WPP 2021 Third Quarter Trading Update

Teleconference Transcript

Thursday, 28 October 2021

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Q3 Highlights

Mark Read

Chief Executive Officer, WPP

Mark Read, Chief Executive Officer:
Thank you very much, and good morning everybody. Welcome to our third quarter call. I'm in London, joined here by John Rogers, our CFO and Peregrine Riviere, who heads our Investor Relations. We will take you quickly through the presentation and will leave some time to answer your questions.

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Before we start, please turn to Page 2 to read the cautionary statement.

AGENDA

1. Q3 HIGHLIGHTS
2. FINANCIAL PERFORMANCE
3. BUSINESS UPDATE
4. Q&A

On page 3, I'll talk very quickly through the highlights before John gives more detail on the financial performance. We will have a short business update.

VERY STRONG PERFORMANCE, BEYOND A CYCLICAL RECOVERY

- Q3 LFL[1] revenue less pass-through costs +15.7% (Q1 +3.1%, Q2 +19.3%)
  - GIA +13.5%, PR +16.0%, Specialist Agencies +41.5%
  - +6.9% LFL over 2019 (Q1: -0.3%, Q2 +1.3%)
- Q3 LFL[1] revenue less pass-through costs by major market: US +12.4%, UK +16.9%, Germany +34.5%, Greater China +18.0%, Australia +2.4%, India +28.0%
- Strong performance in new business: $4.6 billion YTD, new wins include Beiersdorf, L'Oreal, Sainsbury's and TD Bank; Unilever and Bayer retained/expanded
- Ongoing strategic progress: merger of Finsbury Glover Hering and SVC, acquisition of Satalia
- £448 million share buybacks year-to-date; at least £600 million in total by year-end
- Net debt £1.6 billion, down £1.0 billion year-on-year at 2021 exchange rates
- Full year guidance raised again: LFL[1] revenue less pass-through costs 11.5-12.0%, headline operating margin slightly above 14%

1. Like-for-like. LFL comparisons are calculated as follows: current year, constant currency actual results (which include acquisitions from the relevant date of completion) are compared with prior year, constant currency actual results, adjusted to reflect the results of acquisitions and disposals for the commensurate period in the prior year.

On page 4, summarizing how we think about the quarter, it was a very strong performance. It goes beyond a cyclical recovery. We saw strong growth of 19.3 in the second quarter follow through to 15.7% in the third quarter. Therefore, driving up our like-for-like growth on 2019 at 6.9%. We had good growth in all of our major markets and a good new business performance. We started the year, I'd say with probably more business at risk than we did the year before, and we've had a good track record in retaining and expanding and winning new clients.

We continue to make strategic progress in sharpening our offer and investing more in the areas of data and technologies through the merger of Finsbury Glover Hering and SVC, and the acquisition of Satalia.

Our cash position is strong, and we've taken the opportunity to do around GBP450 million of share buybacks and will get to our 600 million target by the end of the year, and net-net that means our net debt is down around a GBP 1 billion on this time last year.

So, I guess the headline really is that it was a good quarter, enabling us to raise our guidance for the year, overall from 9 - 10% to 11.5% - 12% and also slightly nudge up on margin guidance just above 14%. So good quarter and John will take you through that in more detail.

Financial Performance

John Rogers
Chief Financial Officer, WPP

So, thank you, Mark. Let me take you rapidly through the financial highlights

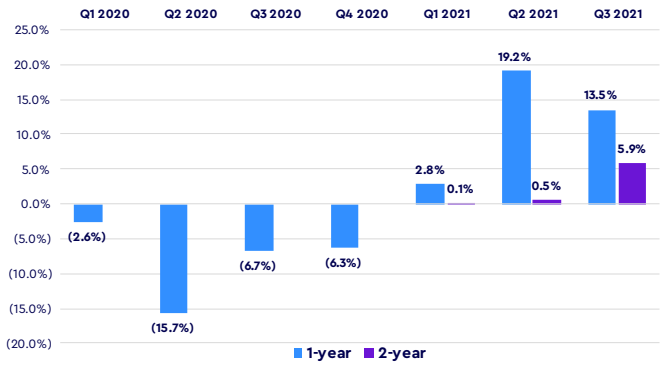
REVENUE LESS PASS-THROUGH COSTS BY QUARTER

	CONTINUING OPERATIONS			
	£M	Δ REPORTED	Δ LFL	Δ VS 19 LFL
Q1	2,334	(1.4%)	3.1%	(0.3%)
Q2	2,565	11.5%	19.3%	1.3%
H1	4,899	5.0%	11.0%	0.5%
Q3	**2,640**	**9.9%**	**15.7%**	**6.9%**
YTD	**7,539**	**6.7%**	**12.6%**	**2.6%**

So, revenue less pass-through for the third quarter, up 9.9% on a reported basis, 15.7% on a like-for-like basis and as Mark's already said 6.9% versus 2019, again demonstrating more than just a cyclical recovery. Year-to-date that means we're up 6.7% on reported basis, 12.6% like-for-like basis, and 2.6% versus 2019.

GLOBAL INTEGRATED AGENCIES: GROUPM VERY STRONG

LFL REVENUE LESS PASSTHROUGH COSTS GROWTH



Q3 PERFORMANCE

- +5.9% LFL on Q3 2019
- GroupM +19.0% LFL, +14.6% on Q3 2019
- Continued double -digit LFL growth at Hogarth, VMLY&R
- AKQA Group, Ogilvy and Wunderman Thompson all showing an improving two -year trend compared to Q2

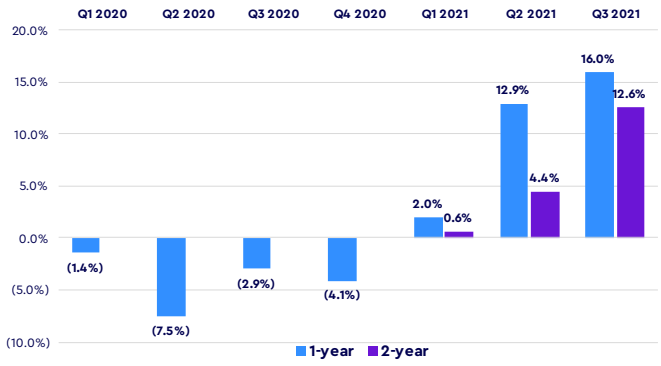
Note: 2020 growth rates have not been restated for the reassignment of AKQA, Geometry, GTB and International Healthcare from Specialist Agencies to Global Integrated Agencies from Q1 2021

Turning now to Slide 7, breaking the performance down into the individual sectors of our business, so looking at global integrated agencies. You'll see growth in the quarter like-for-like 13.5%, down slightly from the 19.2% seen in Q2. But actually, if you look at the purple bars in the chart, you can see significant progress on a two-year basis. So up 5.9% versus 2019, building momentum as we progress through the year.

