WPP 2022 First Quarter Trading Update

Teleconference Transcript

Wednesday, 27 April 2022

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Q1 Highlights

Mark Read

Chief Executive Officer, WPP

Welcome, everyone, and thanks for joining our first quarter update, I'm here in Sea Containers House with John Rogers, our CFO, and Peregrine Riviere who heads up our Investor Relations activities.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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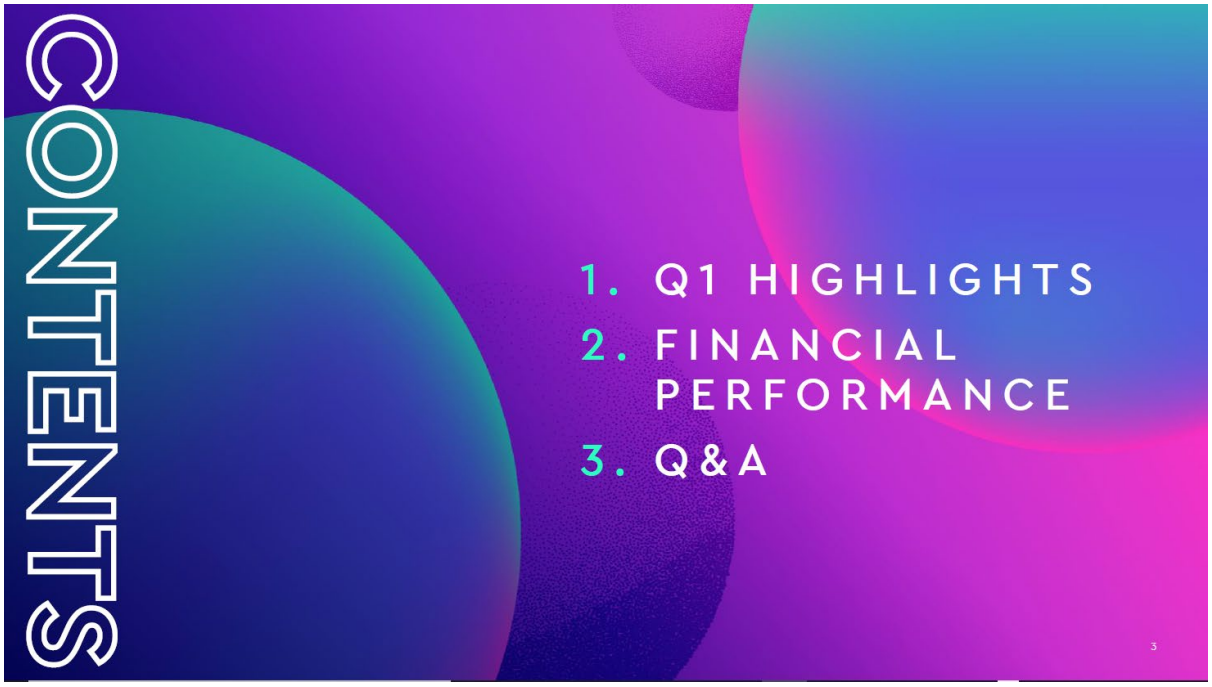
Q1 2022 TRADING UPDATE 2

So turning to the presentation. And before we begin, I'd like to ask you to take note of the cautionary statement on slide two.



I'll briefly go through the highlights of another strong quarter, John will take you through our financial performance and guidance and we'll come back just to summarize and then take your questions.

STRONG START TO THE YEAR

Continued growth momentum	Sustained investment in client offer
• LFL[1] revenue less pass-through costs +9.5% • Growth in all business segments: GIA +8.6% (GroupM +12.8%), PR +14.1%, Specialist Agencies +13.0% • Broad-based regional growth: N America +8.7%, UK +8.1%, W Europe +8.9%, ROW +11.9% • New business: Mars, JDE Peet's, Sky; onboarding Coca-Cola at pace • £362m of share buybacks in Q1	• Further transformation of GroupM • Launches of Everymile (D2C commerce) and Metaverse Foundry • Creation of GroupM Premium Marketplace • Ongoing investment in product development in Xaxis, Finecast and Choreograph • Acquisition of Village Marketing

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 from continuing operations, adjusted to reflect the results of acquisitions and disposals for the commensurate period in the prior year. Both periods exclude results from Russia.

Q1 2022 TRADING UPDATE 4

So on page four, we did have a strong start to the year continuing our momentum from last year with 9.5% growth in Q1 actually 9.2% on a three-year stack in the first quarter, which if you look at it, compound rates are pretty much exactly 3%, at the top end of our medium-term guidance. And it shows what we've done during the period of COVID in some uncertainty, and I think further proof of the continued strong demand for our services across digital media, data, commerce and marketing technology and underpins our medium-term guidance.

We had good growth in all of our business lines, despite the strength of the prior period, including 8.6% in our global integrated agencies. We saw 12.8% growth in GroupM in a strong media market. Importantly we saw all of our integrated agencies grow year-on-year and together they grew around 5.6% and as we discussed before, the transformation of our offer within these agencies is key to underpinning our long-term growth and progress here continues to be very encouraging and that's a key strategic goal for us as a company.

Our public relations activities up 14.1% and that reflects the ongoing importance of issues management around reputation, purpose, sustainability and employees, and we are now home to three of the world's leading public relations strategic communications firms with BCW, Hill+Knowlton and now the Finsbury Glover Hering and Sard Verbinnen merger bedding down very well. Specialist Agencies grew 13% with strong client demand in brand transformation.

On a geographic basis, we had good growth, broad-based across the board, and John will dig into that at a country level in a minute. Our new business track record was good, both in retaining, expanding and winning new clients, including the likes of Mars, JDE Peet's, Sky and we're definitely seeing a trend, interestingly, within our media business to the integration of digital and analogue media. These reviews very much play into our strengths, and it is a little bit behind the reorganisation we had at GroupM earlier this week and I think it is at odds with the view that clients are splitting out digital media or taking it in-

house. On Coke, our onboarding is proceeding well, and will continue to support our growth over the year as it onboards.

We have a strong balance sheet, as you'll see. And we've taken the opportunity to do around GBP362 million of share buybacks, which is consistent with our GBP800 million target for the year overall. So that talks about the continued growth momentum.

What I'm particularly pleased about is the investment in our client offer. We simplified GroupM with the merger of MediaCom and Essence, delivering a more integrated solution to our clients. We announced the launch of Everymile, our dedicated D2C commerce business and The Metaverse Foundry which brings together 700 experts from Hogarth. And I think that demonstrates a continued and sustained organic investment in the business alongside what we can do from acquisitions.

We created the GroupM Premium Marketplace in partnership with Magnite and PubMatic to bring more transparency and control to premium digital media. Again, another benefit to our clients.

We continue to invest in Xaxis and Finecast where we are investing in technology and innovation, product development, and bringing those businesses together, so we have scale where scale is needed and they can support our agency brands within GroupM. And finally, we made one acquisition in the quarter, the purchase of Village Marketing, a New York-based influencer marketing specialist of around 150 people which is going to give us strong strength in social media.

So, in summary I’d say a very good quarter. We've done a lot despite the challenges, which I will touch on in a minute, and that enables us overall to update our growth guidance to the year to 5.5% to 6.5%.

