down year-on-year, driven principally by an investment in our people and some of the merger related costs associated with FGH actually dragging the margin down in the first half.

SPECIALIST AGENCIES: RAPID RECOVERY IN BRAND CONSULTING

£M	H1 2021 £M	Δ REPORTED	Δ VS 20 LFL	Δ VS 19 LFL
Revenue less pass-through costs	401	16.1%	17.1%	3.3%
Headline operating profit	44	56.6%		
Headline operating margin	11.0%	2.9pt		

LFL REVENUE LESS PASS-THROUGH COSTS GROWTH



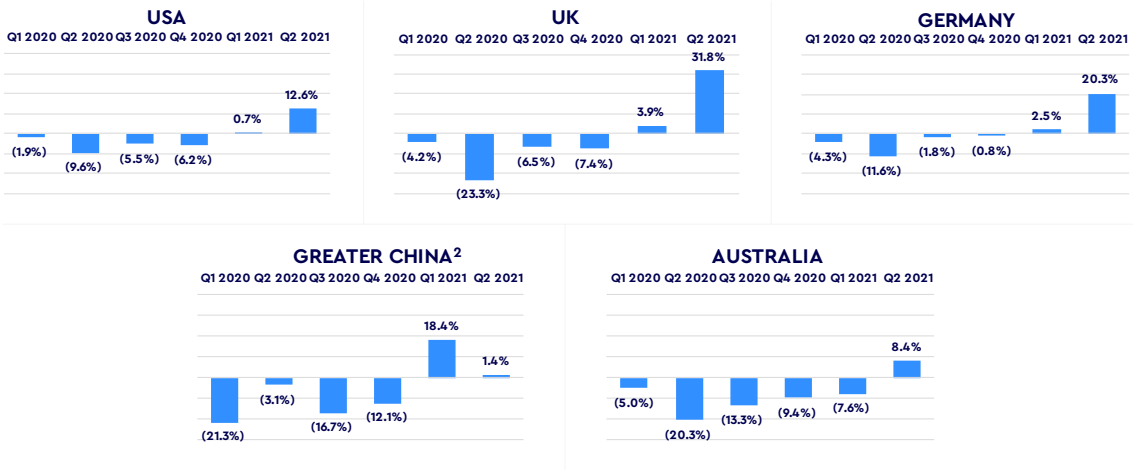
Note: 2020 growth rates have not been restated for the reassignment of AKQA, Geometry, GTB and International Healthcare from Specialist Agencies to Global Integrated Agencies from Q1 2021

H1 PERFORMANCE

- Resurgence in demand for brand consultancy
- Landor, Superunion and Design Bridge all performing very strongly
- Significant growth at CMI, our specialist healthcare media business

Coming on now to our specialist agencies, where we've really seen a rapid recovery in areas like brand consulting. The revenue less pass-through costs of GBP401 million, up 17.1% on a like-for-like basis and 3.3% versus 2019. So very strong growth and recovery versus 2019. Headline operating profit of GBP44 million, up 56% and margin of 11%, up 2.9 points, so a really strong performance. There's been a real resurgence in demand for brand consulting for Landor, Superunion and Design Bridge all performing very strongly and also a significant growth at CMI, which is our specialist healthcare and media business.

MAJOR MARKETS PERFORMANCE[1]



1. Like-for-like revenue less pass-through costs growth vs prior year from continuing operations
2. Includes Hong Kong and Taiwan

Moving on now to the performance across our major markets. So good recovery in the US, 12.6% growth in Q2 and that also reflects growth on 2019 at 1.8%. So really encouraging performance in one of our major markets.

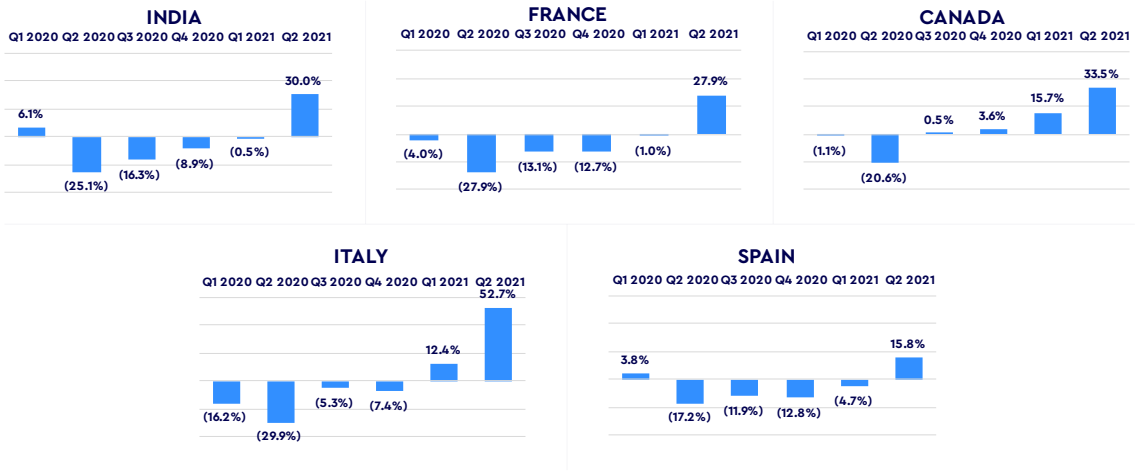
The same for the UK, growth of 31.8% in Q2 of a slightly weaker quarter this time last year at minus 23.3%, but encouragingly, on a two-year basis, up 1.1% versus 2019. So again, we're seeing good growth on that 2019 base.

Germany, even better performance of 20.3% in the quarter. That's actually up 6.3% on a two-year basis versus 2019.

Greater China, little bit more disappointing. We were actually just up in the quarter, but down 1.7% on a two-year basis. But we are seeing an improving trajectory, and we do expect to see growth come through in the second half of the year.

And Australia, we saw some recovery in Q2, but still negative on a two-year basis. Now, of course, we've brought the business back into 100% ownership. We're very optimistic about driving stronger future performance.

OTHER MAJOR MARKETS PERFORMANCE[1]



1. Like-for-like revenue less pass-through costs growth vs prior year from continuing operations

Coming on now to our other major markets. So, India, up 30% in the quarter on the back of a weak performance in Q2 of last year, but nonetheless, up 1.3% on the half overall.
France was a little bit more disappointing, actually down 7.8% on 2019, albeit some recovery in Q2 at 27.9%.
Canada, up on a two-year basis and up 33.5% in the quarter. Italy, really strong recovery at 52.7%, a massive growth in the quarter and actually up 7% on a two-year basis as well. So, we're seeing great recovery in Italy.
Spain, a little bit more challenging, up 15.8% in the quarter, but actually down on a two-year basis, down 2.8% on a two-year basis. France and Spain, a little bit more to go before we see full recovery, but strong performance in the other markets I've mentioned.

