

WPP 2023 Preliminary Results Trading Update

Teleconference Transcript

Thursday, 22 February 2024

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This document contains statements that are, or may be deemed to be, "forward-looking statements". Forward-looking statements give the Company's current expectations or forecasts of future events. An investor can identify these statements by the fact that they do not relate strictly to historical or current facts.

These forward-looking statements may include, among other things, plans, objectives, beliefs, intentions, strategies, projections and anticipated future economic performance based on assumptions and the like that are subject to risks and uncertainties. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as 'aim', 'anticipate', 'believe', 'estimate', 'expect', 'forecast', 'guidance', 'intend', 'may', 'will', 'should', 'potential', 'possible', 'predict', 'project', 'plan', 'target', and other words and similar references to future periods but are not the exclusive means of identifying such statements. As such, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of the Company. Actual results or outcomes may differ materially from those discussed or implied in the forward-looking statements. Therefore, you should not rely on such forward-looking statements, which speak only as of the date they are made, as a prediction of actual results or otherwise. Important factors which may cause actual results to differ include but are not limited to: the impact of, epidemics or pandemics including restrictions on businesses, social activities and travel; the unanticipated loss of a material client or key personnel; delays or reductions in client advertising budgets; shifts in industry rates of compensation; regulatory compliance costs or litigation; changes in competitive factors in the industries in which we operate and demand for our products and services; our inability to realise the future anticipated benefits of acquisitions; failure to realise our assumptions regarding goodwill and indefinite lived intangible assets; natural disasters or acts of terrorism; the Company's ability to attract new clients; the economic and geopolitical impact of the Russian invasion of Ukraine; the risk of global economic downturn, slower growth, increasing interest rates and high and sustained inflation; supply chain issues affecting the distribution of our clients' products; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; the Company's exposure to changes in the values of other major currencies (because a substantial portion of its revenues are derived and costs incurred outside of the UK); and the overall level of economic activity in the Company's major markets (which varies depending on, among other things, regional, national and international political and economic conditions and government regulations in the world's advertising markets). They use words such as 'aim', 'anticipate', 'believe', 'estimate', 'expect', 'forecast', 'guidance', 'intend', 'may', 'will', 'should', 'potential', 'possible', 'predict', 'project', 'plan', 'target', and other words and similar references to future periods but are not the exclusive means of identifying such statements. Neither the Company, nor any of its directors, officers or employees, provides any representation, assurance or guarantee that the occurrence of any events anticipated, expressed or implied in any forward-looking statements will actually occur. Accordingly, no assurance can be given that any particular expectation will be met and investors are cautioned not to place undue reliance on the forward-looking statements.

Other than in accordance with its legal or regulatory obligations (including under the Market Abuse Regulation, the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made and are based upon the knowledge and information available to the Directors on the date of this document.



Operator

Good morning and welcome to WPP 2023 Preliminary Results Trading Update Conference Call. My name is Charlie, and I will be coordinating the call today. At this time, all participants are in listen-only mode. Today's conference is being recorded.

I will now hand over to our host, Mark Read, CEO, to begin. Mark, please go ahead.

Mark Read

Chief Executive Officer, WPP

Thank you very much, and welcome everybody to WPP's Preliminary Results for 2023. I'm Mark Read and I'm joined here by Joanne Wilson, our CFO; and Tom Waldron, our Head of Investor Relations.

So turning to the presentation, please take note of our cautionary statements on page 2.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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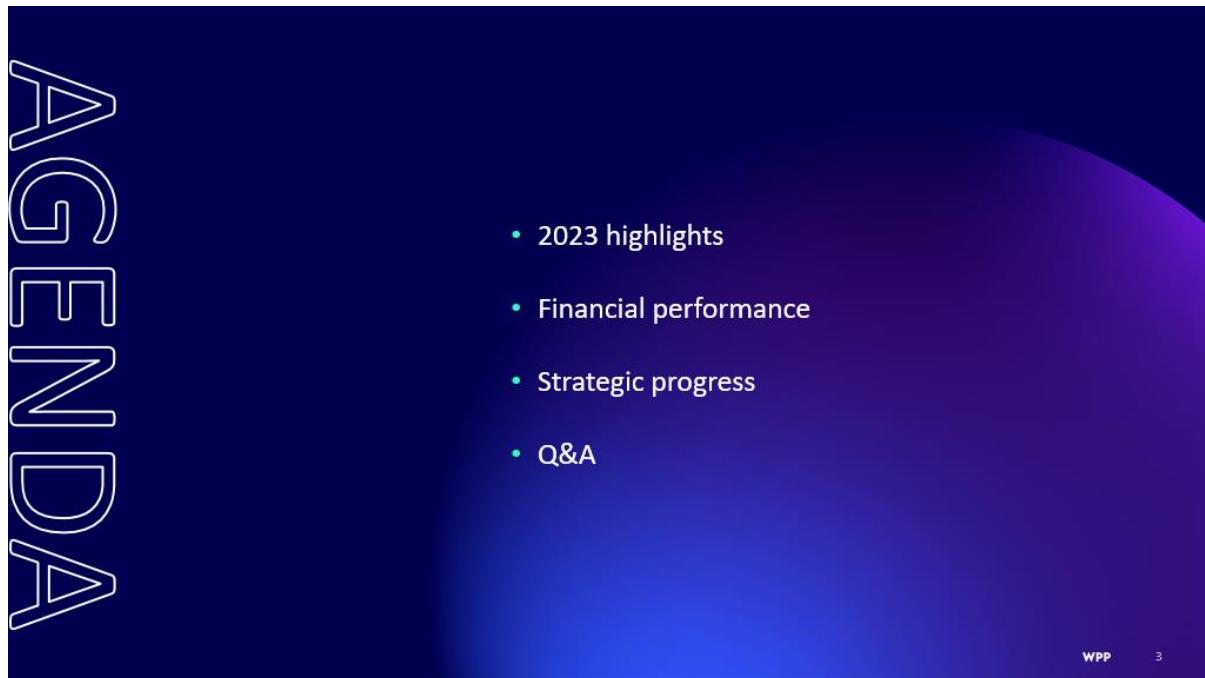
include but are not limited to: the impact of epidemics or pandemics including restrictions on businesses, social activities and travel; the unanticipated loss of a material client or key personnel; delays or reductions in client advertising budgets; shifts in industry rates of compensation; regulatory compliance costs or litigation; changes in competitive factors in the industries in which we operate and demand for our products and services; changes in client advertising, marketing and corporate communications requirements; our inability to realise the future anticipated benefits of acquisitions; failure to realise our assumptions regarding goodwill and indefinite lived intangible assets; natural disasters or acts of terrorism; the Company's ability to attract new clients; the economic and geopolitical impact of the conflicts in Ukraine and Gaza; the risk of global economic downturn; slower growth, increasing interest rates and high and sustained inflation; supply chain issues affecting the distribution of our clients' products; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; effectively managing the risks, challenges and efficiencies presented by using Artificial Intelligence (AI) and Generative AI technologies and partnerships in our business; the Company's exposure to changes in the values of other major currencies (because a substantial portion of its revenues are derived and costs incurred outside of the UK); and the overall level of economic activity

in the Company's major markets (which varies depending on, among other things, regional, national and international political and economic conditions and government regulations in the world's advertising markets). In addition, you should consider the risks described in Item 3D, captioned 'Risk Factors' in the Group's Annual Report on Form 20-F for 2022, which could also cause actual results to differ from forward-looking information. Neither the Company, nor any of its directors, officers or employees, provides any representation, assurance or guarantee that the occurrence of any events anticipated, expressed or implied in any forward-looking statements will actually occur. Accordingly, no assurance can be given that any particular expectation will be met and investors are cautioned not to place undue reliance on the forward-looking statements.

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Any forward looking statements made by or on behalf of the Group speak only as of the date they are made and are based upon the knowledge and information available to the Directors at the time.

And the meeting agenda on Page 3. I'm just going to cover the highlights of our financial performance for Joanne to take you through that in more detail. I'll then reiterate the strategy we laid out at the Capital Markets Day just over three weeks ago before taking questions.



Turning to page 5, the highlights. We had a resilient performance in 2023 with like-for-like growth of 0.9% and a headline operating margin of 14.8%, up 0.2% on a constant-currency basis. That showed excellent cost-control, and we are pleased to have continued margin progression this year. We had strong growth outside the United States with our non-US business growing 3.3%, with the UK, and India doing particularly well, and despite some challenges in China.

However, the US market declined 2.8%, as strong growth in the CPG sector was outweighed by lower revenues from our technology clients and in the retail sector.

In terms of agency performance, GroupM grew 4.9% with a strong performance in Q4, up 5.7%. Our public relations businesses grew 1.4% against a strong comparison last year, but this was offset by a tougher year in our specialist & integrated creative agencies, with the exception of Ogilvy that grew very well and should remind us of the growth potential in our creative agencies.

