

WPP 2024 First Quarter Trading Update

Teleconference Transcript

Thursday, 25 April 2024

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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



Mark Read

Chief Executive Officer, WPP

Good morning, everybody, and welcome to WPP's 2024 First Quarter Trading Update. I'm Mark Read. I'm joined here by Joanne Wilson, our CFO; Tom Waldron, Head of our Investor Relations team and their team.

So, let's turn to the presentation, before we get started, please do take the notice of our cautionary statements on page 2.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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loss of a material client or key personnel; delays or reductions in client advertising budgets; shifts in industry rates of compensation; regulatory compliance costs or litigation; changes in competitive factors in the industries in which we operate and demand for our products and services; changes in client advertising, marketing and corporate communications requirements; our inability to realise the future anticipated benefits of acquisitions; failure to realise our assumptions regarding goodwill and indefinite lived intangible assets; natural disasters or acts of terrorism; the Company's ability to attract new clients; the economic and geopolitical impact of the conflicts in Ukraine and Gaza; the risk of global economic downturn; slower growth, increasing interest rates and high and sustained inflation; supply chain issues affecting the distribution of our clients' products; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; effectively managing the risks, challenges and efficiencies presented by using Artificial Intelligence (AI) and Generative AI technologies and partnerships in our business; risks related to our environmental, social and governance goals and initiatives, including impacts from regulators and other stakeholders, and the impact of factors outside of our control on such goals and initiatives; the Company's exposure to changes in the values of other major currencies (because a substantial portion of its revenues are derived and costs incurred outside of the UK); and the overall level of economic activity in the Company's major markets (which varies depending on, among other

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On Page 3, the agenda. I'm going to introduce the results briefly before Joanne takes you through the detail, and then I'll come back at the end to review quickly our strategic progress against the objectives we set at the Capital Markets Day at the end of January.

AGENDA

- Q1 highlights
- Financial performance
- Strategic progress
- Q&A

WPP 3

SUMMARY

- Strategy outlined at the **CMD** landed well with clients and across the business
- Q1** performance as expected
- Momentum** will improve through the balance of the year
- Reiterating** 2024 guidance

Confident the actions we are taking will accelerate WPP's growth and deliver stronger returns and FCF over the medium term

WPP 4

So summary on Page 4. I think we've been very focused in the first quarter on implementing the strategic moves that we outlined at the CMD in January. We'll come on to the specifics, but my impression, our impression is that it has been very well received by our people, and particularly by our clients who can see the benefits of a simpler more agile organisation that we're moving to and the power that we can deliver by integrating technology and AI across it.

Our first quarter performance, while not as strong as we would like, was very much in line with our expectations against the toughest comparator last year, really driven by continued pressure from technology clients and the impact of certain client losses in 2023, and indeed going back to 2022.

That said, and we do see momentum improving over the rest of the year. We expect technology clients to turn from a negative in Q1 to a positive over the course of the year, and the impacts of budget cuts will tail off while we have a strong new business pipeline.

In addition, the new structure is making us more agile and more competitive, and the impact of AI is being seen in our conversations and discussions and meetings with clients.

So that all lead us to really reiterating our guidance for the full year at this point.

Q1 HIGHLIGHTS

- **Q1 2024 like-for-like revenue less pass-through costs:** -1.6% (Q1 '23 +2.9%), in line with expectations
- **New client wins:** AstraZeneca, Canon, Molson Coors, Daiichi Sankyo, Nestlé, Perfetti, Perrigo, Rightmove and Telefónica
- **Awards:** topped WARC's creative and media rankings, and The Drum's creative rankings
- **Strategic progress:**
 - Structural actions at VML, GroupM and Burson on track to deliver cost savings and benefits to clients
 - WPP Open users now >50,000 with new AI tools in WPP Open including latest foundation models from Bria, Google and OpenAI and launch of Performance Brain™ to predict content performance ahead of campaigns going live
- **2024 guidance reiterated:** LFL revenue less pass-through costs growth 0-1%; headline operating profit margin improvement c.20-40bps on a constant currency basis

Turning to the highlights on Page 5.

As I said, we did see pressure on the top line, very much in line with our expectations, and Joanne will get us into the trends within that. We had a good series of client wins, particularly in media with Nestlé, but also in healthcare, where we have the ability now to serve clients in sectors where we may not have been able to before.

From an awards perspective, strength of both our creative and media agencies was recognised in WARC and The Drum creative rankings, and we're very proud that Ogilvy was Ad Age's global network of the year. Don't think it's an accolade that they've received certainly in the last decade, maybe longer. So, a fantastic job there by Devika, Liz, and the team really in making Ogilvy recognised as the strongest creative network in the world.

Strategically, a lot of our focus has been on implementing the actions we announced at the CMD. The structural changes at VML, GroupM, and Burson are going well. All three agencies on track to deliver the savings. We've had a very positive response from clients and people, with really very limited fallback.

And in AI, we continue to invest very heavily. We're seeing continued growth in users of WPP Open and now up to 50,000 people across the Group. We're integrating the latest models, Bria, the visual AI tool, the latest Google Gemini tools, and our most recent OpenAI releases as well.

We demonstrated the first release of our Performance Brain at Google Next in Las Vegas earlier this month. This really allows you to make predictive judgments or predictive judgments on content, and it's good to see that feature of the keynote at their event.

I make the observation that our new simple organisation is both enabling us to move faster and in a more coordinated fashion, and enabling the deployment of these AI tools across our organisation.

So, net-net, of course, very much as we expected. We don't see changes in the outlook, so we're reiterating our guidance for the year on both top and bottom line.

So over to Joanne. Thank you.



Joanne Wilson

Chief Financial Officer, WPP

Thank you, Mark, and good morning, everyone.

So let me take you through some more detail on our financial results for the first quarter, and I'll start on Slide 7.

