

# WPP



## 2012 Interim Results London



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# 1 2012 Interim Results



## 2012 Interim Results



- Billings up over 1% at £21.7 billion.
- Reportable revenues up 5.5%. On a constant currency basis, revenue up 6.8%. Like-for-like revenue up 3.6% and gross margin up 3.3%.
- Headline PBIT up 10.1% to £570m from £518m.
- Headline operating margin up 0.5 margin points to 11.5% and up 0.7 like-for-like. Gross margin (revenue less direct costs) headline operating margin up 0.6 margin points to 12.5%.
- Headline diluted EPS up 13.2% to 25.8p. Reported diluted EPS up 19.3% to 21.6p.
- First interim ordinary dividend up 18% at 8.80p per share.
- Return of Headquarters to the UK subject to share owner approval.
- Net new business billings of £2.475bn (\$3.960bn) placing the Group first in all leading net new business tables.

# 2012 Interim Results

## Summary Headline<sup>1</sup> Results at a Glance



Half Year to 30 June	2012	2011	Change %
Revenue £m	4,972	4,713	5.5
Gross Margin £m	4,568	4,353	4.9
Operating Profit Margin:			
% of Revenue	11.5%	11.0%	+0.5 <sup>2</sup>
% of Gross Margin	12.5%	11.9%	+0.6 <sup>2</sup>
Diluted EPS	25.8p	22.8p	13.2
Dividend per share	8.80p	7.46p	18.0
Average Net Debt £m	(2,898)	(2,558)	-13.3
Rolling Average Net Debt / EBITDA <sup>3</sup>	1.8x	1.8x	
Interest cover	5.5x	5.1x	
Number of people <sup>4</sup> :			
Average	113,311	110,365	-2.7
Closing	113,761	111,960	-1.6
Enterprise Value / EBITDA <sup>5</sup>	7.9x	8.5x	

<sup>1</sup> Figures before goodwill and intangibles charges, investment gains/losses, share of exceptional gains/losses of associates and revaluation of financial instruments

<sup>2</sup> Margin points

<sup>3</sup> Net debt / EBITDA for 12 months to 30 June

<sup>4</sup> 2011 and 2012 like-for-like number of people

<sup>5</sup> EBITDA for 12 months to 30 June

# 2012 Interim Results

## Unaudited Headline<sup>1</sup> IFRS Income Statement



Half Year to 30 June	2012 £m	2011 £m	% Change	
			Reported	Constant Currency
Revenue	4,972	4,713	5.5	6.8
<b>Operating profit</b>	<b>542</b>	<b>493</b>	<b>10.0</b>	<b>13.3</b>
Income from associates	28	25	10.7	16.4
<b>PBIT</b>	<b>570</b>	<b>518</b>	<b>10.1</b>	<b>13.5</b>
Net finance costs	(103)	(101)	-2.3	0.7
<b>Profit before tax</b>	<b>467</b>	<b>417</b>	<b>11.9</b>	<b>17.1</b>
Tax at 22.0% (2011 22.0%)	(103)	(92)	-12.0	-16.4
<b>Profit after tax</b>	<b>364</b>	<b>325</b>	<b>11.9</b>	<b>17.3</b>
<b>Diluted EPS</b>	<b>25.8p</b>	<b>22.8p</b>	<b>13.2</b>	<b>18.6</b>
<b>Operating margin</b>	<b>11.5%</b>	<b>11.0%</b>	<b>+0.5<sup>2</sup></b>	
EBITDA	682	620	+10.0	+13.0

<sup>1</sup> Figures before goodwill and intangibles charges, investment gains/losses, share of exceptional gains/losses of associates and revaluation of financial instruments

<sup>2</sup> Margin points

# 2012 Interim Results

## Unaudited IFRS Income Statement



Half Year to 30 June	2012 £m	2011 £m	Change %	Constant Currency %
Revenue	4,972	4,713	5.5	6.8
<b>Operating Profit pre-goodwill / intangibles</b>	<b>542</b>	<b>493</b>	<b>10.0</b>	<b>13.3</b>
Goodwill / intangibles charges, net re-measurement gains	(87)	(62)	-40.8	-40.3
<b>Operating Profit</b>	<b>455</b>	<b>431</b>	<b>5.6</b>	<b>9.3</b>
Income from associates	28	25	14.3	20.2
<b>PBIT</b>	<b>483</b>	<b>456</b>	<b>6.1</b>	<b>9.9</b>
Net finance costs	(125)	(122)	-3.5	-1.1
<b>Profit before tax</b>	<b>358</b>	<b>334</b>	<b>7.0</b>	<b>13.4</b>
Tax	(51)	(71)	28.8	24.8
<b>Profit after tax</b>	<b>307</b>	<b>263</b>	<b>16.7</b>	<b>23.9</b>
Reported diluted EPS	21.6p	18.1p	19.3	26.1



# 2012 Interim Results

## % Growth Versus Prior Year

	Revenue	Headline <sup>1</sup> PBIT	Headline <sup>1</sup> EPS
Like-for-like	3.6	n/a	n/a
Acquisitions <sup>2</sup>	3.2	n/a	n/a
Constant currency	6.8	13.5	18.6
Foreign exchange	-1.3	-3.4	-5.4
<b>Reportable sterling</b>	<b>5.5</b>	<b>10.1</b>	<b>13.2</b>
<b>Reportable US dollars<sup>3</sup></b>	<b>2.9</b>	<b>7.1</b>	<b>10.0</b>
<b>Reportable euros<sup>4</sup></b>	<b>11.5</b>	<b>17.8</b>	<b>22.4</b>

<sup>1</sup> Figures before goodwill and intangibles charges, investment gains/losses, share of exceptional gains/losses of associates and revaluation of financial instruments

<sup>2</sup> Acquisitions net of disposals

<sup>3</sup> Translated into US\$, using among other currencies, average exchange rates of US\$/£ for H1 2012 of \$1.577, compared to \$1.616 for H1 2011

<sup>4</sup> Translated into euros, using among other currencies, average exchange rates of €/£ for H1 2012 of €1.216, compared to €1.153 for H1 2011



# 2012 Interim Results

## Headline<sup>1</sup> Performance Versus Target



	Actual	Target	
Like-for-like revenue growth	3.6%	c. 4%	✓
Operating margin improvement	+0.5 <sup>2</sup>	+0.5 <sup>2</sup>	✓
Fully diluted EPS growth	13.2%	10%-15%	✓

<sup>1</sup> Figures before goodwill and intangibles charges, investment gains/losses, share of exceptional gains/losses of associates and revaluation of financial instruments

<sup>2</sup> Margin points



# 2012 Interim Results

## Revenue by Discipline



	2012 £m	2011 £m	% Change		
			Reported	Constant Currency	Like-for- like
Advertising, Media Investment Management	2,044	1,927	6.1	7.6	6.1
Consumer Insight	1,191	1,177	1.2	3.2	1.0
Public Relations & Public Affairs	459	430	6.8	6.3	1.0
Branding & Identity, Healthcare and Specialist Communications	1,278	1,179	8.3	9.1	3.0
<b>Total</b>	<b>4,972</b>	<b>4,713</b>	<b>5.5</b>	<b>6.8</b>	<b>3.6<sup>1</sup></b>
					<b>3.3<sup>2</sup></b>

<sup>1</sup> Direct, digital & interactive growth of 8.3%

<sup>2</sup> Gross margin like-for-like growth

# 2012 Interim Results

## Revenue by Region



	2012 £m	2011 £m	% Change		
			Reported	Constant Currency	Like-for- like
North America	1,748	1,645	6.2	3.9	0.4
UK	591	560	5.6	5.6	3.0
Western Continental Europe	1,187	1,175	1.0	6.6	1.6
Asia Pacific, Latin America, Africa & Middle East, Central & Eastern Europe	1,446	1,333	8.5	11.1	9.7
<b>Total</b>	<b>4,972</b>	<b>4,713</b>	<b>5.5</b>	<b>6.8</b>	<b>3.6</b>

3.3<sup>1</sup>

<sup>1</sup> Gross margin like-for-like growth



# 2012 Interim Results

## Headline<sup>1</sup> PBIT and Margin by Discipline



	Headline PBIT		Headline Margin	
	2012 £m	2011 £m	2012 %	2011 %
Advertising, Media Investment Management	283	236	13.9	12.3
Consumer Insight	84	89	7.0	7.5
<i>Gross margin margins</i>			9.7	10.3
Public Relations & Public Affairs	62	67	13.5	15.5
Branding & Identity, Healthcare and Specialist Communications	141	126	11.0	10.7
<b>Total</b>	<b>570</b>	<b>518</b>	<b>11.5</b>	<b>11.0</b>
<i>Gross margin margins</i>			<b>12.5</b>	<b>11.9</b>

<sup>1</sup> Figures before goodwill and intangibles charges, investment gains/losses, share of exceptional gains/losses of associates and revaluation of financial instruments

# 2012 Interim Results

## Headline<sup>1</sup> PBIT and Margin by Region



	Headline PBIT		Headline Margin	
	2012 £m	2011 £m	2012 %	2011 %
North America	239	209	13.7	12.7
UK	73	74	12.3	13.1
Western Continental Europe	95	94	8.0	8.0
Asia Pacific, Latin America, Africa & Middle East, Central & Eastern Europe	163	141	11.2	10.6
<b>Total</b>	<b>570</b>	<b>518</b>	<b>11.5</b>	<b>11.0</b>
<b>Gross margin margins</b>			<b>12.5</b>	<b>11.9</b>

<sup>1</sup> Figures before goodwill and intangibles charges, investment gains/losses, share of exceptional gains/losses of associates and revaluation of financial instruments

# 2012 Interim Results

## Revenue Growth by Country



Revenue Growth <sup>1</sup>	Countries
>20%	Argentina
15% to 20%	Brazil, Greater China <sup>2</sup> , Mainland China <sup>3</sup> , South Korea
10% to 15%	Belgium, Russia
5% to 10%	Italy, India, Japan, Mexico, Singapore, South Africa
<5%	Australia, Canada, Denmark, France, Germany, Netherlands, Norway, Poland, Spain, Sweden, UK, USA

<sup>1</sup> Like-for-like growth

<sup>2</sup> Includes Hong Kong and Taiwan

<sup>3</sup> Includes Hong Kong



# 2012 Interim Results

## Revenue Growth by Category



### Revenue Growth<sup>1</sup> Categories

>15%

Government

10% to 15%

Automotive, Travel & Airline

5% to 10%

Personal Care & Drugs, Electronics, Oil

<5%

Computers, Drinks, Entertainment, Financial Services, Food, Retail, Telecommunications

<sup>1</sup> Like-for-like growth



# 2012 Interim Results

## Effects of Strength of Sterling



- Currency movements accounted for a 1.2% decrease in revenue, largely reflecting the strength of the £ sterling against the euro, partly offset by weakness against the US\$.
- Sterling stronger overall as follows:

	2012	2011	Sterling (stronger)/weaker
US\$	1.577	1.616	2%
€	1.216	1.153	(5%)
¥	125.8	132.4	5%
Brazilian Real	2.937	2.638	(11%)
Chinese Remimbi	9.966	10.568	6%
Indian Rupee	82.22	72.72	(13%)
South African Rand	12.51	11.16	(12%)

- Headline PBT<sup>1</sup> of £467m would have been £485m had sterling remained at the same levels as 2011.

<sup>1</sup> Figures before goodwill and intangibles charges, investment gains/losses, share of exceptional gains/losses of associates and revaluation of financial instruments



# 2012 Interim Results

## Trade Estimates of Major New Business Wins (1)



WPP Agency	Incumbent	Account	Office	Billings(\$m)
Team BofA	OMC	Bank of America	Global	2,000
Equipe L'Oreal	PUB	L'Oreal	Germany	727
MediaCom	PUB	Procter & Gamble	Germany	225
Grey	Ind	RadioShack	USA	200
MediaCom	OMC	Etihad	Global	160
Team IHG	IPG	IHG	Global	124
Cavalry	IPG/PUB	MillerCoors	USA	120
Wunderman	None	Levis	Global	100
MEC	OMC/Others	UK Government	UK	100
Y&R	Ind	Dell	Global	90
JWT/MEC/MediaCom	PUB	Ministry of Defence	UK	80

Shaded figures are Q2 wins



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# 2012 Interim Results

## Trade Estimates of Major New Business Wins (2)



WPP Agency	Incumbent	Account	Office	Billings(\$m)
MEC	HAV/AGS/Ind	Lavazza	Europe	66
Ogilvy	HAV	Vodafone	Australia	52
Team News	Ind	News International	UK	44
JWT	Ind	Premier Foods	UK	44
MediaCom	None	American Eagle	Global	35
Mindshare	OMC	Rent-A-Center	USA	31
Ogilvy	G2	Aetna	USA	30
Kinetic	OMC	Amway	China	30
Maxus	Ind	GSK	Australasia	30
MediaCom	PUB	Subway	USA	30

Shaded figures are Q2 wins



# 2012 Interim Results

## Trade Estimates of Major New Business Losses



WPP Agency	Winning Agency	Account	Office	Billings(\$m)
Mindshare	PUB	Sprint	Global	1,000
Grey	OMC	Aquafresh/GSK	Global	158
MEC	OMC	Specsavers	UK	63
Ogilvy	OMC	Cisco	Global	60
Ogilvy	PUB	Toblerone/Kraft	USA	60
Ogilvy	IND	Ragu/Unilever	USA	43
MediaCom	AGS	Tanduay	Philippines	33
Mindshare	PUB	Heineken	Netherlands	31
G2	Ogilvy	Aetna	USA	30

Shaded figures are Q2 losses



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# 2012 Interim Results

## Internal Estimates of Net New Business Wins



(\$m)	Creative	Media	Total
Advertising	949	2,403	3,352
Other Businesses	608	-	608
<b>Total First Half 2012</b>	<b>1,557</b>	<b>2,403</b>	<b>3,960</b>
<i>Total First Half 2011</i>	<i>1,028</i>	<i>894</i>	<i>1,922</i>



# 2012 Interim Results

Trade Estimates of Major New Business Wins/Losses Since 1 July



	<b>WPP Agency</b>	<b>Incumbent</b>	<b>Account</b>	<b>Office</b>	<b>Billings(\$m)</b>
WINS	MEC	IPG/HAV/AGS/MediaCom	SAB Miller	Europe	125
	Ogilvy	Ind	Nascar	USA	50

	<b>WPP Agency</b>	<b>Winning Agency</b>	<b>Account</b>	<b>Office</b>	<b>Billings(\$m)</b>
LOSSES	Mindshare	OMC	Farmer's	USA	160



# 2012 Interim Results

## Cash Flow



£m	2012	2011
<b>Operating Profit</b>	<b>455</b>	<b>431</b>
Non-cash compensation	44	38
Depreciation & amortisation charges	112	102
Amortisation of acquired intangibles and impairment	82	83
Net interest paid & similar charges	(107)	(107)
Tax paid	(143)	(126)
<b>Net cash generation</b>	<b>443</b>	<b>421</b>



# 2012 Interim Results

## Uses of Cash Flow



£m	2012	2011
<b>Net cash generation</b>	<b>443</b>	<b>421</b>
Capital expenditure	(116)	(107)
Acquisition payments	(140)	(229)
- Net initial payments <sup>1</sup>	(90)	(175)
- Earnout payments / loan note redemptions	(50)	(54)
Share repurchases	(66)	(98)
Other	48	3
<b>Net cash inflow / (outflow) before NWC changes</b>	<b>169</b>	<b>(10)</b>

<sup>1</sup> Net initial payments are net of cash acquired and disposal proceeds, and includes other investments and associates