Particularly strong performance from GroupM and also continued double-digit like-for-like growth at Hogarth and VMLY&R, and AKQA Group, Ogilvy, Wunderman Thompson all showing an improving two year trend compared to the second quarter of this year.

PUBLIC RELATIONS:
HIGH DEMAND FOR STRATEGIC COMMS ADVICE

LFL REVENUE LESS PASSTHROUGH COSTS GROWTH



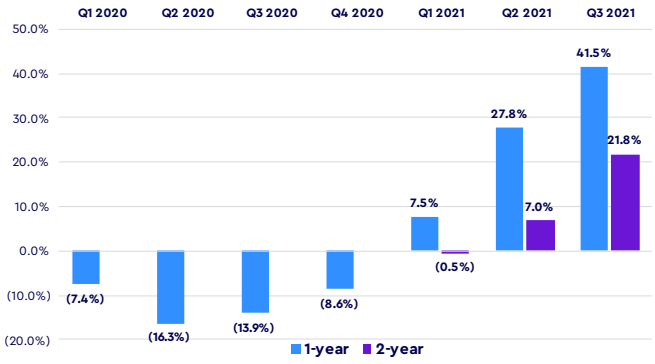
Q3 PERFORMANCE

- +12.6% LFL on Q3 2019
- Specialist PR continues to be the strongest performer
- Accelerating growth at BCW and H+K
- Finsbury Glover Hering/SVC merger

Turning now to public relations, there continues to be high demand for strategic comms. Again, growth in the third quarter of 16% and increased actually on second quarter 12. 9% and again on a two-year basis 12.6% versus 2019 in the third quarter compared to 4.4% in the second quarter. So, again, demonstrating strong momentum building through the year.
The Specialist PR agencies such as FGH continue to be the strongest performers. We're also seeing accelerating growth at both BCW and Hill & Knowlton and showing strong strategic progress with the merger of FGH and SVC.

SPECIALIST AGENCIES: BEST-PERFORMING SECTOR

LFL REVENUE LESS PASSTHROUGH COSTS GROWTH



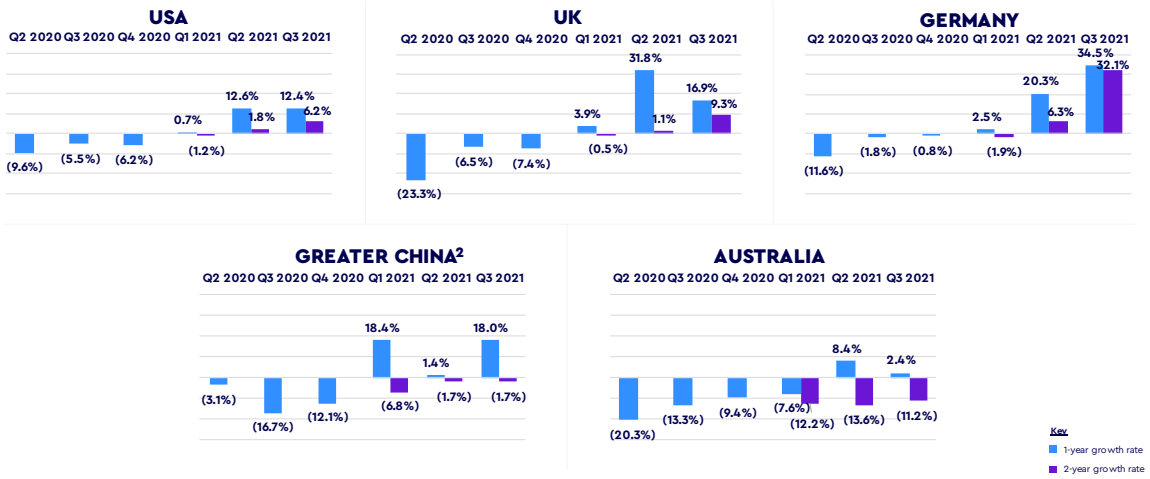
Q3 PERFORMANCE

- +21.8% LFL on Q3 2019
- Brand Consulting in strong demand
- CMI momentum continues
- Growth boosted by COVID -related contract in Germany

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

Coming now to the specialist agencies, which is the best performing sector within our business. We saw very strong growth in Q3 of 41.5% up on the 27.8% we saw in the second quarter and again on a two-year basis we are seeing that momentum build. Brand consulting is very much in strong demand. We saw great momentum – continued momentum in our Healthcare business CMI although the results were in part boosted by some COVID related work for a contract we have in Germany with one of our businesses GKK, but even if you strip that out of the quarter results would still be showing similar level of growth through the second quarter.

MAJOR MARKETS PERFORMANCE[1]



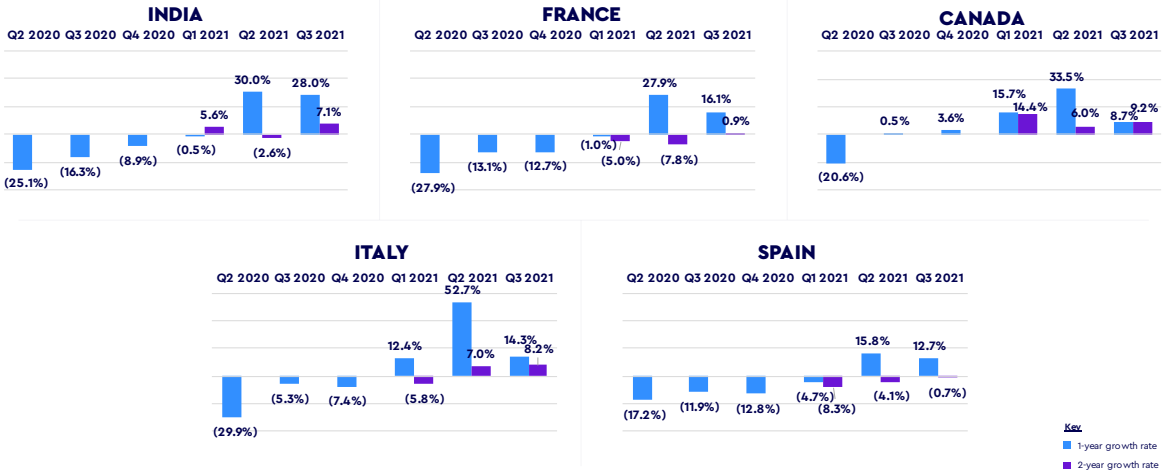
1. Likefor-like revenue less passthrough costs growth vs prior year from continuing operations
2. Includes Hong Kong and Taiwan

Coming on now to how we are performing geographically again, looking at our major market you'll see continued strong performance in the USA. And again, on a two-year basis building momentum so 6.2% growth versus 2019 compared to 1.8% in the second quarter. A very similar pattern in the UK market whilst overall growth is down year-on-year versus second quarter, we're seeing building momentum on a two-year basis versus 2019.