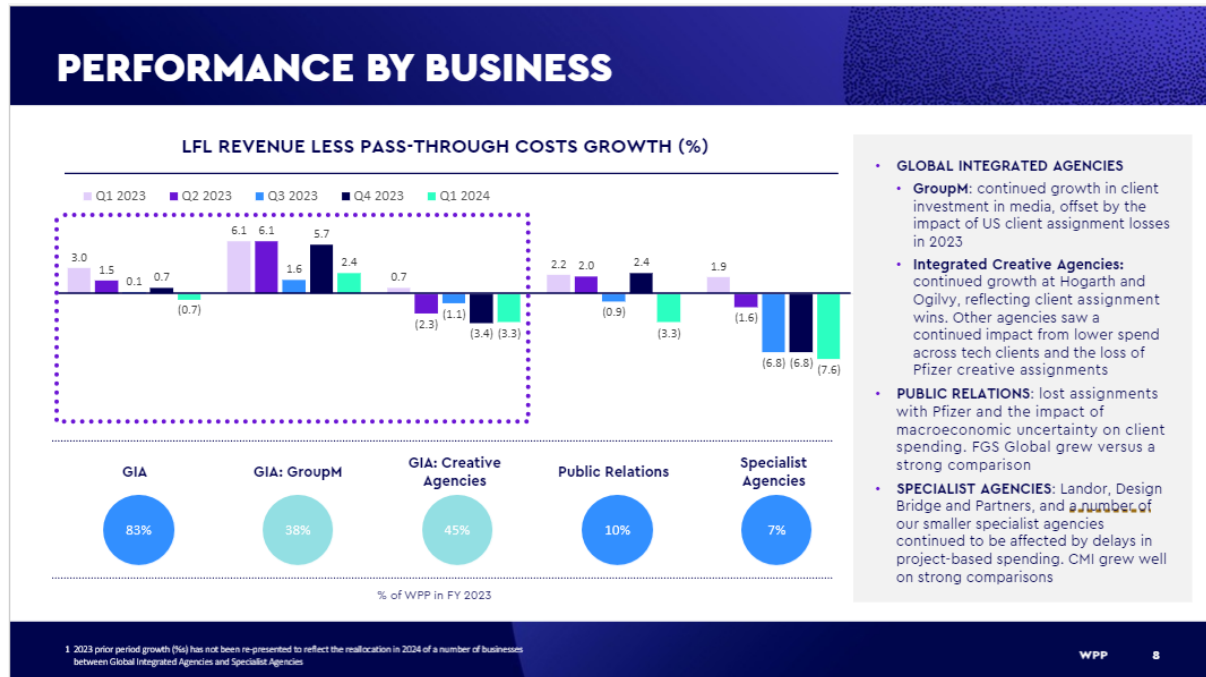


Our revenue less pass-through costs fell 5% on a reported basis, and this includes a 3.9 percentage point headwind from FX due to sterling strengthening relative to last year, and a 0.5 percentage point contribution from acquisitions.

On a like-for-like basis, revenue less pass-through costs declined 1.6%.

Our performance in the first quarter reflects continued lower year-on-year spending by technology clients, which we will start to lap in Q2, and the impact of client losses, including Pfizer.

At our full-year results two months ago, I noted that Q1 was the toughest comparison of the year at 2.9%. The first quarter played out very much as we expected, and we anticipate a return to growth across the balance of the year.



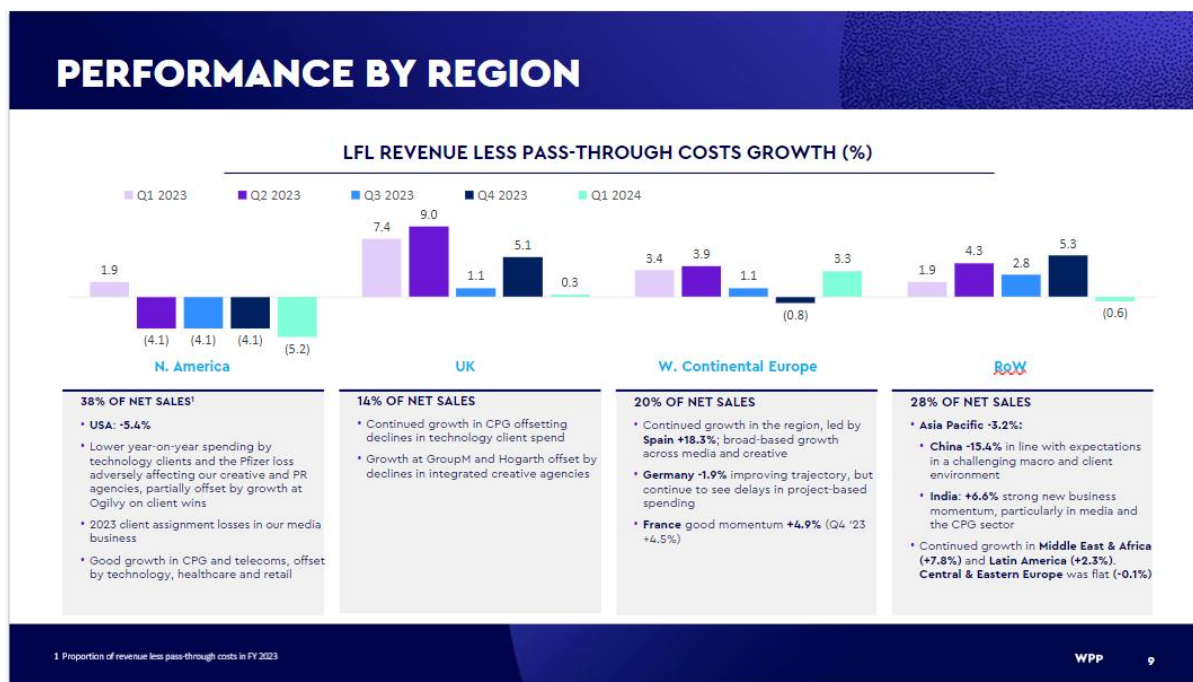
- **GLOBAL INTEGRATED AGENCIES**
- **GroupM:** continued growth in client investment in media, offset by the impact of US client assignment losses in 2023
- **Integrated Creative Agencies:** continued growth at Hogarth and Ogilvy, reflecting client assignment wins. Other agencies saw a continued impact from lower spend across tech clients and the loss of Pfizer creative assignments
- **PUBLIC RELATIONS:** lost assignments with Pfizer and the impact of macroeconomic uncertainty on client spending. FGS Global grew versus a strong comparison
- **SPECIALIST AGENCIES:** Landor, Design Bridge and Partners, and a number of our smaller specialist agencies continued to be affected by delays in project-based spending. CMI grew well on strong comparisons

And moving on to Slide 8. Global integrated agencies declined 0.7% year-on-year in the quarter. Within this, GroupM, our media planning and buying business grew 2.4%, supported by continued growth in client investment in media, partially offset by the impact of US client assignment losses from prior years and lower spending by technology clients.