At our Capital Markets Day, we set our strategy to drive accelerated and more profitable growth with focus on AI and a commitment to invest £250 million a year in AI and proprietary technology. And at the Capital Markets Day, we also started new financial targets with a medium-term growth target of 3% plus, 16% to 17% headline operating profit margins, and 85% plus operating cash-flow conversion.

And lastly, we also shared our guidance for 2024 with like-for-like revenue less pass-through costs at 0% to 1%, and continued progression in our headline operating profit margin, up 20 to 40 basis points. So with that highlights, I'll turn it to Joanne, to take you through the financial performance in more detail.

HIGHLIGHTS

- **Resilient performance** in 2023 with LFL growth +0.9% (Q4 +0.3%) and a headline operating margin of 14.8%, +0.2 pts on a constant currency basis showing **disciplined cost control**
- **Ex-US markets grew 3.3%** on strong growth in the UK and India, partially offset by declines in China. A challenging market environment saw the **US decline 2.8%**, as strong growth in CPG was outweighed by lower revenues from technology clients and in the retail sector
- **Agencies:** GroupM +4.9% in 2023 with a **strong performance in Q4** (+5.7%) and public relations +1.4% against a strong comparison, offsetting a tough year for specialist and integrated creative agencies, with the exception of Ogilvy which grew well
- **Solid new business performance:** \$4.5bn net new billings (2022: \$5.9bn)
- Next phase of our strategy to drive accelerated and more profitable growth: **2024 Capital Markets Day - Innovating to Lead** with £250m annual investment in AI and proprietary technology
- New **medium-term targets:** 3%+ LFL growth; 16-17% headline operating profit margin; 85%+ Operating cash flow conversion¹
- **2024 guidance:** LFL revenue less pass-through costs growth 0-1%; headline operating profit margin improvement c.20-40bps on a constant currency basis

1. Conversion is measured as adjusted operating cash flow over headline operating profit. Adjusted operating cash flow is Headline EBITDA less associate income adjusted for non-cash compensation, less rent, cash restructuring, capex and net working capital investment.

FINANCIAL PERFORMANCE

Joanne Wilson

Chief Financial Officer, WPP

Thank you, Mark, and good morning, everyone. And so let me take you through the 2023 Financial Results just starting on slide 7.

REVENUE LESS PASS-THROUGH COSTS GROWTH

2023

+0.5%

Reported growth
(-2.8% in Q4 '23)

-1.3pt

FX contribution to
reported growth

+0.9pt

M&A contribution to
reported growth

+0.9%

Like-for-like growth
(+0.3% in Q4 '23)

Revenue less pass-through costs was up 0.5% on a reported basis and 0.9% on a like-for-like basis. Reported growth includes a 1.3 percentage point headwind from FX and a 0.9 percentage point contribution from M&A.

Like-for-like performance was towards the upper end of the guidance we shared at Q3; however, our full-year performance reflects softer growth than we had anticipated at the beginning of 2023. This was impacted primarily by a slowdown in spending by our technology clients in the US and delays in technology-related projects as a result of more cautious client spending patterns.

UNAUDITED HEADLINE¹ IFRS INCOME STATEMENT

YEAR TO 31 DECEMBER	2023 £M	2022 £M	Δ REPORTED	Δ LFL ²
Revenue	14,845	14,429	2.9%	3.2%
Revenue less pass-through costs	11,860	11,799	0.5%	0.9%
Operating profit	1,750	1,742	0.5%	
Operating profit margin³	14.8%	14.8%	-	
Income from associates	36	74	(51.0)%	
PBIT	1,786	1,816	(1.6)%	
Net finance costs	(261)	(214)	(21.8)%	
Profit before tax	1,525	1,602	(4.8)%	
Tax at 27.0% (2022: 25.5%)	(412)	(409)	(0.8)%	
Profit after tax	1,113	1,193	(6.7)%	
Non-controlling interests	(87)	(93)	6.4%	
Profit attributable to shareholders	1,026	1,100	(6.8)%	
Headline diluted EPS	93.8p	98.5p	(4.8)%	
EBITDA (including depreciation of right-of-use assets)	1,976	2,005	(1.5)%	

- Continued LFL growth in revenue and revenue less pass-through costs
- Foreign exchange headwind of 1.3pt on revenue less pass-through costs growth, M&A impact +0.9pt
- Operating profit increased by 0.5%; reported margin 14.8%, up 0.2 pts on constant FX basis with efficiency benefits partially offset by continued investment in IT and higher year-on-year travel costs
- Associate income 2023 excludes Kantar due to nil carrying value (IAS 28) (2022: £38.1m)
- Headline tax rate up by 1.5pt due to lower income from associates, rising rates, profit mix and changes to tax bases in some markets
- Headline diluted EPS down 4.8% due to higher finance charges and tax and the absence of Kantar in associate income

¹ Figures before gains/losses on disposal of investments and subsidiaries, investment and other impairment charges, goodwill impairment, amortisation and impairment of acquired intangible assets, restructuring and transformation costs, property related restructuring costs, litigation settlement, and gains/losses on remeasurement of equity interests arising from a change in scope of ownership.
² Like-for-like LFL comparisons are calculated as follows: current year, constant currency actual results (which include

Turning to the headline income statement on slide 8. Overall revenue less pass-through costs was £11.9 billion, an increase of 0.5% year-on-year with headline operating profit of £1.75, also up 0.5% year-on-year.

This resulted in an operating margin that was in line with our original target of 15% at constant currency, reflecting the disciplined cost control measures that we took throughout the year. The reported headline operating profit margin of 14.8% you see here, is flat on 2022, reflecting a headwind of 25 basis points from FX.

Moving down the P&L income from associates excludes any contribution from Kantar in 2023, in accordance with IAS 28 due to nil carrying value on our balance sheet. This compares to £38.1 million contribution in 2022.

Net finance cost increased year-on-year due to higher levels of debt and interest rates and lower investment income compared to 2022, which benefited from disposal. These items were partially offset by higher interest income.

Reflecting an increased tax rate of 27% in the year and non-controlling interest of £87 million, the profit attributable to shareholders was £1.03 billion, resulting in a headline diluted EPS of 93.8 pence.

Based on that performance, our cash generation and progressive dividend policy, the Board has recommended a flat final dividend of 24.4 pence, giving a total dividend of 39.4 pence to 2023 representing a cash return to shareholders of over £420 million.

RECONCILIATION OF HEADLINE OPERATING PROFIT TO REPORTED OPERATING PROFIT

YEAR TO 31 DECEMBER	2023	2022	Δ
	£M	£M	£M
Headline operating profit	1,750	1,742	8
Goodwill impairment	(63)	(38)	(25)
Amortisation and impairment of acquired intangibles	(728)	(62)	(666)
Investment and other impairment charges	(18)	(77)	59
Gains/(losses) on disposal of investments and subsidiaries	7	(36)	43
Gains on remeasurement of equity interests arising from a change in scope of ownership	-	66	(66)
Litigation settlement	11	-	11
Restructuring and transformation costs	(196)	(219)	23
Property related restructuring costs	(232)	(18)	(214)
Non-headline items	(1,219)	(384)	(835)
Reported operating profit	531	1,358	(827)

- **Restructuring and transformation costs:** include £16m in relation to the creation of VML and simplification of GroupM; £52m for the ERP programme; £128m of cost for other IT transformation, the campus programme and other restructuring initiatives
- **Property related restructuring cost:** includes impairments taken as result of the 2023 property review of NYC and other global properties
- **Cash restructuring costs:** £207m within total of £428m restructuring and transformation and property related restructuring cost
- **Amortisation and impairment of intangibles** charge of £728m primarily due to the accelerated amortisation of previously indefinite life brands associated with legacy brands impacted by the creation of VML

Moving now to slide 9 and the reconciliation between our headline and reported profit. Our headline operating profit of £1.75 billion is adjusted for a number of items, the majority of which are non-cash.

We have taken a goodwill impairment totaling £63 million, which relates to two of our smaller businesses within Specialist Agencies.

The creation of VML has triggered the impairment of the balance sheet carrying values of intangibles related to legacy brands including Young & Rubicam and Wunderman, which is the majority of the £728 million of impairments excluded from headline operating profit.

During 2023 we incurred restructuring and IT-related transformation costs of £196 million, including some initial costs of £16 million associated with the creation of VML and simplification of GroupM.

In addition, the review of our property portfolio has shared Interims, resulted in a largely non-cash charge of £232 million. This is slightly higher than the 'around £220 million' we guided to in July, as a result of an additional non-cash charge, reflecting the application of the recent IFRIC agenda decision on IFRS accounting for sale and leasebacks.

The above, together with some smaller items, results in an overall adjustment of £1.2 billion and a reported operating profit of £531 million.

