WPP 2025 First Quarter Trading Update

Teleconference Transcript

Friday, 25 April 2025

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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 on the date of this document.

Operator

Hello and welcome everyone to the WPP 2025 First Quarter Trading Update.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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WPP 2

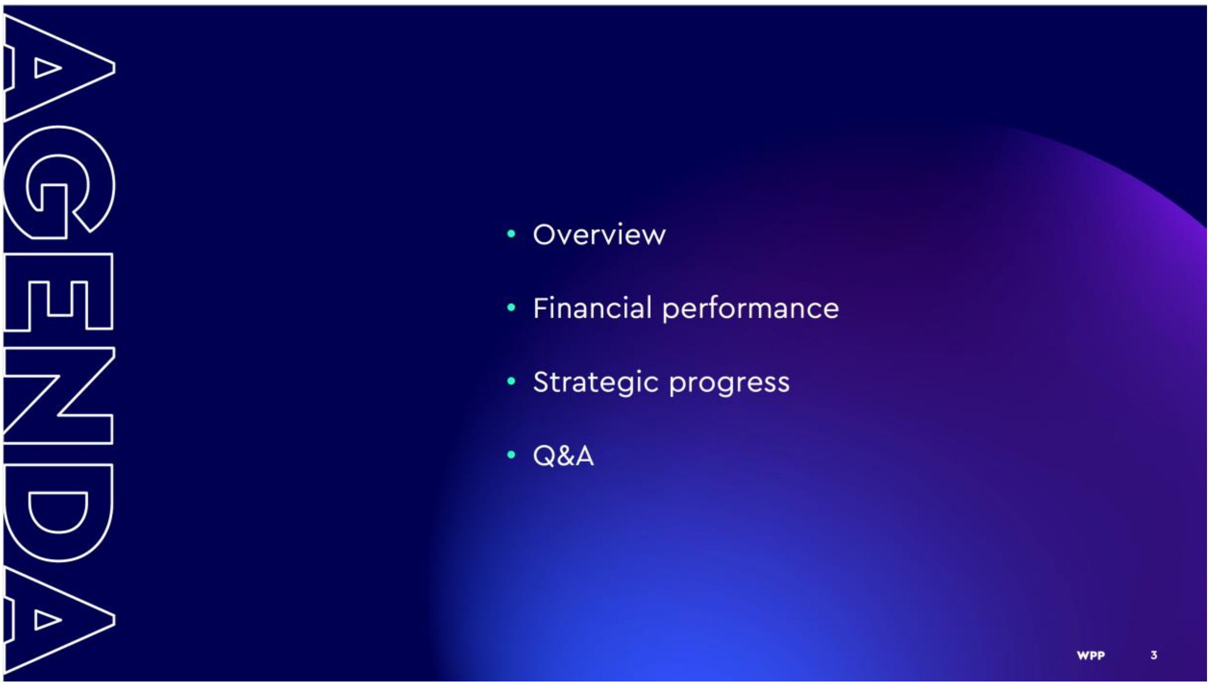
Mark Read

Chief Executive Officer, WPP

Thank you very much, and good morning, everybody. Welcome to our First Quarter Trading Update and thank you for joining us.

I'm joined on today's call by Joanne Wilson, our CFO; and Thomas Singlehurst, our Head of Investor Relationships.

Before we get started, please have a look at the cautionary statement which you can see on Slide 2 and look at that carefully.



So turning to the overview on Page 3, I'll quickly summarize where we are for the year. Joanne will take us through the financial performance, we'll review then strategic progress and then tackle the Q&A.

So on the overview on Page 4, firstly in terms of the first quarter 2025 performance.

When we met on 27 February we talked about the challenging macro environment as well as how the timing of our new business would impact the shape of growth at WPP throughout the year.

And as you know we had a challenging fourth quarter and so we were cautious giving our guidance for the year as well as being aware of some of the tariff issues and discussions that had been taking place and we did highlight those in our release.

I'd say that our performance in Q1, which saw net sales down 2.7% is consistent with what we were seeing at that time, and therefore very much in line with our own expectations.

At the same time, I don't want to give the impression that we're happy with these results, we're not. It's not where we want it to be and we have concrete plans to address the areas of competitive under-performance including some steps, like the acquisition of InfoSum that we have taken this quarter.

The first quarter did include some encouraging signs: our overall performance in the US improved from Q4, albeit benefiting from a slightly soft comp. And I am also encouraged by the improved new business momentum at VML and Burson following the heavy integration work last year and it was good to see Hogarth return to strong growth after a challenging fourth quarter.

Against this, GroupM's growth stepped down in Q1, in particular, in Europe due to the impact of a soft media environment and while the US business for GroupM saw growth in low to mid to single-digits, this is still below what we would consider to be our competitive performance and we'll come later to talk about GroupM in more detail.

The second point is that this is a more challenging macro environment with tariff uncertainty.

And while WPP is not directly impacted by tariffs, they will undoubtedly impact many of our clients and where and how they prioritize their margin investments in advertising and promotion.

At this point, we haven't seen any significant change in spending patterns from our own clients and our full year guidance remains within the range we set at the beginning of the year which did anticipate broad macro uncertainty.

We are, though, very vigilant on the outlook and very disciplined on how we are managing the cost base.

So in the immediate short-term, we need to manage and protect the P&L but longer term what is important is that we continue to invest and make strategic progress particularly with WPP Open.

And that is what will underpin our competitive performance and growth longer term.

And then finally, in terms of strategic progress.

In February, we talked about three specific actions we need to do as a company:

1. Drive further adoption of WPP Open - we're seeing good growth in that.
2. Strengthened the GroupM proposition, get GroupM back to growth with the acquisition of InfoSum; and importantly,
3. Win more new business.

I do think there's some encouraging signs of progress on all of these three fronts.

So I'll take you through the detail of these in a moment, but before I do, I'll hand you over to Joanne to take you through the details of the first quarter performance.

Joanne Wilson

Chief Financial Officer, WPP

Thank you, Mark, and good morning, everyone.

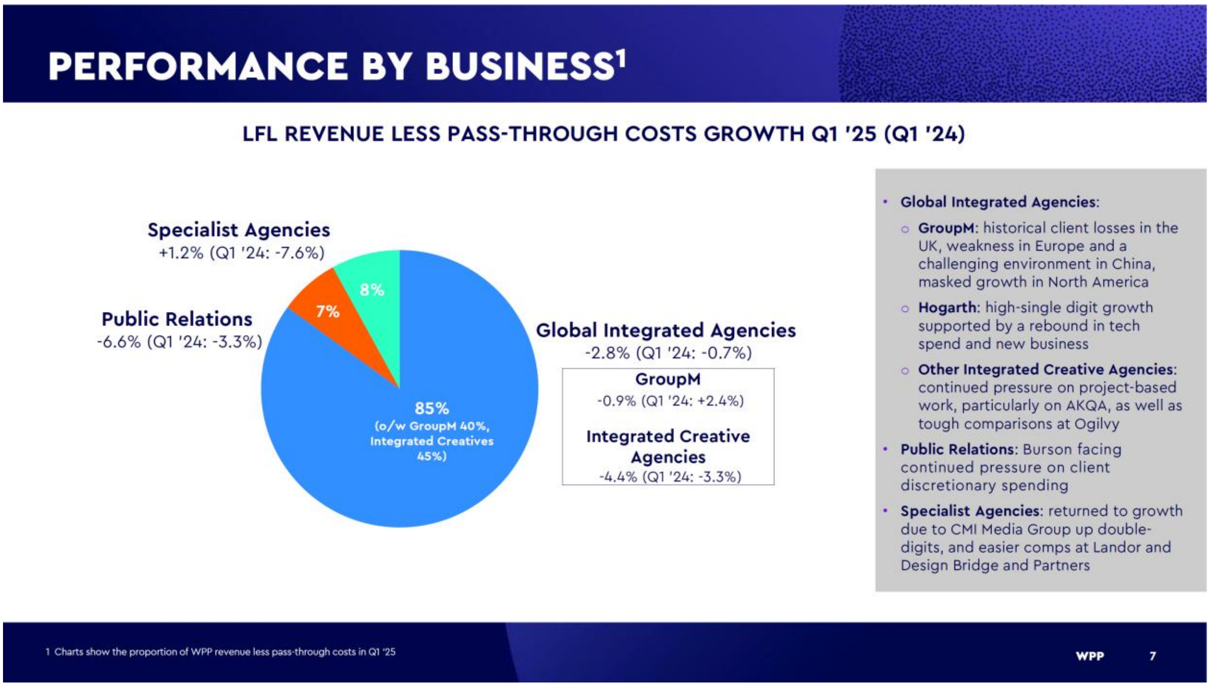
So let me take you through some more detail on our first quarter 2025 performance, starting on Slide 6.