Our global integrated creative agencies saw a like-for-like decline of 3.3%, also impacted by lower spend from technology clients and by a full quarter impact of the roll-off of Pfizer. These pressures were partially offset by Ogilvy, which continues to grow, benefiting from a strong run of recent client assignment wins, and Hogarth, which continues to capitalise on the opportunities across production.

Moving to public relations, which is around 10% of WPP, revenue less pass-through costs declined 3.3% in the quarter. Within this, FGS Global, our leading strategic advisory and communications consultancy grew against a tough comparison. This was however more than offset by a decline in BCW and Hill & Knowlton, which saw some impact from the loss of Pfizer and cautious spending patterns in clients.

And finally, our specialist agencies, which account for around 7% of WPP, declined 7.6% with our smaller agencies seeing a continued impact from delays in project-based spending. CMI, our specialist healthcare media planning and buying agency, continued to deliver good growth.



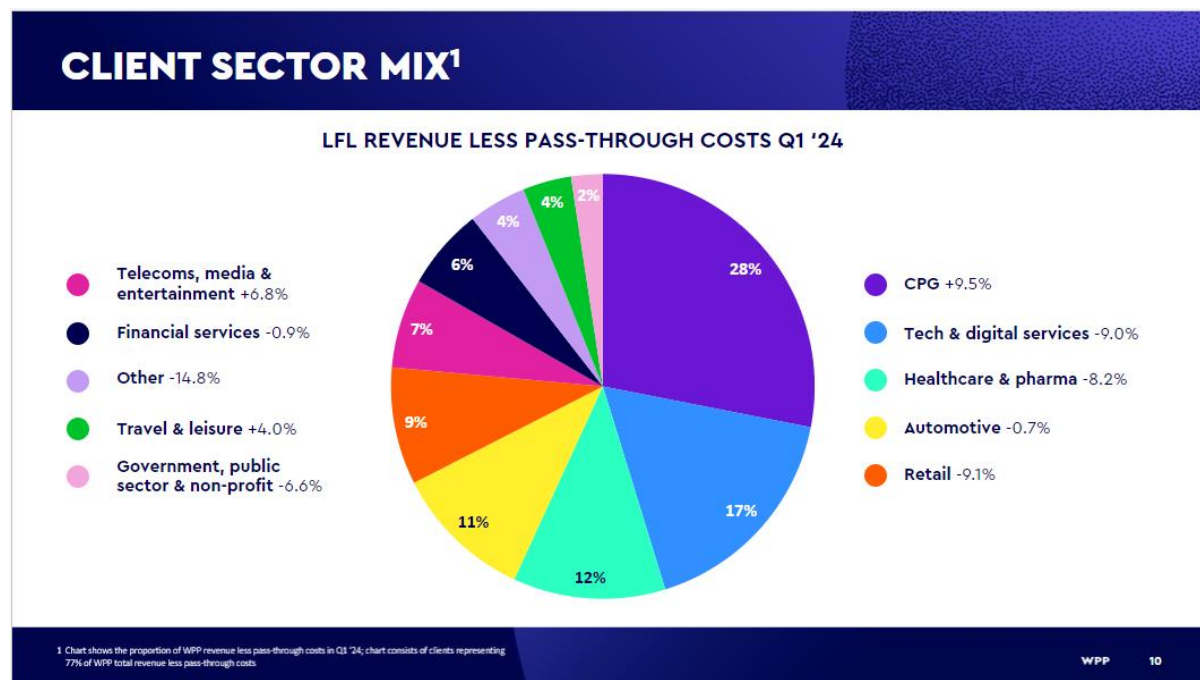
I'll turn on to Slide 9, on our performance by region. North America declined 5.2%, reflecting its relatively larger exposure to technology clients, the loss of Pfizer at our creative agencies and client assignment losses at GroupM. We continue to expect our strategic actions, to deliver an improved performance in the region across the balance of 2024.

The UK grew 0.3% compared to 7.4% a year ago, with growth in CPG offsetting declines in technology client spend.

Western Continental Europe grew 3.3%, with strength in France and Spain on client assignment wins, partially offset by declines in Germany.

The rest of the world declined 0.6%, primarily due to the decline in Asia Pacific of 3.2%, with growth in India of 6.6%, reflecting last year's strong new business momentum, offset by a 15.4% decline in China, which continues to be impacted by a challenging macroeconomic and client environment.

We have a new management team in place in China, and we've taken a cautious approach to budgeting for the rest of the year, which is embedded in our overall 0-1% guidance for the full year.



Slide 10 shows Q1 performance across our client sectors, with continued strength in CPG, as we see clients in this sector continuing to invest strongly behind their brands, and Telecom, Media and Entertainment benefiting from client wins in 2023.

That growth was offset by continued lower spend from technology clients and the impact of previously disclosed assignment losses in healthcare and retail sectors.

MOVEMENT IN NET DEBT

| £m | MAR '23 | DEC '23 | MAR '24 |
|----------------------------------------------------------------------------------------------------------|---------|---------|---------|
| Adjusted net debt ^{1,2} | (3,928) | (2,504) | (4,000) |
| Average adjusted net debt/headline EBITDA (including depreciation of right-of-use assets) ^{1,3} | N/A | 1.83x | N/A |

- Usual seasonal working capital outflow since year-end
- Successful refinancing of two upcoming bond maturities, issuing a €600m 3.625% bond due 2029 and a €650m 4.0% bond due 2033
- 2024 working capital guidance unchanged: expected to be broadly flat year-on-year

1 Net debt, headline EBITDA, exclude impact of IFRS 16
2 Period end reportable basis
3 Average adjusted net debt excludes lease liabilities and is the average of net debt for each of the last 12-month period ends

WPP 11

And moving now to Slide 11, which shows the movement in Net Debt to the end of March, with adjusted net debt broadly flat year in year and the movement from December reflecting our typical cash cycle.

We have reiterated our guidance for flat working capital in 2024 today, and we continue to expect Net Debt at the end of 2024 to be broadly flat versus 2023.