EVENTS IN UKRAINE AND RUSSIA

- Provide practical and financial assistance for our 200 people in Ukraine
- Partnered with the UNHCR to run an emergency fundraising appeal:
  - $150m raised to date, including over $1.3m from our employee match-funding programme
- On 4 March 2022 we announced our decision to exit Russia; agreement now reached to divest businesses
- Limited financial impact:
  - Represented 0.6% of revenue less pass-through costs in 2021; excluded from like-for-like growth metrics from Q1 2022

Q1 2022 TRADING UPDATE 5

I'd like to update you on the events in Ukraine and Russia. Now obviously, our main priority has been to support and to look after our 200 people from Ukraine in the face of this horrific attack on their country. We're working with the local leadership to provide financial and well-being support, and job opportunities to our Ukrainian employees who continue to express their desire to work and live in a normal way. I was in Poland about four weeks ago and I saw this first hand. I talked to our people there from Ukraine and I've been extremely impressed by the offers of support from our people in other countries, picking our people up at the border, providing them with accommodation and essential goods and services and really coming together as one WPP family to look after them.

We've been partnering with the UNHCR to run an emergency fundraising appeal. More than 4,000 of our people across WPP donated to that, raising over $1.3 million including our match-funding with the broader appeal raising around $150 million to date. So a really fantastic effort from our agencies, particularly Blue State Digital who supported that.

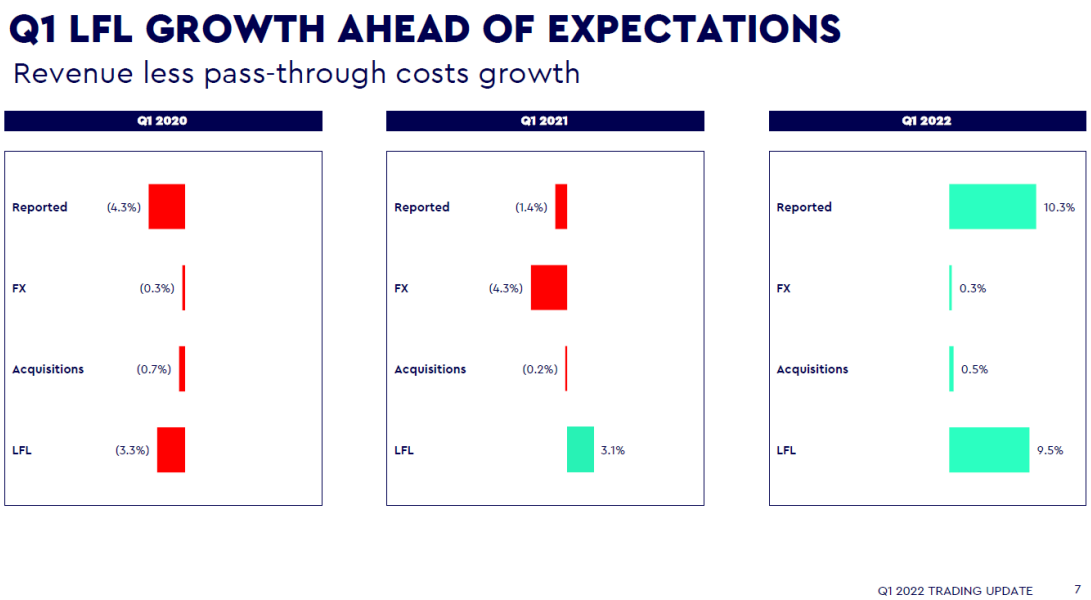
Now turning to Russia. We announced, on the 4th of March, our decision to exit the Russian market, and I'm pleased to say that we've now reached agreement to divest our businesses there. We will be selling the business back to the management and that process is substantially complete. We have a complex portfolio of companies in Russia that naturally take some time, but we have made that decision. Our 1,400 colleagues in Russia have been dedicated and valued members at WPP for some time and we obviously regret the decision. But the Board decided that operating in Russia is not consistent with our values as a company and I'm pleased that we've been able to move relatively quickly on that.

So that's really a summary of where we are for the quarter. And John, take us through the financial results in more detail.

Financial Performance

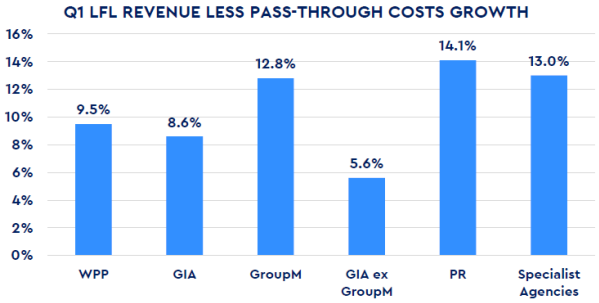
John Rogers
Chief Financial Officer, WPP

Thank you, Mark. So, onto the financials for the first quarter of 2022. You may notice we somewhat streamlined the deck, so that we can focus more time on the Q&A. Rest assured, all the usual detail of course is in the appendices.



So, coming first to slide 7, revenue less pass-through costs. At the reported level we have seen an increase of 10.3% for the quarter. A small tailwind in relation to FX and obviously the contribution from acquisitions at 0.5% leads to an overall like-for-like growth for the first quarter of 9.5% and that's on the back of 3.1% this time last year.

GOOD GROWTH ACROSS ALL BUSINESS SECTORS



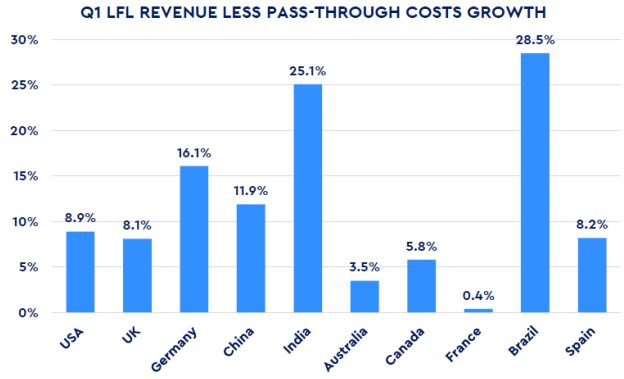
- Continued strong performance at **GroupM**: data, digital media, new business
- Other **GIAs** all contributing to growth:
  - Demand for content driving Hogarth
  - Integrated creative agencies strongest in Europe, India and Latam
- **PR** delivering sustained high growth: BCW, H+K and Finsbury Glover Hering all growing double-digits
- Broad-based growth in **Specialist Agencies**

Q1 2022 TRADING UPDATE 8

Moving now on to slide 8, and business sector performance. Again, we've seen very strong growth across all of our business sectors, starting off with our integrated agencies at 8.6%, which is on the back of the 2.8% growth this time last year. GroupM, in particular, showing strong growth of 12.8%, again, on the back of 5.8% growth for the same quarter last year.

Taking integrated agencies excluding GroupM, growth of 5.6%, and as Mark said at the very beginning, all of our creative agencies growing in the quarter. PR really strong 14.1% in the quarter on top of the 2% this time last year, and again our specialist agencies also growing 13% in the quarter on the back of 7.5% this time last year. So, really good growth, solid growth across all our different business sectors and then really calling out perhaps PR with BCW, Hill + Knowlton, and FGH all growing double digits over the quarter.

