# FINANCIAL REVIEW

## REVIEW OF RESULTS

Reported revenue was down 0.7% at £14.7 billion. Reported revenue on a constant currency basis was up 2.5% compared with last year. Net changes from acquisitions and disposals had a positive impact of 0.2% on growth.

Like-for-like revenue growth for 2024 excluding the impact of currency, acquisitions and disposals, and the other adjustments, was 2.3%.

Revenue less pass-through costs was down 4.2%, and down 1.1% on a constant currency basis. Excluding the impact of acquisitions and disposals and other adjustments, like-for-like decline was 1.0%. In the fourth quarter, like-for-like revenue less pass-through costs was down 2.3%.

## OPERATING PROFITABILITY

Reported profit before tax was £1,031 million, compared to £346 million in the prior period, with the increase primarily due to lower amortisation charges, as 2023 included accelerated brand amortisation charges following the creation of VML, lower property-related restructuring costs and higher gains on disposal of subsidiaries.

Reported profit after tax was £629 million, compared to £197 million in the prior period.

Headline EBITDA (including IFRS 16 depreciation) for the year was down 2.1% to £1,935 million. Headline operating profit was down 2.5% to £1,707 million.

Headline operating profit margin was up 0.2 percentage points year-on-year at 15.0% and up 0.4 percentage points year-on-year on a constant currency basis. Headline operating costs were down 4.5% to £9.7 billion.

Headline staff costs, excluding incentives, were down 4.5% year-on-year at £7.4 billion, reflecting wage inflation offset by lower headcount, as a result of the actions associated with our restructuring initiatives and our swift response to softer top-line performance in certain markets. Staff costs include severance costs of £61 million (2023: £78 million). Incentive costs were down 6.2% year-on-year to £363 million, compared to £387 million in 2023. As a percentage of revenue less pass-through costs, overall incentives were flat year on year at 3.2%.

Headline establishment costs were down 8.5% at £472 million, driven by benefits from the campus programme and consolidation of leases. IT costs were down 2.0% at £684 million, reflecting our ongoing focus on driving efficiencies to mitigate inflation.

Personal costs of £209 million (2023: £223 million) were down 6.3% driven by savings in travel and entertainment, and other operating expenses of £526 million (2023: £536 million) were down 1.9%.

On a like-for-like basis, the average number of people in the Group in 2024 was 111,281 compared to 114,732 in 2023. The total number of people as at 31 December 2024 was 108,044 compared to 114,173 as at 31 December 2023.

## ADJUSTING ITEMS

The Group incurred £382 million of adjusting items in 2024, mainly relating to goodwill impairment, restructuring and transformation costs, amortisation of acquired intangible assets and legal provision charges, offset by gains on disposal of investments and subsidiaries. This compares with net adjusting items in 2023 of £1,219 million.

Goodwill impairment, amortisation and impairment of acquired intangibles and other impairment charges were £356 million (2023: £809 million), mainly related to goodwill impairment charges associated with AKQA.

Restructuring and transformation costs of £251 million (2023: £196 million) include £90 million (2023: £113 million) in relation to the Group's ERP and IT transformation program and £144 million (2023: £73 million) relating to the continuing transformation program including the creation of VML and Burson and simplification of GroupM.

## FINANCIAL HIGHLIGHTS

**£14.7bn**
**revenue**
(2023: £14.8bn)

**(1.0)%**
**like-for-like revenue less pass-through costs growth**
(2023: 0.9%)

**15.0%**
**headline operating margin**
(2023: 14.8%)

**86%**
**adjusted operating cash flow conversion**
(2023: 73%)

This Strategic Report includes figures and ratios that are not readily available from the Financial Statements. Management believes that these non-GAAP measures, including constant currency and like-for-like growth, and headline profit measures, are both useful and necessary to better understand the Group's results. Where required, details of how these have been arrived at are shown on pages 196-198 and are defined in the Glossary on pages 203-204

## INTEREST AND TAXES

Headline net finance costs were £280 million, an increase of £18 million year-on-year, primarily due to the impact of refinancing bonds at higher rates.

The headline effective tax rate (based on headline profit before tax) was 28.0% (2023: 27.0%) and on reported profit before tax was 39.0% (2023: 43.1%). The increase in the headline effective tax rate is driven by changes in tax rates or tax bases in the markets in which we operate. Given the Group's geographic mix of profits and the changing international tax environment, the tax rate is expected to increase over the next few years.

## EARNINGS AND DIVIDEND

Profits attributable to shareholders were £542 million, compared to a profit of £110 million in the prior period, principally reflecting higher gains on disposal of subsidiaries and lower amortisation charges, as 2023 included accelerated brand amortisation charges following the creation of VML. Reported diluted earnings per share was 49.4 pence, compared to 10.1 pence in the prior period. Headline diluted earnings per share from continuing operations decreased by 5.9% to 88.3 pence.