Like-for-like revenue less pass-through costs fell 2.7% in the quarter, which was broadly in line with our expectations.

Consistent with messaging and our full-year results, the drivers of like-for-like performance were a continuation of the challenging and macro environment seen in the fourth quarter, coupled with the sequencing of historical client losses, a continued challenging environment to China, and the mildly dilutive effect of the FGS disposal on like-for-like growth.

The move in reported revenue was amplified by the full runway effect of the FGS global disposal, which represented a drive on reported sales of 3.3%, as well as the headwind from FX moves, in particularly, the strong economy versus the euro in Q1.

Overall, revenue less pass-through costs were down 7.6% in the quarter.



Moving on to Slide 7 and looking at performance across economies.

Global Integrated Agencies saw a like-for-like decline of 2.8% in the quarter.

Within this, GroupM was down 0.9%, which reflected growth in the US, offset by the impact of prior year client losses and performance in the UK, and a more challenging media environment across Europe. GroupM saw good growth in India, which only partially offset continued weakness in China.

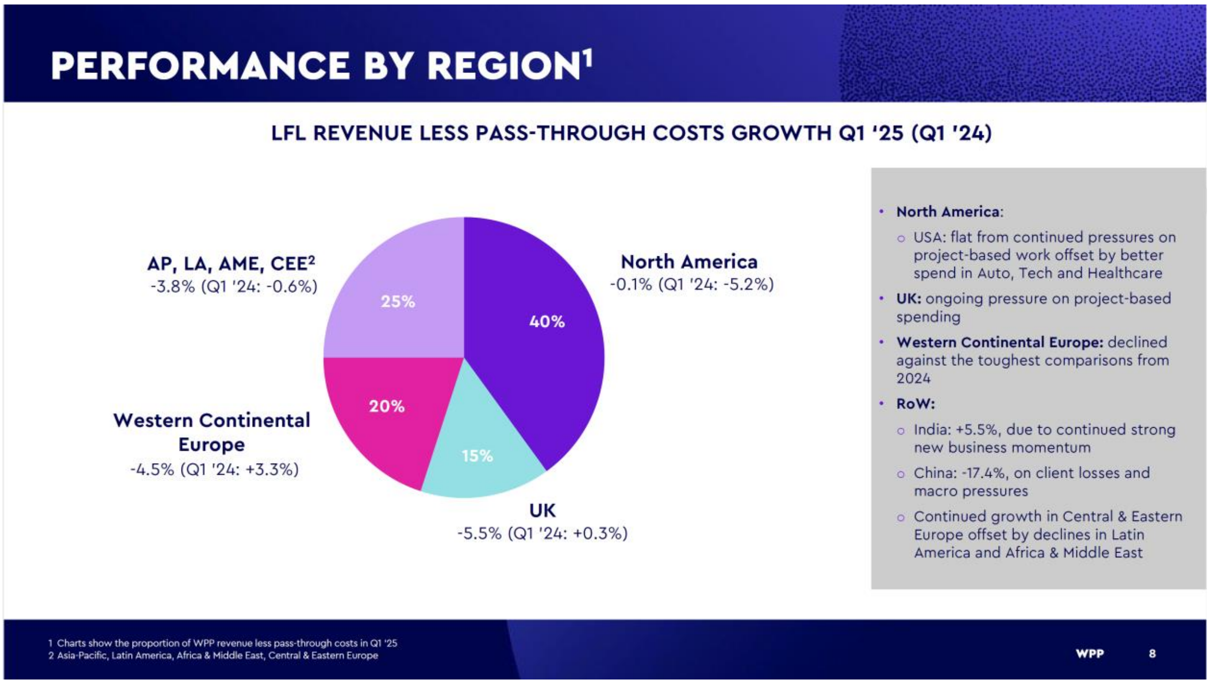
Like-for-like for our other Global Integrated Creative Agencies fell 4.4% in the first quarter and compared to the decline of 6.5% in the fourth quarter of 2024.

Within this, we continue to see an impact on continued weakness in project-based work, weighing on AKQA's performance, a tougher camp at Ogilvy, and further impacts from a challenging environment in China.

Against this, we saw a return to high single-digit growth within our production business, Hogarth, driven by strong trends across CPG, tech, and also a new business. The reacceleration of growth here is particularly encouraging given the more challenging performance in Q4 2024.

Turning to Public Relations, like-for-like declined by 6.6% in the first quarter. While overall performance is not much changed from the fourth quarter, affecting more challenging environment for client discretionary spend, in particular in Europe, we are encouraged by improved momentum on new business in North America.

Finally, Specialist Agencies saw like-for-like revenue less pass-through costs grow 1.2% in the quarter, with particularly strong growth from CMI Media Group, our specialist healthcare media agency, and moderating declines at Landor and Design Bridge and Partners.



Turning to performance by region on Slide 8.

North America declined by 0.1% in the first quarter, lapping a mid-single-digit decline in 2024. The automotive, TME, and financial services sectors grew, as well as technology client spend, which continued the recovery seen in the second half of 2024, while CPG clients spend saw mild declines. GroupM, VML, and Hogarth grew in the first quarter in North America, but were offset by declines at Ogilvy and AKQA.

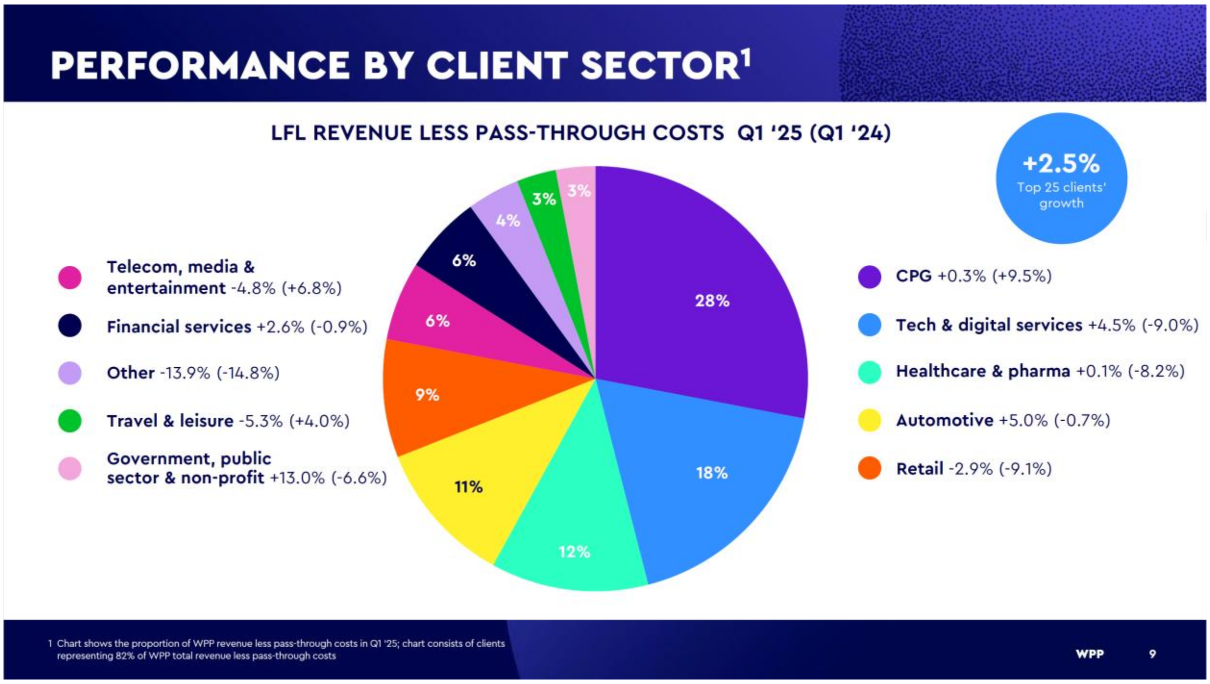
The United Kingdom declined by 5.5% in the first quarter of 2025, impacted by its higher weighting towards project-based work and the impact of client losses at GroupM. By client sector, growth in tech, automotive, and financial services was offset by pressure on CPG and TME.