MAJOR MARKETS GROWING WELL



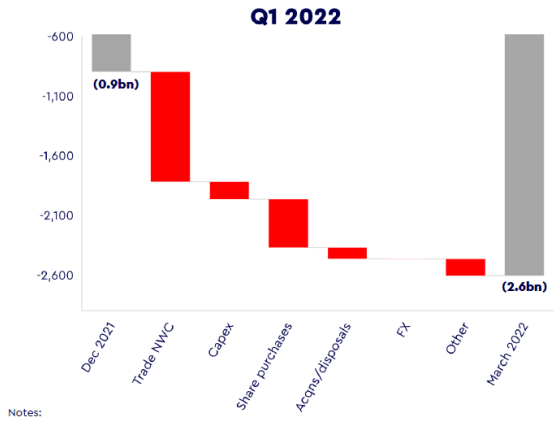
- Global footprint increasingly relevant for clients
- **Largest markets** growing close to or above overall WPP growth rate
- Very strong growth in **India** and **Brazil**
- Post-COVID recovery potential in **Australia** and **France**

Q1 2022 TRADING UPDATE 9

So, turning now to slide 9, on to our major markets, which also I'm pleased to say are growing well across the board. So strong growth in the US and UK markets around 8.9%, 8.1% respectively. Germany being one of our most successful European markets growing at 16.1% and again, China continuing to grow on the back of a very strong quarter this time last year, 11.9%. India is a real success story at 25.1%. Australia, a little bit more challenging, but certainly showing signs of recovery as a result of the recent change and the buying in of that business into the WPP fold. Canada is growing healthily. France may be a little bit disappointing, reflecting a slow recovery from COVID and some client losses in that region. Brazil, again huge growth 28.5% and Spain at 8.2%. So good growth across our key markets. Actually what's interesting, I pulled out also the three-year growth numbers. So this is the growth versus 2019, i.e., our pre-COVID year, to look at how we've grown in these markets over the last three years and when you look at that across the USA and the UK both growing 7.6% over those three years, which is again as Mark alluded to, the 9.2% average over the last three years, effectively equating to an annual growth of 3%, which we think reflects strong performance in line with our medium-term guidance.

Germany over the three years growing at 13.9%, China at 7.2%, India at 32.1%. So again, a real success story there with India. Australia still behind 2019 levels, so down 9.1%, I think reflecting the opportunity to really recover that business. Canada up 21.1%, France down a little bit again. Again, reflecting a very slow recovery from COVID. Brazil at 37.6% and Spain, roughly flat. So, I think looking at those three-year growth, you can really see where the growth engines are in terms of our geographic focus.

MAIN MOVEMENTS IN NET DEBT (£M)



Notes:
- Itemised movements in net debt represent management figures, which may vary from the presentation of the cash flow under IFRS.
- Acquisitions/disposals include earn-out payments.

- Net debt at 31 March 2022 £2.6 billion, average net debt £1.6 billion
  - Normal seasonal movement in working capital since year-end
  - Trade NWC improvement of c £180m YoY at Q1
- £405 million of share purchases in Q1
  - £362 million share buyback
  - £43 million purchased into Employee Benefit Trust

Q1 2022 TRADING UPDATE 10

Coming on now to slide 10, and looking at the main movements in our net debt through the quarter, so net debt at 31st March 2022 at GBP2.6 billion, average net debt over the quarter GBP1.6 billion.

We saw the normal seasonal outflow of working capital since the year-end, our trade net working capital actually improved year-on-year by GBP180 million, again, which gives us comfort, I think, on our flat trade working capital guidance for the full year. As Mark said, we made GBP405 million of total share purchases in Q1, GBP362 million of which for the share buyback, GBP43 million related to the employee benefit trust but again consistent and in line with the guidance of GBP800 million that we gave at the prelims.

UPDATED 2022 GUIDANCE

- Like-for-like revenue less pass-through costs of **5.5-6.5%** (previously around 5%)
- Headline operating margin improvement maintained targeted at around 50 bps, excluding the impacts of M&A and foreign exchange
- Capex £350-400 million
- Trade working capital expected to be flat year-on-year
- Foreign exchange rate benefit of **2.0-2.5%** on reported revenue less pass-through costs from the movement in sterling year-on-year
- Mergers and acquisitions benefit of 0.5-1.0% to revenue less pass-through costs growth
- Around £800 million of share buybacks in 2022, of which £362 million completed in Q1

Q1 2022 TRADING UPDATE 11

So, coming on now to our guidance and as Mark has already mentioned, we are updating our guidance on a like-for-like revenue less pass-through costs to an increase of 5.5% to 6.5% the year, previously it was around 5%. We've effectively actualised the first quarter and in effect kept whole Q2 to Q4. Headline operating margin, we reiterate the guidance for around 50 bps increase for the year. And again, I alluded to it at the prelims that we were expecting the first half to be slightly negative, probably about 50 bps or so negative and the second half to be positive year on year-on-year by 120 bps, when you aggregate the two together, we're expecting to see a 50 bps overall increase for the year.

We're not actually changing that guidance. You might ask why not in the context of an upgrade on the topline. But we're effectively seeing the upgrade on the top line drop through as we would normally expect albeit slightly offset by a slightly higher assumption salary inflation and the two offset hence why we're keeping the guidance of 50 bps for the full year.

CapEx in the GBP350m to GBP400m range. Trade working capital, as I said earlier, expected to be flat. Foreign exchange benefit for the year on a reported basis, about 2% to 2.5%, we saw 0.3% in the first quarter, so more will come through in subsequent quarters.

M&A of between 0.5% and 1%, we saw 0.5% in the first quarter and we expect that to build through the year and as I've already touched upon the GBP800 million of share buybacks in 2022 of which we've done GBP362 million already in Q1. We would expect to do about GBP600 million by the end of half one, in line with current run rate in purchasing over the last six months or so, but again consistent with the GBP800 million overall that we guided to.

So that's the full guidance and I hand back to Mark just for the outlook and then we'll go into Q&A.

SUMMARY AND OUTLOOK

- Strong start to the year; broad-based growth across the business
- Ongoing investment in expanding our offer to drive long-term growth
  - Targeted acquisitions
  - Strategic partnerships
  - Continued investment in innovation, eg Choreograph, Finecast, Everymile
- Demand from client remains strong but we remain mindful of broader economic environment
- Q1 outperformance leading to guidance of 5.5-6.5% for the full year

Q1 2022 TRADING UPDATE 13

Summary and outlook

Mark Read

Chief Executive Officer, WPP

Thanks very much, John. So, we had a strong start to the year and we have pretty broad-based growth across the business. I think what's important is we continue to invest in the company to expand our offer and drive long-term growth through acquisitions, partnerships and then perhaps most importantly, continuous investment and innovation in Choreograph, in Finecast, in Everymile. I'd say that demand from our clients remains strong, but we are very mindful of the broader economic environment. As we said, we're upgrading our guidance after the first quarter performance. That's just how we see the year. And operator, we're happy to take questions.

Q&A

Dan Salmon (BMO Capital):

Hey, thank you. I appreciate it. Thank you for the question. First maybe could we -- I did jump on a little bit late, but I was hoping, I'm sure you touched on it a little - were the changes announced at GroupM yesterday. I would love to just hear a little bit more about the reasons for those changes and in particular, the consolidation of Essence and MediaCom and the creation of Nexus and what you're aiming to achieve out of those moves. And then second, you obviously marked your own organic revenue guidance up. We've heard that from your peers as well. We continue to get new questions from investors asking about do agency fees typically lag the ad cycle, does the ad cycle typically lead the economic cycle, which I think has been the general pattern in the past. And so maybe taking a step back just from WPP's organic growth guidance. Any colour you can add to what you're hearing just broadly from clients as they look out over the ecosystem that is relatively volatile right now. Thanks.