Again, on Germany, we see very strong growth, again, as I said already partly through the GKK contract. But again, if we stripped out that impact, we would be seeing similar growth for the second quarter for strong performance in Germany.

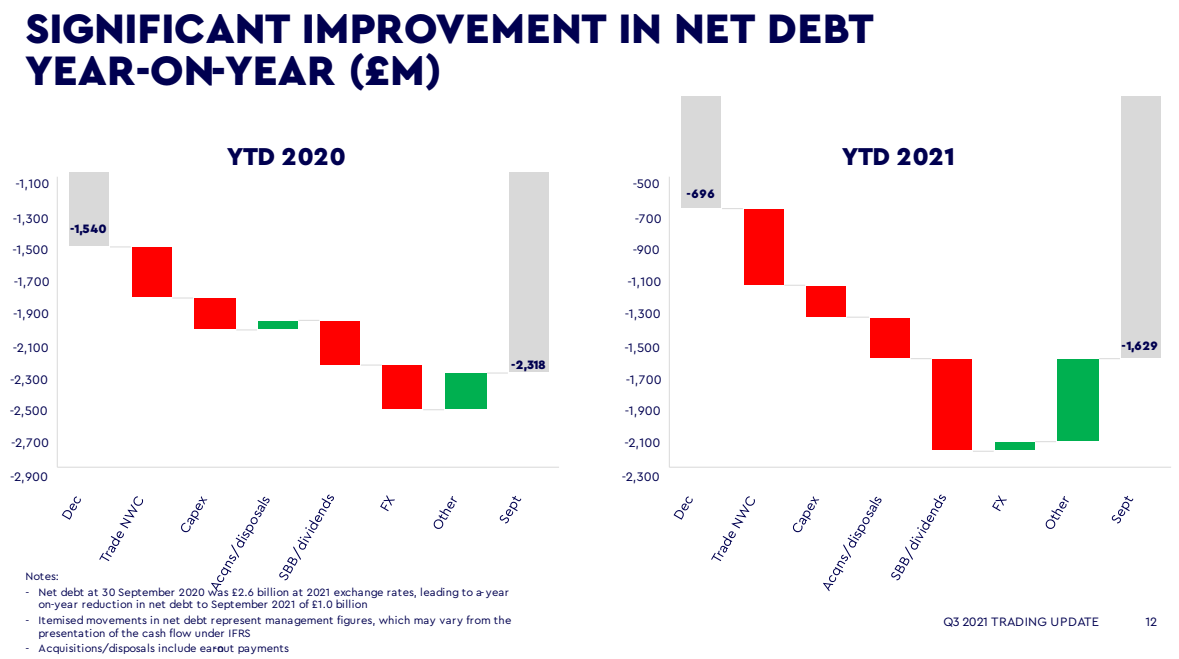
Again, we're seeing an improving performance in China. So, 18% growth in the third quarter, albeit, still on a two-year basis, we're still slightly behind 2019, but we are seeing an improving trend through the year. And also on Australia, we're still down about 11% versus 2019, but an improving trend through the year and obviously, this market in particular has been heavily impacted by the significant lockdowns that we've seen in that part of the world.

OTHER MAJOR MARKETS PERFORMANCE



1. Likefor-like revenue less passthrough costs growth vs prior year from continuing operations

Coming on now to our other major markets and I'll focus here on the performance since 2019, we're seeing good performance in India, up 7.1% in the quarter versus 2019. In France, we are flat versus 2019, but fully recovered versus impact of COVID. Canada we're up 9.2% versus 2019, and Italy up 8.2%. And Spain we're still slightly negative versus 2019 but as you can see from the chart, we have been building momentum through the year.



Coming on now to our movement in net debt on Slide 12, you'll see an overall improvement from GBP2.3 billion this time last year to GBP1.6 billion. If we adjusted that GBP2.3 billion to 2021 exchange rates, that would be GBP2.6 billion hence a GBP1 billion improvement year-on-year.

If we looked at the relative movements here in the chart, you'll see our trade working capital outflow is slightly greater than it was the same time last year, again in line with the guidance that we gave you that we expected a small outflow if we're adjusting for the very strong performance that we saw last year.

CapEx broadly in line with last year; acquisitions obviously, ahead of last year driven by Satalia, DTI, and the bringing together of our Australian business.

Dividends and share buyback increase with return to paying out dividends and also accelerating the share buyback program.

But overall a good reduction in our net debt position which bodes well for the year-end momentum.

GUIDANCE AND BUYBACK

- Full year 2021 LFL revenue less pass-through costs growth now expected to be 11.5-12.0%, up from 9-10%
- Headline operating margin slightly above 14%
- £448 million share buybacks year-to-date
  - £600 million by year-end
  - Plan to continue at a similar rate up to 2021 preliminary results

So just coming onto my last slide, as Mark's already highlighted, we're upgrading our guidance for the year. So net sales - we were previously guiding 9% to 10%, we are now upgrading that, expecting to outturn the year at 11.5% to 12%. Headline operating margin slightly ahead of 14%, we were previously guiding at 13.5% to 14%. So again, an upgrade in there. And a continuation of our share buyback program, we expect to outturn roughly GBP600 million by the year-end, having done GBP448 million year to date. And we plan to continue the share buyback program through to our prelim results in 2021 at a similar rate and we will obviously announce our capital allocation plans for 2022 at our prelims in February.

So now I hand you back to Mark take you through the business review.

Business Update

Mark Read

Chief Executive Officer, WPP

ONGOING STRATEGIC PROGRESS

SATALIA

- AI-driven solutions in resource optimisation
- Clients include Unilever, Tesco and DFS
- >80 people across Europe
- Acting as a hub of AI expertise across WPP

FINSBURY GLOVER HERING/SVC

- Merger with SVC
- Creates the world's leading strategic communications firm
- Board-level engagement
- Reputation and purpose increasingly important to our clients