CHANGE IN HEADLINE[1] OPERATING MARGIN

Continuing operations

HALF YEAR TO 30 JUNE	2021 £M	2020 £M	Δ £M	Δ %
Revenue less pass-through costs	**4,899**	**4,668**	**231**	**5.0%**
Staff costs pre incentives	(3,229)	(3,282)	53	1.6%
Establishment	(265)	(314)	49	15.8%
IT	(277)	(274)	(3)	(1.1%)
Personal	(52)	(88)	36	40.7%
Other operating expenses	(242)	(280)	38	13.4%
Operating expenses	**(4,065)**	**(4,238)**	**173**	**4.1%**
Operating profit pre incentives	**834**	**430**	**404**	**94.0%**
Staff incentives	(244)	(48)	(196)	(411%)
Operating profit	**590**	**382**	**208**	**54.4%**
Operating profit Margin				
Pre incentives	17.0%	9.2%	7.8pt	
Post incentives	12.1%	8.2%	3.9pt	

- Reported revenue less pass-through costs up by £231m or 5.0%
- Staff costs excluding incentives down by 1.6%
- Establishment costs down by 15.8%, but IT increases by 1.1% due to investments
- Personal expenses down by 40.7% due to reduced travel etc
- Other operating expenses down by 13.4%
- Headline operating profit pre incentives increases by £404m or 94.0%, with pre incentive margin of 17.0% up 7.8 margin points
- Staff incentives of £244m up 411%
- Headline operating profit increases by £208m or 54.4%, with margin of 12.1% up 3.9 margin points

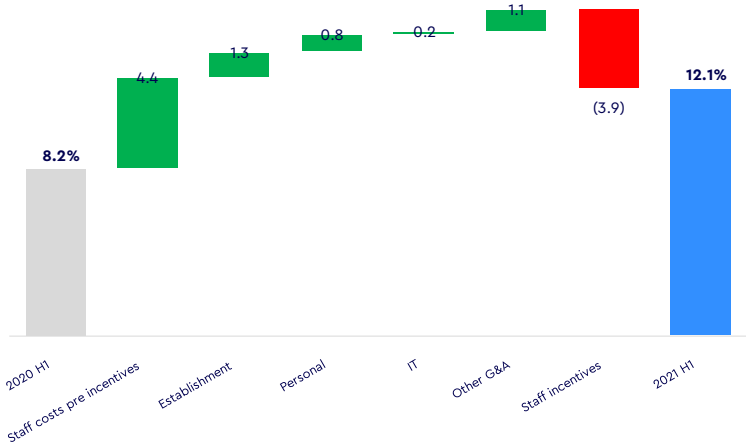
1. Figures before goodwill and intangibles charges, gains/losses on step-ups, gains/losses on disposals of subsidiaries and investments, investment and other write-downs, share of exceptional gains/losses of associates, restructuring and transformation costs, restructuring costs in relation to COVID-19 and litigation settlement

Coming on now to our overall headline operating margin. Staff costs pre incentives at GBP3.2 billion, actually down 1.6% year-on-year. Establishment costs, GBP265 million, down 15.8%, reflecting the great work of our campus program. IT costs actually up 1.1% to GBP277 million, reflecting the investments that we're making in that area. Personnel costs, down 40.7%, reflecting the lower travel and accommodation costs, delivering overall operating profit pre-incentive of GBP834 million, which is up 94% year-on-year. So very strong performance.

As you can see from the numbers, we're investing significantly in our incentive pool this year, reflecting the tremendous hard work of all our colleagues across the business. In the first half, cost of GBP244 million, delivering GBP590 million of operating profit, up 54.4%.

So, when actually we look at the operating profit margins on a pre-incentive basis, we stand at 17% for the half year, which is up 7.8 margin points year-on-year. And because of our investment in incentives, the post-incentive margin is 12.1%, up 3.9 points year-on year, so still strong relative performance year-on-year.

CHANGE IN OPERATING MARGIN YEAR ON YEAR



H2 margin considerations:

- Full effect of June 2021 salary review reduces operating leverage
- Re-opening to drive higher personal costs year -on-year
- Continued impact from incentives but lower drag year-on-year than H1

And another way of looking at that is to state on the next slide where we show the margin bridge half-on-half. You can see there the benefit of the operating leverage come through, through fewer people at 4.4% margin points and the benefits of our property strategy, delivering 1.3 margin points, the lower travel costs, delivering 0.8 margin points, IT at 0.2 and other G&A, 1.1, followed by, if you like, a drag of 3.9, driven by the significant investment in our incentive pools year-on-year.

And to give you a little bit of shape for the second half, where we're expecting to see is less operating leverage come through in the second half. So that 4.4, we think will largely disappear driven by salary increases coming through and also additional recruitment to meet increasing growth. On the establishment costs, I would expect to see a similar benefit in the second half come through.
On personnel costs, I think that will be lower in the second half of the year, particularly as travel, of course, comes back in the second half. IT will be similar, and there will be less of a drag on incentives given year-on-year, we actually made quite a large accrual in the second half of last year, reflecting the strong performance in the second half and so the drag on incentive in the second half will be less. But overall, we would expect to outturn the year at the upper end of our margin guidance range of 13.5% to 14%, so towards the 14% range is where we'd expect to be.

PROGRESS ON TRANSFORMATION PROGRAMME

SAVINGS BY 2025...

Savings

UPDATE ON PROGRESS

Enterprise IT: new leadership; extensive benchmarking, huge simplification opportunities:

- >2k entities recording IT costs
- New global platform roadmap
- Transformation to reduce the gap with industry benchmark

Shared services: migrating Finance and HR services to global and regional hubs.

- Transferred UK, UAE, China & Singapore. 2 further markets on the roadmap for H2
- Appointed new Chief Global Business Services Officer to lead programme

Procurement: £2bn indirect spend; hundreds of opportunities, e.g.:

- *Car fleet*: consolidating 100+ suppliers to 2. Additional net zero benefit
- *Pharmacy benefits*: non-competitive RFP, 20% cost saving

Property: delivering targeted savings; estate costs <6% of 2021 revenue less pass through costs

- Further 10 campuses to be occupied by the end of 2021
- 85k people across 65 campuses by 2025

Business unit rationalisation:

- Creative agency operating units reduced 42% since 2019
- Reducing statutory entities

Travel savings:

- Permanently reducing air travel by c.1/3 vs. 2019 levels

Coming on now to our progress on transformation and the longer-term savings. You see on the left-hand side there, the savings that we talked about, the GBP600 million gross savings we expected to deliver by 2025. For those of you who may remember that we also showed a chart, which shows the phasing of those gross savings and delivering what we anticipate to be GBP200 million of gross savings in 2021. I'm going to give you a little bit of a shape now as to what I think the full year will deliver. And of course, we'll report in more detail on this at the year-end itself.

But I would forecast the full year procurement savings in the order of GBP50 million or so; real estate savings in the order of GBP100 million; savings through shared services and further simplification of the business, about GBP15 million; and actually, travel and accommodation savings for the full year of about GBP150 million. But of course, some of those will come back in, in the future, so they're not all permanent, so I'd expect about GBP80 million of that GBP150 million to reverse, giving a net GBP70 million.

When we add the GBP50 million and the GBP100, GBP15 million and the GBP70 million, that's about GBP230 million of savings we anticipate for the full year, slightly ahead of our target of GBP200 million, which we communicated back at the Capital Markets Day. So really good progress against our target, and that's what gives me comfort to confirm our guidance for 2023 at 15.5% to 16%. We've got real line of sight of how we're going to deliver that margin improvement as we progress through '22 and '23.

Coming on now to some of the different areas and the work that we're doing. As many of you will know, we've recruited Rachel Higham to lead our IT function from BT. She's made a fantastic start. We've identified significant opportunities for savings and doing things more efficiently. We've got a very clear road map now as to how we're going to progress over the next few years and how we're going to reduce the gap between our current cost base and the industry benchmark.