Mark Read:

On GroupM there were three major changes and now maybe in order of significance perhaps, the merger of Essence and MediaCom that brings together Essence probably, well, certainly, the world's largest historically pure digital agency, with MediaCom - I think Agency of the year the last two years. I think the integration of that digital - and I wouldn't describe MediaCom as a traditional media agency - it's very much not. I think the integration of those businesses talks to the continued simplification of WPP, continued demand for scale, and the continued drive for clients for an integrated solution. I think the same is true with Mindshare and Neo. Neo and Mindshare were working together under one management but it's now

more integration. And I think that builds – Neo was historically an outcome-based media - actually started as the digital media arm of OgilvyOne about 25 years ago, if you want to go back into ancient history - and it's the integration of outcome-based media with a broader media offers. I think both of those talk to that.

And then GroupM Nexus is really bringing together the more technology and operational element of digital media into one company that can both drive Finecast and Xaxis, but also support the agencies in analytics and technology and operations. So, we're looking really to scale where scale matters in data technology, media volume, but then agencies where they matter to provide client service, strategy and conflict management.

Turning to what we're hearing from clients. And I think that it's a very different story from where we were probably exactly two years ago. I think, clients were looking to cut their spend in the face of what they knew would be a very weakened demand. I think clients - the current time - are cautious of the experience for the balance of the year. Many have experienced a very strong first quarter, Coca-Cola organic growth of 18%, L'Oreal organic growth of 13.5%, you saw Google's 23% growth - Google is a top three client for WPP. I think many of our clients are experiencing continued strong growth as economies open up and consumer spending holds up strongly. I think they are concerned about the inflationary pressure on consumer spending, but they are seeing that as more of sort of second-half impact potentially than the first-half impact, we will have to see whether inflation continues to increase or comes off somewhat in the second half of the year and I think I'd described at the start, they are wanting to protect their budgets and are investing in media and you are seeing some margin squeeze in many companies. So, I think it's a different picture. We are mindful of the economic risk, but our guidance takes into account what we've seen from clients to date and the economic outlook over the year. If John wants to add to that as we think about the guidance and I'm sure other people have more questions.

John Rogers:

Yeah, I'm not sure there's much I can add to that. Obviously when we set our guidance, we look forward at the range of forecasts that the business could experience over the rest of this year and I think it's fair to say if you look forward, if you carried the momentum of Q1 into the rest of the year, we would expect to see some upticks in guidance over time. Equally to Mark's point, if you're a bit more bearish and you thought that inflation impacts were going to dampen consumer demand in the second half of the year and that’s going to impact marketing spend, then you might bring the guidance down slightly. I think we've taken in my view, a very sensible position, which is reflecting the first quarter outperformance in our overall guidance for the full year, but effectively held steady assumed growth in Q2 to Q4.

I think it's fair to say, what we're seeing in the market at the moment - we're not hearing any particular negativity from clients at this point in time. We've got reasonable visibility of course into Q2, but undoubtedly there is huge uncertainty out there and we have to be mindful of that and I think we made that very clear in the statement today.

Dan Salmon (BMO Capital):

Great, thank you, both. That's very helpful.

Lina Ghayor (BNP Paribas Exane):

Hi, good morning, Lina here. I hope you can hear me well and I have three questions, if that's okay. First one, just to come back on your guidance, could you just explain a bit more what you have factored in, in terms of supply constraints, inflation risks, but also the evolution of the health situation in some of your markets such as China and what assumptions have you taken for your guidance. The second question is on Q2. Q2 last year was your strongest quarter. So how should we think about the growth in Q2 versus the rest of the year. And lastly, on the margin, I believe you kept the margin guidance unchanged. So could you explain the reason behind that. If it shows that there is no incremental operating leverage from the additional organic revenue growth or there are other factors affecting it. Thank you very much.

John Rogers:

Maybe I'll have a go at those and then Mark might want to add. Look, I think in relation to guidance, what we said is very clear. There is a whole bunch of uncertainties out there, supply constraints, market GDP growth particularly in the European region, inflationary impacts both in terms of on our cost base but perhaps more importantly on the consumer and how they respond, and marketing spend accordingly. So, I think that there are huge amounts of factors that go into our guidance and that, as I said, leads to a range of potential forecast and outcomes, both on the upside and downside. What we're assuming in the guidance that we're giving today is an actualisation - in effect - of the upside we've delivered in Q1, but really holding the balance to achieve for that guidance for the full year at a growth per quarter of around 4.8%. So, I think that's -- in our view, that's a reasonable estimate based on where we see our market going forward.

There is certainly upside potential to that, as I've said, if we carry the momentum through. There is equally downside potential if inflationary pressures impact from the second half. I would say that we're experiencing, at the moment, more uncertainty than you would on an average basis, that won't be any surprise to you. I think we're being sensible in the way that we set our guidance out and I don't think I've got much more to add than that.

In relation to the second quarter, I think we've got good visibility over growth. Obviously, we're not going to give specific guidance quarter-by-quarter. Obviously this time last year, Q2 was a strong quarter. That said, we are expecting continued momentum coming through from Q1 into Q2. The only caveat I would make to that would be China where we actually saw quite strong performance in Q1 given the recent lockdown, we've moved from having office occupancy of around 60% or 70% back down to 5%. That will have an impact in China in the second quarter, I'm sure, but in most of the market we remain confident and have got good line of sight there of growth.

And in relation to the margin guidance being unchanged, again, the math on this and you can break it out a little bit, obviously we have upgraded our net sales guidance by around 1% or so. That 1%, all else being equal, will drop through. I think you can argue that would be a margin drop through of 25%, 30%, maybe a little bit higher. And so, we did definitely get that upside. At the same time, I think we said at the prelims that we expected our salary inflation to be 4% to 5%. So, on average, 4.5% which is what we had baked into our budget for the year. I think we're now saying that that will be 5%, so 0.5% increase. So, when you

offset that 0.5% increase across, say 60%, of our costs with the incremental drop-through on the 1% net sales upgrade the two broadly offset hence why we are maintaining our 50 bps of margin improvement for the full year. Again, I'll just take the opportunity to make this clear that there is definitively a half one, half two split because of the phasing of increases in travel costs and salary increases in the last year, as I outlined at the prelims. We are expecting to see margin in the first half go backwards by roughly 50 bps and we expect to see that recover in the second half by roughly 120 bps, these net out with the 40 bps to 50 bps for the full year. Hopefully that is clear.

Lina Ghayor (BNP Paribas Exane):

Very clear. Thank you.

Lisa Yang (Goldman Sachs):

Good morning, and congratulations on the results. Three questions as well, please. The first one is just to come back to, I think, the first question that was asked on this call. Could you maybe just remind us of the cyclicality of the various businesses within WPP. And is it fair to assume given the strong demand you're seeing from clients on data, tech, et cetera, that increasing part of your business is less cyclical even counter-cyclical. Any colour on that would be helpful. And related to that question, could you maybe just tell us how much of the remaining revenue for the year or already so is secure. How much visibility do you have on that. That's the first question.

The second is on the new DTC initiative, Everymile. So just wondering if you can give us a bit more colour in terms of the expected benefit from this new offering over time, maybe initial investment required, is it significant or not. To what percentage of your client base you think could take this, or could be interested in taking this, and does that also give you the opportunity to tap into, for instance, SMEs, which I think is an opportunity you've talked about for a long time, and I'm just wondering whether that could get you to tap into that market.