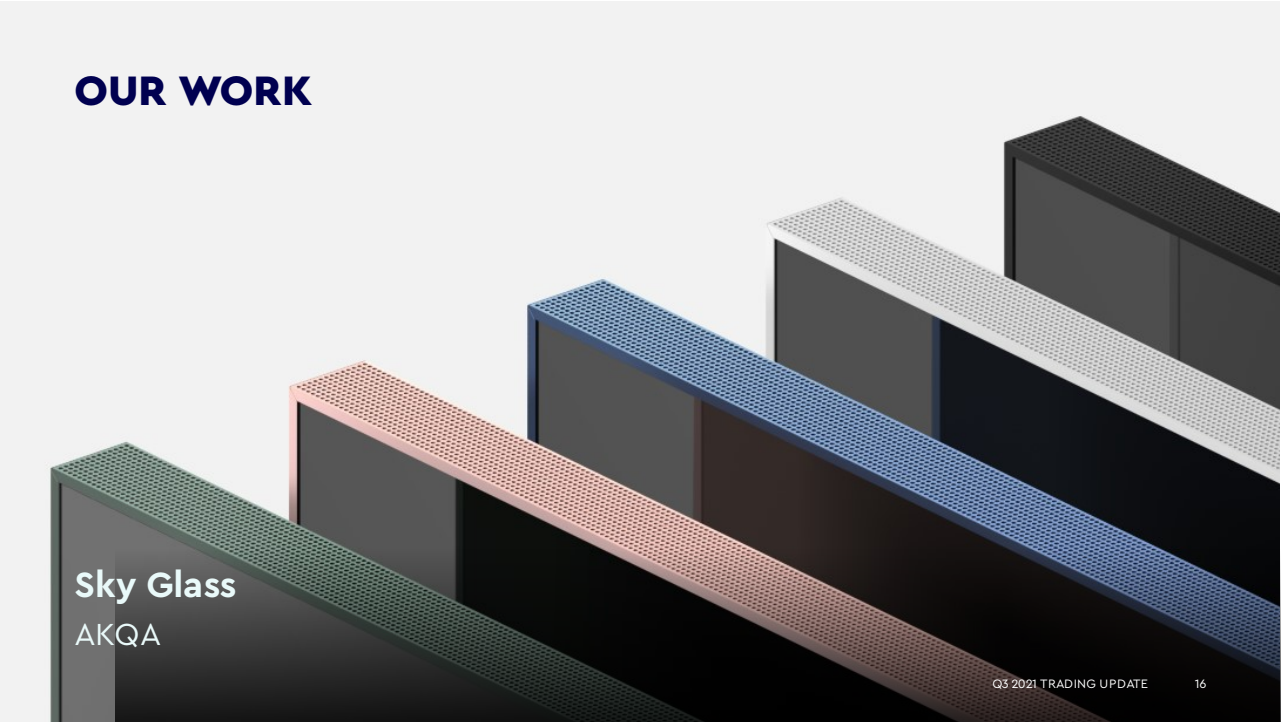
NUMERATOR

- Kantar significantly strengthens US presence
- Numerator: digital panel of >1 million US consumers
- Advanced analytics for faster insights
- Strong underlying progress at Kantar

Thanks very much, John. And I think just a few things briefly to highlight. On Page 15, while we've seen strong performance in our business, we have continued to focus on sharpening and expanding our offer as I mentioned. Three highlights - first the acquisition of Satalia, an AI-business based in London with around 80 people which is significant in this area, and they will continue to develop the products they have so far and will also act as a hub of AI expertise across WPP.

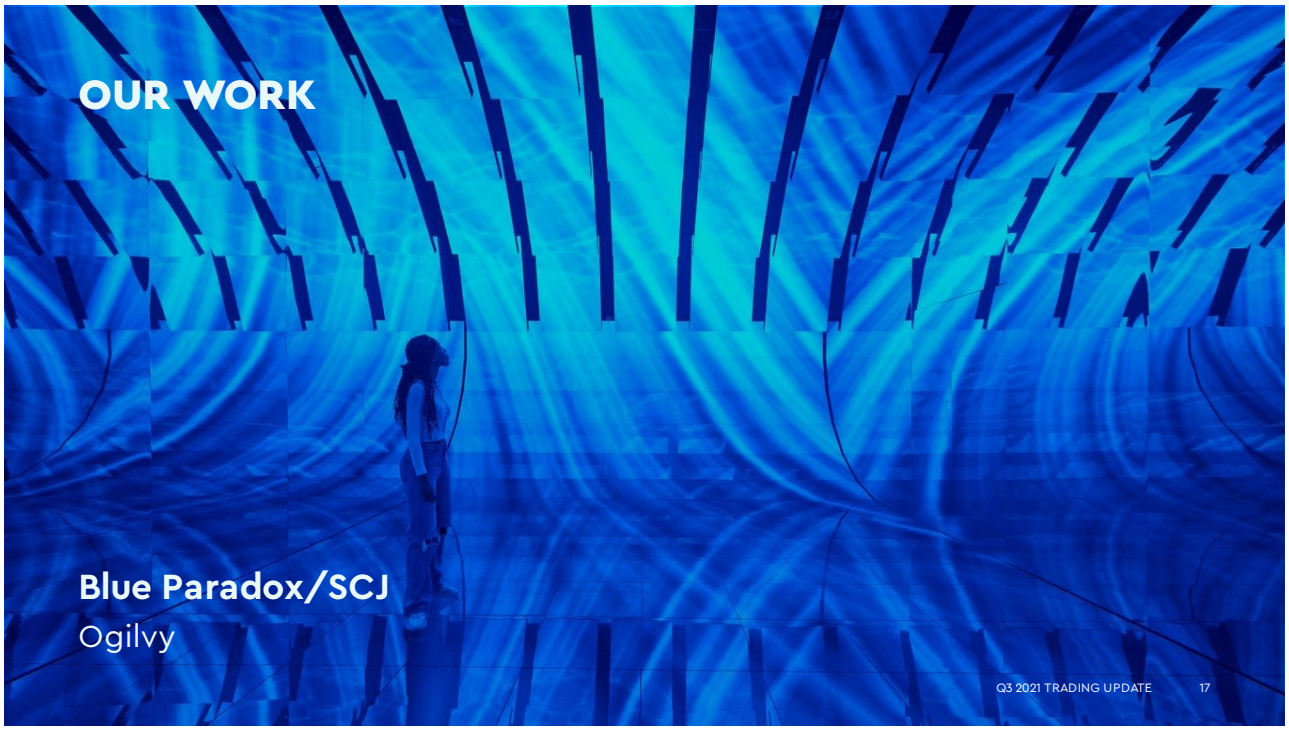
We also brought together Finsbury Glover Hering and SVC during the quarter where we created the world's leading strategic communications firm and it solidifies our position in that part of the market, an area of really rapid growth with our clients as reputation and purpose become increasingly important at the board level.

And then lastly, Kantar, where we own a 40% investment, acquired a business Numerator in the U.S. - a very strong, digital panel business, and that will expand their retail offer in a very good position globally.



Just to highlight three pieces of work which indicate the variety of the type of work that WPP does today.

First on Page 16 is the launch of Sky Glass, where AKQA and their design studio worked very closely with the Sky design team designing the product. We also worked on the launch campaign and major films and other digital and social media elements to that.



On Page 17, indicating the importance of purpose to our clients, Ogilvy worked with SC Johnson and their leadership to tackle the impact of plastic in the ocean and this amazing The Blue Paradox exhibition which launched in London, in September, attracted international attention. It's an amazing educational experience and it got millions of views on TikTok. And 97% of the people that attended it, said they would change the habits in relation to plastics. Another example of a company tackling some of the challenging issues ahead of COP26.

The last piece I wanted to highlight takes in a somewhat different direction. On page 18, some work for Mondelez for Cadbury in India, building on a successful campaign for Diwali last year. They used a combination of data and AI combined with Shah Rukh Khan a famous Indian with 27 million followers on Instagram to launch a campaign that allowed local retailers to promote themselves after the pandemic. So, a good example of data-driven marketing.