Western Continental Europe saw an overall like-for-like decline of 4.5%, versus a challenging comp from 2024. The region was weaker across the board as a result of pressure primarily on our project-based and PR businesses, and the impact of a more challenging media environment for GroupM.

The rest of the world declined 3.8% in the first quarter, largely driven by persistent pressures in China, which declined 17.4% in the quarter on the back of continued macroeconomic pressures and client assignment losses.

We expect performance to continue to be challenging in China in the first half of 2025, with some improvement later in the year.

Against this, we saw strong performance in India, which was up 5.5%, driven by GroupM. Central and Eastern Europe also saw robust performance up 2% in the first quarter.



Slide 9 shows Q1 performance across our client sectors.

This reflects growth across our designated clients, which represent 82% of our net sales.

Despite the tough high-single-digit comp from Q1 in 2024, CPG showed a stable performance during the quarter, with growth of 0.3%, reflecting pressure in the US and the UK, offset by growth in the rest of the world.

The technology client sector showed further sequential improvement, with growth increasing to 4.5% in Q1 from 2.5% in Q4 2024, with growth relatively balanced across the world.

Healthcare started to stabilize with flat growth in the quarter as 2023 client losses start to roll off. Automotive and Financial Services performed well, with growth of 5.0% and 2.6% respectively.

We saw weaker performance in Telecoms, which was impacted by client losses, while Retail sector client spend declined by 2.9% compared to a high-single-digit decline in 2024.

The performance of our top clients continues to be robust, with our top 25 clients growing 2.5% in the first quarter.

NET DEBT

£M	MAR '24	DEC '24	MAR '25
Adjusted net debt	(4,000)	(1,690)	**(3,652)**
Average adjusted net debt[1]	(3,668)	(3,485)	**(3,381)**
Available liquidity	3,433	4,464	2,937

- Includes £3.8bn equivalent of bond debt at a weighted average maturity of 7 years and an average coupon of 3.6%
- Moody's credit rating re-affirmed in March: **Baa2, stable outlook**. S&P: **BBB, stable outlook**

1 Average adjusted net debt excludes lease liabilities and is the average of adjusted net debt for each of the last 12-month period ends

WPP 10

And moving now to Slide 10, which shows movement in net debt to the end of March, with adjusted net debt at GBP3.7 billion, down year-on-year, but up from year-round reflecting our typical cash cycle.

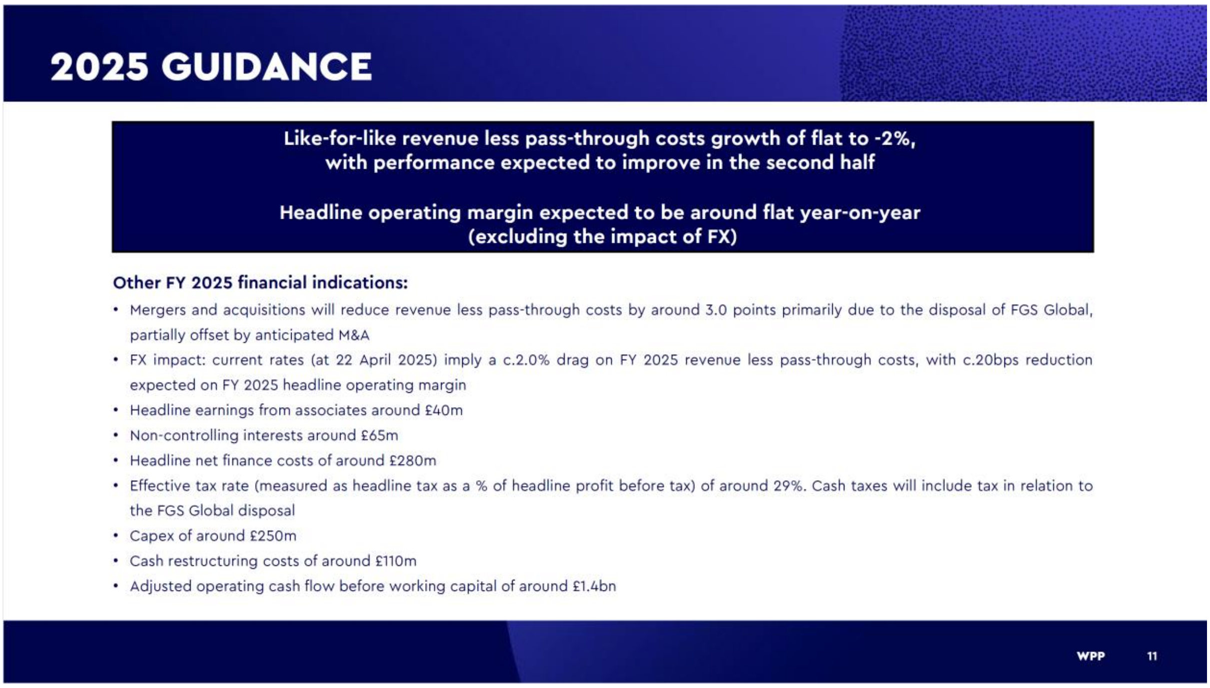
Average adjusted net debt better captures the normal pattern of working capital moves across the year. And this is slightly down through the first quarter at GBP3.4 billion and should improve as the impact of the FGS global disposal annualizes.

The average adjusted net debt to headline EBITDA ratio is expected to be within a 1.5x to 1.75x target range in 2025.

The weighted average maturity of our GBP3.8 billion of bond debt is seven years, and this has an average coupon of 3.6%.

Meanwhile, our total available liquidity across the group stood at GBP2.9 billion at the 31st of March 2025, including a $2.5 billion revolving credit facility, which matured in February 2030.

It is important to note that neither our bond debt nor our RTF have any covenants. And in March, Moody's reaffirmed our Baa2 ratio with a stable outlook. Coupled with our BBB rating from S&P, our credit is comfortably investment grade.



And finally, turning to Slide 11, which shows our guidance for the full year.

At the beginning of the year, we set our guidance based on a like-for-like range of flat to minus 2%. This reflected a degree of caution in light of what then appeared to be an uncertain macro environment, as well as our expectations of the impact of net new business to the group.

Since then, the macro environment has remained uncertain and is likely to be so for a large part of 2025. For now, we remain confident this is reflected in our like-for-like range for the year.

We do think that heightened uncertainty on the macro that has potential to further impact second quarter performance. This coupled with the sequencing of client wins and losses through the year, means we don't anticipate a material change in trajectory in the second quarter compared to the first.

We continue to expect like-for-like performance to improve in the second half as more recent wins fully ramp up.

Overall, we expect to hold headline operating margin broadly flat, excluding the impact of FX, with the benefit of annualized and structural cost savings and continued discipline cost management, offsetting incremental investment in WPP Open, AI and data.

We expect GroupM to continue simplifying its structure to accelerate the move to a more client centric operating model. The impact will be largely P&L neutral over the course of 2025. However, the timing of associated costs will weigh on the H1 margins, which will also be impacted by the phasing of revenue growth.

Looking beyond revenue and headline operating profit, we make no major changes to our guidance.