And the third question is on the buyback. I mean, you said you probably will be doing GBP600 million by the end of H1. Do you think there is a little bit of flexibility to increase that GBP800 million target that you had given for the year, given the strength of your balance sheet but obviously depending on the evolution of the share price or do you strictly want to stick to that GBP800 million. Thank you.

Mark Read:

Why don't I start on the first question. And John take over and add to it and then answer the rest. So, I think we based our guidance on our best judgment for the year. I think our business is a cyclical business but clients do react differently depending on the economic pressures. I think, my sense is we're in a very different point from where we were this time two years ago. As I said before, where clients were looking to cut spend to maintain profitability and margin in the business. And I'd say now they're looking to hold spend where they can and even in the case of some companies at the expense of margin to protect the

business and drive revenue growth. I think the different media have different levels of cyclicality depending on the point in the cycle and probably the media part of our business may be the most cyclical but even there, there is a difference between what clients spend on media and our fees, and if clients start to re-plan media budgets they actually spend more money or fees during the re-planning and a lot of what we're doing, if we get to that point is incremental work to think through clients' plan.

So, I don't think that there are parts of the business that I'd say are less cyclical or more cyclical. I think the way to think about it is that we are in a cyclical business, but our guidance is based on our best judgment of what will happen during the year. And that's where we are.

John Rogers:

Yeah, I think that's right. I think there are some areas - if we look back over the last couple of years, I mean, look at the performance impact of COVID and the bounce back, I think you can draw attention to parts of the business that actually remained relatively robust over those three or four years. I mean I point to the great performance in PR and we actually didn't see PR particularly impacted in COVID and we've seen that bounce back pretty strongly subsequently. So, I think PR has certainly and is not particularly cyclical in nature and in terms of the spend that we see. And I think there are key parts of our business - as you alluded to in your question - on the data side and technology side, the digital, the e-commerce, which whilst cyclical in nature, they are strong structurally, strong foundation, strong structural growth and I think they do help underpin. So, I would say Mark is right. We are cyclical in nature, but I think we are becoming less cyclical over time.

On Everymile, I just think it's a really exciting opportunity and why do I think that - because, for years, we've worked with our clients in building websites and providing CRM solutions and helping with their marketing plans and very frequently our clients will come to us and say that's great, but actually what we're really interested in, can you help fulfil, can you do the whole end-to-end solution for us in these certain markets. And we have had an active demand over the last couple of years from our clients asking us to do this type of work for them. So, it's great to be able to announce that we've now built a team of people and some infrastructure that will enable us to provide this end-to-end solution to those clients over time.

So, I think it's a really interesting opportunity, a very attractive opportunity in my view. We've had to make investments, and the overall investment in Everymile for this year will be in the order of $20 million or so and we expect that investment over time to be around $50 million. So, another $30 million over the next couple of years, but we do expect to, over time, create a lot of client interest and a lot of growth going forward. So, we think that's a very attractive investment for us. And we think a lot of our client base are very interested in this proposition and obviously since the announcement, we've had a lot of incoming from our clients that are very interested to learn more.

That said, I think you also raised the point Lisa there about SMEs and I do think this is in particular, an offer that is both attractive on a selective basis to large scale FMCG companies, in particular markets and particular product lines, but it is equally attractive to SMEs who do not have the infrastructure to be able to provide that end-to-end solution themselves. And as you know, we tend to, as an organisation, over-index on the large corporates and under-index on the SMEs, so I do think this is an interesting opportunity

as well to start to get into that side of the market in a way that perhaps we haven't been historically. So, I see it as a very interesting opportunity.

In relation to the buyback, we guided to GBP800 million for the year. I think we will do GBP600 million by the [first] half. I'm not anticipating at this stage increasing that for this year. I think we want to keep our options open, keep that balance sheet flexibility, but obviously we'll update as the year goes, but I would expect it to be about GBP600 million through the first half and another couple of hundred million in the second half as we guided.

Lisa Yang (Goldman Sachs):

Thank you. And can I just add a very quick follow-up. What was the contribution from new business in Q1 and how do you expect that to ramp up for the rest of the year?

John Rogers:

No. We don't break those figures out in detail. Obviously, as Mark has already alluded to, we have done a lot of work onboarding Coke and the feedback from the client there has been exceptionally positive and when we look at our new business to go for - the new business we've identified for the year to go, we're in a better position than we were last year with vis-à-vis forecasts. So, I think we're in a comfortable position in terms of new business and bringing on new business into the Group.

Lisa Yang (Goldman Sachs):

Okay, great. Thank you.

Silvia Cuneo (Deutsche Bank):

Thank you, and good morning, everyone. My first question is a follow-up on the launch of Everymile. Can you please talk a bit more about how this compares to the early commerce opportunities you spoke about at the 2020 CMD. Is that an end-to-end solution. And then also, how could we think about the revenue model for these new services.

Then my second question is on the design and integrating the agency structure following the merger of MediaCom and Essence, can you please share your thoughts about how you attack the agenda to drive efficiency gains and margin towards the target range that were previously provided for 2023. And then finally, if you could just comment on the other drivers of the headline operating profit margin improvement. Can you say anything about how to think about M&A and FX impact. Thank you.

John Rogers:

Sorry Silvia, I didn't totally hear the Everymile question to be honest. It was a very poor line on our side, so apologies. I think I got the gist of what you were asking. So, I'll have a go. Look, I mean, in terms of this, I think you asked how it compares to some of the things we talked about at the Capital Markets Day back in 2020.

Look, I think in our eyes, it's one of many interesting opportunities we have in the business to invest in our future growth and we've already talked to you many times about the opportunities in areas like Finecast and Xaxis and Choreograph and data. I mean, we see Everymile very much as being adjacent to those in terms of an investment for future growth. We know this is going to be a huge market going forward. That's absolutely clear. There is massive growth just in the UK alone, frankly, in the last year in this area. So, this is going to be a huge market going forward. We know that our clients are asking us for solutions in this area. The intention is drive end-to-end solutions from website design and build, through to order management, through to inventory management, through to warehousing, supply chain and logistics and fulfillment and returns and so on so forth. That's not a trivial exercise and we brought on a very strong team of people who've got great experience in this area - the business is being led by Mark Steel, who, when I was the CEO at Argos, was my Digital Director. A really strong individual and he's built a very strong team of people around him from some great branded retailers to bring that expertise together. So, in terms of potential revenue opportunity, I wouldn't want to be guided at this point as to what we think we can achieve. We'd like to have a number of clients live by the end of this financial year. And we're certainly on track to deliver that. And we'll see how that revenue builds over time but there is clearly a massive, massive market out there and the intention will be to launch as we have done in the UK first and then look at selective geographic opportunities probably driven by the US, in the main, next in order to grow the business. Hopefully that addressed your question, I didn't quite catch all of it, as we said at the beginning.

Mark Read:

On the structural point, I mean, we continue to streamline and simplify the business in some respects like EssenceMediaCom, but we continue to launch new brands like Everymile. And we believe it's an attractive opportunity in our industry to expand and grow, particularly organically, as well as by acquisition and our structure is designed to capture them – it is much more around a growth focus than it is around taking cost out of the business or driving margin, though in some cases it can help us meet our financial targets.

I think the last question around M&A and FX - John, do you want to tackle that, the impact from the year.

John Rogers:

Yeah, I think, from an M&A perspective, we said that like-for-like growth between 0.5% and 1.0% as a result of M&A. I think from a margin perspective we see these things has been broadly neutral. But there is a 0.5% contribution in the first quarter, we would expect that to increase slightly through the remainder of the of the year.