The Board is proposing a final dividend for 2024 of 24.4 pence per share, which together with the interim dividend paid in November 2024 gives a full-year dividend of 39.4 pence per share. The record date for the final dividend is 6 June 2025, and the dividend will be payable on 4 July 2025.

## BUSINESS SECTOR REVIEW

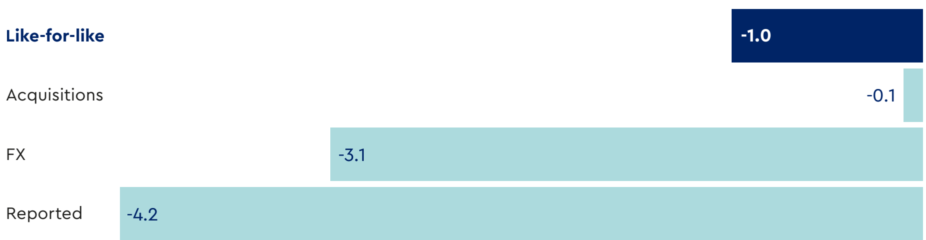
During 2024, we reallocated a number of businesses between global integrated agencies and specialist agencies. Prior year figures have been re-presented to reflect the reallocation.

## GLOBAL INTEGRATED AGENCIES

GroupM, our media planning and buying business, grew 2.7% in 2024 (2023: 4.9%) on like-for-like revenue less pass-through costs, benefiting from continued client investment in media, partially offset by the impact of historical client losses and a more challenging environment in China. GroupM saw an improved new business performance in the second half of the year with the Amazon and Johnson & Johnson wins and an important Unilever retention, despite some losses, including Volvo.

GroupM's growth was offset by a 3.9% like-for-like revenue less pass-through cost decline at other Global Integrated Agencies. Mid-single digit growth in Hogarth in 2024 was offset by weaker performance across integrated creative agencies, which included the impact of the 2023 loss of assignments with a large healthcare client and a challenging trading environment in China. AKQA experienced a low double digit decline in revenue less pass-through costs as spend on project-based work remained weak throughout the year. Other Global Integrated Agencies declined 6.5% in Q4 reflecting the continuation of those factors and weaker client discretionary spend than is typically seen in the final quarter, together with the lap of a particularly strong quarter for variable client incentives in Q4 2023.

**REVENUE LESS PASS-THROUGH COSTS GROWTH VERSUS 2023**
(%)



# FINANCIAL REVIEW CONTINUED

## PUBLIC RELATIONS

Burson, created in June from the merger of BCW and Hill & Knowlton, made good progress with its integration and launched additional AI-powered tools.

Year-on-year Burson declined due to the 2023 loss of assignments with a large healthcare client and a more challenging environment for client discretionary spending. This was offset by continued strong growth at FGS Global, which is reflected up to early December 2024 when its disposal to KKR completed.

## SPECIALIST AGENCIES

CMI Media Group, our specialist healthcare media planning and buying agency, grew strongly, offset by declines at Landor and Design Bridge and Partners. Our smaller specialist agencies continued to be affected by more cautious client spending, including delays in project-based work.

### REVENUE ANALYSIS

| £ million | 2024 | 2023 | +/(-) % reported | +/(-) % LFL[1] |
|---|---|---|---|---|
| Global Integrated Agencies | 12,562 | 12,532 | 0.2 | 3.0 |
| Public Relations | 1,156 | 1,262 | (8.4) | (2.6) |
| Specialist Agencies | 1,023 | 1,051 | (2.7) | (0.6) |
| **Total Group** | **14,741** | **14,845** | **(0.7)** | **2.3** |

### REVENUE LESS PASS-THROUGH COSTS ANALYSIS

| £ million | 2024 | 2023 | +/(-) % reported | +/(-) % LFL[1] |
|---|---|---|---|---|
| Global Integrated Agencies | 9,384 | 9,751 | (3.8) | (0.8) |
| Public Relations | 1,089 | 1,180 | (7.7) | (1.7) |
| Specialist Agencies | 886 | 929 | (4.6) | (2.3) |
| **Total Group** | **11,359** | **11,860** | **(4.2)** | **(1.0)** |

### HEADLINE OPERATING PROFIT ANALYSIS

| £ million | 2024 | % margin* | 2023 | % margin* |
|---|---|---|---|---|
| Global Integrated Agencies | 1,482 | 15.8 | 1,480 | 15.2 |
| Public Relations | 166 | 15.2 | 191 | 16.2 |
| Specialist Agencies | 59 | 6.7 | 79 | 8.5 |
| **Total Group** | **1,707** | **15.0** | **1,750** | **14.8** |

* Headline operating profit as a percentage of revenue less pass-through costs

**Note**

1 Like-for-like growth at constant currency exchange rates and excluding the effects of acquisitions, disposals and other adjustments

### REVENUE LESS PASS-THROUGH COSTS BY BUSINESS VERSUS 2023

(%)

## REGIONAL REVIEW

**North America** like-for-like revenue less pass-through costs declined by 0.7% in 2024 with good growth in automotive, TME and financial services client spending, offset by lower revenues in healthcare, due to a 2023 client loss, and a tough comparison for CPG in 2023. Revenues from technology clients continued to stabilise in the second half with good growth in North America in Q4.