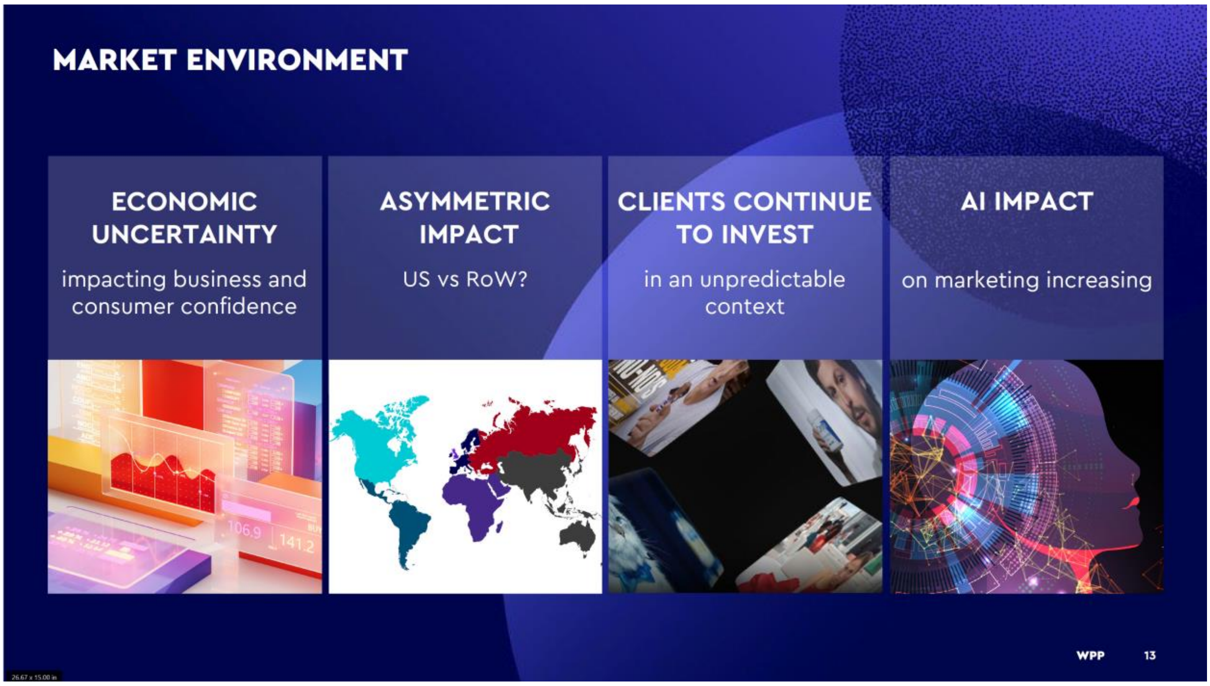
On cash flow, we continue to expect a reduction on our cash restructuring costs to GBP110 million versus GBP275 million in 2024 and adjusted operating cash flow before working capital of around GBP1.4 billion.

The one change I would note is that we now expect the impact of FX move business which is a drag of 2% for the full year versus a round flat at the time of prelims, expecting a stronger pound relative to the dollar. At current rates, we estimate this is having a circa 20 basis points impact on margin given the relative weighting of a North American business.

So, thank you, and I will now hand you back to Mark.

Mark Read

Thanks very much, Joanne.



So, turning to our strategic progress on Page 12 and then Page 13.

Before we dive into that, I think we do need to deal with the broader market environment. I think it's fair to say that it is challenging. We're absolutely seeing much greater economic uncertainty impacting business and consumer confidence.

So, at our Prelims in February, we made the point that the macro environment would be challenging. We had seen that in Q4, and I think it's fair to say that since then, this uncertainty has increased.

The decision by the US administration to initiate tariffs has created much greater uncertainty for all of our clients, whether or not they are directly or indirectly impacted.

And historically an uncertain environment is not necessarily hugely favourable for investment of any kind, whether it would be longer-term capital projects or investments in brand-building, or short-term investment in activation.

In the seven years since I have been doing these calls, we have had COVID, the Ukraine war, inflation, and now tariffs so this is nothing we are not used to dealing with, and clients, I think as well, have learned how to prioritize their spending. They see it to some extent as a cost in the short-term and an investment in the long-term, and when they do cut, we should have the confidence to know that they will come back into the market.

The impact of tariffs is also going to have an asymmetric impact - both in the US versus the rest of the world and also by industry.

If we take our top 25 clients - 5 or so are most directly impacted by the tariffs on the cost of their products. Of the rest, around half have a more minor impact, and the other half have limited direct impact but may be affected by the broader economic impact in the US and the rest of the world. So, the pattern does vary by clients.

So, what's the response we're seeing from our clients?

As we said in February, we already had seen a more cautious outlook from clients from Q4 onwards and we have not yet seen any major step down in spending patterns from this.

At the same time, we do have to be vigilant and agile. There's no doubt that there is a range of economic and political outcomes over the next day, month, quarter that could cause clients to take a different view on spending.

And while that creates an uncertain environment for WPP, I do think it's important to note that our absolute and relative exposures are somewhat different from our peers.

We have long seen our geographic exposure as a key strategic advantage – we are the preeminent global agency group with 60% of our business conducted outside of the US and while the US is an incredibly important market for us - and always will be - geographic diversity does have its value.

Likewise, WPP's balance of exposure by client industry, I think is one of our key strengths, and while there'll never be disruption for some of our clients, our strong positions in particularly within CPG and Technology, should be supportive of our growth. I think you saw some of that in the comments over the last 24 to 36 hours from some of the major CPG companies.

And thirdly, there is also the nature of our clients to consider - and in the first quarter, it's important that we're spending by our top 10 clients was up 4.6% and by our top 25 clients up 2.5%, so continued investment by major clients in marketing has continued into the first quarter despite the impact on specific markets and sectors.

And the final point that I would like to make is that, in regard to the short-term uncertainty created by the macro environment, our clients' focus on and interest in the impact of AI is undiminished.

Indeed, if anything, based on my conversation with clients, the level of interest and focus has increased as clients consider how AI and automation can be used to deliver marketing effectiveness and efficiency, both in the short and medium-term.

On this point, I think the current macro uncertainty is actually acting as a catalyst for some advertisers to revisit how they approach marketing to deal with cost pressures.

I think we feel more strongly than ever that WPP, via WPP Open, has an enormous opportunity to help clients to drive our ROI on their marketing spend, as well as to save money through deliver greater efficiency.

To reduce the number of suppliers, thereby reducing costs, but also to embrace a new way of working with more strategic partnerships. And clients are looking, I think, at marketing partnerships much more like technology partnerships – with more of the rigour and discipline perhaps that IT departments place on supplier selection. And against this background, an industry moving from 4 players to 3 players is undoubtedly beneficial to us.

And with that, we are being very proactive, as you would imagine, taking our integrated AI proposition to clients.

So, looking forward, let's cover priorities for 2025 on Slide 14.

When we met in February, we highlighted three priorities in which we were laser focused as an organization:

- First, the importance of driving take-up at WPP Open within our organization, embedding it in our daily work.
- Second, to support Brian Lesser and his team in re-accelerating growth at GroupM.
- Thirdly, to deliver and improve our new business success rate.

Starting with WPP Open, we continue to see strong progress in take up. The number of 48,000 users represents about 60% of our client-facing people using WPP Open last month, up from about 40% at the end of the year.

It's important for a number of reasons:

- First, from a practical perspective, our people are using the platform and delivering greater efficacy and efficiency and understanding how they can do that. There are around 80,000 client-facing people within WPP, and it's our strategic objective that all of them are using this to deliver daily better work, certainly by the end of the year.

- Secondly, our conversion in new business pitches does move up by around 10% when we put WPP at the heart of our offering, which we're doing in every pitch, not just because it increases the chance of success, because it unlocks the potential to explore more innovative commercial models, allowing us and clients to share in the value we create and deal with some of the pricing pressures that sometimes we're seeing in the market. And I hope we'll see continued progress on this metric as the year goes on.

Turning to GroupM, I mentioned at the prelims, the lion's share of the growth gap between us and our leading peers is attributable to the gap in performance of our media business, in particular in the US.

As Brian outlined in February, we see some encouraging signs of progress from the strategy we launched in January 2024 to simplify and integrate the GroupM offering, but it is important that we re-double our efforts.

Brian talked about five key priorities he is pursuing around data and technology, people and talent, innovation, collaboration, and an organization.