GLOBAL INTEGRATED AGENCIES

£M	2023	Δ REPORTED	Δ VS 22 LFL
Revenue less pass-through costs	9,808	0.7%	1.3%
Headline operating profit	1,474	2.9%	
Headline operating margin	15.0%	0.3pt	



- Continued growth at **Ogilvy**, reflecting client wins including H&R Block, Mondelēz, SC Johnson and Verizon
- AKQA, VMLY&R, Wunderman Thompson**, lower spend from US tech clients, delays in technology-related projects and client losses in retail and healthcare
- Hogarth** continued growth on increased spend by CPG clients
- Integrated creative agency LFL revenue less pass-through costs declined 1.6% in 2023
- GroupM**, strong growth in Q4 against a tough prior year comparison resulting in 2023 LFL growth of 4.9%
- Digital increased to 51% of media billings (FY22: 48%)

83%
of WPP in 2023
(Creative 45%,
GroupM 38%)

WPP 10

Moving on to slide 10, our Global Integrated Agencies grew 1.3% on a like-for-like basis.

GroupM, our media planning and buying business grew 4.9% in the year, with an improved quarter-on-quarter performance in Q4.

This was offset by a weaker performance from our integrated creative agencies, which saw an overall decline of 1.6% in 2023.

Ogilvy grew well, supported by recent new business wins, including SC Johnson and Verizon.

Our other global Integrated Agencies, Wunderman Thompson, VMLY&R, and AKQA, were adversely impacted by reduced spend across tech sector clients, predominantly in the US, client-led delays in technology related projects, and the impact of expected client losses in the US retail sector.

In Q4, this included the early impact of the loss of Pfizer which will continue to weigh on this segment in 2024.

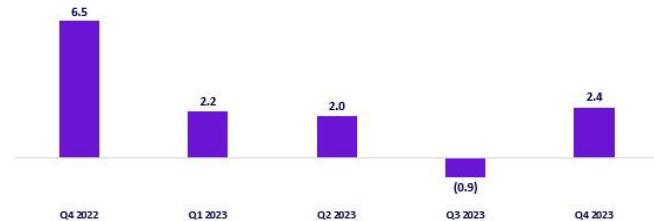
Hogarth grew well, benefiting from increased spending by CPG clients and growing demand for its technology and AI capabilities, as clients produce more personalized and addressable contents.

For the global Integrated Agencies as a whole, headline operating profit was £1.5 billion, up 2.9%, delivering a margin of 15% up 30bps.

PUBLIC RELATIONS

£M	2023	Δ REPORTED	Δ VS 22 LFL
Revenue less pass-through costs	1,180	1.6%	1.4%
Headline operating profit	191	(0.5)%	
Headline operating margin	16.2%	(0.3)pt	

LFL REVENUE LESS PASS-THROUGH COSTS GROWTH (%)



- FGS Global: strong performance with high-single digit growth. KKR acquired a 29% stake. Ranked #1 in PR by Chambers and Partners¹
- H+K: continued growth lapping strong performance in 2022
- BCW: a weaker year also lapping a strong 2022

10%
of WPP in 2023

1 Chambers and Partners Recognises FGS Global with top honours in 2023 Crisis & Risk Management, Litigation and Public Affairs Guides
WPP 11

And moving now on to public relations on Slide 11, where we see continued demand for strategic communications with like-for-like sales up 1.4% overall. FGS Global, our leading strategic advisory and communications consultancy grew high-single-digits. Hill & Knowlton delivered modest growth lapping a strong 2022; partially offset by a weaker year for BCW.

Headline operating profit of £191 million, was down 0.5% year-on-year, with margin of 16.2%, down 30 basis points year-on-year.

SPECIALIST AGENCIES

£M	2023	Δ REPORTED	Δ VS 22 LFL
Revenue less pass-through costs	872	(2.6)%	(3.4)%
Headline operating profit	85	(27.4)%	
Headline operating margin	9.7%	(3.3)pt	

LFL REVENUE LESS PASS-THROUGH COSTS GROWTH (%)



- CMI Media Group, specialist healthcare unit, maintained double-digit growth
- Landor and Design Bridge and Partners continued weakness with delays to project-related work for clients
- Smaller agencies declined on a tough comparison and more cautious client spending patterns
- Margin impacted by the run-off of a Covid-19 related contract in Germany

7%
of WPP in 2023

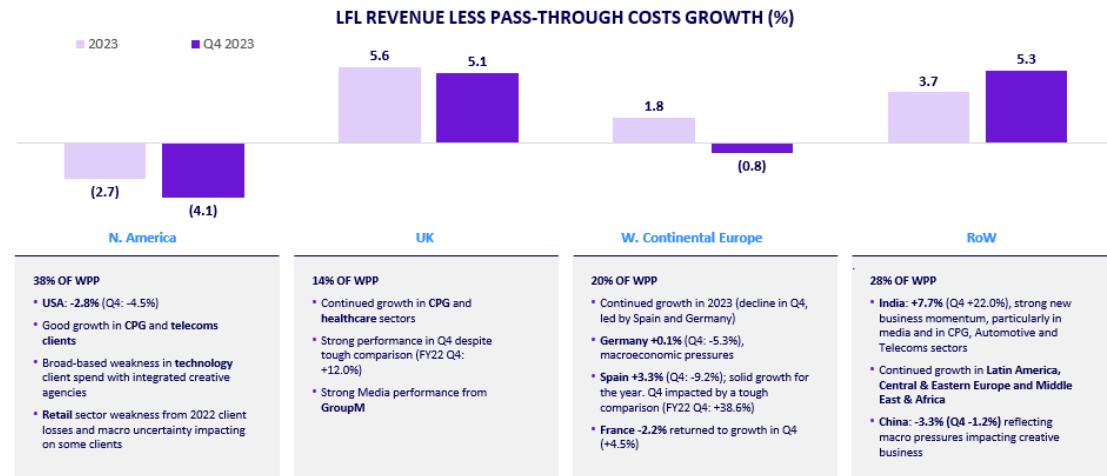
WPP 12

And now turning to Specialist Agencies on page 12, revenue less pass-through cost was down 3.4% on a like-for-like basis. While CMI, our US specialist healthcare media agency delivered strong double-

digit growth, Landor, Design Bridge and Partners, and the longer-tail of smaller agencies in the segment were impacted by tougher comps and more cautious client spending patterns, which have resulted in longer lead times and project delays.

Operating margin of 9.7%, a 3.3 percentage points lower year-on-year, reflecting the weaker topline and the run-off of a COVID-19 related contract in Germany.

PERFORMANCE BY REGION



WPP 13

Slide 13 highlights performance across our geographic segments. North America declined 2.7% in 2023, with quarter four seeing similar client spending trends to those in the second and third quarters, most notably reduced spend from technology clients and client losses in the retail sector. Q4 also saw the beginning of the roll off of the Pfizer creative business.

Partially offsetting this was good growth across our CPG and Telecoms clients.

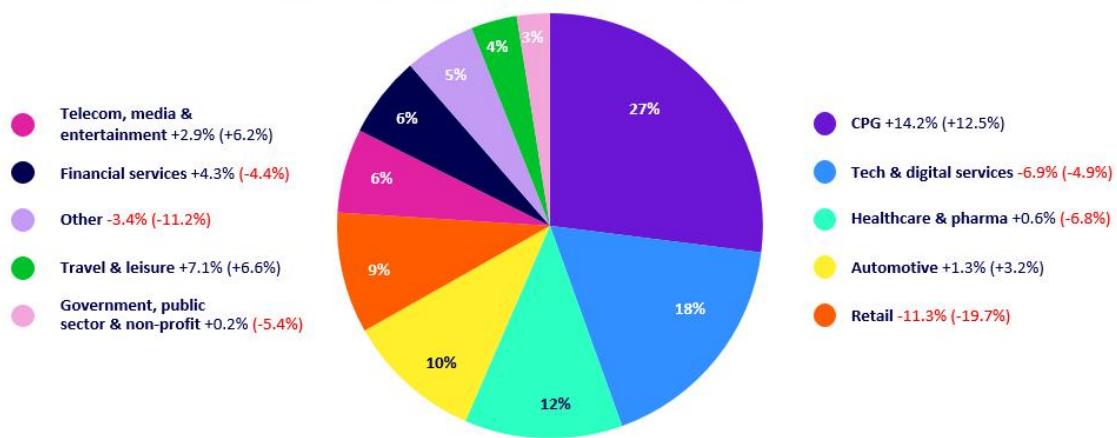
The U.K. grew 5.6% in the year lapping 7.6% growth in 2022, with both GroupM and Ogilvy performing well. CPG and healthcare were the strongest client sectors.

In Western Continental Europe, Germany, our largest market, had a challenging end to the year with a more uncertain macro environment weighing on client spend in the second half. France returned to growth in Q4 after several quarters of decline as new clients were onboarded.

The Rest of World saw good growth in 2023 driven by India which was up 7.7% reflecting strong double-digit growth in the second half. This was partially offset by China which declined 3.3% with a consistent level of decline across the first and second half and a weak macro economy weighing on our creative agencies.