Looking at what we showed you - product innovation, purpose, data-driven marketing are three of the key themes we see from our clients at the moment.

INDUSTRY-LEADING PARTNERSHIPS

>5,750 GMP certified consultants

Google Marketing Platform Global Partner

WPP ×

Launched **Snapchat 'AR Lab'** partnership

WPP TikTok

First-of-its-kind global agency partnership with **TikTok**

Wavemaker x amazonadvertising

Global-first collaboration to access **Amazon Advertising**s Overlapping Audiences API

PARTNER INNOVATION AWARDS 2021

Global Salesforce Partner Innovation in Media award 2021 (Emark)

Sitecore's Global Excellence in Solution Delivery award 2021

Each of this work is actually supported by some of the partnerships we developed and a few to highlight. First, with the growth of Acceleration, our consulting business becoming increasingly important partner to Google on the platform side. We have more than 5,750 people, more than some companies, Google-certified consultants, and practitioners.
Also working closely with Snap and TikTok, two of the faster growing social media platforms.

STRONG NEW BUSINESS PERFORMANCE

Selected wins/retentions since August

ACCOUNT	M/C[1]	REGION	WPP AGENCY
Unilever	M	Global	MINDSHARE
BAYER	M	Global	mediacom
Beiersdorf	M	Global	WUNDERMAN THOMPSON / Wavemaker
L'OREAL	M	Europe and APAC	Wavemaker
FEMA	C	NA	Ogilvy
NILON'S	M	APAC	m/SIX
Sainsbury's	C	Europe	Ogilvy
TD Bank	C	NA	Ogilvy
DeLonghi	M	NA	Wavemaker
UNDER ARMOUR	M	APAC	Wavemaker
LVE	M	Europe	MINDSHARE
carousell	M	APAC	essence
Deutsche Bank	M	Global	essence
mobile.de	C	Europe	thjnk
nab	M	APAC	MINDSHARE
FERRERO	M	6 markets	MINDSHARE

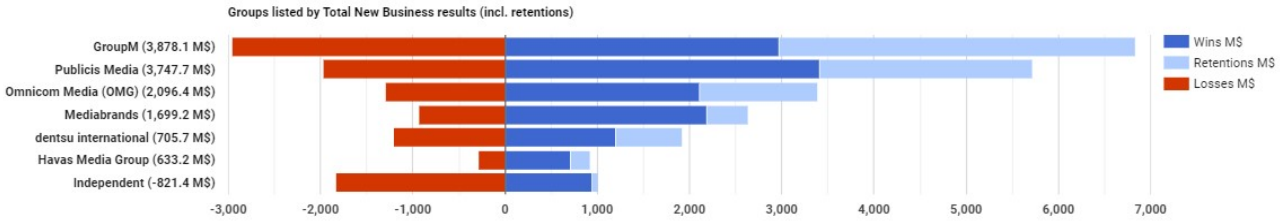
Selected losses since August

ACCOUNT	M/C	REGION	WPP AGENCY
Walmart	M	NA	Haworth
CHANEL	M	Global	WPP
TJ-maxx	C	NA	GREY
FERRERO	M	6 markets	MINDSHARE

1. Media/Creative
2. Haworth is a 49% owned subsidiary

That resulted, on Page 20, in a strong new business performance. As I said at the start of the call, we did come into this year, with probably more of our business up for review, primarily on a statutory basis, but up for review, we knew would take place throughout the year. And we are pleased with our ability to retain clients like Unilever, expand relationships like Bayer, and develop new relationships in the media area with clients like Beiersdorf, Sainsbury's or TD Bank creatively. A good mix of media and creative wins.

YEAR-TO-DATE MEDIA NEW BUSINESS



Source:COMvergence Provisional data

And then focusing just on the media side and this is something that was looked at the first half. If you look at the conversion status of media, you can see the credible performance of GroupM both in wins and retention. There are losses, but a credible performance on Page 21 in terms of media new business that reflect the strength of GroupM's business.

SUMMARY AND OUTLOOK

- Very strong quarter; raising guidance for the full year again
- Ongoing execution of strategy:
  - Targeted acquisitions in growth areas
  - Creating global leaders in the WPP portfolio
- Good momentum into 2022:
  - Strong new business performance, retaining key accounts
  - Leveraging technology partnerships for skills and growth
  - Some markets/sectors still impacted by COVID

So, to summarize on Page 22 it's a very strong quarter. We're raising our guidance for the third time this year, reflects continuing execution of the strategy we set out three years ago and refined at the end of last year - targeted acquisitions, creating global leaders. And we have good momentum going into 2022 and that will be a major area focus for your questions, but I think a combination of the strong new business performance, the way that we can leverage our technology partnerships and also the fact that some parts of the world are still not recovered to 2019, we have good momentum going into next year.

So, I think, those are sort of formal opening remarks and now we'll take questions, please.

Q&A

Omar Sheikh (Morgan Stanley): Good morning, everyone. So, I've got three, if I could. Maybe start on GroupM. Obviously, a big driver of the growth in the first nine months a year, I think 18% in the first nine months overall. Could you maybe talk a little bit about what's driving the growth? I mean, you called out Choreograph in the presentation, but can you maybe talk about how it's performing relative to perhaps global ad spend or relative to some of its media agency peers, that would be a helpful start. And then, secondly, I do want to ask the obvious question about supply chain into Q4, obviously lots of kind of investor focus about the impact on supply chain disruption on advertiser spend Q4 going into Q1. Could you maybe just give us some commentary about how that might be impacting you guys or not. And what you baked in or what you're assuming on supply chain disruption potentially in some verticals in your Q4 guidance?
And then finally, you've done quite a bit of work on restructuring agencies reorganizing yourself internally, most recently with the PR agencies as you discussed. Do you see any further scope for reorganization kind of consolidation within the Group going into '22? That's it. Thanks very much.

Mark Read: Okay. Well, I'll tackle the first and then John and I will both tackle the second and then we'll talk about the third. Look I think from a GroupM perspective, the performance of GroupM reflects first the fact that it's an excellent business, and that clients need help in media in an increasing amount. It reflects the strength that they have in data and in Choreograph and the investments that we've made in technology. It's hard to compare with our peers because I think we give more disclosure than our peers in terms of the performance of the media business alone. I can't really make that comparison, but I think there's no doubt that advertising spend has bounced back strongly this year and that's reflected in GroupM's performance.
In terms of Q4, I'll let John give you more detailed guidance on how we think about Q4, but I'd say, to-date, we haven't seen an impact of supply chain disruption in our numbers. In fact, on a two-year basis, our CPG clients, increased their spend from Q2 into Q3, perhaps seen a little bit of weakness in automotive in Q3 based on semiconductor shortages but I saw the CO of VW say today that he expected that to start to ease in the future.
And then in terms of sort of reorganization I think, if you think about the sort of the front end and the back end of our business, I think that we're comfortable with how we're taking our offer to clients. But we are as you know working on the back end of the business and maybe John can talk about that.
So, John?