In March we successfully refinanced our 2024 and 2025 maturities by the issue of two bonds, a EUR600 million five-year bond with a coupon of 3.625% and a EUR650 million nine-year bond with a coupon of 4%. Both issues were more than 3 times oversubscribed and priced at levels below our initial pricing expectations.

2024 GUIDANCE UNCHANGED

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

Other FY 2024 financial indications:

- Mergers and acquisitions will add 0.5-1.0% to revenue less pass-through costs growth
- FX impact: current rates (at 19 April 2024) imply a c.1.1% drag on FY 2024 revenue less pass-through costs, with no meaningful impact on FY 2024 headline operating margin
- Headline income from associates and non-controlling interests at similar levels to 2023¹
- Net finance cost of around £295m
- Effective tax rate of around 28%²
- Capex of around £260m
- Cash restructuring costs of around £285m
- Working capital expected to be broadly flat year-on-year

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

² Measured as headline tax as a % of headline profit before tax

WPP 12

And finally, from me, on Slide 12, you'll see that our guidance for the full year has not changed, although we now see a smaller drag from FX on revenue less pass-through costs in 2024.

At current exchange rates that headwind is minus 1.1% versus prior guidance of minus 2%.

Q1 faced the toughest year-on-year comparison of 2024, and we expect to return to growth in the balance of the year supported by our new business pipeline and growth opportunities with existing clients.

We are making good progress on our strategic initiatives which gives us confidence on the cost savings that will support the expected 20 to 40 basis point improvement in operating margin in 2024. That improvement will be weighted towards the second half, as year-on-year growth improves and structural cost savings ramp up.





So thank you. And I will now hand you back to Mark.



Mark Read

Thanks very much, Joanne. So I'll make a few comments on our progress since our Capital Markets Day.

INNOVATING TO LEAD, TODAY AND TOMORROW

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

WPP 14

Page 14, which you recall, we call Innovating to Lead, and we set out four objectives, and I say we're making very good progress against each of them.

The first, our objective to lead through investments in AI, data, and technology. I talked about the increased deployment of WPP Open our intelligent market operating system,

which is resonating well with people inside WPP with increasing take up across the world and with clients.

Just yesterday, we had 1,500 people joining the webinar to hear about new features being deployed on the platform.

We're integrating new, more powerful models into WPP Open, and we see this ability to be almost model agnostic as a competitive advantage for us and particularly for our clients rather than being tied into a particular foundational model. We're building intelligence and data on top of the models, allowing our clients both better results and strategic flexibility to adopt the best model for their purposes. It's at the heart of our new business efforts as well as being deployed within existing clients.

Most recently, as I mentioned, it was featured at Google Next, where we demonstrated the first prototype of our Performance Brain that allows us to predict the content, sorry, the performance of content, creative content before it's deployed using AI.

And lastly, our partnership with NVIDIA continues to grow and progress. We were recognised by them as their innovation partner of the year in Europe.

Our second objective is to drive growth through the power of creative transformation. And here, we do continue to see strong demand from clients with simpler, more integrated solutions. We believe we have a very well-balanced offer with the leading positions in media, creative production, digital and public relations, as well as an unparalleled global footprint, that along with the recognition of our creative agencies gives us cause to see the strength of that combined offer with clients.

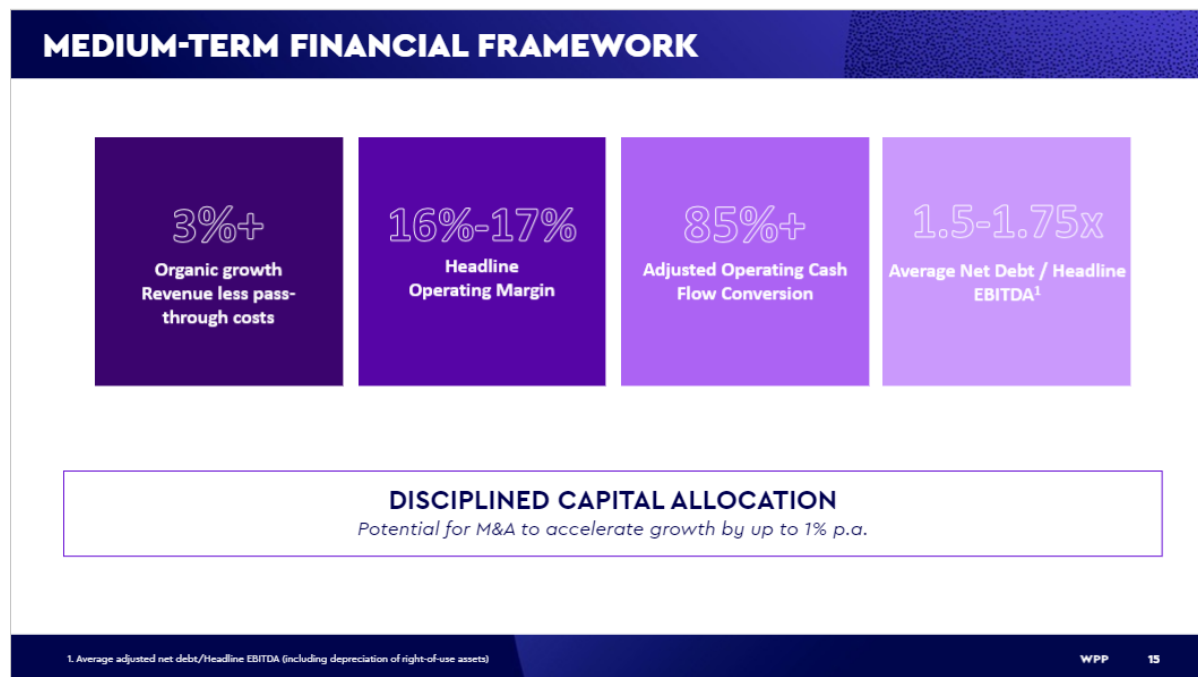
Our third objective is to build strong world-class brands. We're now doing a lot of work in this area. I'd remind you that six brands now make up 90% of WPP. And if we take them in turn, I'd say that Ogilvy is growing very well, recognised as agency of the year, it's winning new business, growing strongly in the US for the first time in a number of years.

The VML merger has been very well-received by clients delivering a stronger offer and they're taking the required cost actions as they streamline and restructure the business. They have made a lot of progress appointing leadership teams in nearly most of the world.