DIVERSE CLIENT SECTOR MIX¹

LFL REVENUE LESS PASS-THROUGH COSTS 2023 (Q4)



1 Chart shows the proportion of WPP revenue less pass-through costs in 2023; chart made up of clients representing 77% of WPP total revenue less pass-through costs

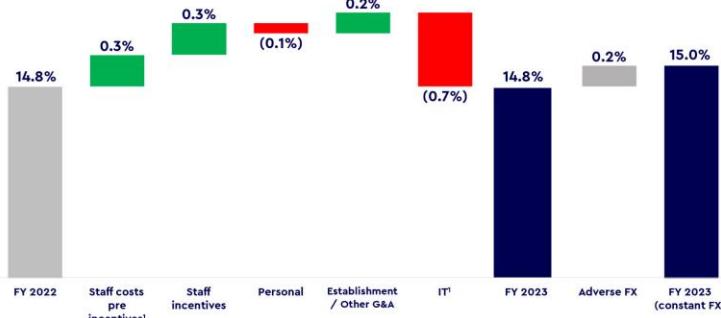
WPP 14

Turning to slide 14 you can see the 2023 client sector split and net sales dynamics. WPP has a diverse client base but in 2023 three sectors have really dominated the outcome with very strong growth in CPG clients, offset by declines in Technology and the Retail sector.

In Q4 those trends continued across our five largest sectors with CPG strong and Technology and Retail sectors weaker. In addition, automotive accelerated a little in Q4 and in healthcare growth turned negative as we began to be impacted by a client loss.

Going forward we believe our exposure to the technology sector, and within that our strong relationships with some of the world's most valuable companies, will be a source of growth and competitive advantage over the medium-term.

CHANGE IN OPERATING MARGIN YEAR-ON-YEAR



- **Margin:** reported basis 14.8%, flat YoY; up 0.2 pts on a constant FX basis
- **Staff costs:** proactive cost management
- **Personal expenses:** some inflationary pressure on travel costs
- **Establishment costs and other G&A:** benefiting from savings delivered by the campus programme
- **IT:** investment in enterprise tech and infrastructure, as well as our global capabilities including WPP Open, Choreograph and AI

¹ IT includes the impact of movement in IT staff salaries as well as third party costs

WPP 15

Now moving to slide 15 and changes in operating margin year-on-year. We held our reported headline operating margin flat in 2023 despite a weaker topline performance and a 25 basis points FX headwind.

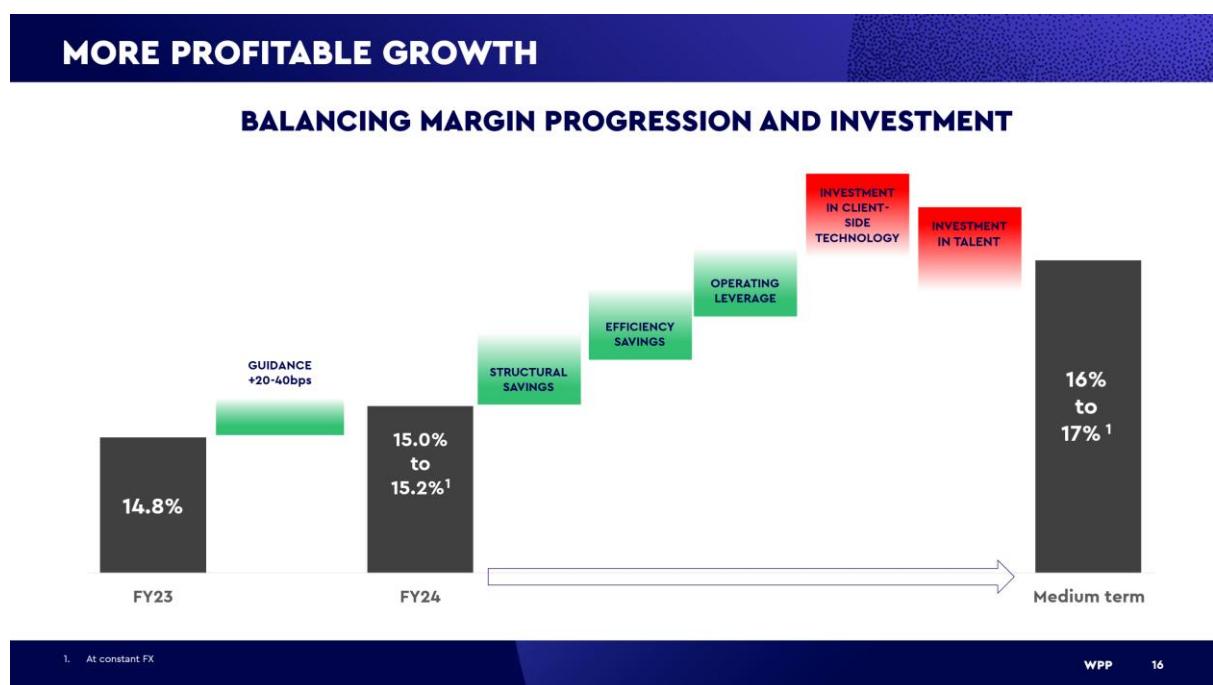
Staff costs, excluding incentives, were up 0.2% year-on-year at £7.8 billion, reflecting wage inflation. This was offset by a small reduction in permanent headcount as we exit 2023 and a 19% reduction in average freelancers through the year, improving our overall mix. Together, these resulted in staff costs reducing as a percentage of net sales by around 30 basis points.

Incentive costs were lower year-on-year contributing to further 30 basis-points improvement in margin.

These movements were offset by higher personnel costs, driven by more in-person client meetings and some inflationary pressure on travel costs.

Establishment costs fell as more of our people moved into campuses, contributing to 20 basis points of margin improvement.

And finally, our investments in IT, both enterprise and client-facing, was a headwind and margin of 70 basis points. This investment included our IT and Cloud infrastructure and cyber capability as well as our global capabilities including WPP Open and AI and was partly offset by offshoring savings.



As we look to 2024 and beyond, I thought it would be helpful to recap on this slide from our Capital Markets Day, so turning now to slide 16.

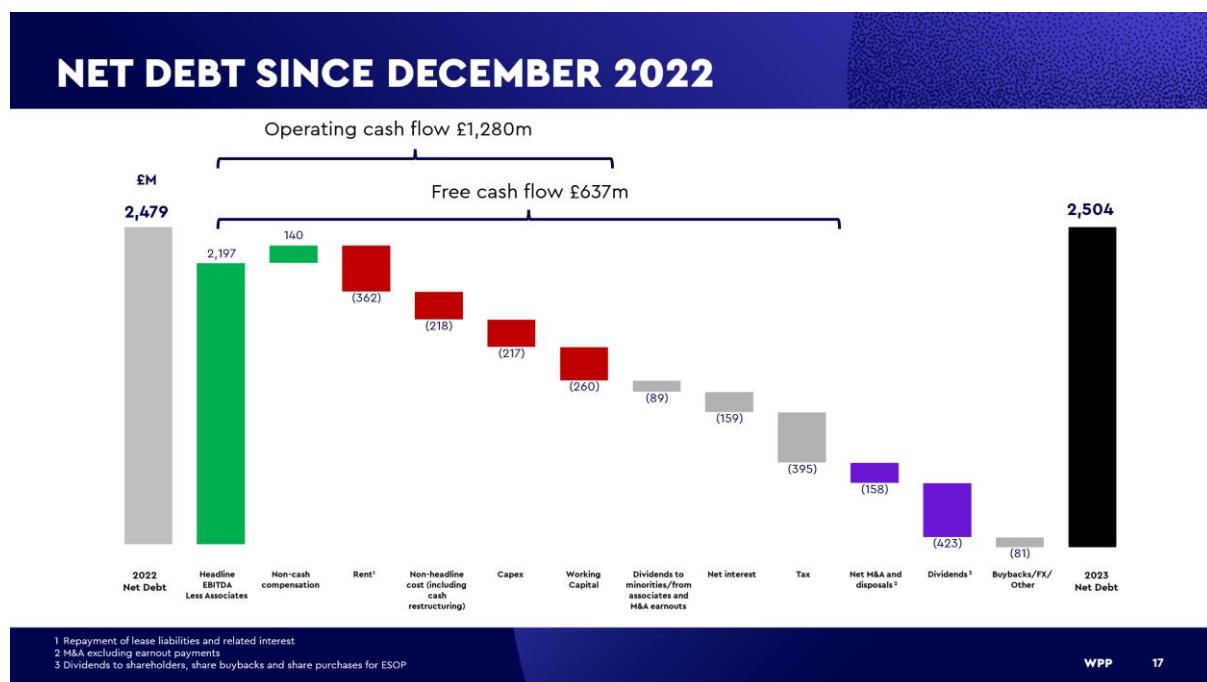
In 2024, despite topline pressures, we expect to deliver 20 - 40 basis points of margin accretion benefiting from part realization of the cost savings from the creation of VML and Burson and the simplification of GroupM. We expect 40% to 50% of the £125 million cost savings to be realised in 2024, partially offset by an expected increase in incentives as a percentage of net sales.