John Rogers: Yes, coming back to Q4, if you took the upper end of our guidance that we've given today would imply double-digit growth in Q4 of around 10% which in fact is in reality is an upgrade on where we were in August, roughly 8%, we're effectively upgrading our numbers for Q4 today. So, we do see strong momentum in the business, and if you look half-on-half, we see in the first half of course our two-year growth versus 2019 at about 0.5% and we're expecting our second half to be somewhere between 4% and 5%. We do see growth coming through, definitively momentum in the business. And in fact, we are upgrading on numbers for the fourth quarter today from where we were back in August.

In relation to your question about restructuring the market, further major consolidations, but we've done a lot of work in simplifying our business, continue to do work in simplifying our business. For example, within our creative agencies, we've greatly simplified our country model, and we've actually

consolidated agencies in certain markets where there isn't a critical mass in those markets to support multiple agencies. We've done a great exercise across some of our smaller markets to simplify our business. Equally, for example, within GroupM, we're also doing some work internally within GroupM as to how to look at the structures there and how we can eliminate and take out duplication within GroupM itself. And so, there's a lot of work going on, not so much at the headline operating agency level, but within the operating agencies we're doing a great deal of work to simplify business and how we show up to our clients.

Omar Sheikh: Super. That's very clear. Thanks very much.

Julien Roch (Barclays): It's Julien Roch with Barclays. First quick question how much was Germany of net sales in either full-year '20 or 3Q 2020 please? Second question, echoing one of the questions from Omar and John's answer, so yes, if you use the upper end of your guidance, you get 10% growth in Q4, and yes that's an acceleration half-on-half, but it is a slowdown Q3 to Q4 of about 4 points versus 2019. So how much of that slowdown is conservatism because you still don't know, I suppose the impact of the supply chain problem and you don't know the Q4 budget at this moment from clients after all? So, if there's no supply chain impact on advertising and if clients behave normally in Q4, where would that 10% go to in an ideal world?
And then the last question is not blaming partly the low Q4 guidance from the fallout from IDFA. Impact on a GroupM, is it negative as well or actually could it be a positive for you because clients need even more advice than before?

Mark Read: Okay. So why don't I start at the end, and let John take you through questions one and question two again. From our perspective, we haven't really seen a negative impact of the Apple changes. As we said before, it's begun to become a more complex world from the data and privacy perspective, I think that makes giving advice to our clients more important. It will have an impact on individual media owners depending on their business model and I think those have been impacted have been those companies that have big app download business, which is linked very, very carefully to the ability to track what's happening. That's not part of the business in which we really operate. So, I think accounts for the perhaps the surprises that you saw there.
John, do you want to tackle Germany and Q4 again?

John Rogers: Of course, yes. Certainly, on Germany, and I guess you're probably trying to allude to is the impact of the one-off COVID increase that we talked about, so I'll give you a little bit of breakdown and flavor on that. So, Germany reflected about just over 8% of our business in the third quarter, year-to-date it's about 7.5% of our overall business that gives you a view into the scale of Germany. And in terms of the impact of the one-off COVID contract that we secured in Germany in the third quarter, its impact on the overall growth of the quarter of just over 1%. So that gives you a little bit of a feel for the sort of adjustment that we'll need to make this time next year assuming that contract is a one-off.

In terms of Q3, Q4 and deceleration I don't think we really look at it that way. I mean, I think we really are looking at the half on half story. I mean, it's always difficult to break anything on the month-by-month basis, and even on the quarter-by-quarter basis. And actually, we really look at the trending on a half-on-half basis and as I said, the half one up about 0.5% versus 2019, the second half about 4% to 5% versus 2019. We think that reflects, strong momentum in the business. It doesn't feel like we're looking at Q4 as a sort of slowing down in any way. And we're certainly not seeing any evidence to most of our clients that supply chain issues, that you refer to are causing them to rethink that.

So, I continue to be reasonably positive as we go into Q4 we think actually that bodes well in terms of momentum going into 2022.

Julien Roch: Great. Thank you very much for that and well done on those pleasing results.

Tom Singlehurst (Citi): Yes. Good morning. It's Tom here from Citi. Yes, I've got three questions as well so, sorry about that. The first one is on drop through obviously very pleasing to see both revenue upgrade for guidance, and slight margin sort of upgrade as well. But historically, we would have normally expected about 30% of incremental revenue to drop through and the margin guides were obviously difficult because you're -- it's a qualitative guidance in a way, but it does feel like it could have gone up more. Just wondering whether you can give us a bit more color on the moving parts are you injecting more cushion in the form of bonus accruals and things like that? That was the first question.
And the second question was Kantar had its own bullet point in the press release and its own box in the presentation. I think a lot of us have slightly lost sight of Kantar now it's only in a line in the Associate income. Can you just talk a bit more about the growth rate of Kantar and where we are in the sort of restructuring program?
And then the final question actually more of a high level one, we're seeing an increasing amount of publicity and news flow around retail media by sort of e-commerce platforms sort of taking in ad dollars. Just can you talk conceptually about whether this is new money coming in from promotional budget or is it cannibalizing traditional digital media spend and how we should think about this as an opportunity or threat for you guys?
Thank you.

Mark Read: Okay. We respond to two and three then go back to the guidance. But I think from our perspective, and we said at the time, that Kantar is a very strong business. We felt that the right thing to do for WPP, given our leverage three years ago, I remind you our debt peaked at GBP5.4 billion. Given our leverage and we didn't have a perfect foresight about COVID, but given what happened there, I think the right thing to do was to do the transaction with Bain Capital. We remain a 40% shareholder and are very happy with our investment. I think the business has done well. It's frankly broadly tracked WPP's performance during the pandemic both in revenue and profit, I think there is some disclosure on their website, if you're more interested in having a look at that. The company has done well given the Numerator acquisition is exactly the type of transaction that we'd like to see in this space and modernize their offer and make it more relevant. So, we work with Bain Capital leadership there, and it remains a valuable part of the company. We will see how it develops - it was always going to be five-year view and it's 2.5 years into the five years.
On the retail media point, retailers have always attracted media dollars and it may historically have been in the form of shelf wobblers if you like, and now it's in the form of retail media online, part of that budget comes out of the trade budget, but they're increasingly trying to access the brand budget as well. I think it's positive for WPP. Clients, particularly packaged goods clients, would increasingly want to look at their media budgets, both brand and trade together, and have that managed by one player. From our perspective, I think bringing that together gives us more access. A critical part of our Unilever media review was not just data and the work we did with Choreograph but was also demonstrating our credibility and capability with them with Amazon, with other retail media. I think that's a really strong point in favor of GroupM and the investments that we've made in Amazon.
John?