We've also brought in Dawn Winchester to very specifically lead our Workday project and also the work that we're doing on our target operating model to become more efficient across finance and HR. And also, we're making great progress on shared services. We're already starting to migrate countries like the UK, UAE, China, and Singapore into our five regional shared service hubs in Shanghai, Mumbai, Malaysia, Dallas, and Mexico. We've also brought in very strong talent here as well in the form of Suzanne Leopoldi-Nichols to head up our Global Business Services program. She comes in from UPS and is really leading the charge on driving forward our shared services strategy.

On procurement, as I mentioned earlier, we made a strong start in delivering savings there in the GBP2 billion or so of indirect spend. That function is being led by Tig Matthews. We've got here examples on our cost base, on our pharmacy benefits as others in FM, telephony and so forth, where we are driving cost out through our buying scale across the organization.

Property, making tremendous progress to further 10 campuses to go by the end of this year. And we're on track to have the vast majority of our people in campuses, 65 campuses by 2025. And we're doing great work on our business unit rationalization.

We've targeted actually to take out about 500 legal entities this year and more work to go in the years ahead. And already, we're delivering travel savings, as I communicated earlier.

We feel that we've got some really strong initiatives across the transformation program.

And of course, we'll give you a much more detailed update when we come to our year end.

FREE CASH FLOW AND FREE CASH FLOW CONVERSION

HALF YEAR TO 30 JUNE		2021 £M		2020[1] £M
Operating profit		**484**		**(2,740)**
- Continuing Operations	484		(2,750)	
- Discontinued Operations	-		10	
Depreciation & amortisation charges		250		306
- Depreciation & amortisation ex IFRS 16	111		151	
- Depreciation of right-of-use assets	139		155	
Impairments and investment writedowns		8		3,039
Lease payments (including interest)		(202)		(203)
Non-cash compensation		44		31
Working capital, other receivables, payables and provisions		(505)		(751)
- Working capital	(464)		(456)	
- Other receivables, payables and provisions	(41)		(295)	
Net interest paid & similar charges		(65)		(32)
Tax paid		(163)		(201)
Capital expenditure		(138)		(141)
Earnout payments		(14)		(88)
Other		(44)		(45)
Free cash flow		**(345)**		**(825)**

1. 2020 figures have been restated as described in note 2 of Appendix 1 to the 2021 Interim Results press release

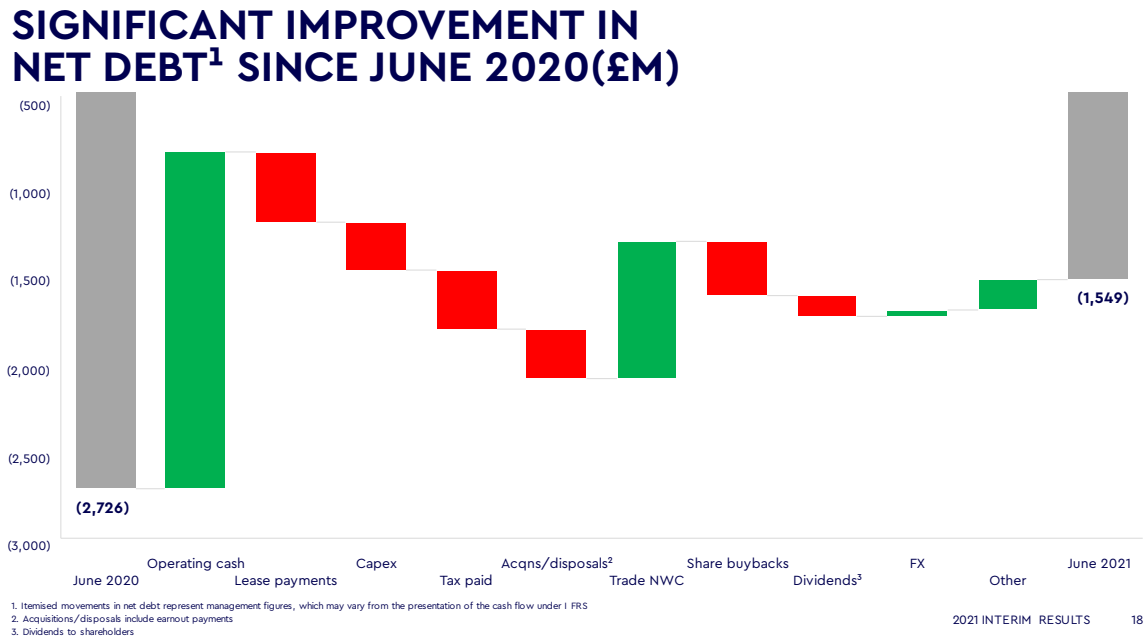
In terms of our free cash flow and free cash flow conversion, again, you'll see we start off at the top of the page with operating profit of GBP484 million, making adjustments for depreciation, lease payments, working capital, net interest, tax and capital expenditure and earn-outs delivering an outflow of GBP345 million for the half year. And that obviously compares to an outflow GBP825 million for 2020, the improvement obviously being driven by stronger operational performance, stronger working capital management and lower tax and earn-outs.

USES OF CASH FLOW

HALF YEAR TO 30 JUNE		2021 £M		2020 £M
Free cash flow		**(345)**		**(825)**
Net (acquisitions)/disposals ex earnout payments		(209)		161
- Disposal proceeds	43		207	
- Net initial payments [1]	(252)		(46)	
Net cash outflow before distributions		**(554)**		**(664)**
Distributions to shareholders		(298)		(286)
- Dividends	-		-	
- Share purchases	(298)		(286)	
Net cash flow		**(852)**		**(950)**

1. Net initial payments comprise purchases of other investments (including associates) and non -controlling interests less cash acqu ired

Coming on now to the uses of those cash flow on Slide 17. We've got expenditure on acquisitions - in Australia, we brought that business in to own 100%, Mark mentioned earlier on DTI as an investment in Brazil, various UK investments and also Numerator, which is a Kantar investment. You see the cost of those GBP252 million on the page in terms of outflows. And again, in terms of share repurchases for the year, GBP298 million at the bottom half, delivering an overall net cash flow of GBP852 million negative versus GBP950 million for the same time last year.



And just coming on now to bringing the debt year-on-year. So, this time last year, GBP2.7 billion of debt. Strong operating cash flow, obviously offset by lease payments, CapEx, tax, acquisitions, very strong performance in our trade net working capital, most of which was delivered in the second half of last year. Of course, share buybacks, dividends, but overall, a reduction in our net debt by GBP1.2 billion to GBP1.5 billion, and that's GBP1.1 billion on a constant currency basis.