I think in FX we had a tailwind of about 0.3% in the first quarter, which was largely an offset of the dollar and euro moving in different directions relative to the pound, but we'd expect that tailwind to increase through the year if forex conditions remain the same, a couple of percentage points coming through. But of course, that could change. There's a lot going on, there's lots of moving parts there. So at the moment, we're expecting to see a bit of a tailwind come through but we'll obviously update at each quarter as we report.

I think from a Russian perspective, I think you asked specifically about that. We think from an overall cost perspective, the exit costs getting out of Russian will be about $40 million to $45 million or so. We think actually when you look at Russia it will be a little bit dilutive on our margin, but that will be more than offset by the foreign exchange, which we think in combination will play a draw and hence broadly neutral margin overall. So hence why we are comfortable reiterating the margin guidance that we gave at the beginning of this financial year.

Julien Roch (Barclays):

Yes, good morning, Mark. Good morning, John. My first question is on visibility, how much of the rest of the year is already known and guaranteed because I understand that your guidance is best effort, it’s sensible, it’s based on a very detailed budget, very bottom up, but clients can only give you their current budget, not what they think will happen to the budget. So, I'd like to know how much net sales you get if everything stops tomorrow. I mean John several times says good visibility on Q2, but has said you were only getting organic info for the month, a week after the end of the month. So, has that changed? Basically, how many weeks of visibility do you have? How much of the rest of the year revenue is guaranteed and set in stone? So that's my first question.

The second one is on margin, you said it was unchanged because better top line was offset by a higher inflation cost, 50 bps on salaries. So, if net sales disappoint will margin go down. So, I suppose you have some flex. So, until what level in net sales can you keep the 50 basis point margin increase, is it at 3%, at 1%, some colour on that would be great?

And then the last one, FX impact on next year, 2 to 2.5 this year, but the spot is lower than average. So, you should have a benefit next year as well, so helping Peregrine to get consensus in the right place for next year on FX. Thank you.

John Rogers:

Thank you. The point on margin, I think the reality is, if the net sales disappoint then we can course correct. I think we've got a great track record actually of managing the business and we're very agile as an organisation. If we see the top line coming through being slightly disappointing, then we can course correct pretty quickly and take out cost. A lot of our cost of course is in Freelancers, and we can remove or add that resource relatively easily. So, we do track quite a detailed level of Freelance resource and permanent resource across all the different agencies in the networks and look at the forward thinking about the forecast and make sure we've got a cost base that is very adaptable to that change.

So all of that said of course if the growth starts to come down to that for the 3% level, then we would expect to see that impact of margin over time. So, I think that's just the mathematics of the operating model in the business, but I think we could stand -- we could withstand a little bit of pressure on that top line through adjusting our cost base. But obviously if it were to come down a lot beyond that sort of 5.5%, 6.5% growth then that would drop through to operating margin. I wouldn't like to say the turning point but somewhere between 3% and 4% of net sales growth I would suggest.

In terms of visibility, your question on visibility, and then your question on guarantee. I mean it's visible, but it’s not guaranteed. When we do our forecast for the organisation, we get each of the operating units to base their forecasts on their understanding of their client budget. I would say that's a pretty good visibility. Now of course budgets can change and I think we do put in a degree of conservatism into our forecast. But nothing is guaranteed and particularly in a world of uncertainty that we live in today. So, I'd say we’ve got good visibility, for most for Q2 and for Q3, and in some, arguably for Q4 as well.

Our new business requirements, as I said, in our forecasts are lower than they would historically be this time last year. In fact that's all encouraging. But despite the visibility, nothing is guaranteed and there is uncertainty out there. So, I hope that gives you a little bit colour into our thinking and I had written down a third question as well?

Julien Roch (Barclays):

Yeah, FX. Yeah.

John Rogers:

I'm not going to get into speculating about the FX impact for 2023. I'm not sure we can accurately predict what will happen in 2022. So, I think we we're probably getting ahead of ourselves if we're trying to think through the FX impact for '23. What we're saying at the moment if you bake in the current rates into our forecast then we expect to see a tailwind of 2-2.5% in Q2, Q3 and Q4. But of course, we've seen quite a lot of movements of FX over the last quarter and that could change that guidance as we go forward.

Julien Roch (Barclays):

Thank you. Very clear. Just an add-on on visibility, so it's visible but not guaranteed and it's based on your understanding at the time of budget. So, I suppose the only thing that is really visible is the spend has been committed already because everything beyond that can be cut, so you would say the real visibility on revenue is what, is it two weeks, two months?

Mark Read:

Julien, I mean I don't think that's the way to think about it. I mean we talk to our clients. They tell us how they see the world and at the moment they're saying that they don't think they're going to make major

adjustments from what they told us four weeks ago or eight weeks ago. I mean coming into the year, many of these concerns were known. Certainly the inflation concern was known. Budgets did bake in, slightly more conservative estimates from the CPG companies and slightly more aggressive estimates from the technology companies. We have, John said, good underpinning from new business with Coke and Google coming in for the year and we're making our new business targets as we go through the year.

There is clearly uncertainty and nothing is like this guarantee, but our best judgment based on what we hear, guidance today and what we're hearing about what they want to do in the future is that we'll meet these numbers. We could if we had wanted to have held our guidance, bank the Q1 outperformance for a soft last three quarters, we've chosen not to do that. I think the reason is that what we hear from our clients gives us confidence that we'll make the numbers in the last nine months of the year and that's as much visibility or guarantee is anyone can have in any of those scenarios. And I'll come back to it - it's a very different pattern of what we had two years ago where clients were very quick to cut budgets or not. Remind you Coke saw 18% organic growth in Q1 - a top five clients of WPP. L'Oreal saw 14% -- 13.5% organic growth in Q1 - a top 10 client of WPP, Google, despite apparently disappointing us all, saw 23% organic growth in Q1. So, we have clients whose businesses are performing well, and we have other clients whose businesses are maybe a little bit more challenged – auto - but we knew that coming into the year. So, I think it's based on our best judgment on how we see the pluses and minuses, it's true that there were pluses and minuses from clients on spending. But as we stated the pluses and minuses more average each other -- we are where we are on the guidance.

Julien Roch (Barclays):

Okay, very clear. Thank you very much for your answers.

Tom Singlehurst (Citi):

Hi, good morning. Thanks for taking the questions. I suppose implicit in a lot of the questions that you've been asked already, from Lisa and Julien and then actually from the investors we get the same point, which is, does this sense that it's all going okay now, but you are in that stage where you've run off the cliff and the legs are still turning and you haven't fallen yet? I just wanted to sort of test whether you think there has been any sort of change that we're just not seeing? So, for example, within your client base are we seeing a fall in promotional activity, but just not being reflected in advertising spend and sort of spend on digital transformation. Is there anything that you can point to some of these sort of effects are already working through just that you're generally not being impacted. Because as I said, that would give comfort that we're not just in that sort of state of suspense or disbelief. That was the first question.

And I suppose linked to that. The other question I'm interested in is whether when you see wage pressures, whether that's a factor supporting your revenue growth in the sense that it is the cost passed on to your clients and therefore recognised as revenue. So those are the questions on the sort of the broad picture, and then on one quick narrow one as well, as you mentioned, PR growing really fast. I was just wondering whether there were any one-offs in that, and in particular whether there is any benefit there from the FGH-SVC merger. Thank you.