John Rogers: Yes, just to build first on Mark's response on Kantar in terms of your question on the transformation program being undertaken there. I think really, really pleasing performance so far. It's quite interesting I'm often trying to compare WPP's transformation program with Kantar's side-by-side to see how we fare and actually when we're looking at cost savings, I would say that Kantar is slightly ahead of WPP in terms its progress on taking out cost within the business and from a cash perspective actually slightly behind where WPP is in terms of extracting cash from the business improving working capital. But overall, as Mark highlighted, I think almost parallel tracking our own performance which I think has been very positive.

In terms of your question on drop through: as we clearly signaled at the interim results, we continue to see a healthy drop through on revenue increases, but it is decreasing as we progress through the year and it's decreasing for a number of reasons and partly because we have seen obviously salary increases come through. As we said, we had some catch up in relation to increases versus 2019. We didn't put many increases through in 2020 so there is a little bit of a catch up coming through there. We are having to recruit of course. We're delivering this quarter 6.9% ahead of 2019 and actually our headcount pretty much matches where we were this same quarter in 2019. So, we are delivering efficiencies, but we are having to add to our headcount in order to meet with our growing client requirements. And of course, we're seeing as you rightly highlight bonus and also travel starting to come back in again. So, I'm very comfortable with the level of drop through that we're seeing albeit as expected, it is decreasing as we progress through the year for the reasons I've just highlighted.

Tom Singlehurst: Okay. Thank you.

Sarah Simon (Berenberg): Yes. Hi. I have a few questions as well, please. First one was just back to Germany. Are there any other kind of COVID-related contracts that we need to think about in terms of either Q1 or Q2 and does the German contract, is that like fully encompassed in Q3 or will there be any spillover into Q4?

Second one was on PR. We spend a lot of time talking about kind of media and creative, but can you just give us a quick insight into what's driving this huge growth in PR? Because it's not companies saying right now, we're ready to market there's economic growth and so on. So, I'd be interested in that.

And then, final one, there is kind of more noise coming from people about brands, wanting to de-emphasize their reliance on Facebook and Google. Obviously, we know they want to try and establish direct relationships, first party data, etc. But are you actually seeing that in your business, or do you think this is kind of wishful thinking, but actually, they're still getting the vast, vast majority of the incremental dollars? Anything you can say on that would be helpful. Thanks.

Mark Read: Yes. Okay. On public relations, I think we did see an acceleration in our PR business performance in the third quarter which is interesting because I think in previous times, public relations has often been the first part of our business to be cut. That wasn't the case during COVID, but scope of the services has continued to increase coming out of COVID. If you read the newspapers, frankly it shouldn't be any surprise - topics of purpose, reputation, employee activism, political polarization, racial challenges, are all top of people's minds and issues that companies are increasingly expected to wrestle with and have a point of view on, and I think that as a result has been a lot of demand from clients for guidance and counsel and programs on how to address those and the run-up to COP26, that's more evident than ever. If you look at the work that we did with SC Johnson, Blue Paradox, we highlighted in the presentation.

So, look I think the degree of growth is perhaps a little bit of surprise - it's really very strong. But I think the fact that it's become more important should not be a surprise, and I think was one of the reasons why we're very excited by the opportunity we have in bringing Finsbury Glover Hering and SVC together. I think those of us in the UK may not know SVC as well as people in the US, but it's a fantastically strong business. And the combination of those two companies is unparalleled and there are very few, you can count less than the fingers on one hand businesses that will have the geographic reach, the scale, the breadth of expertise that those businesses have and it's not just in Investor Relations, it's in crisis communications, it's in corporate advice -- and that's at senior level of advice which is really important. We've really got a fantastic portfolio now between that merger, and with BCW and Hill & Knowlton. And Hill + Knowlton is another company where, actually hadn't grown in the U.S. in nine years but under AnnaMaria DeSalva's leadership over the last 18 months to two years, she has really turned that business around in the U.S. and we're seeing good growth. So, I think that the strength of our PR business is both underlying demand for clients, strength of our offer and strong leadership by the people that run those companies.
Turning to the question about brand. Look, I think the third-party cookie and the way that data was treated meant that clients could operate in a very data rich environment without thinking too hard about where the data has come from or what permission they needed to use to -- needed to have to use it. Clearly that's changed. And they look at platforms, like Facebook and Google and see them both as ways to reach consumers, but also very data rich ways to reach consumers. And as data privacy standards become stricter and platforms like Apple -- Apple really cuts across those platforms' ability to link their data out into the outside world. So, you really got two businesses, Facebook and Google, who have really rich platforms, but Apple has stopped them activating that data off of those platforms.
So ironically, it's going to have a dual effect on clients – on one level it's going to make them think harder about how do we collect data? And how do we build our own set of data? This is the first party data question. If anything, though, it's going to drive more of their spend on Facebook and Google because it's harder for them to activate that data off of those two platforms. So, I don't think it's going to lead to spend moving away from Facebook and Google, if anything it is going to direct more spend to those platforms and strengthen their position in the overall ecosystem.
John, you want to talk about the --

John Rogers: Yes, so in terms of your question around any other COVID related contracts that have driven sales in Q1 and Q2, I would say nothing of material nature. So, no major impacts in the first couple of quarters, COVID-related work. And in terms of your question on whether the German contract would transcend into Q4, the contract itself actually ends in November but the vast majority of the work is actually being completed at the end of September, so there won't be a material impact on the Q4 numbers. So, most of the upside we talked about today we've seen come through in Q3.

Sarah Simon: Great. That's really helpful. Thanks.

Matti Littunen (Bernstein): Hello, good morning.
Only two questions left for me, one on the Q3 project-based work. So that COVID contract side. Do you see the quarter as a bit of a bumper one in terms of how the pacing of project-based work ended up being this year or did not stand out from the kind of baseline? And then the second following up on Sarah's question on PR, still quite a fragmented market I understand, so do you think there's going to be the consolidation in that space globally? And then, related to that, you describe the benefits of scale at your group level that you see in PR and Comms? Thank you.

Mark Read: On the PR question look, I think, it's somewhat fragmented, but I think there are a small number of big global players, and I wouldn't expect necessary to be further consolidation amongst them and we have now within WPP, three really strong global offers. I think the benefit of that is less about sort of scale and efficiency but more about helping clients deal with issues in a much more connected world. So, if you're running, a company in Silicon Valley, what happens to be in India or the EU. It is more important to you now more than it ever has been, so I think clients need partners with broad global reach. They need those partners to have real depth of local relationships which is why these companies are so important. They are strong businesses and have excellent talent and that's what clients are really looking for.
John?

John Rogers: I think on project related work, I think it's fair to say that the most impacted quarter of last year would have been at the start of the impact of COVID. Obviously project related work was arguably the first revenue stream to be cut by clients because it was relatively easy do so. So, we would have seen the biggest impact from project related work come through in Q2 of last year. And therefore, Q2 of this year we saw a degree of bounce back, but I wouldn't describe much more of a trend to it than that. I think we continue to see strong performance in Q3, and I would expect that trend to continue in Q4 as we continue to recover coming out of COVID. So, I think the biggest quarter-on-quarter impact was seen in Q2, frankly not Q3.