LEVERAGE METRICS

Continuing operations

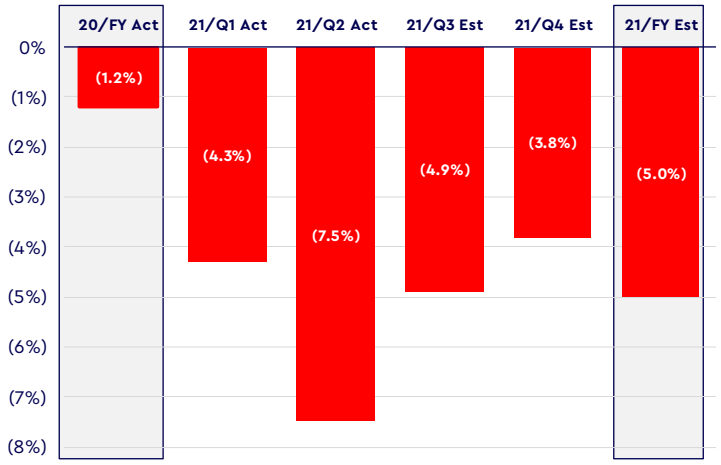
HALF YEAR TO 30 JUNE	2021 £M	2020 £M	Δ £M
Average net debt[1] on constant currency basis	(1,465)	(2,461)	996
Average net debt[1] on reportable basis	(1,465)	(2,496)	1,031
Rolling 12 month average net debt[1] on reportable basis	(1,826)	(3,341)	1,515
Net debt[1] at 30 June on constant currency basis	(1,544)	(2,611)	1,067
Net debt[1] at 30 June on reportable basis	(1,544)	(2,726)	1,182
Available liquidity at 30 June	5,157	4,714	443
Headline finance costs[1,2]	(71)	(56)	
Interest cover[1] on headline operating profit	**8.3x**	**6.8x**	
Headline EBITDA[1]	699	480	
Rolling 12 month headline EBITDA[1]	1,700	1,579	
Rolling average net debt/headline EBITDA[1]	**1.1x**	**2.1x**	

1. Net debt, headline finance costs, interest cover, headline EBITDA, exclude impact of IFRS 16
2. Headline finance costs of £71m (2020: £56m) excludes £46m (2020: £50m) IFRS 16 impact of all leases

So very strong deleveraging across our business, which, of course, is reflected in our leverage metrics on the next page, where we show available liquidity. It's actually stepped up a little bit year-on-year to GBP5.1 billion.

Interest coverage improved to 8.3 times, and our rolling average net debt to headline EBITDA has reduced to 1.1 times, which is actually below 1.5 times to 1.75 times guidance. And actually, we expect to close the year below that 1.5 to 1.75 stated range or so.

IMPACT OF FX ON REVENUE LESS PASS-THROUGH COSTS[1]



1. Continuing operations
2. Q2-Q4 uses 18 June 2021 exchange rates, including £:$1.38, £:€1.16

- YTD currency headwind (5.8%)
- 2020 full year headwind (1.2%)
- 2021 full year currency headwind (5.0%) at latest exchange rates[2]

Coming on now to the impact of FX on revenue less pass-through costs. Again, we signaled this at the start of the year. We've had year-to-date, a headwind of 5.8%. We expect a similar, slightly lower headwind for the remainder of the year. But overall, the full year adjustment of negative 5% as a result of exchange rate shifts.

DIVIDEND, SHARE BUYBACKS AND GUIDANCE

- Interim dividend of 12.5p declared– up 25% YoY
- £248m of share buybacks completed in H1, additional £350m planned for H2
- 2021 guidance:
  - LFL revenue less pass-through costs growth 9-10% (was mid-single-digits %)
  - Headline operating towards the upper end of 13.5-14.0% range
  - Capex £450-500m and net working capital outflow £200-300m
- Some short-term uncertainties remain– COVID variants, travel restrictions, economic outlook
- Medium-term guidance unchanged

Coming on now to my last slide, an update on dividends, buybacks, and guidance.
We're declaring an interim dividend of 12.5p, up 25% year-on-year. We've completed the first phase of share buybacks in the half of GBP248 million, and we expect to complete an additional GBP350 million planned for half two. As Mark has already alluded to, we are updating our guidance for 2021. Like-for-like revenue less pass-through costs growth at 9% to 10%. It was previously mid-single digits.

Equally, headline operating margin towards the upper end of our range, 13.5% to 14%, so close to 14%. And CapEx and net working capital guidance remains the same, with CapEx of GBP450 million to GBP500 million and a small net working capital outflow of GBP200 million to GBP300 million.
I think it's important to remind everyone, of course, that there remain short-term uncertainties, what was the variance of COVID, travel restrictions and the economic outlook, et cetera. But nonetheless, we've had very positive momentum in the first half of the year. And as we look here, we would expect that momentum to continue into the second half and equally into 2022. And therefore, our medium-term guidance remains unchanged. In particular, our margin guidance of 15.5% to 16% for 2023, where we now have really good visibility of how we're going to segue towards that number between now, '22 and '23.
And with that, I'll hand over to Mark to give you a business update. Thank you.

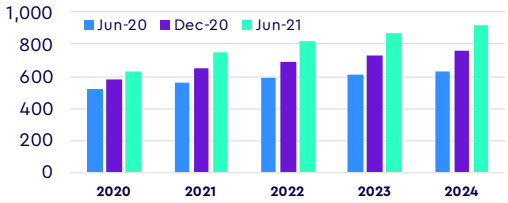
Business Update

Mark Read

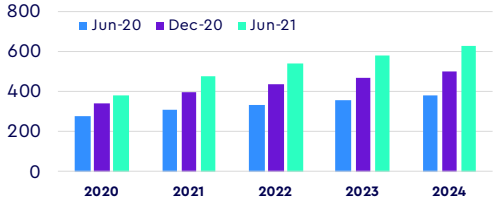
Chief Executive Officer, WPP

POST-COVID STRUCTURAL GROWTH DRIVERS

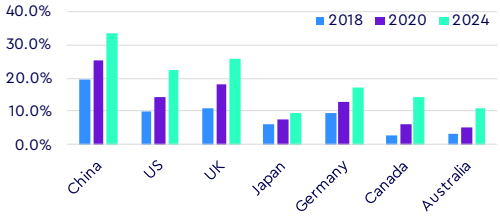
AD SPEND: 2021-24 CAGR 6.9%



DIGITAL MEDIA: 2021- 24 CAGR 9.7%



ECOMMERCE: PENETRATION STILL LOW



ATTRACTIVE SECTOR EXPOSURE

	SALES MIX	2 YEAR LFL
CPG	24%	7.2%
Tech	18%	12.7%
Healthcare	12%	10.8%

Thanks very much, John. And I've got a few comments really to make on the business, but we'll get quickly to the Q&A. On Page 23, I think it's clear that we see attractive growth opportunities for WPP and that the changes we've made in terms of integrating our business, simplifying the structure, investing in creativity, digital media and data and technology do allow us to capture them.

And I think if you look on Page 23, there are four, what we called then post-COVID, they were not, really through COVID yet, post COVID structural growth drivers to call out. The first is, if you look at ad spend, we're expecting a CAGR of 6.9% over the next three years. This chart is a little complicated, but it shows how GroupM have consistently raised both the estimate of the size and the estimate of the growth of the advertising market over the last three years. We are seeing good strong growth in the advertising market overall over the next three years.

And particularly, within that, digital media growing close to 10% over the next three years. There is strong structural growth in our core market that's reflected in the strength of GroupM's performance in the first half of this year. I think the third thing to call out is the long-term potential for growth in e-commerce. It's an area where we've been investing for a number of years within WPP and as part of our restructuring over the last two years, we really put e-commerce at the heart of many of our businesses and invested significantly in that.

And then I think the fourth point to make on the bottom right is really the importance of what we do for clients and that the results that we see in the first half of this year are more fundamental than just a rebound in activity. And if you look at the three areas of consumer-packaged goods, technology, and healthcare, that make up together about 54% of our sales, we're seeing strong growth on a two-year basis. So those sectors that grew well in 2020 or had very resilient performance in 2020, we're seeing continued growth in 2021 in the first half of the year, and we expect that to continue into the second half and into 2022. And I think it talks to the long-term growth possibility and perhaps really the realization or the recommitment of our clients to invest in marketing as the economy recovers.