# 2012 Interim Results

## Net Debt – 30 June 2012



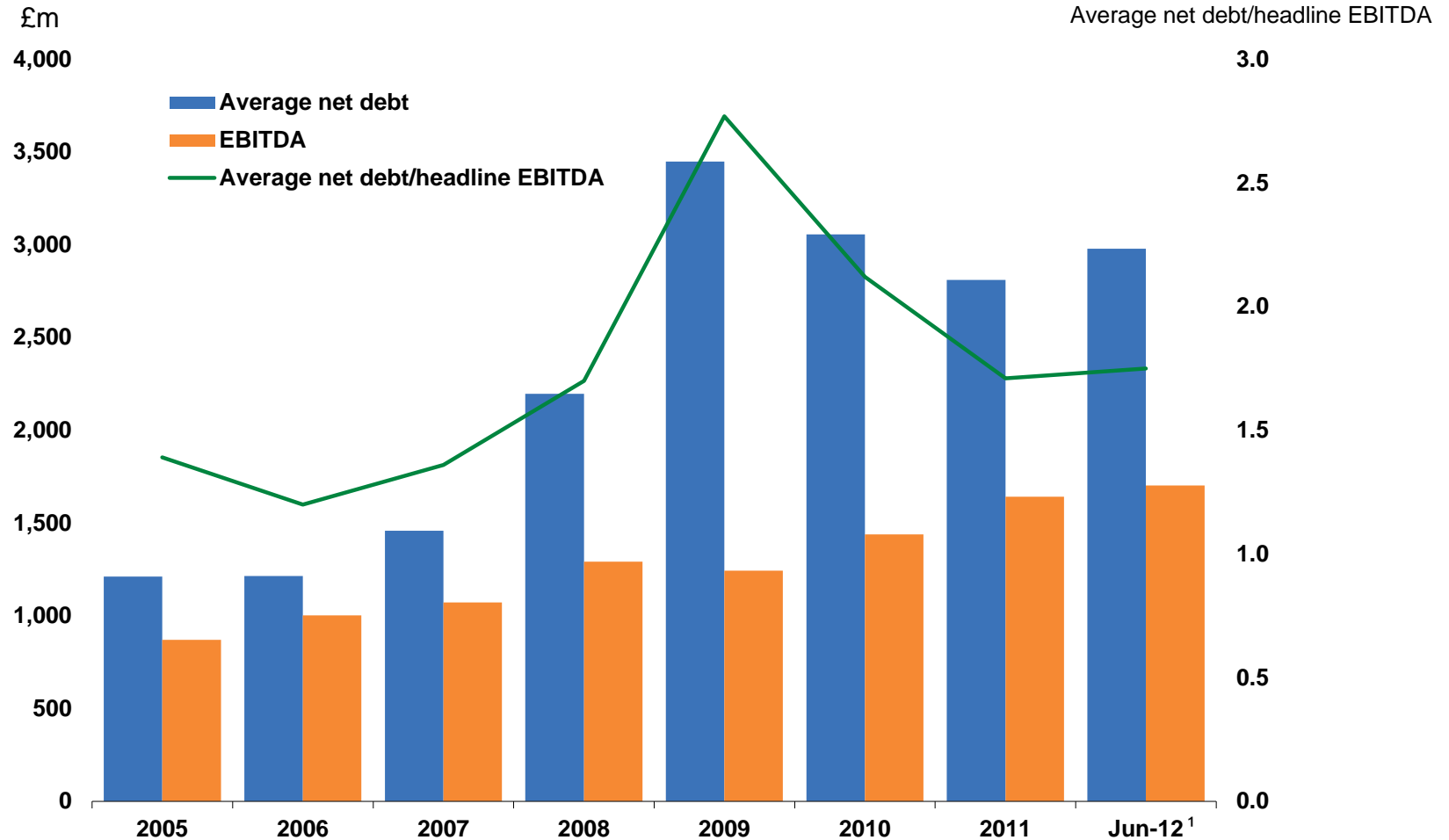
£m	2012	2011	% Variance
YTD average net debt on constant currency basis	(2,898)	(2,591)	-12%
YTD average net debt on reportable basis	(2,898)	(2,558)	-13%
Net debt at 30 June	(2,861)	(2,879)	+1%
YTD average net debt up to 9 August 2012 on a constant currency basis	(2,994)	(2,688)	-11%
Headline finance costs	(103)	(101)	-2%
<b>Interest cover on headline PBIT</b>	<b>5.5x</b>	<b>5.1x</b>	
Headline EBITDA	682	620	+10%
<b>Rolling average net debt / headline EBITDA<sup>1</sup></b>	<b>1.8x</b>	<b>1.8x</b>	

<sup>1</sup> Net debt / headline EBITDA for 12 months to 30 June



# 2012 Interim Results

## Historic Average Net Debt/Headline EBITDA



<sup>1</sup> Rolling annual average debt / headline EBITDA for 12 months to 30 June

# 2012 Interim Results

## Uses of Free Cash Flow



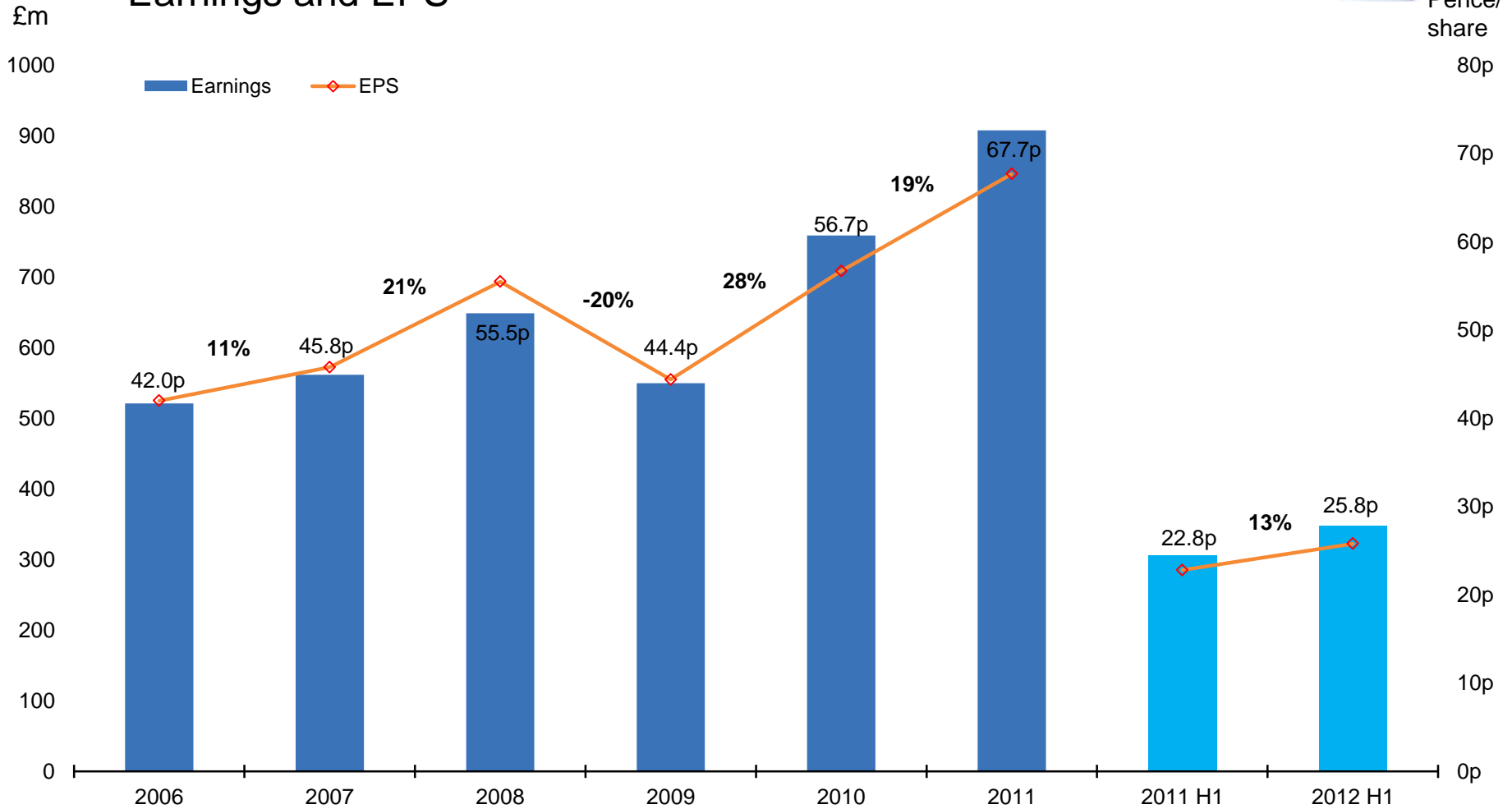
Category	Target	H1 2012	H1 2011	FY 2011
New acquisitions <sup>1</sup>	£300m+	£90m <sup>2</sup>	£175m <sup>2</sup>	£381m <sup>2</sup>
Share purchases	Minimum 1%	0.6%	1.0%	2.1%
Dividend increase	EPS growth + 500 basis points	18%	25%	38%
Pay-out ratio	40%	34%	33%	36%
Headroom: Undrawn facilities & surplus cash	-	£1.9bn	£1.7bn	£2.4bn

<sup>1</sup> Includes investments and step-ups in subsidiaries equity

<sup>2</sup> Net of disposal proceeds and net of acquired cash

# 2012 Interim Results

## Earnings and EPS<sup>1</sup>



<sup>1</sup> Diluted Headline Earnings and Diluted Headline EPS



Pence/  
share  
80p





## 2 Four Core Strategic Priorities



# Market Environment

## New Markets, New Media, Consumer Insight and “Horizontality”



### Macro

- Eurozone debt uncertainties holding back growth across Europe and elsewhere
- Stronger relative growth in Asia, Latin America, Africa and Central & Eastern Europe
- US uncertainty ahead of election
- Uncertainty over Iran and generally in the Middle East with impact on oil prices and inflation
- Questions over hard or soft landing in China
- 2012 has similar pattern to 2011 but at a lower rate of growth
- Need for deficit reduction after the US election may impact 2013
- 2014 mini-quadrennial events in Brazil, Russia and the USA

### Micro

- Client comments not indicating lower spend other than in some specific sectors
- Redirection of funds supporting growth in digital
- Quadrennial events should underpin growth
- Efficiency and effectiveness still key
- Clients search for share in global growth increases the importance of BRICs, Next 11, CIVETS, MIST and new G8
- Clients investing in capacity and brands in faster growing markets and in brands in mature markets to maintain or increase share
- “Horizontality” and creativity
- Focus on growth and employment
- Continued marketing investment by fmcg companies



# Four Core Strategic Priorities

New Markets, New Media, Consumer Insight and “Horizontality”



- Faster growing markets now to be over one third of total Group (35% - 40%).
- New media now to be over one third of total Group (35% - 40%).
- Consumer Insight and quantitative disciplines to be over one half with focus on digital and the application of technology.
- “Horizontality”: objective to ensure our people work together to the benefit of clients – client teams and country managers.



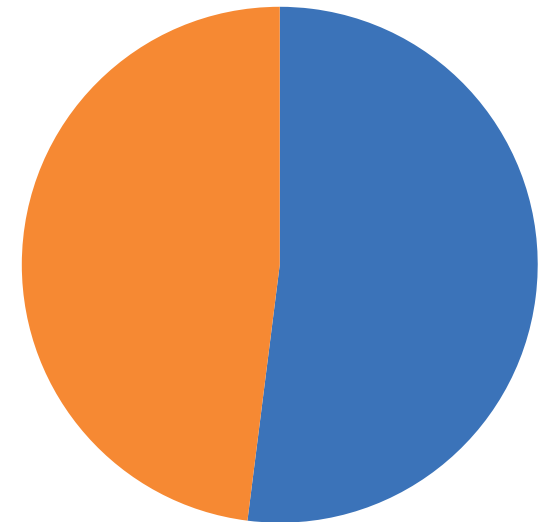
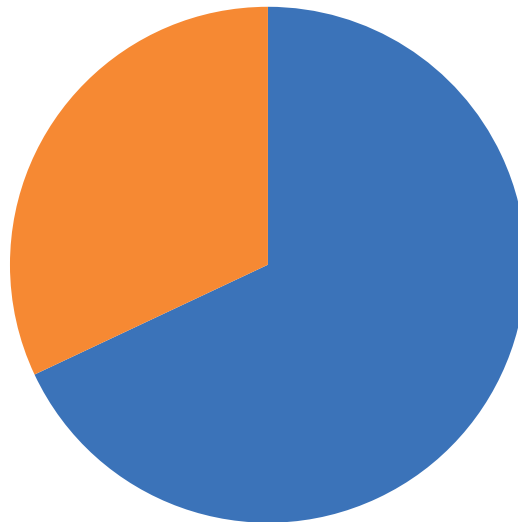
# New Markets, New Media and Consumer Insight Today



**1: New Markets Today 29%**

**2: New Media Today 32%<sup>1</sup>**

**3: Quantitative Today 48%**



- North America
- UK & Western Continental Europe
- Asia Pacific, Latin America, Africa & Middle East, Central & Eastern Europe

- Traditional Media
- New Media

- Qualitative
- Quantitative



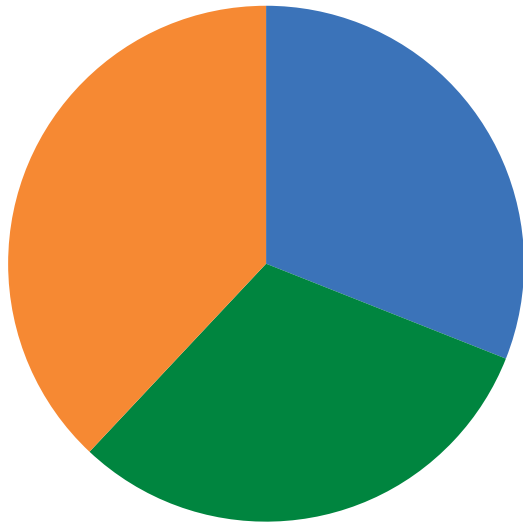
<sup>1</sup> Includes AKQA

# New Markets, New Media, Consumer Insight

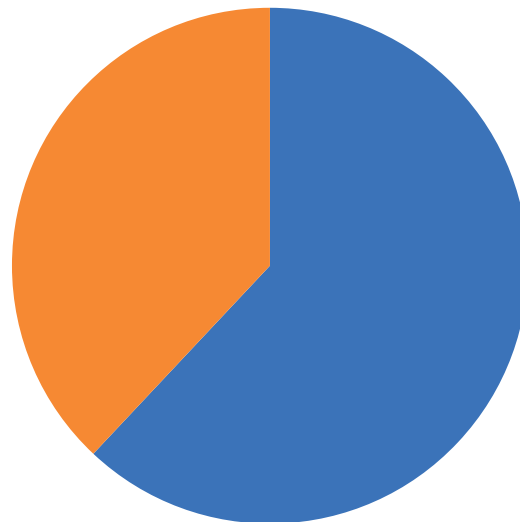
Tomorrow



**1: New Markets**  
Target 35-40%



**2: New Media**  
Target 35-40%



**3: Quantitative**  
Target 50%



- North America
- UK & Western Continental Europe
- Asia Pacific, Latin America, Africa & Middle East, Central & Eastern Europe