Matthew Walker (Credit Suisse): Hi, Mark, hi John. Well done on the results, very impressive. I've got three questions actually. You indicated in the beginning, you got a lot of questions on growth in next year and you kind of hinted already on the call that you expect growth to be more momentum to be good going into next year. Thinking back to the Capital Markets Day, you did a while back, you were going for, I think, it was 5% in '21 and then another 5% in '22. Now the shape has changed a bit and you've done much better in '21. Is it still possible to get to 5% in '22?
The second question was around growth rates on a two-year stack for some of those creative businesses. You said that VMLY&R was double digits. Can you give us an idea about how well the other creative businesses, like AKQA, Ogilvy, Wunderman Thompson are doing on a two-year stack either for the nine months or for the Q3?
And then final question for John is on the balance sheet and the buyback. It looks to me like, if you stuck to the lower end of your net debt target of 1.5. You could easily do, let's say a 1.5 billion buyback in '22. Does the math on that sound right?

Mark Read: I'll let John answer all three questions except to say our media business did do particularly well in Q3, but actually, our creative business did well as well, and I don't think that we should forget that. And what we call creative is not just people that produce TV ads but also encompasses everything all the services offered by those integrated agencies from branding to communications, to e-commerce, to marketing technology and those are the areas that are seeing growth.
John?

John Rogers: Yes, so there's a -- I'll answer those questions in reverse order if I may. In relation to the buyback I think if you applied our guidance and given our current reported net debt position you would expect to see that net debt position improve towards the year-end obviously subject to working capital movement, but you'd expect to see that improve which would put us way below our net debt to EBITDA

guidance and therefore it would be all things being equal of course, that there would be a continuation of the share buyback program into 2022 in line with the capital allocation policy set out at our Capital Markets Day.
So, now of course there is a caveat there which is all else being equal and you don't know what you don't know but I think it would be reasonably sensible to assume and we would obviously provide more detail in February of next year, that you'd expect to see a continuation of the share buyback program. I'm not going to comment on the quantum figure that you threw out. I won't be drawn on that other than to say that all else being equal, you'd expect to see a continuation of the program.
In terms of the two-year stack that you highlighted for the different global integrated agencies. As we've already given the numbers for GroupM, double digit growth rates. Again, VMLY&R, double-digit growth in the quarter on a two-year basis; the implications therefore are that Ogilvy, Wunderman Thompson and AKQA are slightly negative on a two-year basis, albeit, I think, in all cases we are seeing an improving momentum. So, you've got Wunderman Thompson almost getting back to 2019 levels, certainly, improving Q2 on Q3 or Q3 on Q2. You've got Ogilvy, which is just into single digits negative decline versus 2019. But again, it's improving quarter-on-quarter. And again, you've got AKQA which is in which is roughly mid-single digit decline versus 2019, but again, improving quarter-on-quarter.
So, we're seeing positive momentum, but still more work to do to get back 2019 levels in those agencies I've described. That's the two years stack.
And then in relation to -- I love the way you phrased your question in relation to growth into 2022. Look, you're absolutely right, of course as previously said, it would take us two years to recover to 2019, it's taken us in effect less than one year and the guidance implied this year will be 3% ahead of 2019 at the year-end, so much more positive performance than we thought. In terms of -- we're not going to give guidance now for 2022, we're in the midst of our budgeting process as you would expect as we speak. And we will give much more detailed guidance at our prelims in February, other than to say is we've already made the point on the call that we see positive momentum coming through in the second half of this year, and we would expect to see that momentum continued into 2022.
But I won't get drawn at this stage as to what the level of growth we expect to see in 2022, 5% or otherwise, won't get drawn in that today but we will give you more detailed guidance come the prelims in February. Thank you.

Matthew Walker: Okay, that's great. Thank you very much.

Richard Eary (UBS): Many thanks. Good morning Mark, John. And again, great set of results. Number of questions have been answered, but maybe a couple of questions for myself. The first thing is there any other sort of potential reviews that you can think about in terms of unlocking value in the portfolio similar to what you're doing with SVC and Finsbury Glover, particularly looking at maybe some of the specialized agencies and where you can expand on that or not.
The second thing just as on we had record account wins last year, year-to-date momentums have been pretty good. I just wonder whether you can quantify any impact coming from those in these results already.
And lastly, as we go into '22, this year has obviously been quite a big year for a retention of accounts. I'm just trying to get a feel for how we think about '22 in terms of big accounts coming up for review and whether it's an opportunity or headwind for you next year?

Mark Read: On the portfolio, we look at and there may be things on the margin, but I think that we are broadly comfortable with the portfolio as it stands. I think we did 55+ disposals in the first two years both to reduce our debt and to reshape up into what we wanted. And I think broadly speaking, we're comfortable with where we are, maybe a little bit of tiding up on the associates, investment line that would happen naturally, but I don't think we're in a great rush.
On the account wins, as you say, I think we came into this year with a little bit more at risk. I think we've benefited a little bit this year from the wins we had last year, and we do well and they're still quite a lot to go. It will impact us next year. What really drives our results are probably the things that are less visible than these sort of big media wins one way or another. I think GroupM is an excellent business and will continue to be so. And our creative agencies win a tremendous amount of work from clients that never hits the pages of Campaign or isn't reported in the same way or covered in the same way. I think that's increasingly the case which is why there's such a focus on the media wins, but that's really about 35% of our business. And so, I think we have to look elsewhere. So, I think, if we do well and I we've got good momentum and our client satisfaction scores continue to be high, I think that bodes well for organic growth next year, but yes, I think it's sort of a little bit at the margin. And what was your last question? Have we got other things coming up?

Richard Eary: It was more as we look into '22. I mean if this year's been a more business at risk despite good retention from people like Bayer -- how do we think about '22? Are there more opportunities or there are more threats-?

Mark Read: I think if anything there's more opportunities. I mean, this was a particularly tough year coming into this year. Media clients tend to review on a three- or four-year basis. Unilever hadn't reviewed for seven years. I think we knew it was coming up this year and these things are competitive. But I think probably going into the balance of this year and next year, we probably got more opportunity than we've got risk. And I would say that I think one of things we've seen coming out of COVID is -- and this is important – clients look at their partners, look at who they want to work with, consider their data and technology strengths. I point out, at WPP we have more than 120 clients with more than $20 million of revenue. We've got substantial big clients with whom we can expand our relationships. There is a tremendous amount of organic growth opportunity. And often that's as interesting as the sort of new business pitches that hit Campaign.

Richard Eary: Thanks, Mark.

Mark Read: Well, thanks everybody and thanks very much for your questions. Good quarter. There's more work to do to finish the year. And look forward to talking to you soon. Thanks everyone.

[END OF TRANSCRIPT]