**United Kingdom** declined 2.7% in 2024 reflecting a strong comparison (2023: +5.6%) and the impact of slower client spending with weakness in project-based work across creative and specialist agencies exacerbated by an uncertain macro outlook, only partially offset by growth in GroupM and Ogilvy.

In **Western Continental Europe**, France, Spain and Italy grew during 2024. Our largest market, Germany, declined 1.0% reflecting macroeconomic pressures on client spending in automotive and travel & leisure sectors, but saw stronger performance in Q4, growing 4.0%, lapping a softer comparison (Q4 2023: -5.3%), benefiting from growth in spend at financial services clients and a good overall performance at GroupM.

**Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe** declined 2.6% overall in 2024. India grew 2.8% offset by China which declined 20.8% on client assignment losses and persistent macroeconomic pressures impacting across our agencies.

### REVENUE ANALYSIS

| £ million | 2024 | 2023 | +/(-) % reported | +/(-) % LFL[1] |
|---|---|---|---|---|
| N. America | 5,567 | 5,528 | 0.7 | 2.9 |
| United Kingdom | 2,185 | 2,155 | 1.4 | 0.9 |
| W. Cont. Europe | 3,013 | 3,037 | (0.8) | 2.7 |
| AP, LA, AME, CEE[2] | 3,976 | 4,125 | (3.6) | 1.8 |
| **Total Group** | **14,741** | **14,845** | **(0.7)** | **2.3** |

### REVENUE LESS PASS-THROUGH COSTS ANALYSIS

| £ million | 2024 | 2023 | +/(-) % reported | +/(-) % LFL[1] |
|---|---|---|---|---|
| N. America | 4.394 | 4,556 | (3.6) | (0.7) |
| United Kingdom | 1,588 | 1,626 | (2.3) | (2.7) |
| W. Cont. Europe | 2,375 | 2,411 | (1.5) | 1.7 |
| AP, LA, AME, CEE | 3,002 | 3,267 | (8.1) | (2.6) |
| **Total Group** | **11,359** | **11,860** | **(4.2)** | **(1.0)** |

### HEADLINE OPERATING PROFIT ANALYSIS

| £ million | 2024 | % margin* | 2023 | % margin* |
|---|---|---|---|---|
| N. America | 825 | 18.8 | 834 | 18.3 |
| United Kingdom | 237 | 14.9 | 215 | 13.2 |
| W. Cont. Europe | 259 | 10.9 | 258 | 10.7 |
| AP, LA, AME, CEE | 386 | 12.9 | 443 | 13.6 |
| **Total Group** | **1,707** | **15.0** | **1,750** | **14.8** |

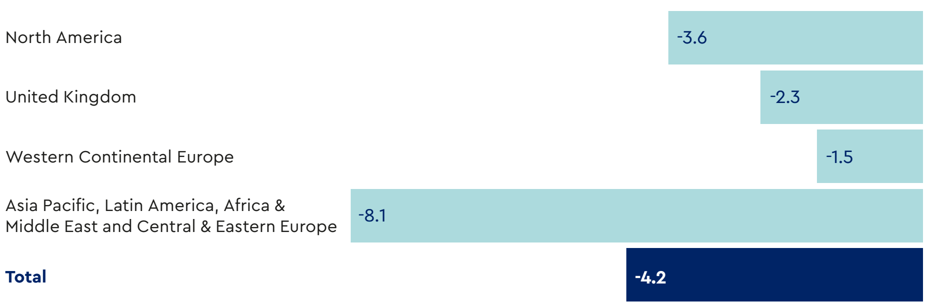
* Headline operating profit as a percentage of revenue less pass-through costs

**Notes**

1 Like-for-like growth at constant currency exchange rates and excluding the effects of acquisitions and disposals and other adjustments

2 Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe

### REVENUE LESS PASS-THROUGH COSTS GROWTH BY REGION VERSUS 2023
(%)



# FINANCIAL REVIEW CONTINUED

## CASH FLOW HIGHLIGHTS

In 2024, adjusted operating cash flow was £1,460 million (2023: £1,280 million). The main drivers of the larger cash inflow year on year was a working capital inflow of £117 million compared with an outflow of £260 million in the prior year, partially offset by an increase in non-headline cash items to £261 million (2023: £218 million), mainly driven by costs related to the previously announced restructuring plan, including the creation of VML and Burson and the simplification of GroupM. Reported net cash from operating activities increased to £1,408 million (2023: £1,238 million).