- Traditional Media
- New Media

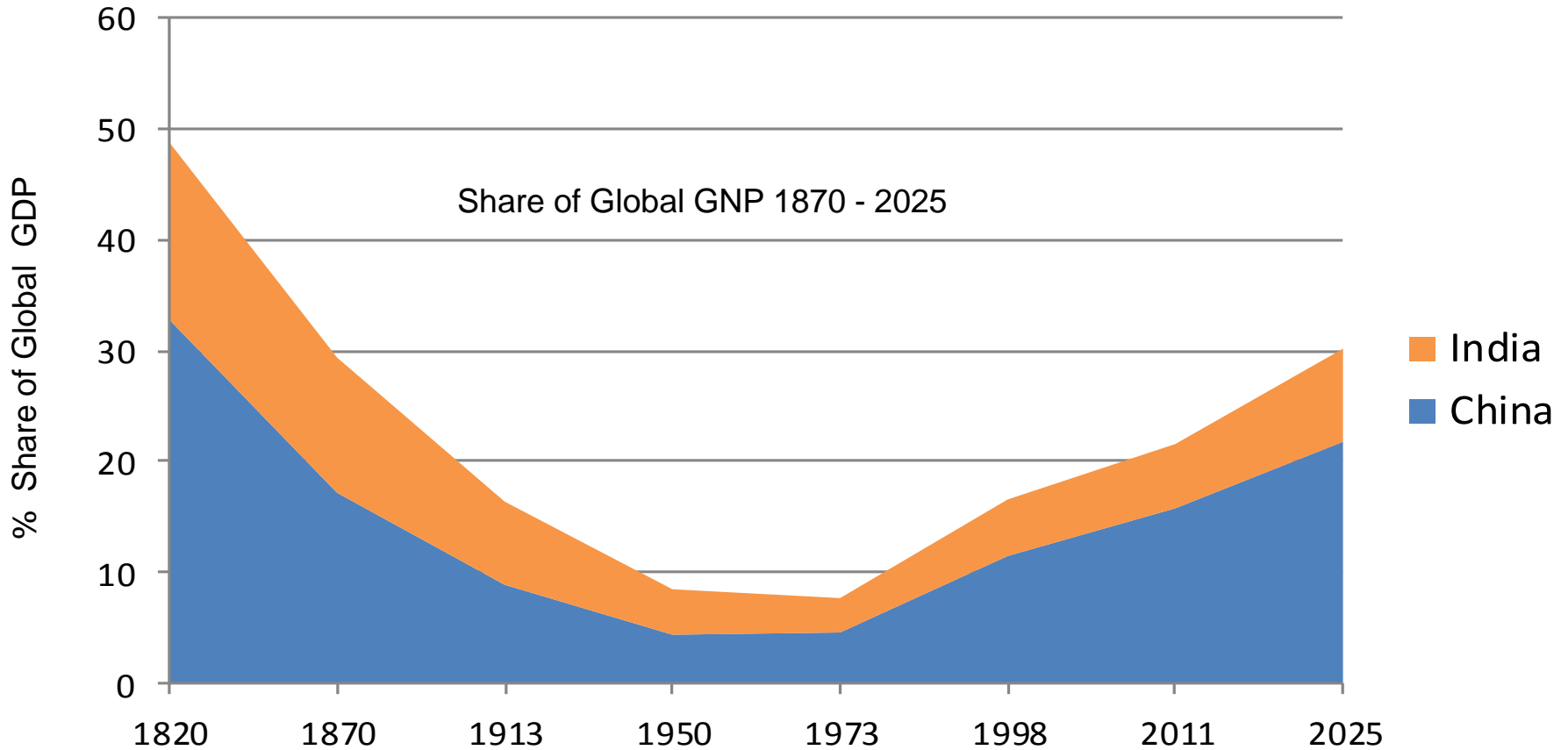
- Qualitative
- Quantitative





# New Markets

## Back to the Future

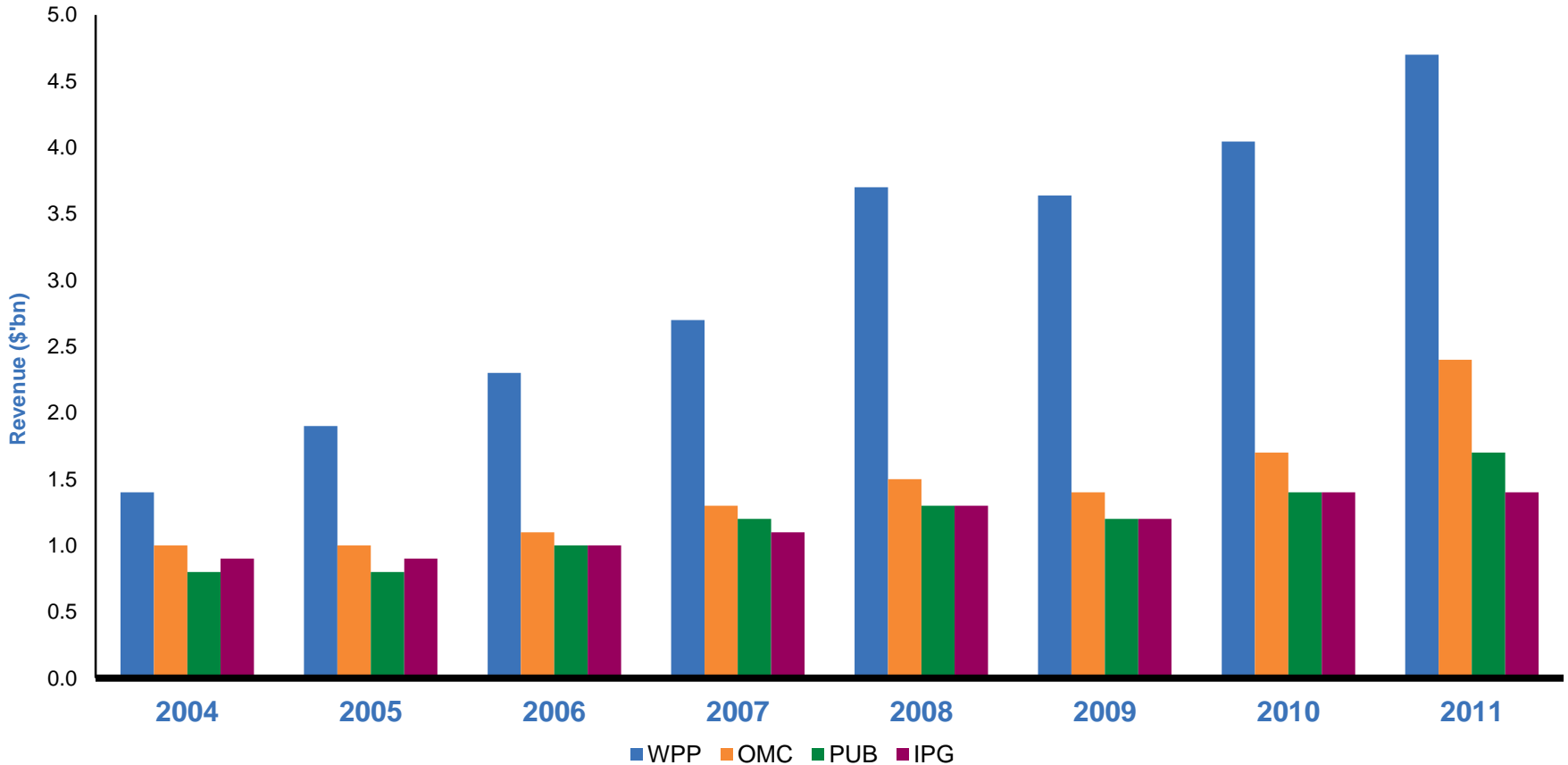


1. Prof Angus Maddison - The World Economy 1870 - 1998: OECD  
2. Conference Board Global Economic Outlook 2011 - 2025: January 2012



# New Markets

## Revenues in Faster Growing Markets 2004-2011

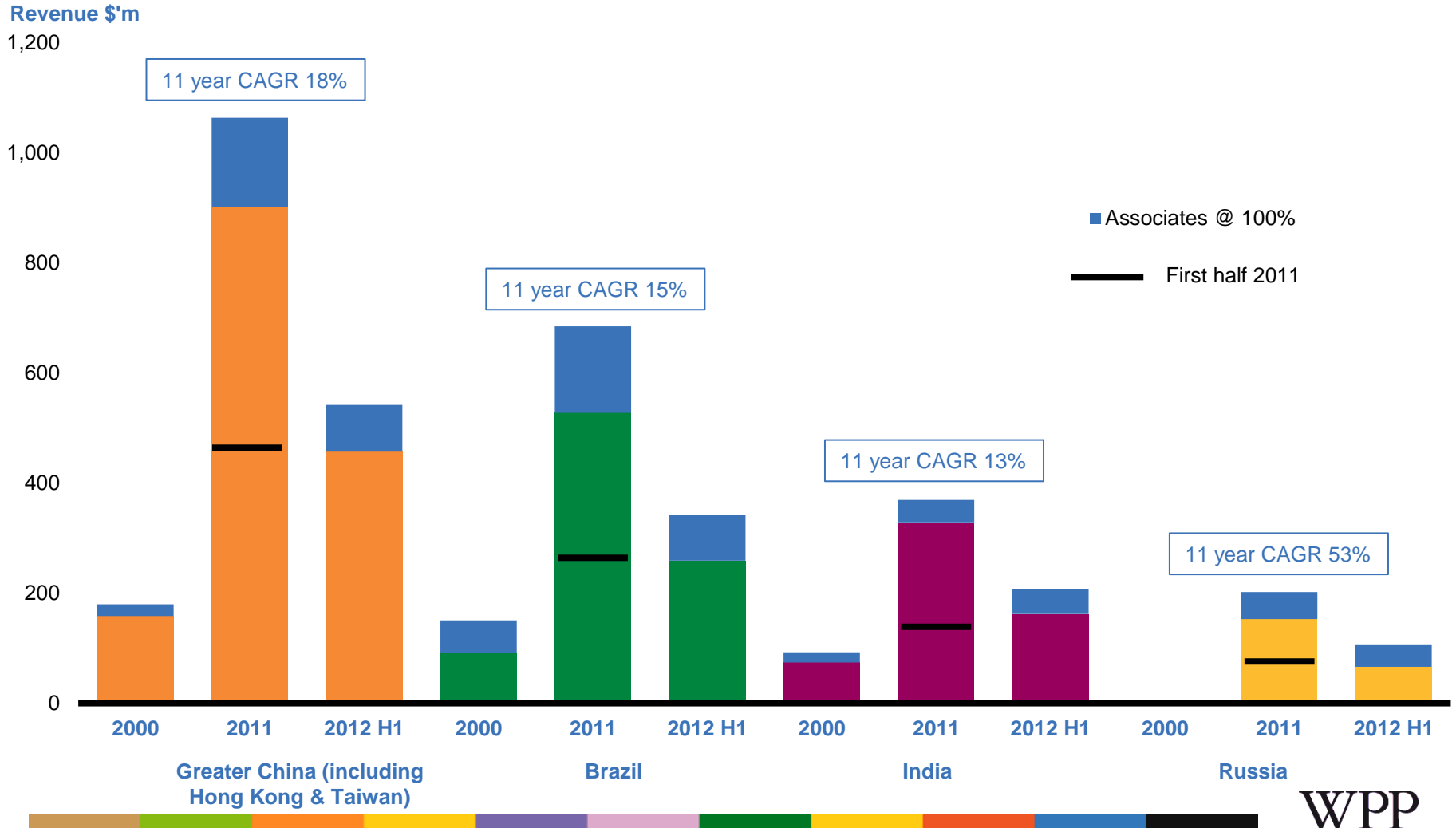


1. WPP reportable US\$'s per WPP results and peer \$ revenues as shown in annual results presentations
2. Peer data sourced from annual results translated at average exchange rate for the year (IPG, Publicis and Omnicom)
3. OMC Assumes "non-euro currency" Europe, ie Switzerland, Turkey, Norway, Denmark, Sweden and Eastern Europe are 3% of revenue and Canada 1.5%



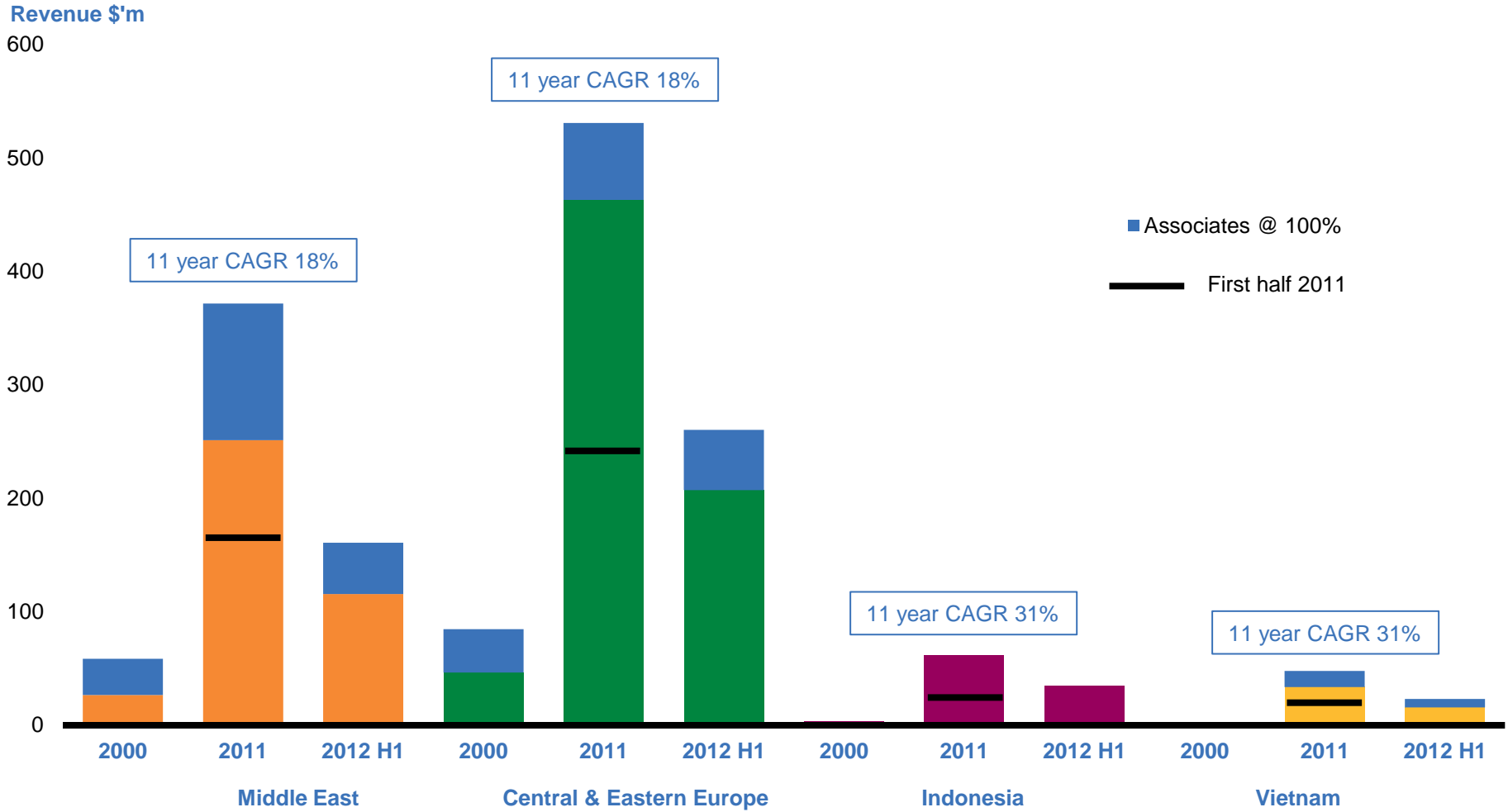
# New Markets

## WPP's Performance Strong in BRIC Markets



# New Markets

## WPP's Performance Strong in Other Faster Growing Markets



# New Markets

## WPP in Faster Growing Markets



Region	Market	Billings <sup>1</sup> \$bn	% Share <sup>1</sup>	Rank <sup>1</sup>	12 month <sup>2</sup> Rev \$bn	People <sup>2</sup> '000
Asia Pacific:	Greater China <sup>3</sup>	6.7	33%	1	1.1	13
	India	2.4	42%	1	0.4	12
	Thailand	0.9	40%	1	0.1	2
LatAm:	Brazil <sup>4</sup>	n/a	n/a	1	0.7	5
	Mexico	0.6	22%	3	0.2	3
	Argentina	0.4	25%	2	0.1	2
Other:	Africa <sup>5</sup> /Middle East	2.2	29%	1	0.8	25
	Poland	1.0	34%	1	0.1	1
	Russia	1.8	23%	1	0.2	2