LEADING POSITIONS

GLOBAL INTEGRATED AGENCIES

MEDIA

- 3.7% 2-year growth
- 43% digital mix
- Commerce media +61% in H1
- Finecast H1 +113%
- Xaxis H1 +56%
- Creation of Choreograph

INTEGRATED CREATIVE AGENCIES

- Four distinctive global networks
- Leading in creativity: 2021 Cannes winners
- Strong positions in ecommerce, marketing technology
- VMLY&R 11.7% 2-year growth in H1

PR AND PUBLIC AFFAIRS

- 2.6% 2-year growth
- Three leading networks in BCW, H+K and Finsbury GloverHering
- Increasingly part of integrated services
- Corporate investment in reputation, employees and purpose

SPECIALIST COMMS

- High demand for branding and innovation driving strong growth at Landor & Fitch, Superunion, Design Bridge
- Strength in specialist healthcare media through CMI

On Page 24, we talked about the changes that we've made, and I'd like to highlight a few of those in terms of how we look at the business within our Global Integrated Agencies. In media, I mentioned GroupM, we've seen 3.7% growth on a two-year basis in GroupM. I think that talked to the strong structural growth opportunities that we see inside our media businesses now 43% digital and that digital area is growing very quickly. You see within e-commerce-driven media, it's up 61% in the first half. Finecast our connected television business is up 113% and Xaxis itself was up 56% in the first half of the year as clients are getting value from these digital products.

We launched Choreograph earlier in the year and we just announced we appointed Brendan Moorcroft as the CEO, and that's forming a key part of our response from a number of major reviews that we're going through. On the creative front, we now have four distinctive global creative networks, and we're particularly pleased in beginning to be awarded most creative company of the year of the 2021 Cannes Lions, the first time we've done that since 2017. And I'll remind you within those businesses, we do have strong positions in e-commerce, in marketing technology. They're not, in any way, just advertising agencies. They're integrated agencies, capable of helping clients connect with their consumers, sell products across all channels and all media.

We've commented before about the strength of our public relations and public affairs businesses that reflected in their two-year performance, but we now have three strong global networks, BCW, Hill+Knowlton and Finsbury Glover Hering has come together very well in the first half of the year. We're increasingly seeing that public relations and public affairs services integrated into our overall offer, reflected in the Walgreens Boots assignment, and continued investment in reputation in employee communications and purpose. And historically, in a downturn, PR has been one of the areas most affected. We haven't seen that this time, and I think that bodes well for the future.

And then lastly, within Specialist Communications we have called out CMI, that John mentioned, but also the growth you've seen in our branding identity companies as clients, reinvest in innovation, in new product launches and in corporate activity and that's reflected in their performance.

SOLID NEW BUSINESS PERFORMANCE

Wins/retentions

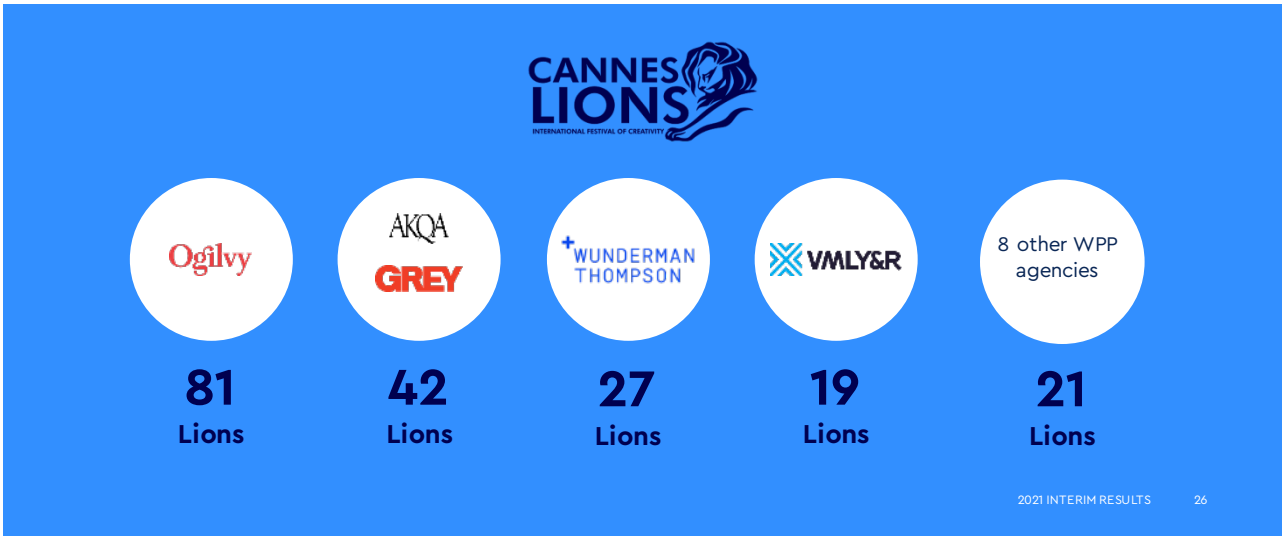
ACCOUNT		M/C/P	REGION	WPP AGENCY
AstraZeneca	(Flumist)	C	NA	VMLY&R
AstraZeneca	(Vaccines)	P	Global	bcw
bumble		M	Global	Wavemaker
	(Commercial vehicles)	C	Germany	&
DUBAI		C	Dubai	WUNDERMAN THOMPSON
JPMorgan Chase & Co.		M	Global	mediacom
L'OREAL	(India and ANZ)	M	APAC	Wavemaker
	(Social Brand Agency)	C	NA	GREY
MassMutual		C	NA	GREY
Pernod Ricard	(Absolut)	C	Global	Ogilvy
sam's club		C	NA	VMLY&R
NAVY		C	NA	VMLY&R
VIACOMCBS		M	Global	Wavemaker
WORLD OF HYATT		C	Global	Ogilvy

Losses

ACCOUNT		M/C/P	REGION	WPP AGENCY
PHILIPS		C	Global	Ogilvy
STELLANTIS		M	Europe	mediacom
T-Mobile	(Digital)	M	NA	essence
	(US Shopper)	C	NA	VMLY&R
BUFFALO WILD WINGS		M	NA	MINDSHARE

On Page 25, to touch briefly on new business. Coming into the year, we had a very, very strong performance in 2020 where we led all the new business tables by some metric, particularly in media and MediaCom had an excellent performance last year, as did all the GroupM agencies. This year, I think the performance will be a little bit more balanced towards creative and media. I think that's actually a good thing. It shows that our creative agencies are coming back more strongly and reflects the investment we made in creative. And I'd say that Wavemaker particularly had a strong start to the year in new business. There have been a couple of clients that things have gone the other way. But our business is one where there's a lot of activity on both fronts. And there's a lot to go in the second half of the year. We do expect to have some strong wins in the second half of the year.

CREATIVITY: BUILDING THE MOST CREATIVE COMPANY IN THE WORLD



On Page 26, I mentioned our performance at Cannes. I think just to call out on this page the contribution from each of our creative agencies and indeed our media and design agencies in Cannes. Each of our major networks won a Grand Prix, which I think is a fantastic result. Superunion won a Grand Prix in design, the first time in some years that a design company won a Grand Prix in design. And we did have a respectable performance from our media businesses in Cannes. I think winning really reflected a contribution from across the Company.