Beyond 2024, we expect to realise further structural and efficiency savings and greater operating leverage as our top line grows towards our medium-term target.

Some of these savings will support continued investment in our business, prioritizing our industry leading capabilities including AI, Choreograph and WPP Open.

Our plans include annual cash investment of around £250 million in 2024 and proprietary technology to support our AI and data strategy.

Taking all of this together, we are confident we can both deliver our medium-term margin target of 16% to 17% and invest in our business to accelerate growth.



Moving now to slide 17, which provides an overview of our net debt and cash generation and uses over the last 12 months.

Our net debt at year-end of £2.5 billion is broadly flat year on year.

Looking at the bridge and starting from 2023 EBITDA less income from associates of £2.2 billion, you can see the uses of cash:

Rent of £362 million, non-headline cash costs including cash restructuring of £218 million (which I will come back to), capex of £217m with investment primarily in our tech capability and campuses and a working capital outflow of £260m which includes an adverse impact from year-end FX of £89m.

Excluding FX, the working capital outflow was £171m. This included a better-than-expected performance from trade working capital excluding FX representing an inflow of £157m.

This is offset by a larger than expected outflow on non-trade working capital of £328m excluding FX, impacted by the year-on-year movement in bonus, a shift to prepayment terms for a large IT contract and other smaller items. Combined, those moving parts translate to adjusted operating cashflow of £1.3 billion, which translates to a 73% conversion of headline operating profit.

Free cash flow after dividends to minorities, M&A earnouts, Interest and tax was around £637 million, nearly £600m higher than last year.

Total cash returned to shareholders via the dividend was £423 million and acquisitions and disposals resulted in a net cash outlay of £158 million.

As I indicated at our recent Capital Markets Day the fundamentals of our business mean we are confident that we can deliver consistent and stronger cash generation that exceeds 85% conversion of headline operating profit into operating cash flow over the medium term.

The levers to drive that improvement in cash generation include more profitable growth, a focus on working capital management, lower capex and lower cash restructuring costs as we complete our transformation initiatives.

As we flagged, our average adjusted net debt to Headline EBITDA was slightly above our target range of 1.50-1.75x at 1.83x at year end. We are focused on bringing that metric back within our target range.

RESTRUCTURING COSTS

YEAR TO 31 DECEMBER	2023 £M	2022 £M	A
IT transformation	113	135	(22)
o/w ERP	52	97	(45)
Other transformation	67	84	(17)
Structural restructuring costs (VML, GroupM)	16	-	16
Restructuring and transformation costs	196	219	(23)
Property (including 2023 NYC/Global review)	232	18	214
Total restructuring costs	428	237	191

Moving on to more detail on our restructuring costs and other adjusting items on Slide 18.

2023 reported operating income includes non-cash charges for impairments to our property portfolio as a result of our 2023 property review and the impairment and accelerated amortisation of goodwill associated with legacy brands which have been impaired following the creation of VML.

The bulk of our restructuring and transformation costs in 2023 consist of the costs associated with our transformation programme and the initial cost of the strategic actions taken in the creation of VML and the simplification of GroupM. These total £196 million.

Within that, restructuring costs for our ERP program have declined to £52 million in 2023 as we evolved our ERP roadmap to reflect some of the learnings from the past few years. As I shared at our

CMD, we now expect the bulk of our ERP consolidation to be completed by 2026, with restructuring costs reducing accordingly.

Other restructuring and transformation costs associated with Enterprise IT and our campus programme will also decline as initiatives begun in 2020 are completed.

The total cash attributable to restructuring costs in 2023 of £207m consisted of that £196m plus an additional £11m of cash costs from our property review.

In 2024, we expect cash restructuring costs to be around £285 million.

That reflects £125 million of costs associated with the VML and Burson mergers and the GroupM simplification.

Other cash restructuring costs relating to our ERP and IT programs, as well as property related costs are expected to reduce from the £196 million you see here in 2023 to around £160 million in 2024.

2024 GUIDANCE

LFL revenue less pass-through costs growth of 0-1%
Headline operating margin improvement of 20-40bps at constant currency

Other FY 2024 financial indications:

- Mergers and acquisitions will add 0.5-1.0% to revenue less pass-through costs growth
- FX impact: current rates (at 15 February 2024) imply a c.2% drag on FY 2024 revenues less pass-through costs, with no meaningful impact on FY 2024 headline operating margin
- Headline income from associates and non-controlling interests at similar levels to 2023¹
- Net finance cost of around £295m
- Effective tax rate of around 28%²
- Capex of around £260m
- Cash restructuring costs of around £285m
- Working capital expected to be broadly flat year-on-year

¹ In accordance with IAS 28: Investments in Associates and Joint Ventures once an investment in an associate reaches zero carrying value, the Group does not recognise any further losses, nor income, until the cumulative share of income returns the carrying value to above zero. WPP's cumulative reported share of losses in Kantar reduced the carrying value of the investment to zero at the end of December 2022.

And finally, let me take you through the guidance for 2024 on slide 19.

Our headline guidance for like-for-like growth of 0% to 1% and margin improvement of 20 to 40 basis points at constant currency, are consistent with the guidance shared at our Capital Markets Day on January 30th.

At current FX rates, we would expect to run a 2% drag on 2024 reported revenue less pass-through costs growth with a net neutral impact on margin.

We expect M&A to contribute between 0.5% to 1% to our growth.

Our Net Finance costs will rise to around £295 million as a result of increase in rates including a full-year impact of last year's bond refinancing and the partial year impact of refinancing the \$750 million bond that matures in 2024.

We expect a tax rate of around 28% in 2024, up from 27% in 2023 as we see upward pressure on our effective tax rates from increased rates in some countries together with minimum tax regimes, caps on interest deductibility on withholding taxes.

Capex will be around £260 million in 2024 and will reduce from 2025 onwards with lower spend on our campus programme.

We will continue to focus on our working capital management and are targeting overall net total working capital to be flat in 2024.

So thank you and I'll now hand you back to Mark to talk about our strategic progress.

STRATEGIC PROGRESS

Mark Read

Thank you, Joanne.

INNOVATING TO LEAD, TODAY AND TOMORROW**1****LEAD THROUGH AI, DATA & TECHNOLOGY****2****ACCELERATE GROWTH THROUGH THE POWER OF CREATIVE TRANSFORMATION****3****BUILD WORLD-CLASS, MARKET-LEADING BRANDS****4****EXECUTE EFFICIENTLY TO DRIVE FINANCIAL RETURNS THROUGH MARGIN AND CASH**

So turning to our Strategic Progress on page 21.

We outlined the key elements of our strategy Innovating to Lead, that we set out at the Capital Markets Day.

There are really four key elements to our strategy. The first, leading through our investments in AI, data, and technology.

The second, accelerating our growth with the power of creative transformation.

Thirdly, building world-class market-leading brands.

And finally, executing efficiently to drive financial returns through margin and cash.

And we went through those in some detail at the Capital Markets Day, but I would like to emphasize some of the key points that we made on this call.

1 LEAD THROUGH AI, DATA & TECHNOLOGY

	AI-powered technology solutions through WPP Open	<ul style="list-style-type: none"> <i>New opportunities for technology licence fees, particularly in commerce, production, media</i>
	AI services and consulting	<ul style="list-style-type: none"> <i>Consulting projects to enable clients to use AI</i> <i>Technology projects with AI embedded solutions</i>
	Improved client ROI through AI-augmented creativity	<ul style="list-style-type: none"> <i>AI augmented roles will become more productive increasing value of strategic skills and insights</i> <i>AI augmented work will drive better ROI for clients</i>
	New business and financial models	<ul style="list-style-type: none"> <i>Shift from FTE-based to output based business models, important when volumes increase significantly.</i> <i>Remuneration more closely linked to results, particularly in commerce, media, production</i>
	AI-driven efficiencies	<ul style="list-style-type: none"> <i>Unlock back office efficiencies to reduce overheads</i>

WPP 22

Turning to page 22 and our ambition to Lead Through AI, Data, and Technology, we had lot of questions at the meeting and the subsequent discussions we showed, about the impact of AI on our business model. Now it's early days, but we do see opportunities for our investments in AI to lead improved growth and better financial performance. And these were the five areas we highlighted at the meeting, and they show some of the opportunities that we see and how they can translate into revenue and margin.