Mark Read:

Maybe I'll continue with the answer to the previous question. I think what we're seeing in our business is improving structural growth in the company. And a quarterly statement is not necessarily the point to discuss that. But I think if you come back to our three-year stack of 9.2%. By the way, if you take annualised 3% here, it comes to 9.27%. So, we're exactly at the top range of our medium-term guidance which underpins the investment case for WPP. I think we see that over the last three years despite the ups and downs of COVID. I think if you come back to what are we trying to do longer-term, in terms of improving our own competitive performance in North America, we've seen that with strong growth in Q1 of last year. And improving the competitive performance of our agencies through restructuring, we've seen that with 5.6% growth in our integrated agencies in Q1 on top of growth in the last quarter.

So, I can only really point to I think a stronger structural outlook for the market overall. I mean, it's good if you think about what our peers are guiding to, that the industry overall is broadly speaking guiding to 5% -- what are the range of 4%, 5%, 6% growth during the year. Right. So, I think that's positive and against that backdrop, we see a stronger structural entity -- we're seeing a stronger, more competitive WPP and the cyclical things will be the cyclical things. I mean a cynic might say back in October last year when our share price is £12 you're expecting 3% growth this year as analysts and now our share price is £10, your models - say we're going to do 5% this year.

So, things are sort of a bit the wrong way round. So, I think the share price is what the share price will be, and we're not in any way commenting on that, but I think that our guidance is based on our best estimates for the year, a stronger, more competitive WPP, an industry that I think generally is expected to be in a stronger structural position and those are the things that we can manage within the things that are in our control.

Tom Singlehurst (Citi):

Well, I was going to say I completely agree with that. I mean, obviously we are bullish on the shares. But the question is more that for example with promotional spend, are we seeing budgets change somewhere else that's not immediately apparent to us as media analysts and therefore not sort of an immediate impact to your revenue?

Mark Read:

If you look at UK media spends it’s interesting - TV's up 17% in Q1. Digital video, digital up 7%. So, things are a little bit all over the place and I think it depends on the opportunities and where things are, but I don't think we're seeing a pullback in promotional spend. I mean a lot of companies are having to drive promotion to drive sales growth, what are the two you saw, the success of the discounters. I think consumers are clearly being a little bit squeezed in the middle. But the UK's only 11% of our business. We’ve got a big business in the US, big business in Latin America, big business in India. And yes, we do have a big business in China. It's about 5% or 6% of our sales. And I think we're very well-diversified

geographically by client sector and by activity. You talked about the strength of our PR businesses, for which there are no one-off effects, I mean I think that since Finsbury Glover Hering and Sard Verbinnen thing gives us a stronger business and it's doing well. They are doing extremely well in the M&A league tables this year, advising on several very, very high-profile pieces of business.

But I think that reflects the strength of our business and strength of demand for those services, it’s not a one-off element within it.

John Rogers:

I mean from one place I go to look for some of those, what you might describe as early warning indicators, either over an uptick or downtick, if you look at our sort of brand consulting businesses that tend to be quite project-based and we actually saw that through COVID. I think they were one of the first parts of our business and one of the first sectors of our business to be impacted by COVID because clients cut them pretty quickly in those areas they could. So, I was to look at those areas as a sort of bellwether if you like as to the overall business and we're not seeing any cuts in those areas. Far from it, Landor & Fitch with a very strong first-quarter performance and Superunion likewise. So now it's not to say that's not going to change.

But I think it's fair to say we're not seeing any early signs yet of any changes in client behaviour and that goes across the board.

Maybe coming on there to your question on inflation, which I think I'd characterise as being - I think you were suggesting that does - is wage inflation a good thing, because ultimately you pass it on to your clients in net sales increases and I think I’ll just echo Mark's earlier comments on the call that if you look back historically inflation has not necessarily been a bad thing for our sector. And that said, I do think there is somewhat delay in ability to - as the increasing costs come in - there is somewhat delay in your ability to pass those on to your clients.

So, I think that there's - all else being equal - a bit of margin compression but then revives over time. What I would say is we recognized inflationary pressures coming through in 2021 back in Q3 of last year and we very specifically spoke to all of our key client relationship managers to look at how we would, in the right way remain competitive on price, but also have the ability to pass some of these inflationary pressures through. So, I think we've got ahead of the curve on that and across the portfolio, I think we've got a good balance in being focused back on price but being able to pass on some increases where appropriate, and that helps us manage the margin as we travel through the year.

But to be absolutely clear, we are seeing more pressure on our cost base coming through than we're able to pass on immediately in the form of increased pricing. So, there's a little bit of a lag there, which is resulting in the margin compression that I've described, particularly in the first half that I alluded to in terms of half one and half two-market split but again completely consistent with what we guided to at the prelims, so no changes there. Hopefully that helps.

And in relation to your question on PR, I don’t think there were there any specifics. I mean in some ways, I think the really good news story there is -- well there are specifics in the sense that everyone's trading really well whether it's BCW, Hill and Knowlton or to your point FGH, we're seeing really strong

performance across the Board. And that's most pleasing already and a very strong performance across the sector reflecting the 14.1% growth, FGH probably the standout candidate, but they were all very strong.

Tom Singlehurst (Citi):

That's great. Thank you.

Richard Kramer (Arete):

Thanks very much. It's Richard Kramer from Arete. Two things that maybe haven't been asked yet. First on, we've hosted some investor calls for consultants on media spend and they're highlighting a different aspect to the dreaded 'I' word inflation coming into media costs. So, I guess, Mark, the question is, are you seeing this and how do you think it's impacting ROAs for your clients. Is it going to get harder to deliver that return on ad spend?

And then the second question, I've got, there's just a ton of hype that we're seeing around retail media as the fastest growing segment of digital, especially given how it directly links to conversion and attribution. Can you talk about the challenges for your CPG clients for example of finding audiences now that you have dozens of retailers that are probably also your clients that want to be providers of ad inventory, which makes it much harder to find where you should be advertising?

Mark Read:

Yes, I think on the first question, I mean there is no doubt that inflation does build into media prices. And particularly in auction-based media impacts it directly into those prices. And that does lead to deterioration in return on ad spend. I mean, our reaction is that has to be -- to look for untapped opportunities. I mean, much of the growth let's say in a platform like TikTok has been in a shift from higher to lower -- viewing that as an opportunity to drive return on ad spend because it's historically been, let's say, less in demand than other social media platform. So, we help clients respond to that, but that I think is sort of, inverted commas - the "beneficial impact of inflation" on our media business. I think on retail media I mean, there has, as you say, been a lot of coverage on this.

I'd say we see a couple of things -- observations --, one is the increasingly, we're seeing clients bring retail media or retail spend together with marketing spend, you see that change at Mondelez and that Unilever where sort of the CMO is taking increasing responsibility for sales, and I think that is a positive development. The Unilever media review included retail media within our scope, in many cases for the first time after a thorough review of competitive providers.

And I think the clients do need to bring that spend together because what retailers are trying to do is double dip. They're trying to take spend from the trade media budget and they're trying to take spend from the brand budgets. And I think only by bringing these teams together can we protect for the integrity of our clients' budgets, to really drive spend where it needs to go.

I think that the biggest growth in retailers is, as you say on -- is in digital media and – retailers have had some success in sort of rebadging what was trade spend as brand spend, but I think it really is going to cause a shift in spend from what CPG companies would have spent on their trade media into really a different budget rather than in aggregate drive-up what clients are spending on promotions.

Richard Kramer (Arete):

Does this widen your addressable market for the spend that you can tap into?