AKQA being at the forefront of technology, digital transformation and innovation has had a tougher time in this transformation space. We are seeing some stability there in revenues from technology clients.

GroupM, I'd say the synergy work that we outlined at the CMD is really a significant effort. There's a real focus on improving our performance in the United States and strengthening our new business performance. I think that will come through, though it will take some time.

Hogarth, the world's number one production firm is growing well and winning business, and Burson, now we think the second largest PR firm in the world, is building a very strong top team. And Corey duBrowa who joined us from Alphabet and Google and AnnaMaria DeSalva have been attracting some of the world's best talent, and I'd say that's resonating very well with clients.



So together, I think all that contributes to our fourth objective to drive stronger financial performance, both in terms of margin performance and cash conversion.

That's something we're very focused on and delivering the targets that we set out on Page 15 in terms of 3% plus organic revenue growth, 16% to 17% headline operating margin, 85% adjusted operating cash flow conversion, and getting our net debt in the range of 1.5 to 1.75.

And I'd say that we stand by these targets and can see we're making consistent progress. We're one quarter in, we're making consistent progress in line really with our expectations as we outlined in January.

SUMMARY

- Strategy outlined at the **CMD** landed well with clients and across the business
- Q1** performance as expected
- Momentum** will improve through the balance of the year
- Reiterating** 2024 guidance

Confident the actions we are taking will accelerate WPP's growth and deliver stronger returns and FCF over the medium term

WPP 16

So, in summary, on Page 16, I think we have every confidence in the strategy that landed well with clients and across the business. We delivered Q1 very much as we expected, and we continue to see, expect to see momentum improving through the balance of the year. As a result, we are reiterating our guidance for the full year.

So, thank you very much. And that concludes our opening statements and we're ready to take questions.

Q&A

Operator

Thank you. Our first question today comes from Nicolas Langlet from BNP Paribas.

Q: Nicolas Langlet

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

First on the tech clients. So you mentioned you expect a sequential improvement in the next quarters. Is it related to business win? Or do you see existing clients increasing their spending for the rest of the year?

Second question on China. So momentum was still pretty soft there. What are the key initiatives to regain momentum? And what sort of organic sales trend you have baked in into the full-year '24 guidance for the country?

And finally, on the generative AI tools, curious how long do you think it will take for the deployment of those GenAI tools to be at least neutral on margin, because I think there is still increased investment in the short-term to support the training and implementation. And longer-term, what's your view on the GenAI tools' impact on margin? Do you expect some of the benefit to drop through the bottom line, or you plan to reinvest most of the gain into the top line? Thank you.

A - Mark Read

Okay. Why don't I take the tech client question, Joanne can talk about China, and then we'll come back to the AI deployment.

I think on our technology clients, we were down 9% in Q1, against basically flat last year. I think it was plus 0.6% last year, and the second quarter was minus 8.7% last year. So, I think the comparatives get easier as we get through the year. As we talk to those clients, I'd say we do see stability in their spend. I think we expect that to turn positive over the course of the year. We're not going to tell you whether I think it's Q2 or Q3, but we do see an improving trend. And when we went through our reforecast most recently, we continue to see that in the reforecast, which I think gives us confidence that it's going to happen during the year.

I think that's largely predicated on increasing spend from those clients. There are new assignments within that, but I wouldn't say it's predicated on new business wins within technology, it's predicated on our existing clients and the work and scopes we have with existing clients.

Joanne, do you want to talk about China?

A: Joanne Wilson

Yes. Though first of all, I would say China is an important market for us. It is less than 4% of our overall revenue, and the recovery across that market has been more challenging over the last few years than I think anyone expected it to be. And we've seen continued macroeconomic pressures in the first quarter. I don't think we're alone in that. A lot of the

growth in that market is export-led and therefore it remains quite a subdued domestic market with low consumer confidence. And that's really reflected in our Q1 performance.

We also referenced some client challenges in the market. So we've seen reduced spend across our media clients in that market, and that is weighing on the quarter-on-quarter performance. And so in terms of what we're doing about it, we have a new management team in place in China. All of the agencies have spent time there. We have a mixture of local and global clients there. And for the balance of this year, we have taken a cautious approach to planning, and we expect Q2 to be very similar trends to what we've seen in Q1, and perhaps with a stronger performance in H2. But we are expecting the market still to be down for the full-year, and really just focused on how we continue to grow across both our media and creative businesses beyond 2024 in that market.

A - Mark Read

And in terms of AI, I mean, there's a lot in the questions that you asked. And maybe I'll start by saying that we committed to invest around GBP250 million a year in AI. That really says that the investment that we make in client-focused technology is really going to be focused on embedding AI within all of the workflow that we do with clients. And that's largely being delivered through WPP Open, the platform that I talked about. And as the platform gets more intelligent, we've developed more AI components into it that will naturally get embedded into the workflow.

In terms of revenue, we do see both revenue growth opportunities from expanding our services with clients, increasing our scope of work. I think the clients, particularly larger clients are going to look to simplify their rosters to deploy AI across them. So we see growth opportunities, both from existing and new clients, and from offering an expanded range of services to our current clients. There are other elements of our work where we are on a fee basis, where we are paid on a sort of retainer basis, we can see that making us more efficient, but we would also see ways where we can expand the scope. As we talked about in the CMD, a lot of the work that we do is no longer on an hours basis. At Hogarth, our production company, do most of their work now – certainly more than half their work on a cost-per-unit basis. So, there are opportunities for us both to do work more cheaply for clients, but also to improve our margin. And I think the quality quantity volume question is something that we're going to have to get to.

So, I think over time, we will see growth opportunities. I think there will be ways where we can use AI to improve our efficiency and some of that will return to the bottom line and some of it will need to be invested back into the operations. So that's broadly how we see it.

I think the short-term impact is largely going to be on how we use it to make us more competitive, and I think there are concrete ways where we can use AI to make us more competitive in new business pitches and in our work for clients. Thank you.

Q: Nicolas Langlet

Perfect. Excellent.

Operator

Our next question comes from Adam Berlin from UBS.

Q: Adam Berlin

Hi. Good morning. Thanks for taking the questions. Three from me as well, if I can. First question on Q2. So, if I do some simple math, it looks like without the tech headwind in Q1, organic growth for the Group would have been broadly flat. So, is that the kind of right way to be thinking about Q2? Or are there any other reasons growth could be different in Q2 than it was in Q1? That's the first question.