<sup>1</sup> Source RECMA 2011 Overall Billings as issued July 2012

<sup>2</sup> Year to 30 June 2012 including associates, people at 30 June 2012

<sup>3</sup> China, Hong Kong and Taiwan

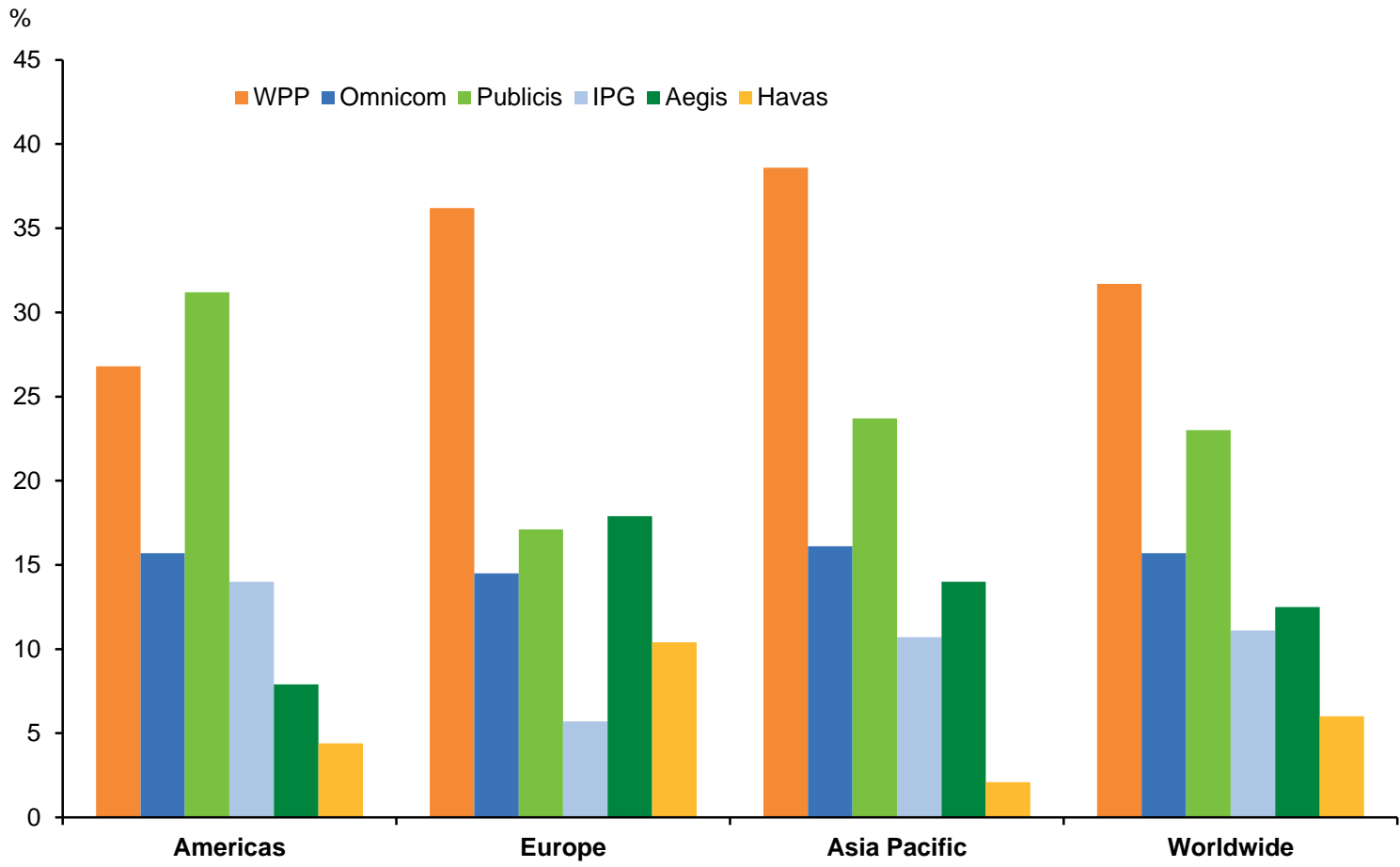
<sup>4</sup> WPP estimate

<sup>5</sup> South Africa only



# New Markets

## Media Billings by Geography Worldwide Ranking by Group as % of the Six Groups



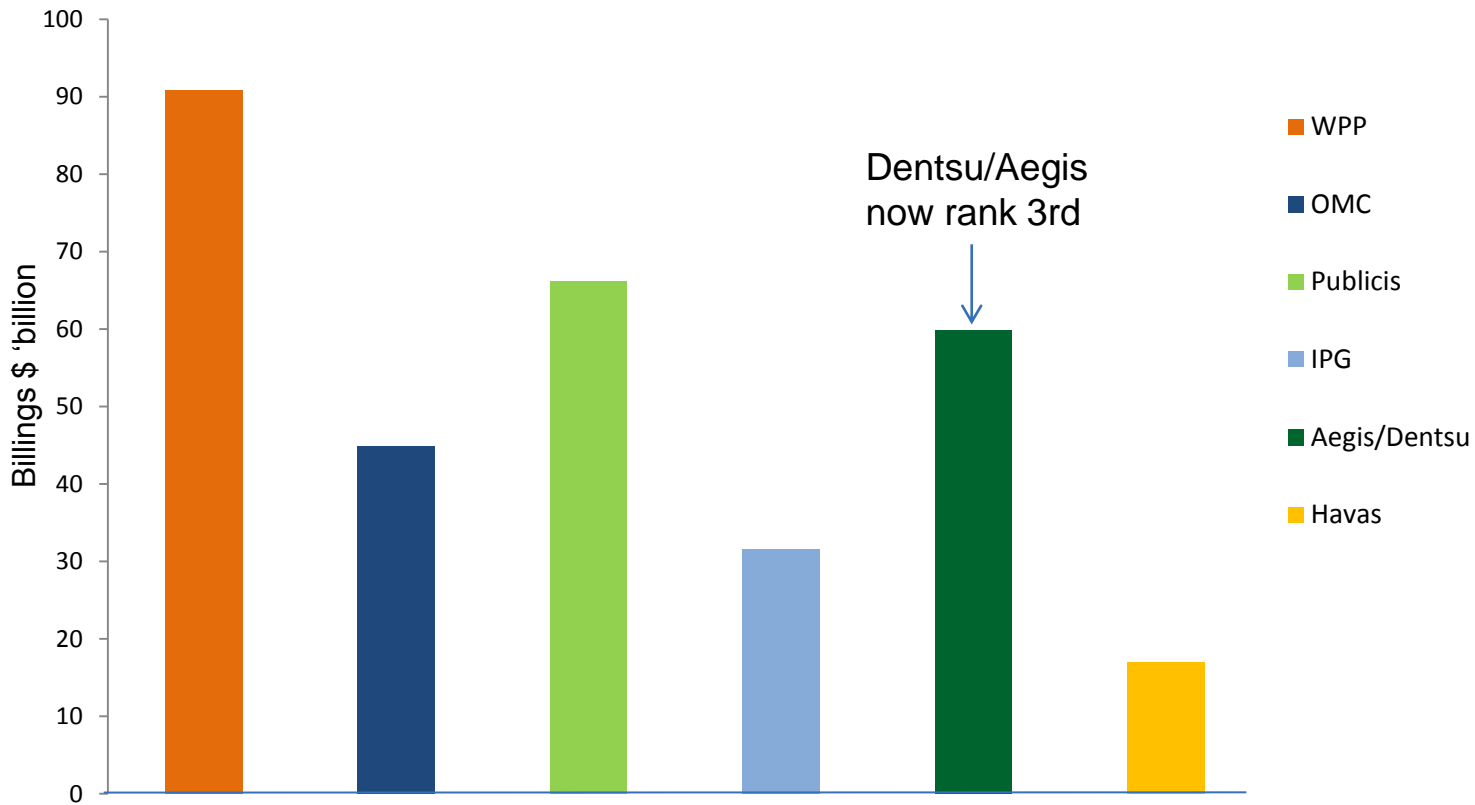
Source: RECMA July 2012 billings report, based on 2011 data



# New Markets

## Media Billings by Geography

Worldwide Ranking adjusted for Acquisition of Aegis by Dentsu



Source: RECMA July 2012 billings report, based on 2011 data and Dentsu Financial Statements to year end March 31 , 2012



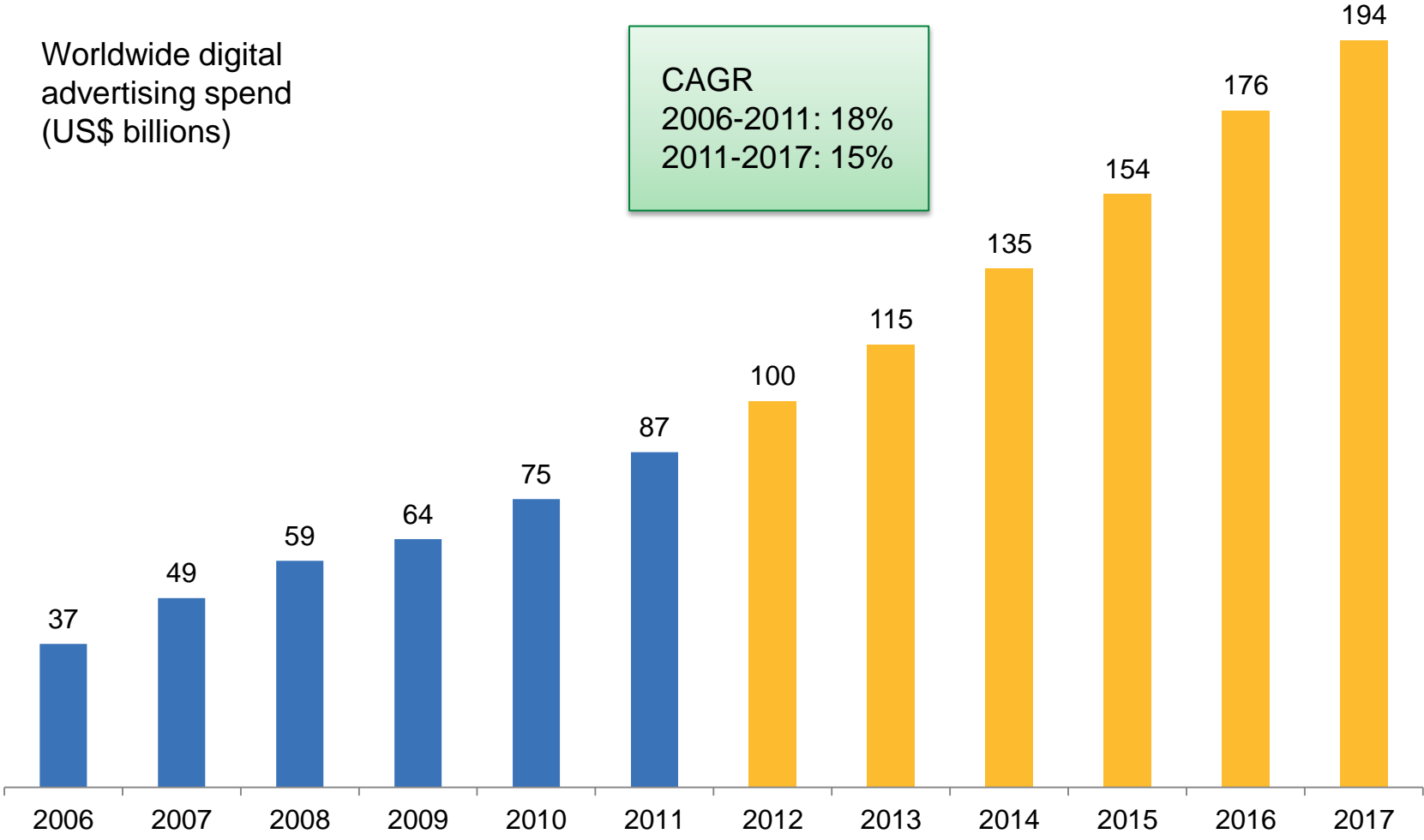
# New Media

## Little Slowdown Predicted in Growth of Digital Advertising Expenditure



Worldwide digital advertising spend (US\$ billions)

CAGR  
2006-2011: 18%  
2011-2017: 15%



Source: GroupM August 2012





# New Media

## WPP's Digital Strategy



### 1. Digital Everywhere

- Invest in digital in all of our businesses through training, recruitment, acquisitions, etc.

### 2. Specialist Digital Expertise

- Develop new services beyond traditional advertising, e.g, web development, DSPs, mobile, social, eCommerce and eShopper, etc.

### 3. Data and Technology

- Establish a proprietary technology platform – based on own and licensed technologies.
- Invest in ability to control and use data for WPP and client benefit.

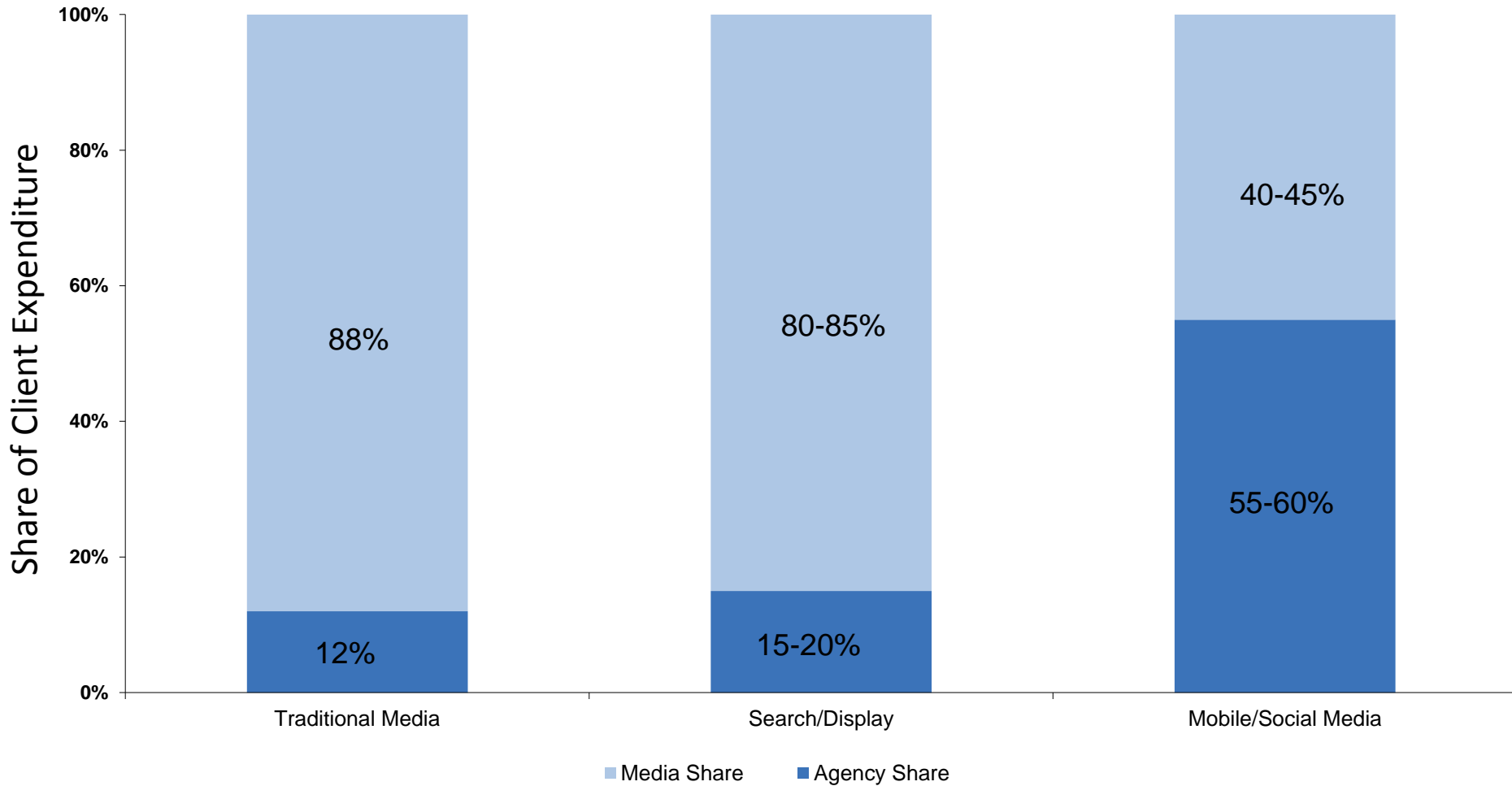
### 4. Partner with digital leaders

- Build strong partnerships with leaders such as Microsoft, Google, Facebook, Apple, Twitter.