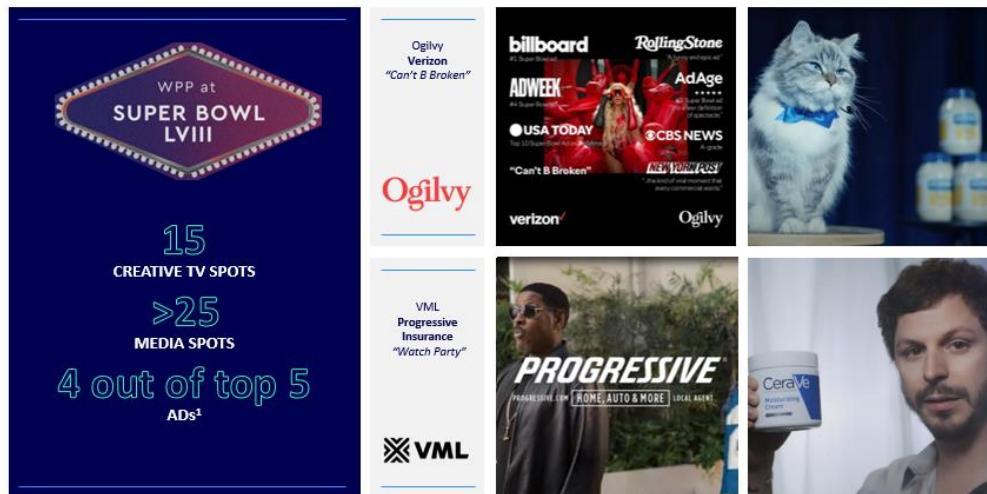
Starting the talk, we see the ability to earn technology license fees in areas such as commerce, production, and media from WPP Open. Secondly, we have the ability to help our clients embrace AI, offering them consulting projects to use AI, as well as technology projects with AI embedded with it and as many examples of those over the past few years with an acceleration into 2023.

We also see how AI can help to drive improvements in the effectiveness of our work. It can augment, not replace roles, to make people more productive and you also have seen the AI augmented work is driving better ROI for our clients. You saw that in the Amazon PDP generates we shared at the Capital Markets Day. And this leads us to believe that we can improve our pricing to clients on the back of improved financial returns on their marketing investment.

AI will also offer the ability to develop new business and financial models and to accelerate the shift away from hours-based compensation to remuneration more linked results, particularly get in areas such as commerce, media, and production where a meaningful percentage of our remuneration today is already non-hours-based.

And lastly, we see the ability of AI to make us more efficient to reduce our back-office costs and to improve profitability. And I'm sure we'll get into it in the Q&A, but these are all reasons why we see AI as an opportunity for us in the future.

2 CREATIVE TRANSFORMATION: WPP AT SUPER BOWL LVIII



1. Ranked by Forbes in an assessment based on a composite of indicators including multiple third-party rankings including USA Today Admeter, ADPLAN ratings and Sprout Social
<https://www.forbes.com/sites/charlesraley/2024/02/12/the-most-effective-ads-of-super-bowl-2024-verizon-vs-vml/> [S15-715615-20240206]

WPP 23

On page 23, turning to the second element of our strategy, creative transformation. And at the Capital Markets Day, we just spent some time demonstrating to the link between creative, production, and media and how this discipline increasingly integrates to drive success for clients.

The heart of our work is creativity and there is no bigger platform on the world stage for creative excellence than the Super Bowl. While for some it's a game, for us it's the Olympics of advertising and the time actually when viewers look forward to the ads, maybe one of the few times in the year.

If you look at the viewing, you can see why. This year's Super Bowl was the most-watched event on US TV since the moon landing at an average viewing of 123 million people across all platforms, not just on linear TV but on many of the streaming platforms. And WPP agency was this year, responsible for the creative work on 12 TV spots and bought media for 19 spots. Really significant involvement given there are only 57 spots in the Super Bowl.

Forbes Magazine, in an assessment of a number of indicators, called out what they evaluated to be the top five ads at the Super Bowl. I'm pleased to say that four came from WPP agencies.

So the work we do for Verizon from Ogilvy, the Hellmann's work, they searched Super Bowl ads from VML and Mindshare, work for Progressive Insurance from VML, and the CeraVe work from WPP Onefluence team made-up of WPP agencies. These are just some of the examples of the work that we're doing.

Now, we're really pleased by the impact particularly the work we had for Verizon. If you remember, this is a client Ogilvy One during the course of 2024 and the work that they did with Beyoncé at Super Bowl, was talked about by many commentators to be the ad that one Super Bowl. So let's look at that piece if you could run that film.



All right. So we indulged you with a full 90-second version. Why is that important? Well, I'll start with, it should remind us that in this digital age, there is still some events that bring people together and the Super Bowl is one of them and we also have the Olympics coming up this summer.

These events aren't just linear TV events, although that's at the heart of them. They are multimedia digital events. There's many, many digital elements around our work. The Verizon amplified the idea.

At the heart of it was a creative idea from a talented team and the power of creativity and ability to amplify clients' investment. Superbowl at \$7 million for 30 seconds isn't cheap, but clients are really looking for a meaningful financial return. And while we can't yet share details of the business impact from that work, I can say the clients saw a meaningful increase in the business following Super Bowl.

3 WORLD CLASS BRANDS, APPROACHING 90% NET SALES

GLOBAL INTEGRATED AGENCIES					
CREATIVE			MEDIA	PR	
VML	Ogilvy	AKQA	HOGARTH	groupm	BURSON
#1 creative agency, spanning brand, CX and commerce	Leading global creative agency	Leading ideas and innovation company	#1 global production agency	#1 global media agency	Top 2 global PR firm
30k people	15k people	5.5k people	7.5k people	41k people	6.5k people
60+ markets	75+ markets	34 markets	40 markets	80+ markets	43 markets
The Drum Awards <small>VML GLOBAL AGENCY OF THE YEAR 2023</small>	Creative Effective 100 100 <small>GRAND PRIX DIGITAL CRATE</small>			CANNES LIONS <small>MINDSHARE MEDIA NETWORK OF THE YEAR 2023</small> <small>ESSENCEMEDIA.COM 100 GLOBAL MEDIA NETWORK & US AGENCY 2023</small>	

1. People figures rounded, FY23 provisional

On page 25, the third element of our strategy is building world-class brands, and six brands today account for approximately 90% of WPP's business.



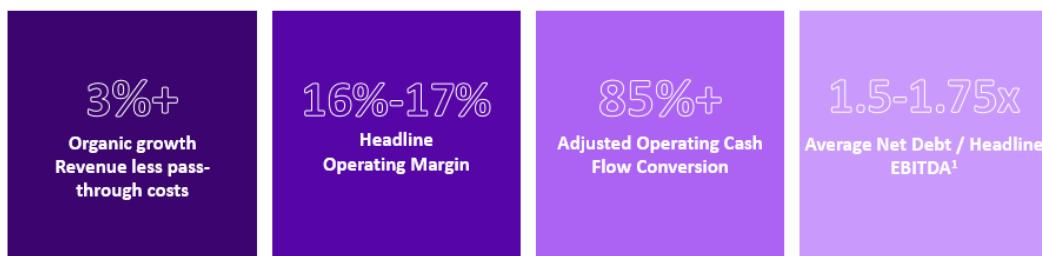
We share here some of the business, those brands that won over the course of the past year. Just to highlight some examples here, VML won the Krispy Kreme business globally. The first, new business win is VML.

It has been followed up by several wins since then. Ogilvy had a very strong business performance, let's say, but not least, Verizon also wins globally and in Europe, the business has done well.

Hogarth's had an excellent year, supported by many new business wins and expansion of key client relationships.

And GroupM may have had a more challenging times since the new business in the United States, has been successful globally, make us top for global new business shots and they won a number of important global reviews, not least the Nestle business in Europe.

4 MEDIUM-TERM FINANCIAL FRAMEWORK



DISCIPLINED CAPITAL ALLOCATION

Potential for M&A to accelerate growth by up to 1% p.a.

1. Average adjusted net debt/Headline EBITDA (including depreciation of right-of-use assets)

WPP 27

And lastly in the next page, we lay out at our Capital Markets Day our medium-term financial framework of 3% plus organic growth, 16% to 17% headline operating margin, 85% adjusted operating cash flow conversion, and 1.5x to 1.75x average net debt headline EBITDA. All of that supported by a disciplined capital allocation.

WPP | THE INVESTMENT CASE

- Unrivalled global reach and scale
- Attractive and growing addressable markets
- Deep client relationships with leading businesses
- Leading through AI, data and technology
- Financial strength with investment grade balance sheet
- World-leading talent, ambitious for the future



Accelerated growth, margin expansion and improved cash generation to drive shareholder returns

WPP 28

So on the last page 28, where we discussed at the Capital Markets Day, I'd just conclude by touching on the investment case for WPP that we've covered. Our unrivalled global reach and scale, our ability to help global and domestic champions reach their clients.

We operate in attractive and growing addressable markets. We have deep client relationships with many of the world's leading businesses we worked with, three of the world's four biggest companies by market capitalization, they rely on WPP for growth.

We have a strategy to lead through AI, data, and technology, supported by an investment of £250 million a year, a strong investment-grade balance sheet, and lastly and by no means least, world-leading talent, ambitious for the future.

All of this has aimed deliver accelerated growth, margin expansion, and improve cash generation to drive returns for our shareholders. So that's what we're absolutely focused on as a team. Thank you for listening, and now we'll take your questions.

Q&A

Operator' instructions

Thank you. Our first question today comes from Laura Metayer of Morgan Stanley. Laura, please go ahead. Your line is open.

Q: Laura Metayer

Hi, Mark. Hi, Joanne. Thank you for taking my question.

