

WPP Q3 trading shows below-expected top-line performance

WPP has released its Q3 trading update, with below-expected top-line performance.



Source: WPP [WPP](#) "Our top-line performance in Q3 was below our expectations and continued to be impacted by the cautious spending trends we saw in Q2," says Mark Read, chief executive officer of WPP

Trading highlights

- 3 revenue -1.8%; LFL revenue +2.3%.
 - Q3 LFL revenue less pass-through costs -0.6% with growth in UK, Western Continental Europe and Rest of World, offset by declines in North America, with continued weakness from technology clients and in China.
 - Global Integrated Agencies grew revenue less pass-through costs +0.1% in Q3 (YTD +1.5%) with integrated creative agencies declining -1.1% (YTD -0.9%). GroupM grew +1.6% in Q3 (YTD +4.6%) with low-single-digit growth in the US and UK.
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- \$1.4bn net new business won in Q3, including from Estée Lauder, Hyatt, Lenovo, Nestlé, Unilever and Verizon. \$3.4bn net new business won year-to-date.

“Our top-line performance in Q3 was below our expectations and continued to be impacted by the cautious spending trends we saw in Q2, particularly across technology clients with more impact from this felt in GroupM over the summer than the first half,” says Mark Read, chief executive officer of WPP.



Wunderman Thompson and VMLY&R unite to create the world's largest creative company

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Strengthened offer

Two significant moves to further strengthen its competitive offer, simplify its business and benefit from scaled technology platforms:

- Launch of VML, the world’s largest creative agency with world-class creativity and deep expertise in commerce, data and technology.
- Further integration of GroupM with common products and single technology platform, streamlining of operations and back-office functions supporting client-facing agencies.

Together these moves are expected to drive stronger revenue growth and net annualised cost savings of at least £100m in FY25 with a part-year benefit in FY24.

“In a world being rapidly reshaped, we need to continue to evolve our offer to clients and simplify our business. I am excited by the creation of the world’s largest creative agency, VML, and the continued evolution of GroupM,” says Read.

“Both these developments will strengthen our offer to clients, simplify the integration of our services and maximise the returns on our ongoing investments in AI and technology,” he adds.

Outlook

- 2023 guidance updated: LFL revenue less pass-through costs growth now expected to be around 0.5-1.0% (previously 1.5-3.0%); with headline operating margin of 14.8-15.0% (excluding the impact of FX) (previously around 15.0%).

“We continue to win both creative and media assignments from leading global companies including significant wins in the third quarter with Estée Lauder (media), Hyatt (creative), Lenovo (creative), Nestlé (media) and Verizon (creative). Our net new business performance of \$1.4bn in the quarter showed sequential improvement after a tougher first half,” says Read.

Capital Markets Day

WPP intends to hold a Capital Markets Day in January 2024 to update investors and analysts on its strategic roadmap to drive growth, further efficiencies and margin expansion over the next three to five years.

“We will provide more detail on today’s announcements, our strategic roadmap and actions to drive growth, further efficiencies and margin expansion at our Capital Markets Day in January,” says Read.