WPP

# New Media

New Services offer Greater Revenue Potential



Source: Exane BNP Paribas April 2010

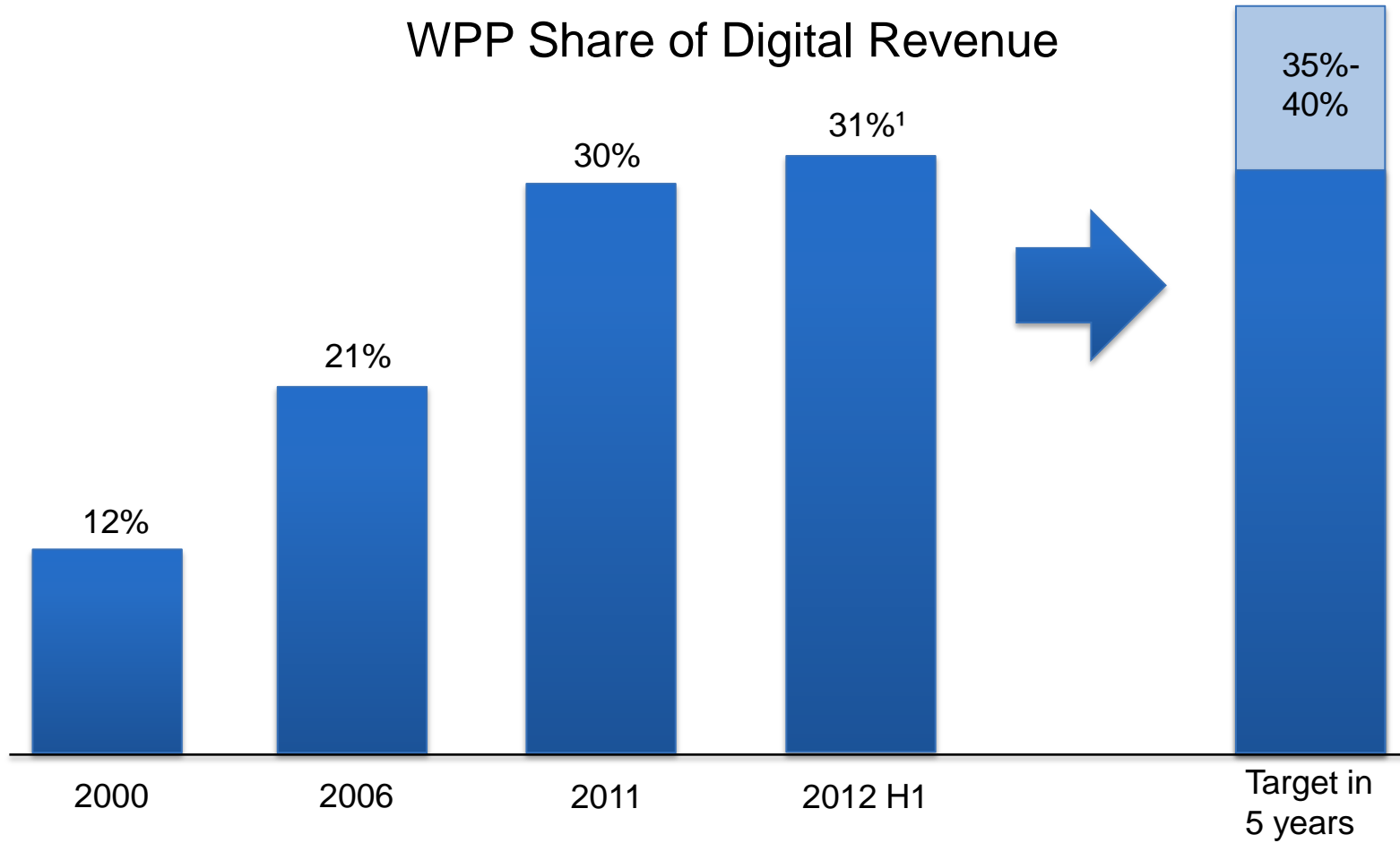


# New Media

Revenue Share Continues to Increase



## WPP Share of Digital Revenue



<sup>1</sup> 32% including AKQA PF



# New Media

Two Major Global Networks – Supported by Strong Specialist Offer



	Revenue \$'m
wunderman <sup>(F)</sup>	950 <sup>1</sup>
OgilvyOne <sup>(F)</sup> worldwide	900 <sup>1</sup>
G2	300 <sup>1</sup>
24/7 MEDIA   groupm SEARCH   X AXIS	300 <sup>1,2</sup>
AKQA <sup>(F)</sup>	230 <sup>1</sup>
POSSIBLE	150 <sup>1</sup>
VML <sup>(F)</sup>	150 <sup>1</sup>

<sup>1</sup> In WPP Direct, Digital and Interactive Networks  
<sup>2</sup> In GroupM Digital

(F) Forrester Digital Leader



# New Media

Dominant position in BRIC Markets

## Russia



Revenue \$50m  
People ~600

GRAPE  
PART OF POSSIBLE

actis® wunderman

G2 OgilvyOne  
worldwide

## India

Revenue \$50m  
People ~1,100

wunderman



OgilvyOne  
worldwide



## China

Revenue \$200m  
People ~2,400

wunderman

OgilvyOne  
worldwide



AGENDA AKQA



## Brazil

Revenue \$200m  
People ~1,400

wunderman fbiz



OgilvyOne  
worldwide



WPP

## New Media

### XAXIS – A Successful First Year



- **150** employees in **16** markets
- **318 billion** impressions annually
- **850+** clients
- **4,000+** campaigns since inception
- **77%** profit growth year over year
- **4** channels: display, video, mobile, social
- **1** technology platform, **50** integrated partnerships
- **1 Vision:** *Be the #1 Global Audience Buying Company*

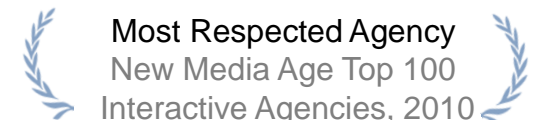


# New Media

## AKQA – Overview



- The world's leading independent and most awarded digital agency:
  - 1,160 employees.
  - Offices: San Francisco, Washington DC, London, New York, Paris, Amsterdam, Berlin and Shanghai.
  - Led by founders Tom Bedecarre (Chairman) and Ajaz Ahmed (Founder and CEO) .
  - Majority owned by private equity firm General Atlantic.
- c. \$230 million of revenue, strong growth and good margins.
- Interactive Agency of the Year in both the US and UK.



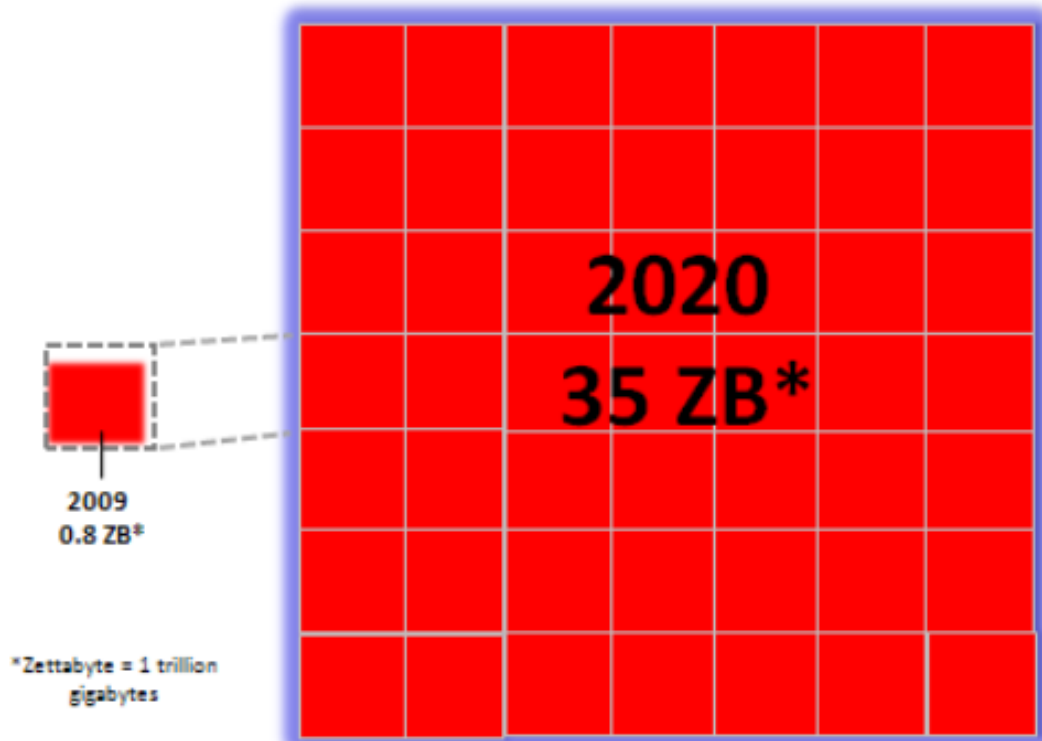
# Consumer Insights and Quantitative Disciplines

## The Data Explosion



**Figure 1: The Digital Universe 2009 – 2020**

*Growing by a Factor of 44*



Source: IDC Digital Universe Study, sponsored by EMC, May 2010



# Consumer Insights and Quantitative Disciplines

## WPP Advantage



- Marketing becoming more data driven.
- Clients need simplified better utilisation of existing data and help in managing explosion of new data.
- Digital campaigns driven by data analytics and feedback to shape new activity.
- Ability to provide “continuous updated data ready for real time decisions and actions”.
- WPP has unique combination of assets in research, audience measurement, data management and digital media.



# Horizontality

162,000 people in 3,000 offices in 110 countries<sup>1</sup>



<sup>1</sup> Including associates

# Horizontality

30+ Account Teams – Over 35,000 WPP employees work on these clients



# Horizontality

Current Country Managers – People, Clients, Acquisitions



# Horizontality



- Ensure our people work across our businesses and geographies to deliver best resources to clients.
- Deliver specialist skills (eg digital, shopper, analytics, sustainability, retailing, internal communications and “media and entertainment”) to clients irrespective of lead agency.
- Focus on client needs and business issues.
- Recent Team wins - News Corp., Bank of America, MillerCoors and IHG.

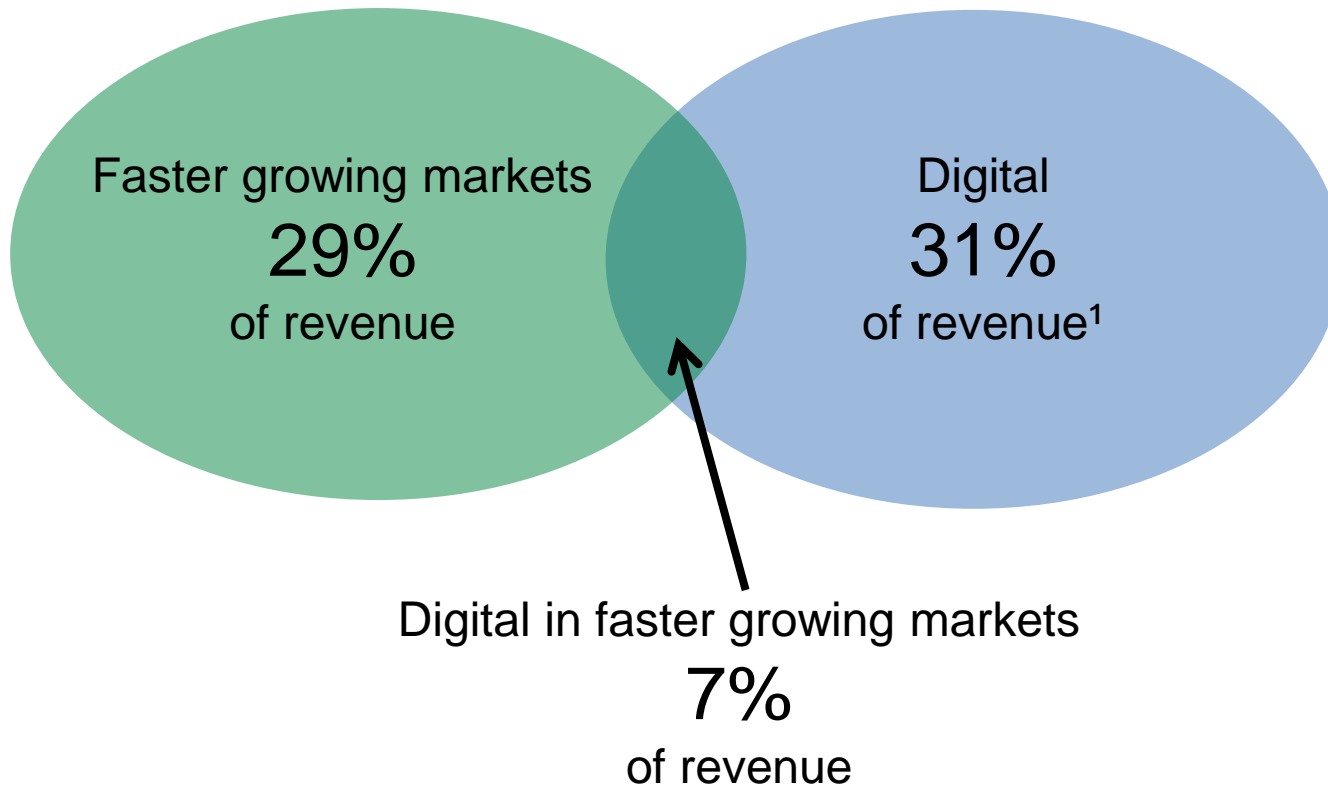


# Digital and Faster Growing Markets

Two Key Long-Term Growth Drivers



- Overall 53% of 2012 H1 Actual Revenues



<sup>1</sup> 32% including AKQA with minimal impact on overlap implying 54% combined



# 3 Key Objectives



# Key Objectives

We Continue to Focus on Our Key Objectives



- Improving operating margins.
- Increasing flexibility in the cost base.
- Using free cash flow to enhance share owner value and improve return on capital employed.
- Developing the role of the parent company.
- Emphasising revenue growth more as margins improve.
- Improving the creative capabilities and reputation of all our businesses.