And we're making good progress on each of these areas, but I've summarized the overall progress of business models:

- First, we have to make sure our go-to-market is as simple and integrated as it possibly can be. Further simplifying GroupM not only drives greater cost efficiency, but makes it a simpler and easier business for our clients to do business with. And that's what we mean by moving to a more client-centric model, taking out silos and barriers and cost within the organization, to focus all of our resources on client success.

- Secondly, it is essential that not only do we catch up, but leapfrog our competitive set in terms of how we use AI, data, and technology to drive business outcomes.

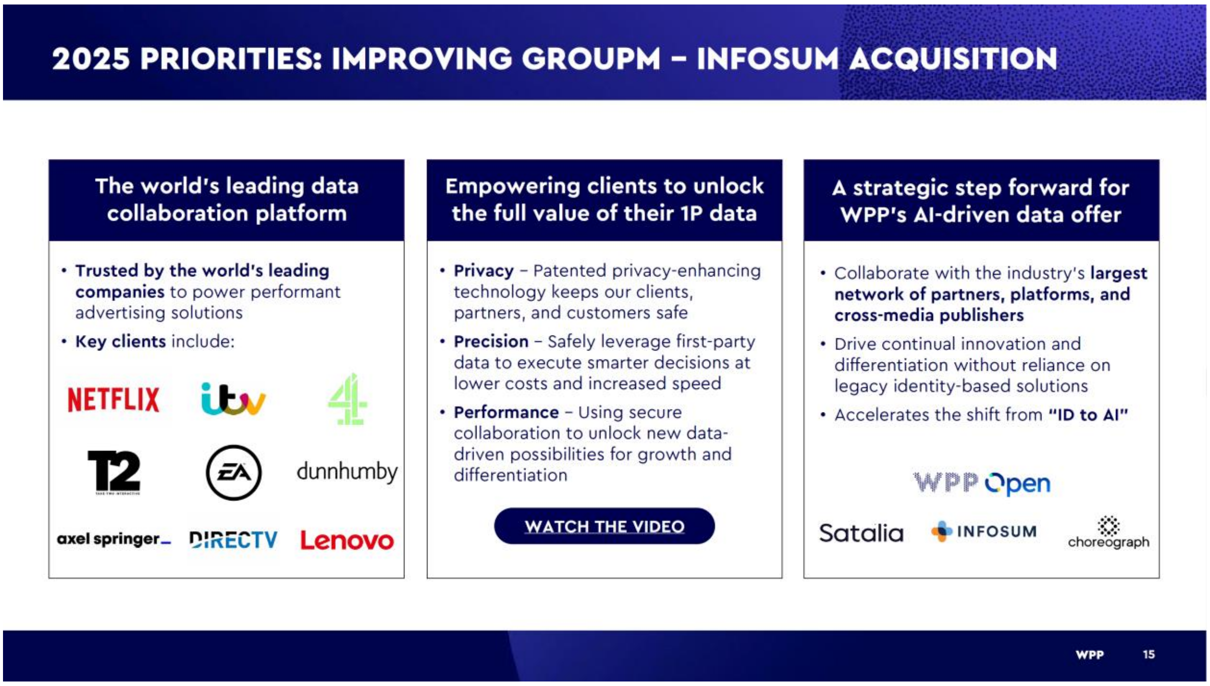
And I'll talk about InfoSum in a moment, but that's a significant step forward in that area.

And then lastly, in terms of new business, it is lumpy, but I do think we're making progress.

The loss of the Coca-Cola North American media business in the quarter was difficult, but we do have a very detailed debrief from the client and a good understanding of our strengths and challenges. We're making good progress towards renewing our broader agreement with that client.

Meanwhile, in the first quarter, there are some important tangible signs of success, whether it be the win of the media mandate for EA, Godrej Consumer Products in India, the global consumer shopping market for Heineken, and many, many other new business pitches which are less public but which work through the system, including expansion of scope from our existing clients, which you do see in the results of our top 10 and top 25 clients.

And an important common thread across all of this is WPP Open. We are putting that at the heart of what we're doing.



So, before we wrap up, turning on Page 15 to InfoSum and why we believe it is an important step forward.

Now, as you know, data is central to delivering best execution for our media clients, but actually more broadly across the work that we do with clients. And this transaction transforms the breadth and scale of data intelligence for WPP's clients in a way that we think leapfrogged traditional identity-based solutions.

Think of it as improving our access to more data and unlocking the power of AI on that data, connecting that data to more premium and quality inventory and doing so using privacy-compliant technology.

How does it do that?

Well, InfoSum allows WPP's clients to maximize the value of their own first party data with privacy-enhancing connection to data providers and media partners across the marketing ecosystem.

And that's something that WPP can strengthen. In this context, it's important that it's not easy to have the world leading cloud-based technology, but it's an established player with an extensive global data network.

That includes hundreds of billions of data signals across multiple dimensions of data for media platforms, including Channel 4, DIRECTV, ITV, Netflix, News Corp, and Samsung Ads, as well as major retailers around the world, and identity and data parts, including Experian, TransUnion, Circana, Dynata, and NCSolutions.

All of that data we're able to better integrate into our media planning and media activation and results measurement. So even before joining WPP and having the strength of our relationships to broaden that data set, it's a real-world leader in data collaboration.

But the power of the transaction, is what it means in the context of WPP Open and GroupM more broadly and by integrating InfoSum's capabilities within WPP Open, our clients are able to unlock the full potential of their customer data and reach through AI in strong, quality media environments that's not always available to people using legacy first-party data systems. And using federated learning techniques, clients are able to build, trade, and deploy custom AI models that they can use that in a privacy compliant way. They can generate insights and audiences to create precise predictive models, optimized campaigns, and deliver measurable improvement in real time.

So, the conversations we have had with clients has been very positive. Dozens of conversations over the last few weeks and the feedback, very positive. And we're confident with the deal, alongside our broader simplification efforts, will drive a step change in performance, particularly in competitive reviews. And it happens to be as well a business that Brian knows well, so the integration, I think, is proceeding extremely well.

So, to wrap up on Page 16, I think in summary, there's three key points that we wanted to make in this presentation.

The first, that our first quarter performance, while weaker than we would like, is in line with our expectations. And we remain confident on achieving our full year guidance. At the same time, there's some important developments in the first quarter that encourage our belief that we're on the right track, whether it be the strong performance of our top clients or the improvement to new business momentum at VML, Burson.

Secondly, while the macro environment is uncertain, we view the diversified nature of our business, both by geography and by client, as a key strength. It's an important hedge in the short-term and will be seen as an opportunity longer-term.

And thirdly, as I said, in February, there's three priorities in 2025, staying at the forefront of AI, fixing GroupM, and winning more new business, and we are making progress on each of those.

So, I'm sure you all have questions, and we're ready to take them.

So, operator, maybe I will hand back to you, and Joanne and I will take people's questions. Thank you.

Operator

Of course, no worries. Our first question comes from Nicolas Langlet from BNP Paribas. Your line is now open. Please go ahead.

Q: Nicolas Langlet

Hello. I've got three questions, please.

First of all, on GroupM, so you referred in the press release to acceleration of the simplification at GroupM. So does that mean you expect increased cost efficiencies compared to the previous one? And when do you expect to see the full benefits of the initiatives at GroupM? Are we talking end of '25 or more '26?

Secondly, on net new business, what was the impact in Q1 and what phasing should we assume for the next three quarters? Like you said in the past you expect a neutral impact for the full year. Is it still the case?

And finally, on margin, it seems there is a lot of headwind in H1 and then a better trend for H2. So, what sort of margin decline should we assume for H1? Thank you very much.

A - Mark Read

Okay. Well, I think I'll let Joanne take the questions from the financial point. Just one comment on GroupM. I think we are expecting strategic progress from today as a result of the actions that we've taken both last year's also this year with InfoSum, so that's ongoing. I think Joanne can talk to you about how you think about that from a financial perspective. And I think your first and third questions are largely related to each other, but Joanne?