The second question is, there have been a lot of global media reviews and local media reviews in the press since the beginning of the year - Unilever, Amazon, Volkswagen - to name a few. And can you give us any information about the timing of the news flow around that, or anything you can say about which ones you're feeling confident around anything you can add on that newsflow that's been in the press?

And thirdly, at the CMD, you talked a little bit about the turnaround in GroupM in North America, and the things you were doing there to improve the performance there. Is there any evidence so far this year of an improvement in GroupM in North America? Thanks.

A - Mark Read

Okay. So why don't I take the last two questions and Joanne can talk about the second quarter, which I thought we would get asked?

I'm not going to answer your second question, sorry, Adam. I mean, I think that there are reviews going on. We have a very strong media business and the teams are working away at that. And I think in GroupM in North America, we've made a leadership change, I think back in February, and I think we need to see the impact that will make as well as the organisational changes as well as our investments in data. And I think over the course of the year, we will see an improvement in the new business performance, and really your second and third question are quite linked. So, I think we have a really strong business in GroupM, and we're all very focused on doing all we can to improve the performance there.

Joanne, do you want to touch on the Q2 topic?

A - Joanne Wilson

Yes. Thanks for the question, Adam. The way to think about Q2 is we are expecting to see an improved performance relative to Q1 in our Q2. And there are some ups and downs within that, our comp gets a little bit easier. So instead of 2.9%, it was 1.3% in Q2 last year. And as we've talked about, Q2 '23 was really the start of the sharp downturn that we saw in the tech sector. So they were down 8.7% in Q2 last year. So, we'll start to lap that.

So, both of those will help with that year-on-year performance. And on the flip side of that, we talked in February about some of the macro uncertainty, continuing to weigh a little bit on clients, and we've seen that in some of our smaller agencies, so particularly around the more project-related assignments that we work on. And we expect that macro trend to really continue a little bit through Q2 and to improve in the second half. And the other factor in Q2 in China last year we were growing at almost plus 5%, and we're

expecting China trends to be similar to Q1. So overall, some ups and downs, but we are expecting an improved position relative to Q1.

Q: Adam Berlin

Okay. Thank you very much indeed.

Operator

Our next question comes from Laura Metayer from Morgan Stanley.

Q: Laura Metayer

Good morning, Mark and Joanne. Two questions from me, please around AI. The first one is, could you give us a sense of the type of conversations you're having with clients around AI, and specifically what they're hoping to achieve from AI?

And then the second question is more specifically on the impact of GenAI on your creative business. What do you expect is going to change there, and how do you see the future of your creative business? Thank you.

A - Mark Read

Yeah. Okay. So, I think the conversations we're having with clients are extremely broad in terms of AI impact. I think that we're having them at a CMO and increasingly a CEO level to think about how it can impact their business.

I would say that clients are looking for AI to solve some challenges they have, how do they produce content at scale across all the channels they need to produce, but they're also looking at the opportunities, how do they reach consumers with more relevant messages, and use data in a more integrated fashion, how do they speedup the way that they work, how do they reduce the cost of approvals. And so, there's an extremely broad range of use cases for clients. And actually one of the tasks is really to focus on those use cases that have most impact.

So if you take, I think, our Performance Brain, what's very powerful about that is our clients spend \$70 – 80 billion, on media. If we can use our Performance Brain to improve the quality of content and drive performance there by 10% or 20%, we can create 10% or 20% value on \$70 billion of media investment. So a lot of value-creation opportunities there. And other ways of using AI that create efficiencies may be impactful, but actually may not deliver the ROI. So, we're really focused on how we deliver AI against the highest impact use cases for clients, but can't estimate how broad it is.

In terms of our creative businesses, my observation would be that those parts of our Company where we've deployed technology, as indeed most parts of industry where technology has been deployed have been faster-growing parts of our business, and the higher-margin parts or higher margin or improving margin parts of our business. So both GroupM has had sustained growth on the back of using technology to deliver media, and Hogarth has had sustained growth on the back of using technology to make production more efficient and effective for its clients. And in both of those areas, we expect technology to have an impact.

I think for the first time we're applying technology to the creative parts of our business. And I'd say we're looking for it to have a similar impact in our creative business as it's had in the rest of our business. We're looking at it to improve the quality of ideas, to demonstrate a higher ROI on ideas, and to equip our people with a set of tools that allows them to be more creative, more quickly with clients.

I mean I was with a client yesterday in London, and we demoed or demonstrated our creative studio, which enables creative teams to brainstorm more quickly, to create content more quickly, to test ideas more quickly, to create personas more quickly. And they were really struck by the impact that they really hadn't seen anywhere else.

So, I think that there's a sort of simplistic narrative that with a creative businesses in our space business, you know, fewer hours leads to less revenue. I look at it in a different way and say well actually what we can do is deliver more impact in our creative business by using AI. More impact implies higher ROI and that enables us to both create more value for clients and share some of that value back with us in terms of value-creation. So thanks for the question.

Q: Laura Metayer

Thank you very much.

Operator

Our next question comes from Julien Roch from Barclays.

Q - Julien Roch

Yes. Good morning. My first question is the release said strong progress on the strategic initiatives laid out at our CMD on Burson, GroupM and VML, on track to deliver target savings. But can you update us on GroupM going through country model and VML merger? When will it be effective and finish, so that the disruption, potential disruption is behind us. That's my first question.

The second one is on media and data. Publicis has been banging on about Epsilon for ages. Omnicom is now talking about Omni a lot. Interpublic mentioned Acxiom yesterday. What about your data offer? I mean, you mentioned AI in the release. In the presentation, there was a question on AI, but you didn't mention media and data. So, when will you consider that you are at the level of Epsilon and Omni? And what are the differences between your offer and others? Thank you.

A - Mark Read

Okay. Joanne, do you want to take the first question? I'll come on to the second.

A - Joanne Wilson

Yeah. So, Julien, just on the three strategic initiatives that we're undertaking, really good progress and strong execution by all three leadership teams. VML, we announced that one first and they're furthest ahead, they will have broadly completed much of their cost actions by the end of this month. And those have been executed very well. Burson will have largely completed by early summer and they will officially launch in early summer. And GroupM is a more complicated initiative, if you like, and that will go into the second half. But it's absolutely on track and confident that we'll deliver the GBP125 million savings on an annualised basis, and 40% to 50% of those in 2024, and of course, that will be weighted to the second half.