Three questions, please.

The first one is on the GroupM growth acceleration this quarter. Can you give us a little bit more details on what drove the growth acceleration?

Second question is on the assumptions for the low end and the high end of your growth guidance. Is it fair to assume that the biggest moving part is the return of tech clients ad spend?

And then the third question is regarding OpenAI that recently announced Sora, the AI model that can create realistic scenes from text instructions. Just curious how you think about the impact it can have on your business and if you think it can be an opportunity for your business and your industry? Thank you.

A - Mark Read

Joanne, why don't you take the financial questions, and I'll finish up on the AI question at the end.

A: Joanne Wilson

Okay, well, just starting with your first question on GroupM. Yeah, we were pleased with the performance in Q4. So, it grew at 5.7% and that was higher than the Q3 growth. We always see Q4 is a strong quarter for our media business. I think we have tougher comps in Q3 as well, which impacted the year-on-year growth. And as we look forward into 2024, we're expecting to see continued good growth in 2024, but obviously that growth will be impacted by some of the client decisions in 2023, particularly in the US business.

In terms of the growth guidance, 0% to 1%. In terms of Q4 trends, as we said, we saw similar trends to Q3. We'd expect the H2 trend from 2023 to continue through H1. That'd be the macro, some uncertainty still.

And in terms of client losses that we saw in 2023, we started to see some impact from that in Q4. And those will continue throughout 2024, particularly weighing on the first half. And as we shared at the Capital Markets Day, if we look at our comps, Q1 is our toughest comp at 2.9% growth in 2023, Q3 is our easiest comp, which is negative 0.6 and so I think that will also impact the year-on-year growth that we are seeing.

And just finally, what I'd say is, we've talked about our pipeline being higher than it was this time a year ago. It's more skewed to offensive pitches which is good. And of course, we will start to lap the impact from the tech sector from Q2 onwards, so I think it's too early to call a recovery in the tech sector, but certainly it feels like about stabilizing and the comps will get easier from Q2. So overall, Laura, I think the way you should think about it is, growth is skewed H2, and just given all the factors I talked about, I think we will expect to see negative like-for-like growth in Q1.

A - Mark Read

Thanks, Joanne. On the AI video from Sora. Look, I think it's impressive. At one level, that shouldn't be a surprise, but it should remind us of the speed and pace at which innovation is taking place in AI. I don't think it changes our strategy and that I think it reinforces what we are doing. What clients need is work that's copyright-proof. That able to accurately represent their brands and reality. And Sora is not yet at that stage. And I think as we showed at the Capital Markets Day, our strategy is very much to work with these models and work with the technologies out there but adapt them to use them for our clients and apply our understanding of brands and marketing and creative work to direct them in ways that are most effective for clients and I think that shows what we can do.

We've shown examples with you in the past the work that we're doing with NVIDIA. We were again mentioned in NVIDIA's conference earnings call yesterday as one of their partners, key strategic partners in this area, to deliver video using AI and I think that's sort of a direction in which clients will go this copyright-safe and protects and highlights their brands in ways that they would want.

Q: Laura Metayer

Very clear. Thank you.

A - Mark Read

Thank you.

Operator

Thank you. Our next question comes from the Lisa Yang of Goldman Sachs. Your line is now open. Please proceed.

Q – Lisa Yang

Good morning. I have three questions, please. Firstly, you mentioned in terms of new business environment, there are more offensive pitches. I was just wondering like if you can comment on how well you think WPP is positioned, I think, in those pitches and what gives you that confidence that you could potentially win many of those pitches and what are the clients you are really looking for in those pitches. I think it would be really helpful.

The second question is on capital allocation. I don't think you gave an M&A envelope for this year. I think last year was £300 million to £400 million and some of your peers, I mean, per business day, the increased actually, the M&A spend for this year to £700 million to £800 million. So I'm just wondering like how you think about the priorities for the company in terms of de-leveraging versus M&A over the next few years? And is there a risk that the gap could potentially widen versus some of your peers if you do less M&A?

And the third question, thanks for giving the guidance on tax and interest of '24. I think at the CMD you mentioned these items will be headwinds for medium-term cash generation. Is there any sort of comment you can give on tax and interest beyond '24 or is '24 the peak? Thank you.

A - Mark Read

Okay, well, I'll tackle the new business question and Joanne will follow. So I think in terms of new business, we said our pipeline is very strong. It's probably a little bit more offensive for us than it is defensive, but we do have defensive reviews that you would know about. I think the reviews span creative, media, and production and we are going to highlight all of the capabilities that we highlighted at our Capital Markets Day to demonstrate to our clients why we would be the best partner for them. I think we absolutely have the capabilities that they need in terms of skills, investments in technology, geographic expertise. I expect AI to be a big focus of reviews, looking to see who is best positioned to partner with them on that in the future. I think in each of those cases, we have a strong case to make. Our industry, as you know Lisa, is competitive and we won't win them all, but we're absolutely focused on winning as many as become.

A - Joanne Wilson

So just taking your other two questions, Lisa. On capital allocation and M&A specifically, you shouldn't read anything into the fact that we haven't given specific guidance. Over the last few years, we spent around £200 million to £300 million on M&A. As we said at the Capital Markets Day, we think our M&A approach has worked well for us, buying businesses that accelerate our capability and tend to be high-growth businesses and we'll continue to look for those opportunities.

At the CMD, we also talked about our priorities from a capital allocation perspective, starting with our organic investments. We shared some of what we've done with regards to organic investment over the last few years, brought to life for you, hopefully at the CMD, and we'll continue to prioritize that in 2024. In terms of the risk of the gap widening that we don't think that is a risk, I think we're very confident in our capabilities, in particular, WPP Open and AI, and we'll continue to invest in this in 2024.

As regards to tax and interest, maybe start with interest. So the increase in 2024 is really a result of rising interest rates as we have refinanced our bonds. So we have a full-year impact of the '23 refinancing and '24. I'd expect the £295 million to really be the peak of our interest cost so it will probably stabilize around that level and over the medium-term (inaudible). In terms of tax, the reasons for the increase in tax this year are BEPS 2.0, and the minimum tax and also interest deductibility caps. I think, rising interest rates were generally interest deductibility caps and withholding tax will continue to put some upward pressure on our tax rate beyond 2024.

Q – Lisa Yang

That's helpful. Thank you.

Operator

Thank you. Our next question comes from Nicolas Langlet of BNP Paribas. Your line is now open. Please go ahead.

Q – Nicolas Langlet

Hello. Good morning, everyone. I've got three questions please.

The first one on the AI investments of up to £250 million you plan to spend annually. How much was already spent in '23 and what's the net addition we should expect in '24?

Second, on media in the US. During the CMD, you mentioned the new strategy in the country to improve the go-to-market there. How long will it take to materialize in new contract gains and the plan? Is it something that will already be visible by the end of '24 or not?

And finally on China. We are now four months after the bad press reports in the country. What has been the feedback from clients here? What's the situation in the country for your media business and what's to look for in '24? Thank you.

A - Mark Read

All right. So let me attack on those. Look, I think on the AI investment, really we're talking about the £250 million going into AI. It is not really possible to say what's incremental and what's not incremental. You saw an increase in investment in technology from '22 to '23, to significant and we expect some of that refocus to take base in '24. I think the thing to focus on is included within our budgets and really, investment in AI 10 years ago was zero, and now it's £250 million, so I think about, on that basis as being £250 million of incremental investment from where we started.

In terms of the go-to-market, I think that we're very focused on new business, and we expect to have an impact as we go through the year.

And lastly on China, I can't comment on the specifics of what's going on in the market, but China has been a challenging market for us and for others and we do expect it to continue to be challenging from a macro perspective in 2024.

Q – Nicolas Langlet.

Okay. Thank you.

Operator

Thank you. Our next question comes from Tom Singlehurst of Citi. Your line is now open. Please go ahead.

Q – Tom Singlehurst.

Yes, thanks. It's Tom here from Citi. Thanks for the presentation. The sort of standard three questions, I'm afraid. First one, on organic growth. Last year, especially at the 2Q and the 3Q, it felt like the sort of out-turn caught you by surprise as well as us. Now, I'm conscious that might just been a function of a tough last month of each quarter. But can you just talk more broadly about visibility and how much visibility you think you have on the year and therefore on the phasing of growth? That was the first question. Second question on the new business side that the \$4.5 billion figure. It's a nice big chunky number. It's slightly down year-on-year, but it's still big. I just wanted to check whether that included retentions as well as sort of new, new business and then I suppose, overall for the year, would we expect the contribution from new business wins to be net positive, albeit, I'm conscious Pfizer will be, the loss will be skewed to the first half.

A - Mark Read

Yeah. One, I may take that, and Joanne add what you want on the first question. Look, I think visibility in our business has always been good until it's not good. And I think that we were -- we did not expect the cuts in technology spend that happened throughout the year to take place when we started the year. I don't think it's a month-end in the quarter issue. It's just that we saw continued series of cuts as those companies adjusted that budget to reflect reality and maybe they were slow to tell us what they planned, but I think it was a surprise to us as we went through the year.