A: Joanne Wilson

Yes. Thanks, Nicolas. So, yes, so Brian laid out his five priorities in February, and he and the team are executing against those. And that will build on some of the simplification work that we did last year to simplify both how we operate, drive a more client-centric operating model and simplify our go-to-market. There will be cost efficiencies as a result of that, but I think more importantly, it sets GroupM up to deliver above-market growth over time.

In terms of the impact on the P&L, we do expect to see an impact on the first half margin. From that, for the full year, we expect it to be broadly neutral in 2025. And so most of the benefits will be in 2026, just from a pure P&L perspective.

In terms of the net new business impact in Q1, it was slightly down year-on-year, and that reflects some of the loss and new business activity. In terms of the next three quarters, I would just reiterate what I said in February, where we said that we expect in the first half net new business to be a drag, just reflecting those historical client losses that we saw in 2024 and really seeing the full impact of those in H1. In H2, we'll benefit more from the ramp-up of recent new business wins, which will help offset some of those losses. So, a drag in H1 and a better performance in H2 from net new business.

And then in terms of margin, there's two factors as you really think about margin through this year. In H1, we've talked about GroupM and the impact of that, but also our performance, we've talked about it improving through the year, and therefore that H1 top-line performance will have an impact on our operating leverage and on margin. So those are really two factors to think about in H1, but I think it's important to reiterate that we are delivering or expect to deliver a flat margin for the year, excluding FX, and that really is driven by the full-year benefit of the structural cost actions that we took last year. We continue to be very disciplined around our discretionary spend and delivering back-office efficiencies, which is also enabling us to invest in open AI and data.

A - Mark Read

Thank you.

Q: Nicolas Langlet

Thank you very much.

Operator

Thank you. Our next question comes from Simon Baker from Bernstein. Your line is now open. Please go ahead.

Q – Simon Baker

Yes, good morning, and thank you for taking the questions. So, three quick questions, please.

Firstly, you mentioned the economic uncertainty has increased. I just wondered at a high level what your thoughts are in terms of the way that the ad market behaves versus, say, the last major downturn in 2009. I mean, clearly social media is a lot more, digital is a lot more, marketing funnels, et cetera. So, the question really is: today, is it faster or slower to wind up and wind down in terms of marketing campaigns? And similarly, is it sort of sticky or less sticky today, please?

The second question is, any early thoughts in terms of the third quarter versus fourth quarter phasing, specifically in terms of the way that the China and net new business and improving tech spend factors all sort of interrelate, whether the third quarter is sort of broadly the same as the fourth quarter, or whether you'd say anything in terms of the bias there?

And finally, one for Joanne, please, in terms of the Kantar Group tax reference base value. Have you made any comments on that? Can you give any indication on the tax reference value, please? Thank you.

A - Mark Read

Okay. Well, I'll take the first question, perhaps, and as I think I've been around most of that time, and Joanne can take the second. Look, I think you referenced 2009 as the last major downturn. I think there was COVID in between, and then I think a couple of years ago, actually exactly the same point of the year, we had what happened in Ukraine, maybe that's before the prelims.

Look, I think that I don't know that we sit today looking at 2025 as we would have looked at it in 2009. I guess there's a very broad range of outcomes where we are today, and at the most severe it could be, but I don't think that that is what people expect to happen. I mean, the major banks have a range of probabilities on a US recession rather than a certainty. I do think that clients have learned from COVID and Ukraine, as I said in a statement, that the marketing is a cost in the short-term and an investment in the long term, and there's no doubt that, faced by pressures, they balance it out.

I think you saw the results from Unilever, Nestle, P&G yesterday, and you can see it in our top clients that are continuing to prioritize sort of ongoing marketing investments, and the pressure, I think, as we identified in Q4, is more around the discretionary areas of spend.

But we have to see what happens with tariffs. I don't think things will be fast or slower than 2009. Maybe they'll be a little bit faster because people had commitments. Maybe because people can spend, I could argue it will be faster, because people have commitments before, and they can change those commitments. I could argue that clients are more willing to wait and see because they can pull things more quickly if they need to.

So, you can make the argument one way or another. I think it's really, until we get data clarity on what's actually going to happen with tariffs, so I don't think people feel we have clarity now, we're not yet going to see a major pullback in spending until we have two things.

One, clarity on tariffs, or two, clarity on the direction of the economy.

I spoke to a number of clients over the last few days ahead of this call. I think to-date, we haven't seen any major step down beyond what I think for us was already a relatively cautious outlook for the year. So, I hope that gives you some sort of colour on what we're seeing. Joanne?

A - Joanne Wilson

Yes. So, we don't guide by quarter, but just as you think about H2, obviously, Q3 is a tougher comp of 0.5%, Q4 was down 2.3%. You specifically mentioned China, it's a balanced comp between Q3 and Q4. And we'll see the impacts of that new business and that ramp-up, as I've talked about, as we go through the year.

So overall, I think at this point, it's probably fair to assume that it will be fairly balanced between Q3 and Q4.

And then on the Kantar tax reference, making good progress on Kantar, I think we need to see what happens with the remaining business. There will be some tax, but I don't think it will be significant just based on the structure of that business.

Q – Simon Baker

Brilliant. Thank you.

Operator

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

Q - Adrien de Saint Hilaire

Thank you. Good morning, everyone. So, a few questions or points, if that's okay.

So, I think the link between the advertising market and the economy is pretty clear, but maybe what's less clear to me is the link between ad spending and the agency's organic sales growth. So, could you just elaborate a bit in terms of how your fee structure has evolved, how much of your revenue is tied to actual media dollar spending, or how much is based on retainers?

Secondly, I think, Joanne, you highlighted that you assumed that new business contribution would be a positive contribution in H2, but since you provided that guidance, Coke was lost. I think there were some headlines about PayPal the other day, Mars is under review, and I think you're defending that account. So, what sort of elements do you have to be sure that H2 is going to be positive indeed for net new business?

And then thirdly, if I look at your performance by sector, automotive was really quite strong in Q1. Do you think there was maybe some pull forward there in terms of spending ahead of tariffs or anything that you would call out, because that seems a bit counterintuitive. Thank you.

A - Mark Read

Yes. Look, I think, I mean on your last question, just to tackle with that directly, I don't think it was any sort of pull forward. I think that we've had some good new business success and expanded our assignments for some of our automotive clients, and they are, they have been spending. I think it's fair to say it's one of the sectors that could be most affected. That may not be the pattern that goes through the year, but to-date, again, even in that sector, we haven't seen any specific pullback to the outlooks, too uncertain.

I think on your first question around the relationship, the ad market and the economy on ad spend, basically ad spending, organic spend et cetera. I mean, ultimately, they're clearly related. I mean, clients' investments with us are linked to their overall ad spending, whether our fee arrangements are linked to business success or billings or indeed retainers, clients have the ability to vary those up or down at their discretion. And so, I think that if clients pull back ad spending in a major way, that would clearly have an impact on our fees, whether or not we have a retainer. No retainer, sadly, is forever.

At the same time, as I said, we haven't yet seen that degree of pullback from clients, although, we have been maybe more cautious than some of our peers from the beginning of the year, perhaps because we reported a few weeks later, and perhaps because we saw some of the impact on discretionary spend in Q4 that perhaps others didn't see for the year overall.

So, I think that's the way to think about it. Joanne, do you want to talk about the new business phasing?

A - Joanne Wilson

Yes. So just in terms of the contribution to H2, I think I'd say a few things on this, Adrien.

So, first of all, we have talked about that ramp up of new wins from H2 last year, which we'll see a fuller impact on that in H2 than we have done in H1, which will help offset some of those historical client losses.

Second thing I'd say is you talked about Coke and PayPal but we've also seen new business wins in the first quarter so Electronic Arts, Heineken, others that we've shared in the release. And linked to that, I'd say the pipeline is healthy, so broadly at the same level as last year. And we've seen good momentum on VML and Burson as they've come through a lot of the merger activity that they were focused on last year. So, we expect to continue to improve that new business performance as we go through the balance of the year.

And I think the final thing just to say is, we talk a lot about new clients and new client wins and losses, but there are other factors.

So, we talked about growth with our existing clients, top 25 growing 2.5%. There's plenty of headroom with our existing clients. We're seeing our existing clients move more towards integrated opportunities, and so we see an opportunity to continue to grow with those existing clients. I think we need to think about that, as well as new business wins, as we look at the second half.