In terms of your question around disruption. Look, of course, you don't enter into initiatives like this without some disruption. But I have been incredibly impressed at how quickly the teams have executed, and the CEOs of those agencies and their leadership teams are spending as much time, if not more with clients as they ever would. And so the disruption really on the client-facing side is minimal.

And if anything, I would say we are already starting to see some of the benefits not just for our business, but for our clients and the feedback has been incredibly positive.

A - Mark Read

Thanks, Joanne. Now, in terms of your question on data and platforms and buying platforms, we're going to get drawn, I think on this corner kind of direct competitive comparison. It's not helpful for anybody really. What I would say is that we have in Choreograph a strong data offer that does own data, and we have, if you look around the world and we set that out at the CMD, a very strong set of consumer profiles globally, and in the United States, with the ability to supplement that with other data.

I think as we said at the CMD, our data offer goes beyond first-party data, which is obviously important but owned by clients, into how we can augment that with data that we own and data that we can license in the market, and we have a very strategically independent approach to that. I would say that Choreograph is functioning well and that's increasingly being deployed within WPP Open, which brings the value of that data across the whole of the group. And as that's rolled out across more clients, we expect that to become more powerful and we're using that as well as a way of embedding our AI services within that.

So, I'd say, in terms of the discussions we have with clients, we have a very competitive offer. You know, each of us in our industry emphasise different points, and I think that we're working on continuing to strengthen the data offer and deploy that to clients.

Q - Julien Roch

Yeah. Thank you very much.

A - Mark Read

Thanks

Operator

Our next question comes from Simon Baker from Bernstein.

Q – Simon Baker

Yeah. Good morning. Thanks for taking the questions. And three questions, please. One on the tech spend that you say you're expecting -- you're seeing some stability. I'm just wondering how you would compare this to other segments that we've seen go through spending freezes in the past like consumer staples five or six years ago with ZBB and other activists putting pressure on them. And then we saw a bit of consumer staple spend come back into the market to regain a bit of competitive advantage. Or is it more sort of autos situation where supply squeeze took away the spend and it never really comes back to reclaim? So that's the first question. What's tech spend outlook for a catch-up there?

Secondly, on tech spend, if it's 17% of the Group, I'm wondering if you could help us just give us a split for the US specifically. Could it be as much as 25% of the US for us to gauge the impact of that coming back there?

And thirdly, on the brand simplification and consolidation of the VML, are we -- is that it? Or is there -- are we still 90% through that journey, please? Thank you.

A - Mark Read

And -- so look, I think turning to your first question on the trends by sector. I think what happened in CPG was, in the CPG clients' desire to move from analogue to digital media, they shifted a lot of spend away from brand towards more product-focused tactical, promotional digital media. And I think a number of CPG clients, particularly after COVID have come back to realise the value of brand-building. And I can take a client like Mondelēz and you can see how well it's done over the last four to five years. And we played a part of that, but we're not the only people helping them. We played a part in helping them really reinvest in brands and build brands that's enabled them to drive both price and volume growth, then I think you can see in the strength of our CPG client performance, the desire to really continue to build brands.

I think the automotive sector is a little bit different, simply because of the economic pressures facing the automotive sector, which are intense, and you know, particularly with the move to electrification, are particularly intense at the moment. I don't think it's a good analogue. I think in technology the story, if you like, is relatively straightforward, coming out of COVID those clients really continued to invest heavily as their top line grew. And they've really been focused on bottom-line improvement.

I mean, you saw Meta's results yesterday. I think they said the category that included tech spend was down 16% in the first quarter. But I see that very much as a reset, not a change in direction. And I think a bit like CPG had a reset perhaps and then continues to grow, I think technology will have a reset and then will grow from that base as new products launch, they discover or rediscover the power of marketing. And I think -- so I think as we look at it, part of what helps us is the comparatives get easier. Part of what helps us is I think those companies will continue to invest. And that's certainly what they say to us in discussions. And if we look at the forecasts and we talk to our clients about those forecasts, they would support a view that we will see increasing spend from technology clients over the course of the year, and we're not going to give you exactly the quarter.

I think in terms of spend in the US, I think it's higher in the US. I don't really want to give you a number, but I'd say it's somewhat higher in the US. And then in terms of the brand simplification, not quite sure whether you are looking for -- now more things at this point. We're not announcing more things. I think that the VML work has gone extremely well. They started back in September, and I think they're well through it, and coming out the other side, you know, really focusing on clients and new business and making the most of the offer that they have.

Okay. Thank you.

Operator

Our next question comes from Adrien de Saint Hilaire from Bank of America.

Q - Adrien de Saint Hilaire

Thank you very much. Good morning, everyone. So I've got a few questions, please. Joanne, you talked about the phasing of growth between H1 and H2. I was hoping you could do the same about margin and margin expansion.

Secondly, some of your peers have pointed to an improved ad market and more optimism from marketers. Is that also something that you've observed in your conversation, and to what extent do you think that could impact GroupM?

And then thirdly, I was wondering if you could provide us with a bit of an update around Kantar. Is there any process at the moment to -- either for Kantar to sell one of their businesses, or for WPP to sell its stake in Kantar? Thank you very much.

A - Mark Read

Yeah. Look, I think that client sentiment is relatively similar to how it was three or six months ago. I'd say that there's a desire to invest more in brands. One observation I'd make and this is contrary to what I've heard other people say actually is, I think that a lot of clients are thinking how do I invest -- a lot of clients have a feeling that they've invested too much in performance marketing and product marketing, but not enough in brand. And detecting in quite a number of clients a desire to refocus some of their marketing on brand. It's harder because a lot of those channels don't exist in a straightforward way as it was, but I think there is that desire.

If you look at the Super Bowl, and we had 12 creative commercials and 19 media commercials in the Super Bowl, I think it's interesting that clients, you know, really look at that as a branding event. Look at the work we did with Verizon, and their consumer business has done better over the last six to nine months, that was really a way of symbolising a change in their brand. So I think one thing I would say is, and it's not to say that performance marketing isn't important and clients don't want performance, but I think that for some of them fear has come at the expense of investment brand. And I've heard that in the tech sector, in the telecom sector, I've heard in the energy sector, I've heard it in the retail sector and CPG.