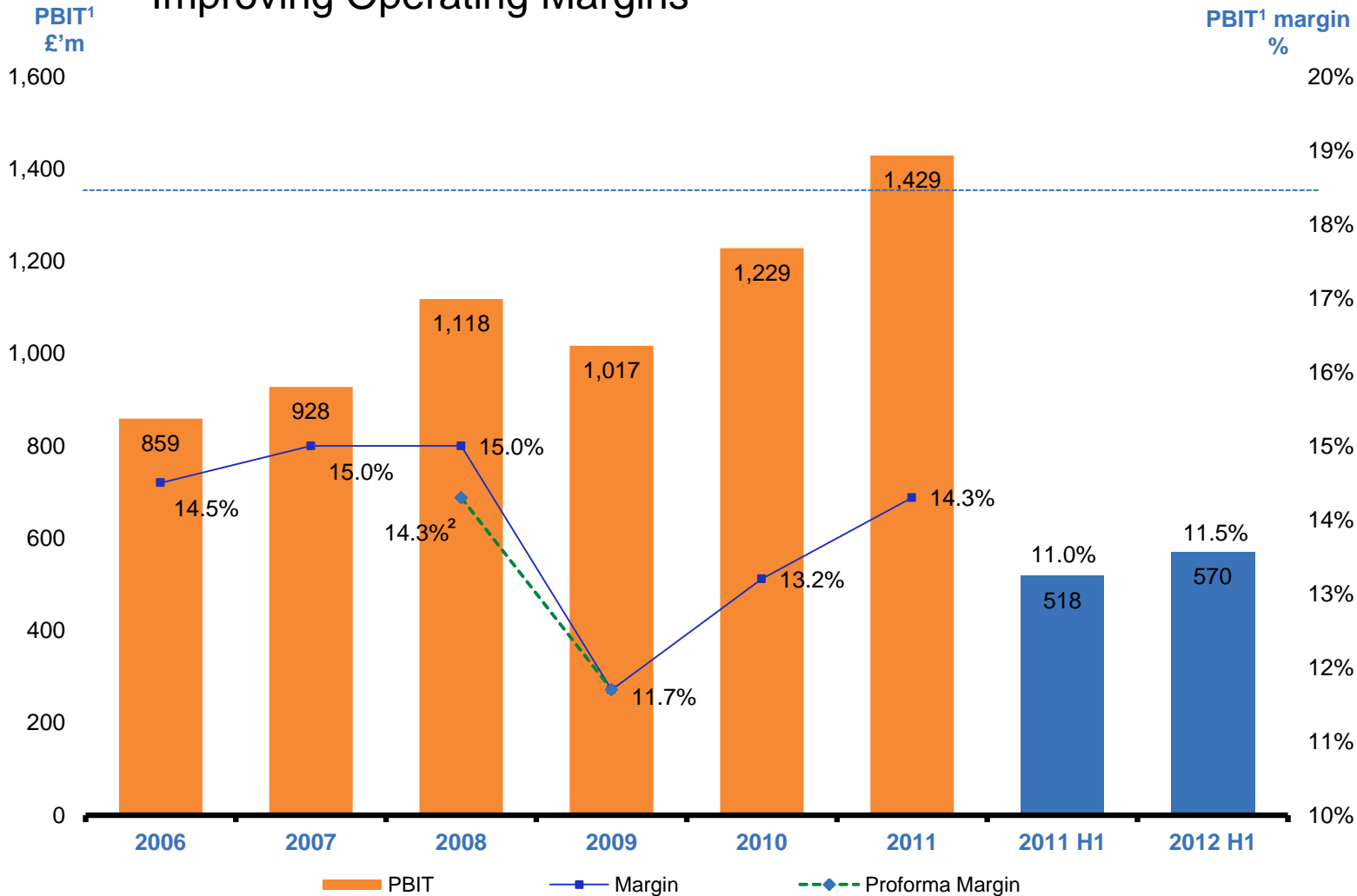






# Key Objectives

## Improving Operating Margins



Full Year Objectives:	
Long-term	18.3%
2013	15.3%
2012	14.8%



<sup>1</sup> Headline PBIT excludes goodwill and intangibles charges, investment gains/losses, share of exceptional gains/losses of associates and revaluation of financial instruments

<sup>2</sup> 2008 proforma margin of 14.3% includes full year of TNS

# Key Objectives

## Improving Operating Margins



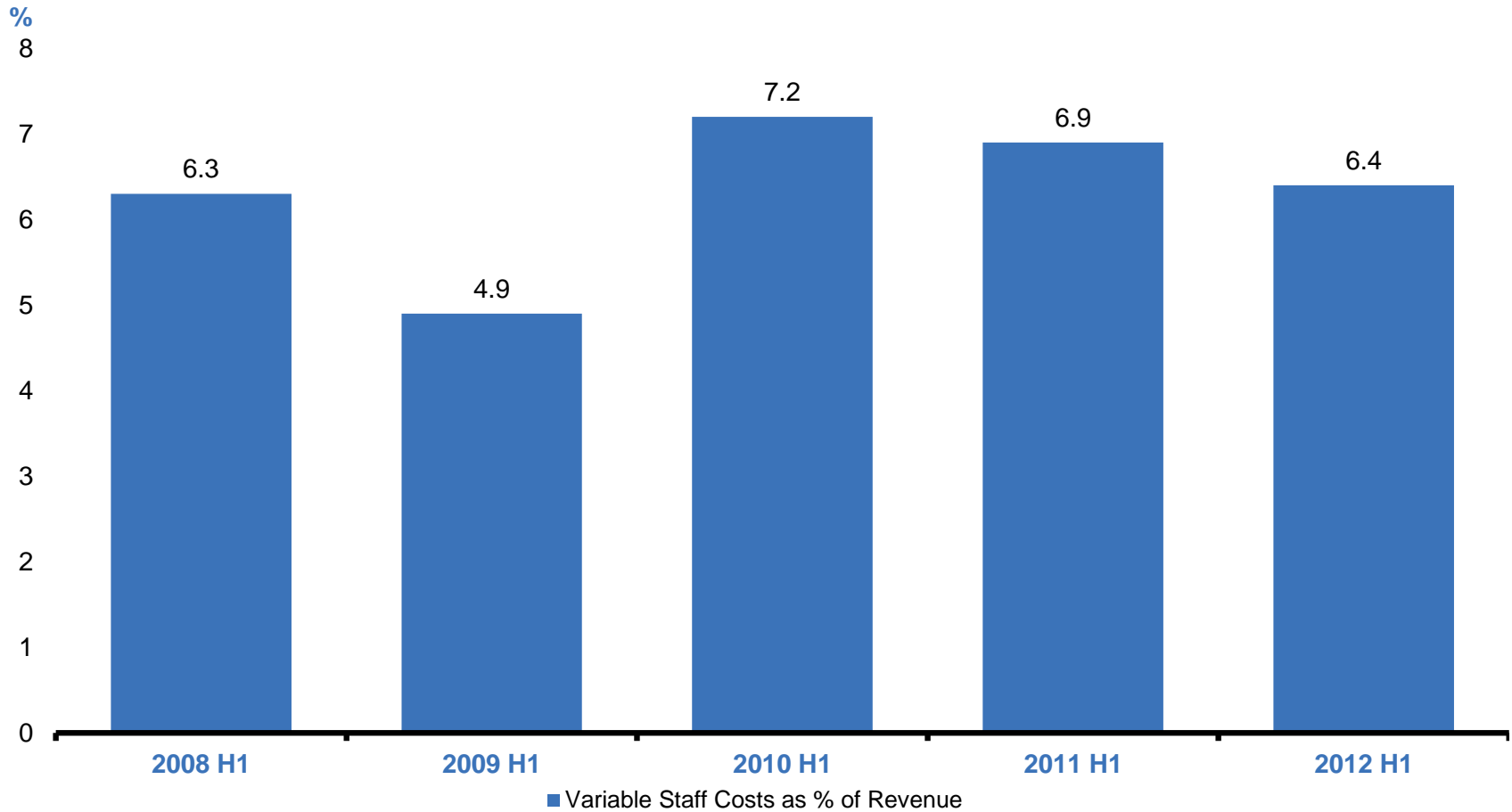
### Operational Effectiveness Programmes

- Shared Service Centres to generate scale and improve process efficiency.
- Offshoring of certain tasks from high cost markets with outsourcing where appropriate to take advantage of scale and skills of major providers.
- Consolidation of IT infrastructure and provision of services and centralisation of systems development and applications to create efficiencies and focus investment.
- These programmes are projected to deliver in excess of 1.0 margin point from existing Finance and IT cost base of ca 8% of revenue.
- We are at an early stage of implementation - these programmes take 3-5 years to deliver full benefit.



# Key Objectives

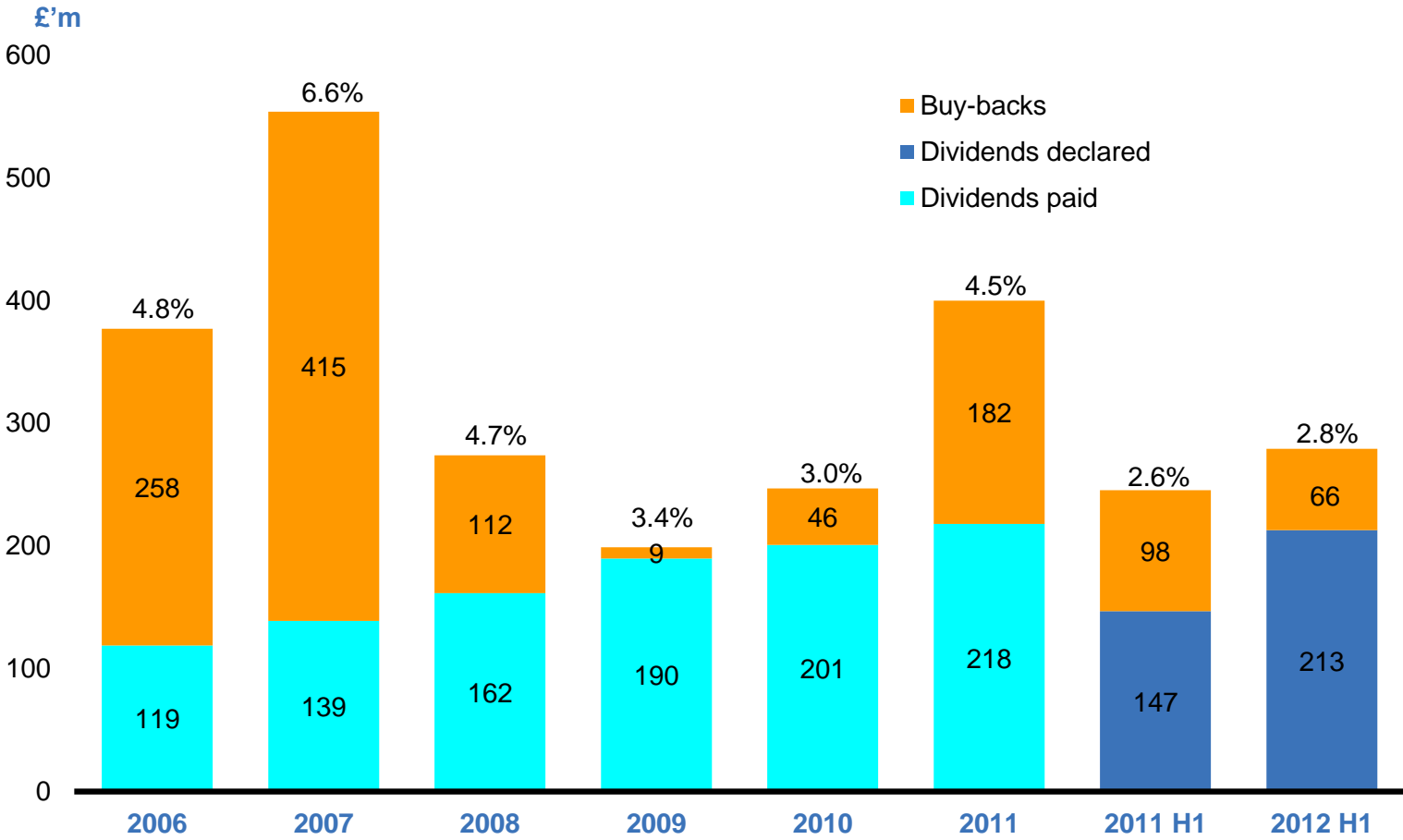
Increasing Flexibility in The Cost Base  
Change in Variable Costs





# Key Objectives

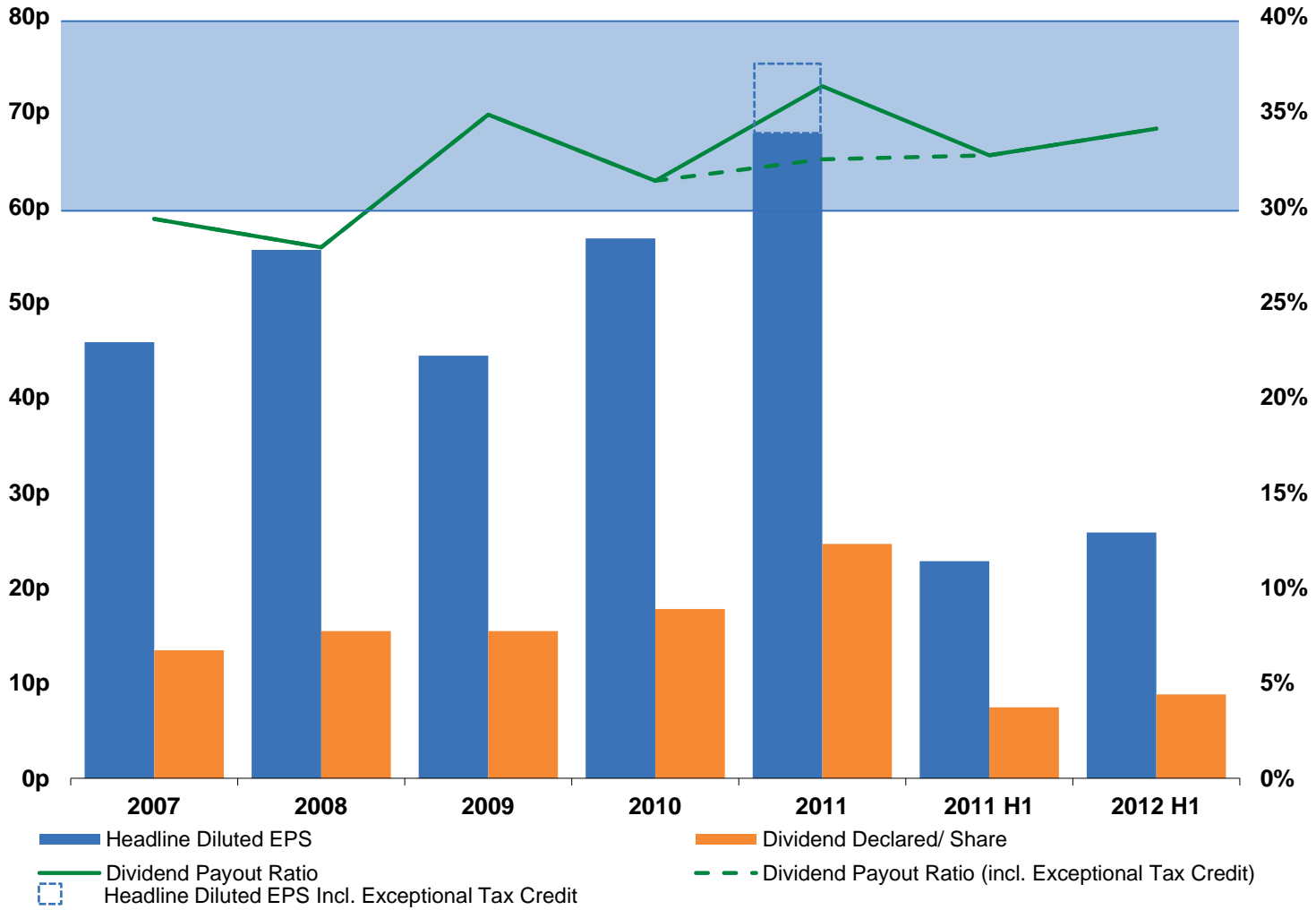
Using Free Cash Flow to Enhance Share Owner Value  
Distributions to Share Owners<sup>1</sup>



<sup>1</sup> Sum of share buy-backs and dividends paid divided by average shares in issue for the relevant period, as a % of the average share price for the relevant period

# Key Objectives

Using Free Cash Flow for Dividend Pay-out Ratio



# Key Objectives

## Using Free Cash Flow for Acquisitions



- Significant pipeline of reasonably priced small and medium-sized potential acquisitions.
- Continue to focus on the faster growing geographical areas and marketing services, particularly direct, digital & interactive and consumer insight.
- So far this year, 40 small and medium-sized acquisitions completed in executing this strategy.
- Acquisitions in advertising used to address specific client or local agency needs.
- We continue to find opportunities at earnings enhancing multiples, particularly outside the USA, except Brazil and India, where pricing is off the charts.