PURPOSE A STRONG BUSINESS DRIVER

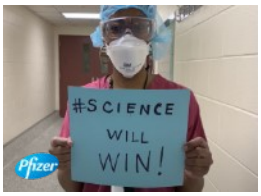
9 of our top 10 clients working with us on purpose-related activities

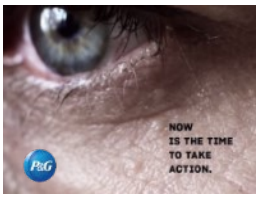
2.5X
BRAND VALUE
for brands perceived as having a high positive impact on society[1]

85%
BELIEVE
brands should be about something more than profit[2]

72%
BUY
more environmentally friendly products than 5 years ago[3]

90%
BELIEVE
companies have an environmental and social responsibility[4]





1. Kantar Purpose 2020 Report
2. Generation Z: Building a Better Normal, Wunderman Thompson Intelligence, 21 Dec
3. Accenture, 2019
4. Bank of America Gen Z Primer

On Page 27, as we talked about before, we mentioned in our ESG Day, purpose is increasingly a strong driver of our business and nine of our top 10 clients are working with us on purpose-related activities. That goes from helping them to develop their ESG strategy to specific product initiatives that support it, through to helping them to communicate what they're doing in the purpose arena. Those are really the highlights of the year from a business perspective so far.

SUMMARY

- Recovered to 2019 levels a year ahead of plan. Good momentum going into H2 and 2022:
  - Strong client demand across a range of services
  - Some markets still COVID-affected
- Structural growth from changing consumer behaviour, client sectors and geographical exposure
- Encouraging progress on creativity, purpose, new services and transformation programme

On Page 28, in summary, I think we've recovered 2019 levels a year ahead of what we expect and what we set out in December 2020. Good momentum going into the second half and into next year, and that reflects, let's say, strong client demand across a range of our services in all major geographies, but also there are some markets are still sadly impacted by COVID.
We do have strong structural growth opportunities resulting from a shift in consumer behavior to digital media and e-commerce channels, growth in some key client sectors like consumer packaged goods, health care and technology. And I'll remind people of the strength of WPP's geographic footprint, particularly in markets like India, Brazil, China, Indonesia have long-term strong structural growth opportunities.
We have made good progress in our broad agenda around creativity, around purpose, new services. And John highlighted the importance of our transformation program, not just to improve our margin, also to free up money to invest in our business. So, in conclusion, I think we're collectively very pleased with the results. I'd like to thank our clients for their support, our people for their hard work. I think net-net, the results do demonstrate the long-term viability, the great adaptability, and the power of our business model, I think, bode well for the future.

Thank you all for listening, and we'll take questions.

Q&A

Tom Singlehurst (Citi): Yes, two questions. One on revenue broadly and one on costs. On the revenue side, obviously, there's a genuine concern we're entering a period of higher sort of cost inflation. I was just wondering whether you can give us some sort of high-level comments on the vulnerability of marketing investments to sort of cost inflation. There's historically been a perception that marketing might be used as a buffer to offset sort of input cost inflation elsewhere. Is that still a risk do you think across the second half? Or do you think we've seen a shift in perception such that marketing itself is seen as an input cost in its own right? So that was the first question.
And the second was on the cost line and in particular, the investment in incentives. As far as I can tell, looking at the commitment to incentives for the full year as measured as a percentage of EBIT pre-incentives, it's pretty much as high as it's ever been going all the way back to the beginning of the millennium. So, the question is this, are you actually spending more in absolute terms on incentives than the original plan? And what does that mean for 2022 onwards? I mean do you continue to sort of spend at that level in relative terms? Or does the sort of sharing of the proceeds of super normal growth become a bit more balanced? Thank you.

Mark Read: Okay. I'll tackle the first question and John will tackle the second. I think that what we're seeing is an investment or reinvestment by clients in marketing as the economy recovers. And if you look within consumer-packaged goods, I'll point out on a two-year basis, we've seen growth of 7.2%, so really good growth across both years. We do hear from a number of CPG companies that there are pressure on input costs and some of that is being passed on to retailers and consumers through inflation.
I think historically, inflation has probably been viewed as sort of broadly positive to marketing spend. I think what you're talking about is sort of inflation and input prices without the ability to pass those on to the end consumer. And clearly, I think we're seeing that from some clients. We're not seeing that in all of our CPG clients, and I think net-net, we don't expect that to change things substantially in the second half.

John, do you want to talk about incentives?

John Rogers:
Yes, sure. Let me just give you a reasonably long answer on this question to sort of help you sort of shape your thinking for the first and second half. So just to give you a little bit of a shape. So obviously, in the first half, we're reporting overall incentive costs at GBP244 million. Now based on our current performance and trajectory, I would expect that to broadly land for the full year at about just north of GBP450 million there or thereabouts. And there's lots of contingency ifs and buts attached to that. But that just gives you a little bit of a flavor for the full year. And just for reference, that compares to GBP185 million for last year and GBP294 million for 2019. So clearly, a step-up year-on-year versus 2019 and 2020.
And as Mark said, reflecting significant strong performance in the business, we've really delivered in the first half of this year. And if we continue that trajectory through the second half, then we believe it's important to reward our colleagues with a strong bonus, having had quite a tough year last year. It would be great to be able to award our colleagues a strong bonus for this year, reflecting the strong

performance. And so, I would imagine it's been about north of GBP450 million, but it's a little bit higher than what I would describe as being a normalized position. So, I would expect the normalized position going forward to be somewhere between GBP300 million and GBP350 million, with this year being just north of GBP450 million.

Now your comment around, is that exceptional? Has that happened before? Well, if you look back over time, in fact, it has happened before. In terms of bonus as a percentage of operating profit pre-bonus, which is I think that was the measure that you were referring to, Tom, we actually paid out 25% on that measure in 2004 or just over 25% in 2004 and actually 23% in 2010. And we are forecasting roughly 23% in 2021. So actually, this is a -- there's been 3 times in the last 15 years when we paid a bonus at this level. Clearly, it's an exceptional bonus, but it's certainly not unprecedented, but it is definitively a step above where we would expect to be on a normalized basis.

So, all else being equal, going into 2022, we'd expect our bonus charge in the ordinary course of the business to be somewhere between GBP300 million to GBP350 million. So, we will, therefore, benefit from a little bit of a tailwind going into 2022 in margin point terms of about 1 margin point to 1.5 margin points because of that normalization of the bonus. Obviously, we'd hope to be paying out a much bigger bonus than that in 2022, but we'd only be doing so off the back of very strong performance and, therefore, it would fund itself. So hopefully, that's a pretty full answer to the question and it gives you a little bit of guidance as to how we see the bonus charge shaping over time and where it sits relative to a normal period.

Tom Singlehurst: Perfect. Very comprehensive. Thank you very much.

Matti Littunen (Bernstein): Hello, good morning. First question on creative. You gave the recovery rate over two years for VMLY&R. But I was just wondering if you could give us a rough indication of what that would look like across the creative agency business.

Then a second question on the very strong performance in commerce. It seems like you're going sort of further into commerce marketing now with the e-commerce expansion than perhaps historically, you did in the physical trade promotion world. Could you give us a bit of commentary on sort of does that mean that you see e-commerce trade promotion and media as a fundamentally better business opportunity than trade promotion was in the physical world? Or what sort of explains that?

And then finally, a bit related to that bonus question earlier that you just answered. You seem to have retained much more staff than particularly the US peers in 2020. Do you think it gives you an advantage now in the current market for talent as you go further into the sort of post recovery growth? Thank you very much.

Mark Read: Okay. So, I'll tackle the commerce question, and then John can talk to the first and the third. Yeah. Look, I do think that e-commerce is a growth opportunity for WPP and probably e-commerce is a bigger growth opportunity than commerce was. I mean the reality is that given the technology changes that's taking place, the worlds of marketing and sales and content are inevitably converging and the sort of historic divide between the sales department and the marketing departments in many of our clients is coming closer together. And we're starting to build new relationships with the heads of sales like we might have done with the head of marketing. So, I think we're seeing kind of strategic convergence of those worlds.