Q – Adrien de Saint Hilaire

Very clear. Thank you.

Operator

Thank you. Our next question comes from Steve Liechti from Deutsche Numis. The line is now open. Please go ahead.

Q – Steve Liechti

Yes. Good morning. I've just got two left actually.

One is on GroupM in the first quarter. Can you just explain your comments on Europe a little bit more? Just, I guess that minus 0.9% took me a bit by surprise. What's the danger that European pressure continues through into further quarters? So, just more colour or clarity there.

And then the second question is your comments on healthcare like-for-like being relatively more stable. I don't know if I got it wrong, but I thought Pfizer was still a drag into the first quarter and a bit into the maybe the second quarter as well. So, just help me there in terms of that, better performance than I expected? Thanks.

A - Mark Read

Yes. So, on healthcare, I think Pfizer was a drag in Q1. I think it stopped. I mean, this amazing decision was made in May 2023 was still a drag in Q1. So, I think it stops from Q2 onwards, but we have had some success with other healthcare clients, and so I think that's provided a better environment on healthcare.
Joanne, do you want to talk about GroupM in Europe?

A - Joanne Wilson

Yes. In Europe, I think you look at Western Continental Europe rather than the UK, where the UK was really impacted by some of those client losses. We had a tougher comp, but in media specifically, we saw some weakness in the environment, particularly in Germany and France, and that weighed on, I guess, the tier of clients that we have in media, and we have a weaker comp in Q2, and so we'll have to see how that plays through in the second quarter, but it was really that tier where we just saw softness, which is more macro-related than anything else, Steve.

Q – Steve Liechti

Great. Thanks,

Operator

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

Q: Lisa Yang

Yes. Hi. Good morning. I have a few questions, please.

So firstly, just on the cost, I mean, you mentioned the cost flexibility that will help you mitigate the macro uncertainty. Can you maybe talk about the actions you're taking currently, and what are the main sort of levers you have, if the top-line were to deteriorate further, maybe you can maybe quantify the size of your – the freelancers, how much discretion you spend, the size of bonuses? I think that would be helpful. That's the first question.

Secondly, just in terms of the actions taken at GroupM since the start of 2024, you mentioned you've seen some encouraging signs. Maybe can you give us a bit more detail in terms of how that has fed through in terms of client retention, or expansion of scope, or net new business wins?

Why accelerating the simplification today, or now, or this year, and how much more simplification is there to come in other years, or you think this is the last leg, and it would be helpful just to understand like how that could maybe basically help the GroupM return to growth?

And just the third question, just on the level of new business, do you expect to see any sort of slowdown in the overall level of marketing pitch activity, given the level of uncertainty, or do you expect to see maybe a pickup going forward, and how do you think, how do you assessing the potential risk versus opportunity for WPP for the rest of the year? Thank you.

A - Mark Read

Okay. Well, I'll tackle the GroupM and new business question. And look, I think on GroupM, as you know, as I referenced Pfizer, the decision made in May 2023 is still weighing on our results in the first quarter of 2025. So, the impact on the business is very long-term, and I think GroupM didn't perform as we had wanted in Q1, but some of that is a result of decisions made some time ago.

If you look at it, if you look at sort of the big new business wins in GroupM last year, we did retain and expand our Unilever relationship. We did win J&J in North America, and we did win Amazon outside the United States, and those are three of the world's 10 biggest advertisers. So, we are not without our success in new business, and we did retain EA in Q1 again competitively, and we won that business against some of the toughest competition in the industry.

Now, it's true, we didn't retain Volvo after a pitch, and while we're renewing the overall Coca-Cola relationship, we won't be working with them in North America. So, it is balanced, but I do think that we are seeing more competitive success in new business, and we can beat the best, when we're at our best, on the best day. And the InfoSum transaction is going to strengthen significantly our data proposition, and we're seeing that with clients. So, I think greater clarity on that is perhaps the thing that we've been missing a little bit.

And one of the reasons we brought Brian back was to strengthen the growth in proprietary media, which would drive both financial success and a little bit greater financial flexibility. So, I think we know what we need to do in our media business, and I think we can start to see some of the impact of that, although we're not seeing it necessarily in the quarter-by-quarter numbers.

On that new business, look, I think that the pipeline might be a little bit smaller than last year, and as ever, there are some things at risk and some areas are upside. I do think that clients, I think major clients, are starting to look at and review bigger, more integrated assignments. Many of those things, I think, we tend to over-focus perhaps on some of the big media reviews because with the billing numbers, they look much bigger than they are, and they're more public.

But, and I can assure you, we take part in more than I would like to imagine. I think we've done 6,000 or 7,000 new business pitches this year. Very few of them hit the headlines. So, there's a daily cadence of new business opportunity, and I do think we're seeing some bigger consolidation from clients, things that are not necessarily in the headlines, and things people don't necessarily know about that support what we're doing. And again, within that, I think we're seeing the advances and our ability to demonstrate what we have operating today in WPP Open – not a Figma, not a mock-up on Figma – but an actual operational tool as being very compelling to clients who take the time to really dive into what we're doing.

Joanne?

A - Joanne Wilson

Yes. So, Lisa, thanks for the questions.

So, I think in 2024, we demonstrated an ability when the topline is softer to really manage that through the P&L, and we stepped the margin forward in 2024.

As we look at this year, we will benefit from the annualization of the structural cost actions that we took last year. But in addition, we continue to take action on headcount where we see that softer top-line. We have a flexible cost base, and I think we've demonstrated, as I said, that we do that well.

And specifically, you asked about freelancers. Freelancers make up about a high single-digit proportion of our staff costs, and we manage those tightly. We've seen improvements in that as we've gone through the last 12, 18 months.

And the other bucket to look at, and that we've talked about before, is the back office efficiencies. We're encouraged by the progress that we've made in those. We've seen back office costs coming down, and there's an opportunity to do more of that, and we're focused on that.

And that's partly enabling us to make the right investment in our business over the medium-term. And we call that investment in open AI and data.

And finally, just I'd say on discretionary spend, we are very disciplined. I think we've all learned how to be disciplined as we work through COVID on discretionary spend, and we carry that into the business. And we have a number of levers around discretionary spend that we can pull as we go through a tougher external environment.

Q – Lisa Yang

That's clear. Thank you.

Operator

Thank you. Our next question comes from Adam Berlin from UBS. Your line is now open. Please go ahead.

Q: Adam Berlin

Yes. Hi. Good morning. I've still got three questions, if that's okay.

My first question is, when you look across, now you're the fourth of the large agencies to report, the growth across the four agencies on average was about 0.5%, which was the lowest quarter we've had since, I think, the first quarter of 2021. Do you have any theory on why the sector was so weak in this quarter? I know there's been a lot of business changing hands, but really appreciate any thoughts you have on that, and why it should get improved in the rest of the year? That's the first question.

The second question is another quarter where AKQA continued to be very weak and was depressing growth in Creative Agencies. Should we be thinking of this like an RGA/Huge situation that we saw at IPG? Is this an asset that you may need to dispose of to kind of improve the growth or are there some reasons that you can explain about why things should improve, and it's different from what we saw within those assets in IPG?

And then the third question I had was, if you – what you're saying about Q2 is similar, so let's say minus 2.7% again, H2 would need to be positive to get to the midpoint of the range, and I'm just trying to understand, is that realistic? Should we be thinking more the bottom end of the range, or is the change in new business wins very material in H2, and therefore that allows you to have a positive second half even as the macro potentially toughens?

A - Mark Read

Yes. I think on your last question, yes, I don't even look at sort of change in new business quarter by- quarter, balancing the balance of the year, but I'll let Joanne tackle that.

I think on your first question, so why is it at 0.5% and why is it the weaker, weakest quarter since Q3? I think that's the economy. I mean, you only have to look at what's going on, and we saw some of it in Q4, maybe ahead of our peers, weighing on discretionary spend and maybe smaller companies. We are seeing, as you've seen in our numbers strong spend from our biggest clients, maybe we're gaining some share with our biggest clients, but also I think that big companies are continuing to invest behind ongoing marketing, but things are a little bit tougher around sort of digital technology areas, more discretionary spend. I think that links to your second question, and there have been management changes to AKQA.