Adjusted free cash flow was £738 million (2023: £637 million) with the year-on-year increase reflecting higher adjusted operating cash flow and contingent consideration liability payments and higher cash interest and taxes, offset by lower dividends to minorities.

Adjusted net cash flow of £745 million was higher than the prior period (2023: £2 million), primarily due to higher disposal proceeds and lower net acquisition payments.

## BALANCE SHEET HIGHLIGHTS

As at 31 December 2024, the Group had total equity of £3,734 million (31 December 2023: £3,833 million).

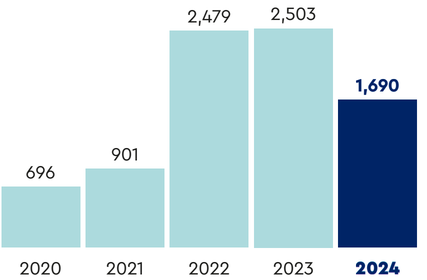
Non-current assets decreased by £831 million to £11,848 million (31 December 2023: £12,679 million), primarily driven by a decrease in goodwill of £779 million. Lower goodwill is primarily due to goodwill derecognised on disposal of FGS Global of £448 million and goodwill impairment charges of £237 million.

Current assets of £13,661 million decreased by £283 million (31 December 2023: £13,944 million). The decrease is principally driven by lower trade and other receivables, (decrease of £738 million), partially offset by higher cash and cash equivalents (increase of £420 million).

Current liabilities of £15,516 million decreased by £789 million (31 December 2023: £16,305 million), primarily due to lower borrowings and lower trade and other payables. Lower borrowings is predominantly due to US $750 million in bonds that were repaid in September 2024, partially offset by an increase as a result of the reclassification from current liabilities of €500 million of bonds due within the next 12 months.

## ADJUSTED NET DEBT

(£m)




The decrease in both current trade and other receivables and trade and other payables is primarily due to client activity and timing of payments. Non-current liabilities decreased by £226 million, to £6,259 million (31 December 2023: £6,485 million). This reduction primarily reflects lower long-term lease liabilities and non-current payables.

Recognised within total equity, other comprehensive loss of £62 million (2023: £329 million loss) for the year includes a £72 million loss (2023: £427 million loss) for foreign exchange differences on translation of foreign operations, and a £3 million loss (2023: gain of £108 million) on the Group's net investment hedges. Other equity movements include the net decrease in the movement in non-controlling interest of £218 million (2023: increase of £12 million), in part from the derecognition of FGS Global non-controlling interest.

As at 31 December 2024, the Group had cash and cash equivalents of £2.6 billion (31 December 2023: £2.2 billion) and borrowings of £4.3 billion (31 December 2023: £4.7 billion). The Group has current liquidity of £4.5 billion (31 December 2023: £3.8 billion), comprising cash and cash equivalents and bank overdrafts, and undrawn credit facilities.

As at 31 December 2024 adjusted net debt was £1.7 billion, against £2.5 billion as at 31 December 2023, down £0.8 billion reflecting free cash flow generation and disposal proceeds, including proceeds from the disposal of FGS Global completed in December 2024. Average adjusted net debt in 2024 was £3.5 billion (31 December 2023: £3.6 billion).

Our bond portfolio as at 31 December 2024 had an average maturity of 6.3 years (31 December 2023: 6.2 years).

## OUTLOOK

Our guidance for 2025 is as follows:

- Like-for-like revenue less pass-through costs growth of flat to -2% with performance expected to improve in the second half
- Headline operating margin expected to be around flat year-on-year (excluding the impact of FX)

Other 2025 financial indications:

- Mergers and acquisitions will reduce revenue less pass-through costs by around 3.0 points primarily due to the disposal of FGS Global, partially offset by anticipated M&A
- FX impact: current rates (at 18 February 2025) imply a c.0.1% drag on FY 2025 revenue less pass-through costs, with no meaningful impact expected on FY 2025 headline operating margin
- Headline earnings from associates around £40 million
- Non-controlling interests around £65 million
- Headline net finance costs of around £280 million
- Effective tax rate (measured as headline tax as a % of headline profit before tax) of around 29%. Cash taxes will include tax in relation to the FGS Global disposal
- Capex of around £250 million
- Cash restructuring costs of around £110 million
- Adjusted operating cash flow before working capital of around £1.4 billion (2024: £1.3 billion)

## MEDIUM-TERM TARGETS

In January 2024 we presented updated medium-term financial framework including the following three targets:

- 3%+ LFL growth in revenue less pass-through costs
- 16-17% headline operating profit margin
- Adjusted operating cash flow conversion of 85%+

For more information on our strategy see pages 16-35