Mark Read:

From our perspective that's correct. It is a positive impact. I think you see it in the growth of Amazon's media business, although Amazon is trying to ramp-up brand budgets as well, but I think broadly speaking, it points to an increase in the addressable market and is positive and another reason why we've been focusing on the commerce sector more broadly.

John Rogers:

And I think not just of not just reflecting an increase in the addressable market, but also reflects an increase in the market complexity. And we've always said that actually, helping our clients navigate the complex market is where we add value and of course if that market is getting increasingly complex we've got an ability to add even more value.

So, I think given the plethora of choices that our client face about where they place their marketing spend and how they optimise that over an overall campaign is where we can really bring our experience of operating in these different segments to bear.

Richard Kramer (Arete):

Okay, thanks guys.

Matthew Walker (Credit Suisse):

Thanks. Good morning, everyone. I hope you can hear me okay. The first question was on Europe and UK versus US. We didn't see particularly big divergence in Q1. I was just wondering, given that the US economy is supposed to be more robust going forward, have you changed the mix of your budgets at all to privilege the US against maybe Europe, or your budgets for Europe remain unchanged because you've actually had a pretty good Q1 in Europe too.

And the second question was really around Google and what they said about YouTube. They mentioned a couple of factors there, one of which they talked about brand budgets in Europe coming down or some kind of impact. Seems to be very much different to what you're saying, so just any reflections on that.

And then just technical one, on Russia, I'm guessing you're taking Russia out of the organic growth and the $40 million of exit costs that are you including them in operating profit or are you taking them as exceptional cost?

Mark Read:

Okay. I'll just tackle the YouTube question. And then let John talk about the sort of geographic impact in Russia. Look, I think YouTube -- Google grew 23% in Q1, YouTube I think 14%, on a comparative, let's say, a 43% last year. So, it's a very strong comparative. I mean, I saw Ruth's comments in the FT. I haven't actually read the transcript and I think part of what she was referring to was the impact of Russia. Obviously it impacts them organically because they're not disposing of an entity somewhat different from the way we would be accounting for given that we're going through a disposal.

So, all I'd say is our Q1 numbers reflect our business in Europe, which was up 16% in Germany, which is the largest market close to that region. I don't have the Polish numbers in front of me, but I think we see somewhat differently and there's a lot of commentary in the Google numbers. I wouldn't read too much into what they saw in Q1. It was a pretty strong quarter for them, let's be honest, if a little bit disappointing versus other people's expectations.

John Rogers:

And then, Matthew, maybe just to build on Mark's response there. I mean I think looking forward in terms of the way that we've constructed our budgets and the range of forecasts that we use both on the upside and the downside to help inform our guidance. I think it's fair to say that on balance -- on average - we would have seen a slight softening in our forecasts across Europe and to some extent, the UK and a slight strengthening, relatively speaking, of our forecasts in the US.

I wouldn't want to call it out, more than that. To Mark's point we had a very strong first quarter in both the UK and across Europe as we had it also in the US, but going forward, we'd see a slight softening this side of the pond, and a slight strengthening - relatively - on the other side of the pond, if that helps. On Russia, we're taking that out of like-for-like. And in relation to the [$]40 million that will be an exceptional.

Matthew Walker (Credit Suisse):

Okay. That's all very clear. Thank you.

Omar Sheikh (Morgan Stanley):

Good morning, everyone. Amazingly, I think I just about remember my three questions. So, look maybe to start with, Mark, you've been very helpful in giving some colour by - on the revenue growth - by business activity and by geography, but you haven't talked much about verticals - client verticals - so I wonder if you could maybe just give us a bit of colour on whether you're seeing any difference in activity from some of your clients – CPG, Autos and so on, which might be impacted more by commodity price inflation, relative to the overall group. Whether there are there any sort of differences in what you're seeing in Q1, Q2. And that's the first question.

Secondly, I wanted to go back to visibility point and I heard what you said earlier on, but maybe if you could just say how often you think client budgets are set. Is it sort of monthly? Is it quarterly? Or is it half yearly? So, sort of give us a sense of when decisions might be made going forward by your client insofar as is able to generalise.

And then finally, just want to clarify the point in the outlook statement where you said that you remain ready to respond to any changes in the economy. I just want to clarify do you mean sort of action on cost? So, taking out freelance costs that kind of stuff or maybe even some agency consolidation, or is it something else. Thanks.

Mark Read:

So, look I think by sector, we've seen a strong growth in technology as you would expect, in retail as you expect, given it's opening up, in Health Care continuing. We've seen weak activity in automotive, which is not surprising again given the chips shortage. So again, it does - we know - it does vary a little bit from automotive company to automotive company. And I'd say in CPG, it's 6 of one or half dozen of the other. And we have had some CPG companies I mentioned Coke and L'Oreal, very, very good start to the year and strong spend and obviously in the case of Coke the business is onboarding over the course of this year and the impact it would have in subsequent quarters is bigger than the impact it would have in the -- that it had in the first quarter. We've seen good growth. Others came into the year more cautious, but I think the -- while inflationary pressures have intensified, they were -- our CPG clients were very aware of them as they set their budgets for the year.

And I think that comes to your second question which is clients -- I mean, I don't want to be unhelpful. Clients can change their mind -- clients reserve the right to change their mind, but I don't think that they want to go backwards and forwards. I don't think they want to start and stop activity. So, I'd say my overwhelming impression to date is that they're looking to protect their budgets, they don't want to make a big leap backwards, parts of our business are longer-term programmes that they don't want to stop and start, and I think many of them have learned the lessons of COVID and I think it's quite clear that those clients actually that maintain their spend even coming into COVID came out of it in a stronger position.

So, I don't want to overplay the variability or indeed underplay. I come back to our guidance is based on our best judgment of where we think we'll end up for the year based on conversations with our clients, conversations with our people and the kind of top-down review based on how we see the global economic outlook and the risks, and the balances of positives and negatives.

John Rogers:

And maybe just to -- apologies if this is overplaying the point, but just to leave you with sort of three. What we're trying to do in terms of the guidance in the outlook statement. Just with three points.

The first is that we've upgraded our guidance from the prelims for Q1, reflecting what we see the outperformance in Q1 and confidence and momentum in our business with good visibility going forward. And I think that's very clear. That said, there is clearly a range of scenarios out there on the upside and the downside and there's probably more uncertainty than there would be on average in those forecasts. On the upside, if we keep our momentum in Q1 going through into Q2, Q3 and Q4 we will see upgrades come through during the year. And on the downside, if we see inflationary pressures impact on consumer spending and subsequently advertising spend then we'll see some downside. So, there is a range of upside and downside.

We think that where we've turned out, is to Mark's point, where we expect on average the market to be, albeit reflecting a degree of uncertainty on both the upside and the downside.

And then the third point to make would be irrespective of what the scenarios that transpire actually are, whether positive or negative. We have a track record of being able to adapt our business in a very agile way, to reflect that economic scenario. So, on the upside and ability to step up and build resource quickly to fulfil client expectations. And on the downside, if we need to, an ability to take cost out, and to your point that is about managing that permanent / freelance mix and the cost base in a relatively agile way. So, we feel that we're well prepared to face into both the positive and negative scenario, but nonetheless, there's a very clear upgrade in the quarter, demonstrating the confidence and the positive track record we've seen come through Q1.

Omar Sheikh (Morgan Stanley):

Brilliant. That's very clear. Thanks very much indeed.

Mark Read:

Thanks, everybody. Thanks for all your questions. Appreciate it. And we'll keep in touch.

[END OF TRANSCRIPT]

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