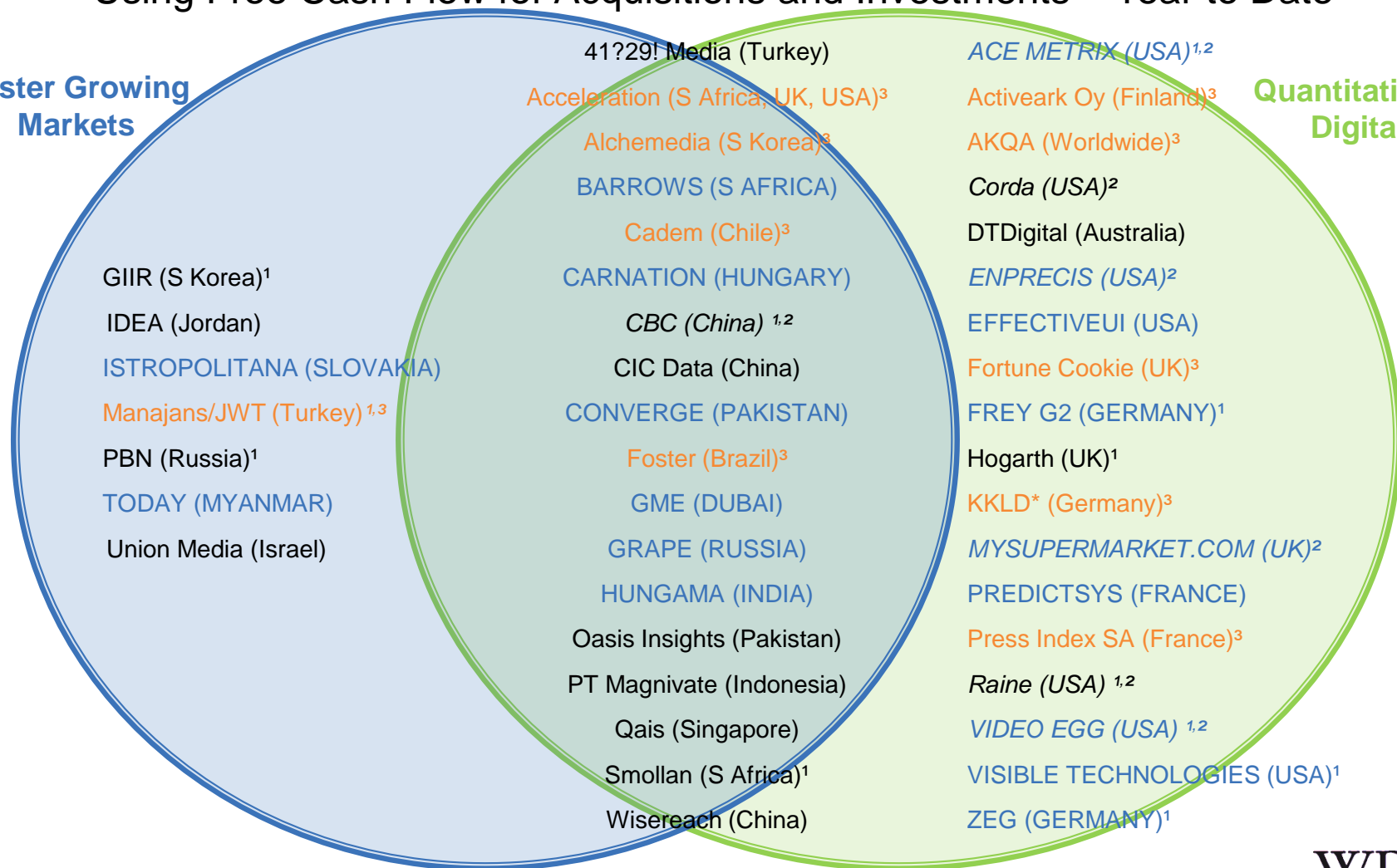


# Key Objectives

Using Free Cash Flow for Acquisitions and Investments – Year to Date

**Faster Growing Markets**

**Quantitative & Digital**



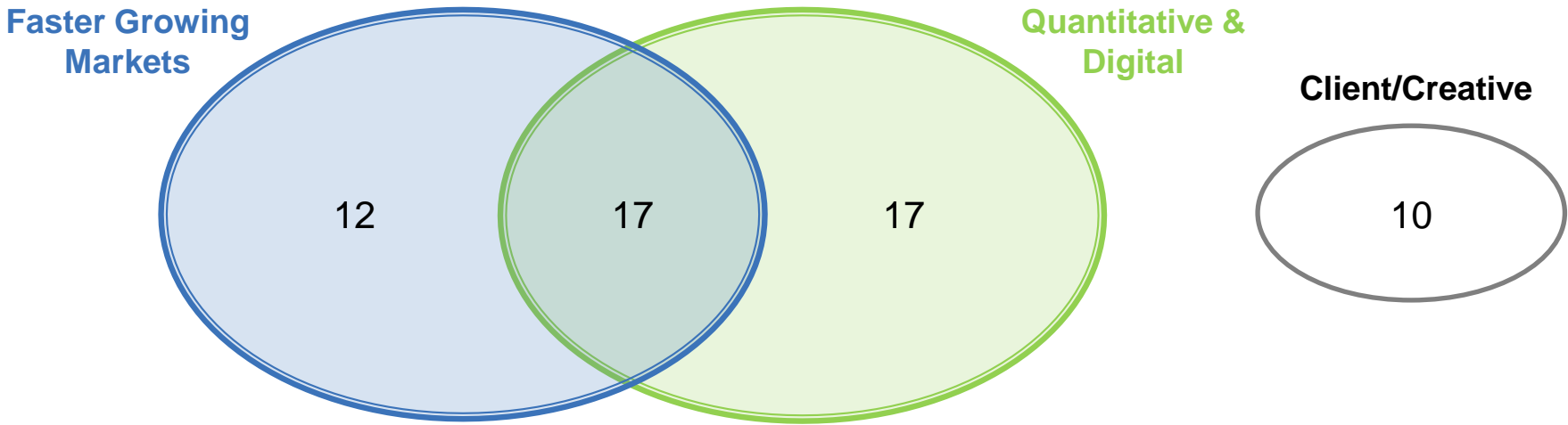
<sup>1</sup> Step-ups in investments, associates and subsidiaries' equity <sup>2</sup> Investment <sup>3</sup> Acquisition since 1 July CAPITALS ARE Q2 ACQUISITIONS



# Key Objectives

Using Free Cash Flow for Acquisitions

Majority stake acquired in 56 companies<sup>1</sup> post-Lehman, 2009 - 2011



Total revenue in 2012F:	\$954m <sup>2</sup>
Total consideration paid:	\$873m



<sup>1</sup> Includes majority acquisitions and step-ups to majority. Excludes associates and minority investments.  
<sup>2</sup> Proportionate revenue \$770m



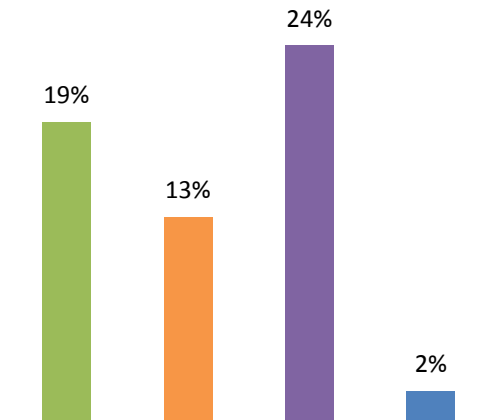
# Key Objectives

Using Free Cash Flow for Acquisitions

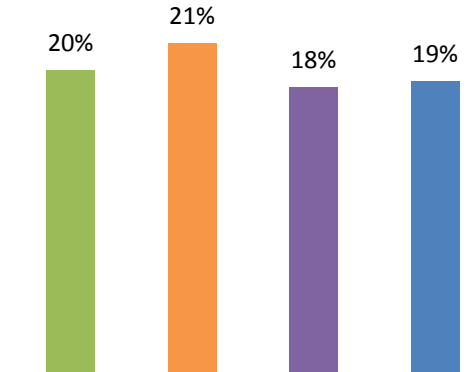


## Strong Financial Performance and Return

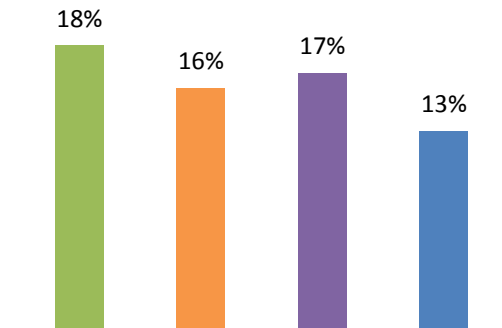
**Organic revenue growth (2012F)**



**Operating margin contribution (2012F)**



**Return on Capital Employed**



- Faster Growing Markets
- Quantitative & Digital
- Quantitative & digital in faster growing markets
- Client/Creative





# Key Objectives

Using Free Cash Flow for Other Acquisitions – Year to Date

## Advertising

Colmar Brunton (New Zealand)<sup>1</sup>

SIBONEY (USA)

Ubachs Wisbrun (Netherlands)<sup>1</sup>

## Public Relations & Public Affairs

ABC (Denmark) <sup>1,2</sup>

Ascentum (Canada)<sup>2</sup>

CROWDVERB (USA)

FIRST MOVIES (UK)

i&e (France)<sup>2</sup>

OGILVY IMPACT (AUSTRALIA)<sup>1</sup>

Pohjoisranta (Finland)



<sup>1</sup> Step-ups in investments, associates and subsidiaries' equity    <sup>2</sup> Acquisition since 1 July  
CAPITALS ARE Q2 ACQUISITIONS

# Key Objectives

Improving the Creative Capabilities and Reputation of all Our Businesses



- By placing greater emphasis on recruitment.
- By recognising creative success tangibly and intangibly.
- By acquiring highly regarded creative businesses.
- By placing greater emphasis on awards.
- 1<sup>st</sup> as a Group at Cannes. Awarded Holding Company of the Year 2012 and 2011.

Cannes Awards 2012	Points
WPP	1,555
OMC	1,376
Publicis	1,032



# Key Objectives

Improving the Creative Reputation of all our Businesses



	Network	Points <sup>1</sup>
1	<b>Ogilvy &amp; Mather</b>	<b>564</b>
2	BBDO	539
3	DDB	516
4	<b>Y&amp;R</b>	<b>408</b>
5	Leo Burnett	340
6	<b>JWT</b>	<b>297</b>
7	Publicis	277
8	Saatchi & Saatchi	249
9	TBWA	226
10	Wieden & Kennedy	220
11	DraftFCB	173
12	<b>Grey</b>	<b>163</b>

<sup>1</sup> WPP calculation based on official Cannes data





# 4 Conclusions



# Conclusions

## 2012 H1 Summary



- Good like-for-like revenue growth of 3.6% with softer Q2.
- Double digit growth in faster growing markets and strong performance in Advertising and Media Investment Management, especially Media Investment Management.
- Group margin up 0.5 margin points on a reported basis and 0.7 margin points on a like-for-like basis.
- Strong cash flow re-invested in acquisitions which contributed over 3% to revenue growth.
- Fully diluted eps up 13% and dividend per share up 18% to 8.80p.



# Conclusions

## Outlook



- The Q2 revised forecast indicates organic growth of ca 3.5% with stronger growth in the faster growing markets and slower growth in the mature markets of North America and Western Continental Europe.
- Consumer Insight revenue and gross margin growth projected to improve modestly.
- Forecast supports our 2012 target of a 0.5 reported margin point improvement, in line with long-term strategy.
- Substantial cash flow will enhance share owner return through dividend increases, small and medium-sized acquisitions and share buy-backs.
- Following acquisition of AKQA, revised guidance for 2012 acquisition expenditure is £550m - £600m.
- We continue to target average net debt/EBITDA ratio of 1.5x to 2.0x.



# Conclusions



- First half and particularly the Q2 results, show the Group is benefiting from geographic and functional trends as mature markets slow.
- The investment behind the four core strategic priorities will enable the Group to optimise client campaigns and build unique advantage and differentiation.
- Despite global financial and political concerns, the Group's strategy, supported by flexible costs and control of staff costs, enables delivery of our financial goal of 10% to 15% EPS growth through:
  - organic revenue of up to 5%
  - margin improvement of 0.5 margin points or more
  - use of cash flow for acquisition, share repurchases and debt reduction







# 5 Other Financial Information

*(Hard Copy only)*



# 2012 Interim Results

## Net Finance Costs



£m	2012	2011	B/(W)
<b>Interest on net debt</b>	<b>93</b>	<b>91</b>	<b>(2)</b>
IAS 19 (Pensions)	6	6	-
IAS 32 (Convertibles)	4	4	-
Sub-total	10	10	-
<b>Headline finance costs</b>	<b>103</b>	<b>101</b>	<b>(2)</b>
IAS 39 (Financial Instruments)	22	21	(1)
<b>Net finance costs</b>	<b>125</b>	<b>122</b>	<b>(3)</b>

# 2012 Interim Results

## Debt Maturity Profile £m



As at 30 June 2012	Total Credit	Total Drawn	2012	2013	2014	2015	2016	2017	2018+
US bond \$812m (4.75% '21)	518	518							518
£ bonds £200m (6.375% '20)	200	200							200
£ bonds £400m (6% '17)	400	400						400	
Bank revolver <sup>1</sup> (\$1,050m and £375m)	1,045	86					86		
Eurobonds €750m (6.625% '16)	605	605					605		
Eurobonds €500m (5.25% '15)	403	403				403			
£ convertible £450m (5.75% '14)	450	450			450				
US bond \$600m (8% '14)	383	383			383				
US bond \$369m (5.875% '14)	235	235			235				
Eurobonds €600m (4.375% '13)	484	484		484					
TNS notes retained <sup>1</sup> \$55m	35	35	19		16				
<b>Debt facilities</b>	<b>4,758</b>	<b>3,799</b>	<b>19</b>	<b>484</b>	<b>1,084</b>	<b>403</b>	<b>691</b>	<b>400</b>	<b>718</b>
Net cash, overdrafts and other adjustments		(938)							
<b>Net debt</b>		<b>2,861</b>							

<sup>1</sup> These instruments are subject to financial covenants

# 2012 Interim Results

## Ordinary Shares - Basic



	June 2012 Actual	June 2011 Actual	
<b>No. of Shares (million)</b>			
<b>1 January</b>	<b>1,266</b>	<b>1,264</b>	
Share buybacks	(6)	(2)	
Option exercise	7	4	
<b>30 June</b>	<b>1,267</b>	<b>1,266</b>	<b>-0.1%</b>
Weighted Average	1,268	1,266	
ESOP, Treasury & Other	(25)	(22)	
<b>Average Basic</b>	<b>1,243</b>	<b>1,244</b>	<b>0.1%</b>



# 2012 Interim Results

## Ordinary Shares – Diluted



	June 2012 Actual	June 2011 Actual	
<b>No. of Shares (million)</b>			
<b>Average Basic</b>	<b>1,243</b>	<b>1,244</b>	
Share Option Dilution	5	6	
Other Potentially Issuable Shares	22	17	
<b>Sub-Total</b>	<b>1,270</b>	<b>1,267</b>	<b>-0.2%</b>
Convertibles: £450m 5.75% bond	77	77	
<b>Fully Diluted Shares</b>	<b>1,347</b>	<b>1,344</b>	<b>-0.2%</b>
Fully Diluted Shares: Full Year Estimate/ Actual	c1.34bn	1,342	



# Key Priorities, Objectives and Strategy



WPP Clear No. 1 in Brazil<sup>1</sup>

- RECMA does not cover Brazil, IBOPE measures media spend with the “IBOPE Rate Card Monitor”.