And the biggest delta versus our budget, we expected to see some pressure in retail, because we knew about that, but the biggest delta versus our budget was in technology companies, which you know is 20% of our business. We have the biggest exposure in our industry out there.

In terms of new business, we don't include retentions. It's wins or losses. We don't include retentions. Some of the COMvergence data, some of the media analysts do that, but that's not the basis on which we do that.

And then the last question, Tom, sorry, remind me. I didn't write it down.

Q – Tom Singlehurst.

Actually, no, I haven't got there, but I was going to say—

A - Mark Read

You haven't got there? Okay.

Q – Tom Singlehurst.

Yeah. That's fine. That's fine. I was going to say, though, on that point about budget cuts creeping up on you. Do you think budget recovery will creep up on you or is that more visible?

A - Mark Read

Well, I think if we look at our technology clients in '24, given the comparatives, they don't turn positive in Q1, but we do expect them to be much more stable for the year overall and I think we probably would expect to see a little bit more stability after the adjustments they've made last year.

Q - Tom Singlehurst, Analyst

Fair enough. The final question was going to be, I mean, you sold a couple of investment stakes that has obviously been the discussion about weighing options for Kantar. Is there a systematic process in place to wind down investments in holdings or is it an ad-hoc opportunistic policy?

A - Mark Read

No. I think we look at it systematically. But with government by, when we can get the right price in terms of shareholder value. So we do look at it consistently. But the opportunities don't always present themselves when you want. I think you asked me a question on new business, look, I think that the reality is that we will be impacted by losses in the beginning of the year and -- but we will see an underlying positive impact from new business if we're successful over the course of this year. So I'd say, it's why we do expect the business to be somewhat second half weighted.

Joanne, do you want to add anything on the visibility?

A - Joanne Wilson

No. I think Mark pretty much covered it. The big drivers will be tech recovery for us, which we've talked about. We like our exposure to tech and that will recover at some point. The timing is a bit uncertain. We talked about macro H1 versus H2. The expectation is that the macro will improve from the H2. And then as Mark said, winning new business. I think that's how you should think the biggest factors.

Tom Singlehurst, Analyst

Ok. Thank you.

Operator

Thank you. Our next question comes from Adrien de Saint Hilaire of Bank of America. Your line is now open. Please go ahead.

Q - Adrien de Saint Hilaire

Thank you, good morning, and thank you for taking the questions. I've got a few, if that's okay. So first of all, how much pricing contributed in your 2023 like-for-like growth? I think you previously talked about two or three points and how do you think about 2024.

And then I've got two questions for Joanne. A bit of an academic question, but in 2023, there was a negative impact of FX on margin, but you're not assuming this for 2024. Why is that not the case given the dollar move?

And the third question is, could you provide a bit more guidance on what you would expect cash-flow conversion or generation to be for 2024 or perhaps go straight to like, what do you expect average net debt to be for 2024 -- at the end of 2024? Thank you.

A - Mark Read

Joanne, why don't you want to tackle them all?

A - Joanne Wilson

Yes. I mean, on pricing, we talked about 2% to 3%. Yeah, I think that's a reasonable assumption on 2023. Obviously, wage inflation is stabilizing a little bit, and so we expect similar levels in terms of pricing in '24. Of course, as you all know, Adrien, and our business is not as simple as just looking at a pricing increases and applying that to the topline is much more nuanced to the conversations that we have with clients around half in all the stations that we're seeing, but also delivering efficiencies and how we operate with them and how that gets shared.

In terms of the negative impact of 25 basis points, and that was really driven by the US dollar and sterling exchange rate and what really is a big factor in the FX impact on our profitability is the weighting through the year. So each month, the buildup of that through 2023 contributed a result in that 25 basis points. And as we look at the rates as they stand today, we expect, and taking into that the weighting and the profit mix through the year, we expect that to be flat on profit as we go through the year, but 2% headwind on the topline.

And then on the cash-flow conversion, I mean, you asked about net debt. I would expect net debt to end up broadly as flat year-on-year. In terms of how we think about cash and we've given some guidance, restructuring costs will be a little bit higher because of the mergers and the GroupM simplification, and we've shared what that looks like. CapEx will be a little bit higher. There is -- that is really driven by a one-off CapEx related to some IT assets that we are in-housing that will impact in 2024 and then we have the interest and the tax cost headwinds as well. I'd expect working capital to be improved in the next year. So when you take all of that into the mix, I think you should assume that that will be flat.

Q - Adrien de Saint Hilaire

And that's reported net debt and not average net debt, just to be clear?

A - Joanne Wilson

Yes

Q - Adrien de Saint Hilaire

Yeah. Thank you, Joanne.

A - Joanne Wilson

Thank you.

Operator

Thank you. Our next question comes from Julien Roch of Barclays. Julien, your line is open. Please go ahead.

Q – Julien Roch

Yes, good morning, and thank you for taking the question. My first question is, I know it's not something you focused on in the Investor Day anymore, and it's more a relic of the 2020 Investor Day. But when you guide to creative being up 2% to get to your 3% within creative, you have some faster growth business. You used to call them data commerce and technology. You have Hogarth. So it used to be about 39% of creative, ex GroupM, or sorry of Global Integrated Agencies, ex GroupM. If we could get the historical numbers for '23 or some indication of how much it was of GIA? That's my first question.

And then the second question is going on page 17 of the presentation to get to free cash flow. You've given us some indication on CapEx, taxes, and interest, but taxes and interest are P&L, not cash flow. So I was wondering whether you could give us some indication on cash net interest, cash taxes, and also if there is any variation in rent for '24? Thank you.

A - Mark Read

All right. On the first point, thank you for referring to our relics. I think -- we just didn't find looking at -- it was communications, experience, commerce, and technology helpful in terms of -- it's not the way we run our business. It's not the way clients buy our services. It's not the way we invoice it. So it's just difficult to track. I don't think it was that helpful so I don't have a number comparable to the 39%.

If you remember when we came back out of COVID, we did see very rapid growth in the communications part of our business and actually we've seen, as you know, during '23, some fallback on the technology part, but like others have said, Julien, I don't think those sort of year-on-year movements reflect the secular and structural trends to continue to persist towards technology. I think the best way for you to look at our business is the way we look at it and I think that that's what the disclosure currently supports.

Joanne, can you take the rest of Julien's questions?

A - Joanne Wilson

Yes. So, Julien, I would expect interest and tax from a cash perspective to increase as well along with the P&L impact.

And on rent, I'd expect rent to be probably slightly up on the year, just reflecting some of the inflation-linked leases that we have.

Q – Julien Roch

Okey. Thank you.

Operator

Thank you. Our next question comes from Adam Berlin of UBS. Adam, your line is open. Please go ahead.

Q – Adam Berlin

Yeah. Hi, good morning, everyone. Two questions left from me. The first one is within Global Integrated Agencies. You're showing the split between GroupM and the others, which I suppose as

the creative agencies which were – which accelerated – decelerated to minus 3.4% in the quarter. Can you just give us a split of how much of that decline was due to account losses versus cuts from your existing clients, and maybe some commentary about how that will look in Q1? That would be helpful.

And then the second thing on interest costs. We -- you've got a fair amount of bonds coming up over the next few years to renew. Are you planning. Just to use cash to pay down some of these bonds or to renew them on, if you're going to just renew the bonds. Can you give us a sense of what the interest rates you're seeing in the market are like at the moment as you do that? Thanks

A - Mark Read

Yeah, okay, look, I think in terms of that split, I think the biggest impact that we had of that had on all creative businesses was really lack of new project work, particularly in more technology-related areas to replace technology work naturally finished and we've only really had one significant client loss last year. As you know, it was Pfizer but that was substantial and that did impact the creative agencies largely starting in Q4. But I'd say that in the main, we had a good new business performance overall with that exception. Actually, R3's table came out yesterday which ranked WPP second across creative plus media and talked about Ogilvy which had a very strong new business performance during the year and Ogilvy did grow. I think the impact on our creative agencies is largely project-related technology work and work from technology clients where they are particularly strong.
Joanne, can you take the second part?

A - Joanne Wilson

Yeah. So just on the bond refinancing that we did last year, we've refinanced that bond at about 5.1%. Our blended interest rate is 3.25%, and so as we refinanced our bonds this year, I'd expect that blended interest rate to increase 10, 20 basis points and interest rates are of course expected to come down. I'd expect that we'd be refinancing it up at around 5%. It is our intention to refinance those bonds as they mature.

Q - Adam Berlin

Thank you very much.

Operator

Thank you. We'll just pause briefly to allow for any final questions to be registered.
At this stage, we have no further questions registered, so I hand back over to you, Mark Read, for any closing remarks.

Mark Read

So, thank you very much, everybody. I think, hopefully, that was all-clear. We know what we need to get on with in 2024, so thank you all and we'll keep in touch.