So I think there is a sort of focus on brand building. And this notion of fewer, bigger, better is something I hear consistently. But I think that the macro feeling of clients is relatively positive, but they're cautious because top line growth isn't always what they would expect, and they want to drive volume growth. And you saw some of the CPG results this morning, a little bit better volume growth as well.

So I'd say, coming back before to how we see it, on Kantar, I don't think there's anything to add at the moment to what we have already said or what's been written about or not written about it. I think we see it as a very strong asset. It's performing well. And in the fullness of time, we think that we will be rewarded for that decision in a more concrete way.

A - Joanne Wilson

And Adrien, on the phasing of the margin, we've guided to 20 to 40 basis points improvement, and we've reiterated that today. And really the way to think about that is the structural cost savings related to the three initiatives that I talked about, those savings are weighted to H2, and they'll start to come through a little bit in Q2, but very much an H2 benefit. And of course, then there's the top line growth phasing. So with growth more weighted to H2 as well, that of course, will help the margin in the second half relative to the first-half margin. And our investment is phased reasonably balanced through the year. And so that's really the way to think about it. So that 20 to 40 basis point increase will be H2 weighted.

Q - Adrien de Saint Hilaire

Thanks very much.

Operator

Our next question comes from Richard Kramer from Arete Research.

Q - Richard Kramer.

Thanks very much. Two things I think haven't really been touched on yet. Mark, given your clients obviously, over-indexed in brand and TV ad spend, and we're seeing a huge amount of additional video inventory becoming available with Amazon Prime, with Netflix, with others. Can you comment a little bit about what you're seeing in video ad inventory pricing and complexity, and whether that's a bigger opportunity for the likes of GroupM?

And specifically, on GroupM, have you identified maybe with AI or elsewhere ways to capture more of the margin that bleeds out into the ad-tech supply chain, maybe by securing supply, or developing a bit more your own ad-tech, which I know that's been a sort of a pendulum swinging back-and-forth over the last decade?

A - Mark Read

Yeah. So I think on your first question, I can't comment on pricing. It varies a lot by vendor, obviously. And I think that some of the initial attempts in the streaming business, pricing was set too high and has adjusted. What I would say, I agree, there's a lot more inventory. The inventory is more targetable and more measurable, which is

important to our clients. And greater complexity requires more value from us. And I think that it's quite interesting four or five years ago, it was sort of the death of advertising was sort of the headline, right? And I think today we can see actually many more platforms to reach consumers on, how in the face of cost of living crisis and desire by media companies to improve their margins, they're taking advertising. And I think that sort of mixed subscription advertiser model is the right one for successful media companies. It's not one or the other, it's both, and that complexity will support GroupM.

In terms of the question you make about ad-tech and margins, so I think that was at the heart of Xaxis. If you remember, we bought 24/7 Real Media back in 2007 to build an ad-tech solution that would allow us to take some of that margin back for our clients and for WPP. And I do think that we probably need to be -- we are probably not as aggressive as some of our competitors in the United States in looking at proprietary media models, and I think we do need to build out more proprietary media capability, particularly in the United States where there seems to be greater receptivity from clients than perhaps there has been historically.

Q - Richard Kramer

Super. All right. Thank you.

Operator

Our next question comes from Tom Singlehurst of Citi.

Q - Tom Singlehurst

Thanks for taking -- hi there. Thanks for taking the questions. Thanks for the presentation. And two questions, if that's okay. The first one on tech, I'm afraid. The run rate through last year, I think the nine months, you were track -- tech was tracking down about 7.5%, for the full-year about 7%. It implied the fourth quarter was down about 5%-ish, and then obviously, it's got incrementally worse in the first quarter to minus 9%. So I just -- I mean, I'm conscious the point about the comp that's very fair. But given, I presume the 1Q comp was more favourable than the 4Q comp, I mean how sure are we that we are really at the end of that significant downdraft in tech? That's the first question.

And then the second one on the magnitude and timing of any quadrennial benefits and where they're likely to come through. I mean, obviously, I suppose a rising tide will lift all boats in terms of media spend, particularly in the US and in the third and fourth quarters, but around things like the Summer Olympics and where is that effect most likely to be felt? And specifically, will it provide any relief within PR? Thank you.

A - Mark Read

Look, I think, on the technology question, maybe Joanne could add some colour as well. I think we've said everything there is to say. We look at the numbers, we look at the budgets we have with clients, and the implication is that their spend will improve over the course of the year. I would say that Q1 last year was a little bit flattered by the onboarding of a major tech client. So that would give us a little bit more confidence that

you know the comparative -- it's not just a comparative question, and I think that the logic would tell us that those companies are going to have to continue to invest and that's what we hear from them.

On the quadrennial effect, you know, I don't think it's as pronounced as it used to be. There are more events than there used to be. Our media business and our creative business not as linked to commissions and fees as it was when it was much more impactful. And I think it tends these days to shift spend more within a year than perhaps from one year to the next, and maybe more of a quarterly impact than it is an annual impact. But I think it certainly supports -- it's -- I would say it certainly supports a stronger second half, not the other way around.

A - Joanne Wilson

Tom, if I could just build on the tech question. I mean, I think on one of our calls last year, I talked to when I look at our tech clients, a sea of red, bar one, and when I look at it in Q1, it's not the same. So, it's a little bit more -- more balanced. And obviously, we are exposed to hardware and software tech clients within that. And so I think as we start to lap that easier comp, I do think we will start to see an improved trajectory.

In our planning for the year and the guidance that we're giving, we're not expecting a V-shaped recovery, and we're not expecting a full recovery, but we are anticipating an improved year-on-year position in the balance of the year.

So, I think it's cautiously optimistic is how we think about the sector in the balance of this year.

Q - Tom Singlehurst.

That's very clear. Thank you very much.

Operator

There is no further question at this time. I will now hand you over to Mr Mark Read for any closing remarks.

A - Mark Read

So, thank you very much, everyone, for listening. I think I will close as I did before. I think we have every confidence in our strategy. It's landed well. We delivered Q1 much as we expected, and we continue to see momentum improving as the year, and we're holding as a result, our guidance for the full year. I'm sure we'll be in touch with you in the meantime, but thanks everybody for listening, and we'll see you in the -- formally in August. Thank you.

Operator

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

End of transcript.