Agency	R\$'bn	Rank
Y&R	6.2	1
Ogilvy/141 SoHo	3.5	2
JWT	3.0	3
Almap/BBDO	2.8	4
W/McCann	2.3	5
Euro RSCG	2.2	6
BorghiEhr/Lowe	1.9	7
Africa	1.8	8
Neogama/BBH <sup>2</sup>	1.8	9
Publicis	1.8	10
<b>Total Top 10 Agencies</b>	<b>27.3</b>	

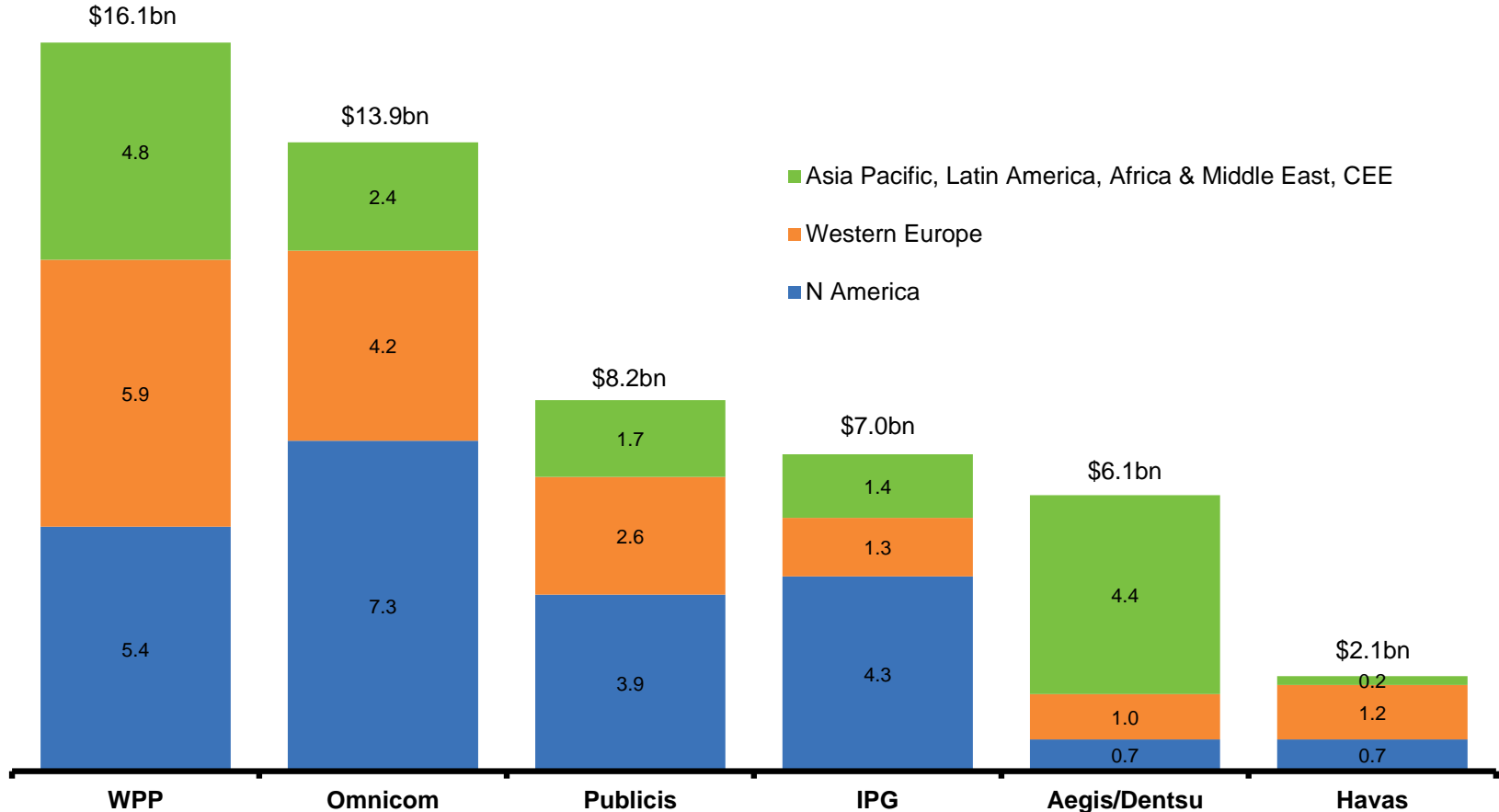


<sup>1</sup> Source of data “IBOPE Monitor” survey of 2011 media spend issued February 2012

<sup>2</sup> Minority holding through BBH

# Key Priorities, Objectives and Strategy

## 2011 Revenue by Geography



<sup>1</sup> Source: WPP – reportable US \$'s per WPP preliminary results. Omnicom, IPG, Publicis and Havas - company presentations for 2010 with CEE estimated at 3%.

<sup>2</sup> FX. Havas and Publicis assumes \$1=€0.75 based on the average for 2011

<sup>3</sup> OMC. Assumes “non Euro currency” Europe, ie Switzerland, Turkey, Norway, Denmark, Sweden are ca 3% of revenue and Canada is 1.5% of revenue

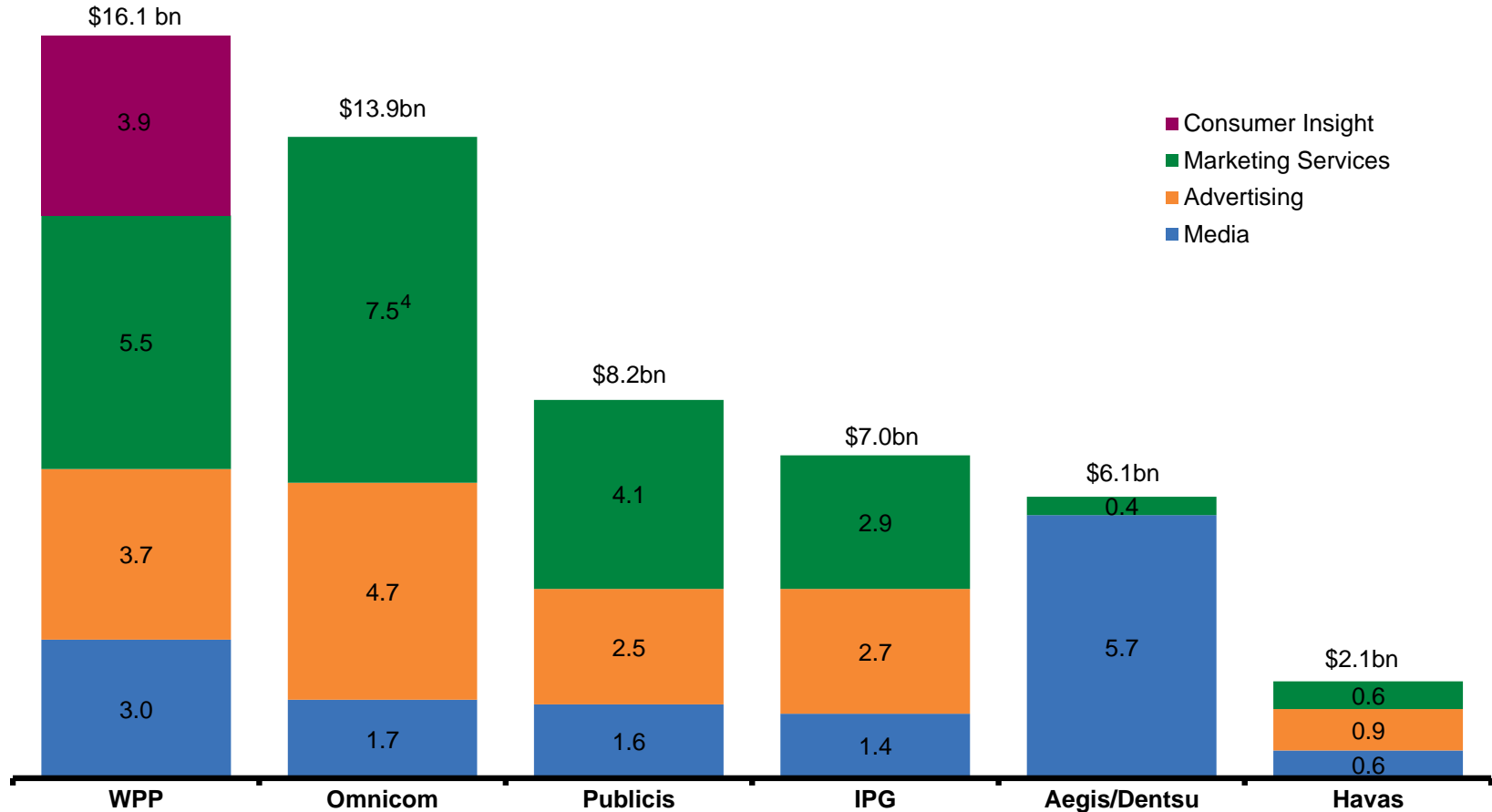
<sup>4</sup> IPG. Assumes Canada is ca 1.5% of revenue <sup>5</sup> Rest of World. Asia Pacific, Latin America, Middle East and Africa

<sup>6</sup> Aegis/Dentsu based on disclosed proforma group revenue splits



# Key Priorities, Objectives and Strategy

## 2011 Revenue by Discipline

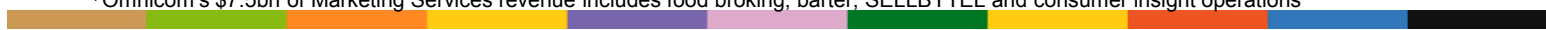


Source: <sup>1</sup> WPP reportable US \$'s per WPP preliminary results

<sup>2</sup> 2011 company disclosures except: Aegis '11 consensus estimate revenue at '10 splits excluding marketing services due to business sale, Havas, and IPG media splits analyst estimates

<sup>3</sup> FX. Havas and Publicis assumes \$1=€0.75 based on the average for 2011

<sup>4</sup> Omnicom's \$7.5bn of Marketing Services revenue includes food broking, barter, SELLBYTEL and consumer insight operations



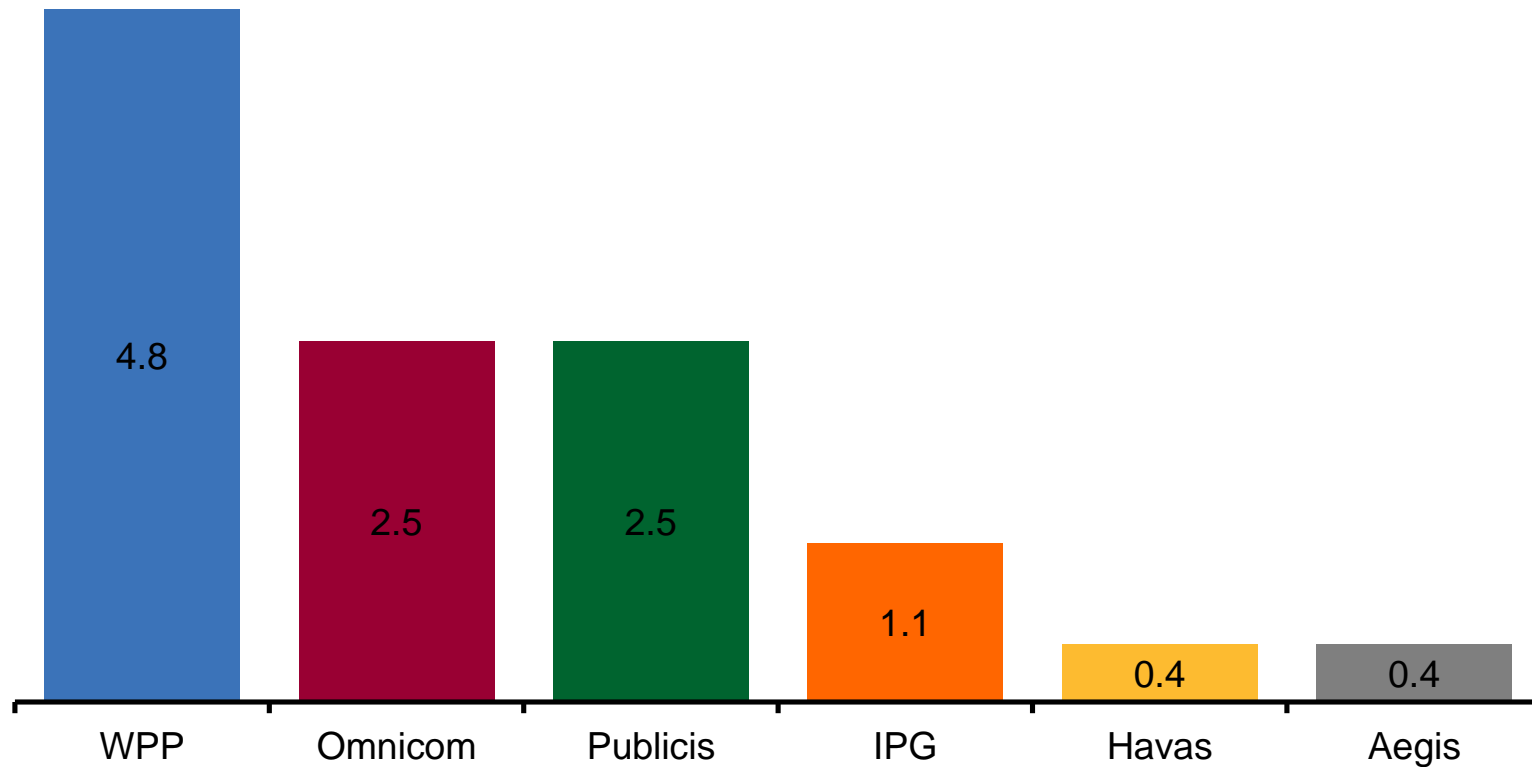


# Digital In All Our Businesses

Global Scale and Quality



Digital Revenues  
(\$billion – 2011 Full Year)



WPP

<sup>1</sup> Peer digital revenue \$bn according to Ad Age %'s applied to FY US\$ revenue.

# Key Priorities, Objectives & Strategy

## WPP Position in Direct, Digital and Interactive



First Half 2012	c\$m
<b>Direct, Digital and Interactive Networks (OgilvyOne, Wunderman, G2, VML and WPP Digital)</b>	<b>1,337</b>
% of Group revenues	16.9%
Specialist Direct, Digital and Interactive resources:	
- Consumer Insight (Millward Brown, TNS and Worldpanel)	502
- GroupM	299
- Other	318
<b>Total First Half 2012</b>	<b>2,456</b>
% of Group revenues	31.0%
Total First Half 2011 Proforma	2,269
% of Group revenues	29.6%



# WPP



## 2012 Interim Results London