Actually, although we haven't yet seen the results, AKQA had a very good first quarter in terms of new business wins, and we are looking at the performance of that unit improving over the year. I don't think we want to do what IPG did with RGA and Huge, frankly, our job and the reason we get paid is to fix the businesses that we have in our portfolio. I think that AKQA is a very strong business. You know Ajaz built an amazingly strong agency with a very strong brand to get amazing access to new business opportunities and talent. And the readthrough from R/GA and Huge, I'd say, is the economic outlook on that sector has been tough, but within that, I think that we have a really strong asset and our job is to put the right management in place and get the business growing and that's what we're very focused on, not just disposing of it. We're not ready to surrender yet.

I mean, Joanne, can you talk about the guidance and expectations for the first half and second half?

A - Joanne Wilson

Yes. Our guidance for the full year, which we're reiterating today, is really based on our new and net new business impacts. We've talked about the sequencing of that on client spending plans as they are today. And as new business ramps up, we'll see a benefit in the second half, and we also talked about existing our largest clients, the growth of the largest clients. We were very thoughtful when we set our guidance for the full year, as we talked about at the time. We started to see talk of tariffs, and we exited 2024 a little bit softer than what we were expecting.

And so, we built a range of outcomes into that guidance for the full year. It's too early to narrow the guidance we're reiterating it today. I think we'll have to see how recent events play through in the balance of the year before we look at narrowing the guidance.

Q – Adam Berlin

Okay. Thank you.

A - Mark Read

Thank you.

Operator

Thank you. Our next question comes from Laura Metayer from Morgan Stanley.

Q: Laura Metayer

Hi, Mark. Hi, Joanne. Two questions for me, please.

The first one is on InfoSum. Do you mind talking a little bit about the competitive environment? Who do you consider is the closest competitor to InfoSum? And how quickly do you think you can integrate it to WPP and GroupM more specifically? And how, like when do you expect to see benefits from it?

And then the second question is more on the visibility that you have into revenues. I think you've talked about this, so it's more of a follow-up question. Is there a proportion of the revenues that are in '25 that is guaranteed today where you have full visibility? Or do you mean that all of the revenues could basically be impacted by the macro environment? Thank you.

A - Mark Read

So on InfoSum, I think that, actually they're two biggest competitors both bought by cloud providers to integrate into their cloud data platform. So, I think it shows the attraction of the sector. There's not necessarily standalone businesses out there that do something similar. It takes a different approach to the application of data from classic first-party data system. The classic sort of CRM-based system is where you see a cookie or you see a phone number or you see an email address and you try to use those identifiers to link one data set to another.

InfoSum takes a more AI-driven, federated learning (as a technical term) approach to combining those data sets. I think that's both more privacy-compliant, but also more nuanced. And because of that, it enables us to take that data into more premium medium environments. Some of the social platforms don't let sort of traditional systems integrate into them. So, it gives us a broader range of media environments for our clients, which is important.

In terms of the integration, I mean given the relationships within the business and the CEO has taken on a role with GroupM, I think it's pretty seamless. It's as fast as it takes to integrate InfoSum into a client, which I believe can be done in a matter of days, days, and weeks. So, they're already working with existing clients. They work with Coca-Cola in Europe already, and many of our media partners. So, I think it's really sort of integrated from day one and will only get stronger as time as we bring more data sets and more media owners into the ecosystem.

Joanne, do you want to take that?

A - Joanne Wilson

Yes, of course. Thanks, Laura.

So in terms of visibility, the vast majority of our clients are large global clients, and we have multi-year contracts with them. So, to that extent, there is a good level of visibility into their spending plans for the year. But of course, when the macro-environment changes, those spending plans can be cut, and we've seen that in past tougher macro environments. But as we said, our guidance for the full year reflects that because we saw some of that in Q4.

We also talked about project-based spend, so that really impacts some of our smaller agencies and agencies like AKQA, who tend to do more digital work, and that is more discretionary spend for clients, which it is, that there's more flexibility for clients to either delay those projects or cut those projects. So that's something that we've seen in the last 12 months or so. But obviously, good visibility into the next quarter, and also in terms of the net new business that we have secured already on the pipeline, and that visibility improves as you go through the year.

Q: Laura Metayer

Thank you very much.

Operator

Thank you. Our next question comes from Julien Roch from Barclays. Your line is now open.

Q – Julien Roch

Yes. Morning, Mark. Morning, Joanne. Three questions, please.

Revisiting a full-year new business, now that you have more clarity, is that fair to say that new biz was about minus 2% last year and should be about 0% this year, based on what has been done so far and excluding future wins and losses?

Second question is, how bad does organic needs to be before you cannot be around a flat margin? Is it minus 3%, minus 4%, minus 5%?

And then on kind of macro and reiterating guidance, now, it's pretty obvious to everybody that you are a macro-sensitive business, right? And IPG yesterday was very clear that their guidance reiteration was based on current performance and clients not changing behaviour, but if macro was weakening, it could change guidance.

Now, what about you? I mean, normally the answer is pretty obvious, but you said many times during that call that you had put in some conservatism in your full year guidance, because you've already seen that macro was weakening. So, kind of, what kind of conservatism and anticipation of macro weakness is in the full year guidance is kind of my question? Thank you.

A - Mark Read

Yes. Look, I think, I mean, I think to some extent all those three things are related.

We said new business was a headwind last year, and it will not make a positive contribution this year, and the more negative contribution is at the beginning of the year. We'll have to see how things go throughout the year. I think that sort of tackles the first part.

I think the second question is, we've given the guidance as it stands, and so those things hang together. And then in terms of changing the guidance, I think you're trying to get me to say something I don't want to get, which is I think what we've been making is, we did build in some caution. I think it's very difficult to be scientific about the level of caution we built in, but having seen where we were in Q4, and having seen, where we started the year with pressure on discretionary spend, leaving that level of pressure to continue for the rest of the year is the basis on which we gave the guidance, and it's not, we're not anticipating within that a massive recovery in the second half of the year to make our guidance.

And, I don't think you can push us to say what would cause us to change it at this point. If we can only see the world as we see it, as we see things today, we don't see the need to change the guidance, but obviously there's a range of outcomes. We are, as you put it, macro-sensitive, where it would need to change.

I think the range of actual tariffs is both positive and negative, indeed. So, I think, like many companies, we're saying that we are where we are at the moment, and that does bake in, because of when we reported in our experience in Q4 and to

Q1, a somewhat more sensitive macro environment, which is why we're holding our guidance as at today's date. That helps you understand our thinking.

A: Joanne Wilson

And just on the second question, on the margin. If we just step back and look at the industry as a whole, maybe during COVID and maybe 2008-'09, the peak to trough was 8% and the margin impact was around 150 basis points to 200 basis points. But the more important thing is the margin bounces back because of that flexible cost base that exists in our industry. I mean, for us, we've guided 0% to minus 2% and we said we'll hold margins at the bottom end and, obviously, that requires more action around that flexible cost base given the negative operating leverage. But beyond minus 2%, I don't really want to go there because that's not really our guidance.

And if we were in that situation, we'd have to look at, what other actions made sense for us to take on the P&L, it's important for us, as well as being disciplined around a cost base, making sure that we're investing for the medium-term and making sure that we're continuing to reallocate investment into open AI and data. So that's very important for us as we go through this year and think about both the near-term and the medium-term priorities.

Q – Julien Roch

Thank you.

Operator

Thank you. We currently have no further questions. So, I'll hand back to you, Mark, for closing remarks.

Mark Read

Well, thanks very much, everybody. So, I think we've discussed the main points on the call, particularly related to the economic environment, but I think there's no doubt that it is challenging. Overall, I think we're making good progress strategically, and we'll see the benefits of that. So we look forward to updating you on the current over the coming months. Thanks very much, and we'll look forward to seeing you soon.

Operator

This concludes today's conference call. Thank you for joining. You may now disconnect your lines.

End of transcript.