Whereas historically through Fitch, we may have designed stores, our involvement in building e-commerce websites is much more fundamental. I remind you that we just replatformed Net-a-Porter. We work with Sainsburys to build sainsburys.co.uk, so an enterprise-level grocery website, and we built -

- we continue to work very closely with Selfridges on their e-commerce efforts. And that's just here in the UK. I think this convergence gives us a good opportunity from a sort of a build perspective and from a media perspective to get into new markets. And I think that that's a three to five year and ongoing opportunity.
John, do you want to give some color on the creative?

John Rogers: Yes. So just on the two-year wrap on the creative. Across our global integrated agencies, we are up 0.4% versus 2019. Now of course, that is across Ogilvy, Wunderman Thompson, VMLY&R, AKQA, GroupM and Hogarth. And within that, GroupM is actually up 3.7% on 2019. If you stripped out GroupM from that, we would be slightly down on 2019 levels across over Ogilvy, Wunderman Thompson, VMLY&R, AKQA Group and Hogarth, but not by much. And so, we're actually pretty pleased with the performance.
As we said, six months ago, we expected it to take two years to recover back to 2019 levels. And we basically got back 2019 levels in the creative agencies in one year. We're slightly shy of that, but we'd expect to see continued momentum come through in the second half. So, we're pretty pleased with the performance. And in particular, actually, I'd call out Ogilvy as well, which quarter-on-quarter delivered a really strong growth in the second quarter. Very pleasing to see the impact of Andy Main and his new management team really driving performance in the Ogilvy business.
On the point around bonus and staff churn and are we seeing a benefit. I mean, it's difficult to comment relative to our competition, of course. But I mean I think we're seeing churn levels across our business, which are clearly a big step-up on last year, unsurprisingly because last year, of course, most people were in lockdown. But actually, if you look at our churn levels versus 2019, we're not dissimilar across the business. There are pockets in certain markets in certain areas, but actually, we're not dissimilar. And I think what you hear some of our peers reporting is a big step up in churn.
I would say that we do see an advantage because of that. Churn levels are still relatively high, but maybe we do see a relatively strong performance versus our peers, and clearly staff churn does cost the business a lot of money. So, to the extent to which we can manage that and drive that down, we see as being a very positive thing. And of course, a lot of the work that we're doing in integrating and bringing together our people management systems across the business, we hope in the long run will deliver further benefits to how we can give our people with the career path that they're looking for across all of our different agencies and reduce that churn even further. I expect we'll see some benefit, but very difficult to quantify, frankly.

Matti Littunen: Very helpful. Thank you, Mark, and John.

Sarah Simon (Berenberg): Yes, hi. Most of my questions have been answered. But I just had one on -- Mark, you obviously highlighted e-commerce as an opportunity. I was just interested to know whether you looked at the CitrusAd deal or am I right in thinking that your focus on e-commerce is less about the media side, a bit more about the kind of implementation and strategy? Just a quick comment there would be helpful. Thanks.

Mark Read: Yes, look, I'm not going to point on a particular transaction. But I think we want our involvement to be very broad in e-commerce. I think it relates to really every aspect of our business from advising clients on their e-commerce strategy, so thinking through, do they -- when do they go direct to consumer? How do they sell best through traditional retailers? How do they take advantage of Instacart? Carolyn Everson you may have noticed, who we worked very closely with at Facebook, has

gone to Instacart. And then how we help them spend their money through their media business, how they get data from e-commerce companies to help target them not just their marketing spend, but drive innovation.
I think that e-commerce is a real fundamental change in how clients sell. And if you look at John Donahoe's statement from Nike last year, he attributed their investments in e-commerce, not just to be able to sell to consumers during the pandemic, but to improvements in their product innovation through insights they generated, through reductions in stock levels, through looking at consumer demand. I think it's pretty fundamental, and I think a big area of conversation that we have with every client.

Sarah Simon: That's helpful. Thanks.

Julien Roch (Barclays): My first question is on buyback. It was part of the Investor Day target, but it was supposed to start in full year '23 and you're starting in the second half of '21. So, will we have a buyback in full year '22 as well and basically buy back -- regular buyback starting from now? That's my first question.
My second one is on new services. They went from 25% in 2019 to 26% When you give us the 25% split for '19, you gave us a take commerce and experience breakdown. Do you want to provide the same breakdown? Or should we forget those three categories and just think about a new service bucket given to us twice a year. And what was the organic growth of that new service bucket in the first half? That's my second question.
And then the last one is on net new business, $2.9 billion, which is okay, it's in line with 2019, but below '18 and '17. However, the only agency losing media billings in the first half according to COMvergence, as highlighted by another agency slide. So, net-net, based on accounts that have changed hands this year so far, will net new business have a negative, neutral, or positive impact on organic next year? Thank you.

Mark Read: Yes. Okay. Why don't I take the net new business number and then John can talk to you about buybacks and the sort of specific disclosure. Look, I think we've had -- as you said, we had an excellent year in new business this year -- last year, an excellent 2020, particularly in media. I'd say we've had a solid performance this year. It's not spectacular, but it's not bad. It's been much stronger, I'd say, on the creative side of the business than it has been on the media side. I think we did lose -- I think we were not successful in the Stellantis review. It's a very quick review and that skewed the results. I have studied the chart which you refer to in some detail. And perhaps, we should have an off-the-record conversation about its composition. But I think it includes new business wins and retentions, so I think it merits further investigation.

Julien Roch: Okay. Loud and clear.

John Rogers: And Julien, just coming on to your questions on share buybacks. Obviously, we did the GBP250 million in the first half. We're announcing up to GBP350 million in the second half. And then we've already clearly indicated that, that would put us below our stated balance sheet range on net debt-to-EBITDA of 1.5 times to 1.75 times. So again, if you refer back to our capital allocation policy at

our Capital Markets Day in December, obviously, anything outside that range, we would, all else being equal, intend to pay back to shareholders through further share buybacks.
So, I don't want to forecast too much, but obviously, all else being equal, given that we'll out turn the year below that metric of 1.5 times to 1.75 times, there is clearly the possibility of future potential share buybacks, albeit we don't know necessarily what is going to happen between now and then. Acquisition opportunities may come along, et cetera, or further growth investment opportunities may come along. But all else being equal, hopefully, you can draw your conclusions from what I've just said.
In relation to the split between communications and commerce, experience, and technology, we're not going to break that out in detail every time we report it. We may come to it at the year-end and break out in a little bit more detail. Obviously, it moves relatively slowly over time. And hence, I think breaking it out every single time isn't going to necessarily always tell you the right story. But we're pleased with the progression that we've made. We said that we're going obviously from 25% to 40% between now and 2025, and this 1% shift reflects steady linear progression against that target that we're pleased with the progress.
I think it's really also important to highlight, of course, that within the communications bucket, the 74%. There are some massively fast-growing businesses that contains most of our media business. We've already talked about the great progress we've seen on GroupM in the first half and the fact that it's even shifted by 1% when, in fact, some of the fastest-growing parts of our business sit within the communications bucket - it really just shows how much we're growing across the areas of commerce experience and technology. We're very pleased with the progression. And we'll give you obviously provided with a further update at the year-end when we'll provide a little bit more detail on the breakdown.

Mark Read: And Julien, you asked me a question, I remember if I didn't answer, which was, do we expect the net new business to be positive next year. I think it's certainly going to be positive next year. I wouldn't quantify it at this point, but it's not in any way negative.

Julien Roch: Okay. Very clear. And maybe just on indication of how much that new service bucket grew in the first half on an organic basis? I would suppose we are up double digit.

John Rogers: Well, I'll let you do the math on it, but obviously, it's growing from 25% to 26%. So, you can work it out. But we'll come back to it at the year end and give you a bit more detail, but hopefully, you can work out the math from the numbers.

Julien Roch: Okay. Very good. Thank you very much.

Matthew Walker (Credit Suisse): Thanks. Good morning. Hi. The first question was really on the margin side. I think you – I think John mentioned that the bonuses net for next year being lower, so let's say it goes from sort of 450 to 300, 350 with the benefit of 1 margin point to 1.5 margin points. I guess you're not necessarily saying that the margin is going to grow that much. Are there any drags that you would point out? Or should we basically flow that 1 to 1.5 through for the full year in '22? That was the first one.
The second one was, obviously, there's been some comments around you discussed inflation. Have you seen any evidence of -- I guess you haven't, but any slowing growth in the economy or ad market that will impact on the second half of the year? That's the second question.

And then specifically around Facebook, that was one of the key clients. I guess you are not participating in the review according to the press. Can you just explain a bit why not? Because it seems like not necessarily the most important one, but certainly an important client.

Mark Read: Yes. Okay. I mean look I'll let John handle the margin and bonus question and add to what he wants to say on the second half. But we're not seeing any slowdown or anything that you mentioned around inflation or input costs overall with our clients.
I think on Facebook, it's really the specific reasons are between us and Facebook. All I'd say is, we decided not to proceed with the review, but we continue to work with Facebook in a number of other areas of their business.

John Rogers: And Matthew, just coming to your point on margin. You're correct in saying that the expectation for this year is circa GBP400 million to GBP450 million. Normally, we would expect that to be GBP300 million to GBP350 million in a normal year. But of course, we can't really predict that. What it will be for next year depends on the performance of the business. But if we perform against planned/consensus, we'd expect to pay out a bonus at that level.
And your question was, is it all about flow through? Well, all else being equal, of course, all of that flows through. But of course, all else won't be equal. As we look into 2022, we would expect to see additional operating leverage as we grow the business. We'd expect to see a slight drag in relation to personnel costs as travel and accommodation costs come back in.
We'd expect to see some additional upside based on establishment costs, and we'd expect to see some upside based on incentives, but we'd expect to see some downside looking at the full year, for example, annualization of salary costs, et cetera. So, there's lots and lots of moving parts in that, and we're not going to provide you with guidance for 2022 margin on this call. But clearly, one of the big components is that incentive piece and that all else being equal, gives us a 1% to 1.5% tailwind going into 2022, but there are other moving parts, both positive and negative that you'll need to take account of.
What we are comfortable with is reiterating the guidance for 2023, which reflects the margin of 15.5% to 16%. And we can see we've got -- based on all of our -- those different moving parts, and of course, the benefits that we're delivering through our transformation program, we are very comfortable in reiterating that margin guidance for 2023. I'll leave you to, in the first instance, bridge the gap between the 14% that we expect to outturn in 2021 and a 15.5% to 16% in 2023 and the various moving parts that exists for 2022. We'll clearly come back to providing you with more detailed guidance for 2022 at the prelims for this year end.

Matthew Walker: Okay. Very clear. Thanks a lot.

Adrien de Saint Hilaire (Bank of America): Hi, good morning, everyone. Thanks for taking the questions. So first of all, on GroupM, you've mentioned that it grew 4% on a two-year comp. How does that compare to the overall ad market? And also, Mark, you mentioned GroupM is forecasting 7% CAGR for the ad market between now and '24. Would you expect GroupM to outperform that figure, perform in line or underperform?
Second question that is still around the topic of growth. At the Capital Markets Day, you kind of guided for like 2.5%, 3% like-for-like growth in 2023. Since you're recovering a year ahead of expectation, is that now a fair assumption for 2022 as well?
And then lastly, part of the Capital Markets Day plan was to stimulate like-for-like growth with M&A. I don't think you've achieved so much in the last 12 months. So, can you tell us what's the plan here for the coming six months? Thank you.

Mark Read: Okay. I'll tackle the first and the third question, and then John talk will to you about the expectations and guidance. Look, I think GroupM is an extremely strong business, and I think a 4% two-year stack reflects that. And I think particularly if you look at the growth in the second quarter, reflects the strength of their franchise. I don't have ad spend broken down on a first half basis to compare that with. But I think that GroupM is gaining market share compared to its competitors or compared to its peers. Its relationship to aggregate ad spend is complicated, because much of that growth in digital ad spend is focused on small and medium-sized businesses that are not the traditional clients of GroupM's - it's really not necessarily the right comparison to compare it to the aggregate share, but I think that it's a strong business. It's gaining share certainly compared to its traditional peers and is gaining share in digital media where it matters.

Look, I think on M&A, actually, if you look at our spend in the first half of the year compared to our target, we're on track to hit the target we set out in December for the year as a whole. Some of that did go through Numerator through our associates, but that is in a high-growth area of the data investment management business, and it's a quality high-growth company. I think we're on track to make our targets. We have a number of interesting opportunities in our pipeline.
John, growth expectations?

John Rogers: Yes. And in relation to growth expectations for 2022 and 2023, you're right, of course, that in 2023, we guided to 2.5% to 3% like-for-like growth at the Capital Markets Day, and we maintain that guidance for 2023. We're not at this stage going to issue guidance for 2022. Obviously, we've still got six months this year still to run. We carried very strong momentum through the first half as evidenced by the numbers today. We would expect that momentum to continue through into the second half of this financial year. But we'll obviously wait and see how the second half transpires before we give guidance for 2022 itself, but we are comfortable with the longer-term guidance of 2.5% to 3% like-for-like coming through in 2023. We've got good momentum in the business at the moment. We just want to see how we trade over the next six months before we give that guidance for 2022.

Adrien de Saint Hilaire: That's all very clear. Can I just ask a very, very quick follow up? Do you mind telling us like how much cost savings will be delivered in 2022 out of the GBP600 million that you plan to deliver for 2025?

John Rogers: Well, if you look at the -- again, I would just refer you back to the charts at the Capital Markets Day, where we outlined the GBP600 million of gross savings. And we gave you a chart following that, which showed how the cost savings progress over time. It was GBP200 million of gross savings for this year, GBP300 million the next year, obviously, on a cumulative basis. So, we're comfortable with that guidance still. I mean it was only an approximation as to how we proceed over the next five years, but GBP200 million for this year, GBP300 million for next year on a cumulative basis, we remain comfortable with that approach.

Adrien de Saint Hilaire: All very clear. Thank you.

Mark Read: Excellent. Thank you very much. Thank you, everybody for listening. I'll just conclude with the point I made at the end of the presentation. I think it's a great set of results, so thank you to our clients and our people. And I do believe it demonstrates the long-term viability, the adaptability, our ability to really transform a company of 100,000 people over the last three years and changes that we've made and the power of our business model in terms of the reach of our clients, our geographic spread,

and the range of our services. So, it bodes well for the second half of the year. Still got work to do, particularly in new business. We're not totally out of the woods from a COVID perspective yet, but we're confident in the guidance that we've given you today. So, thank you, everybody, for listening.

[END OF TRANSCRIPT]