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WPP PLC
07 August 2024

2024 Interim Results

7 August 2024

Sequential improvement in LFL growth in Q2. Strong progress against January 2024 strategic objectives and significant value unlocked from sale of majority stake in FGS Global. Full year LFL guidance now -1% to 0% reflecting macro pressures and weakness in China

Key figures (£m)	H1 2024	+/(-) % reported[1]	+/(-) % LFL[2]	H1 2023
Revenue	**7,227**	0.1	2.6	**7,221**
Revenue less pass-through costs	**5,599**	(3.6)	(1.0)	**5,811**
Reported:				
Operating profit	**423**	38.2		**306**
Operating profit margin[3]	**5.9%**	1.7pt		**4.2%**
Diluted EPS (p)	**18.8**	82.5		**10.3**
Dividends per share (p)	**15.0**	0.0		**15.0**
Headline[4]:				
Operating profit	**646**	(3.0)	0.5	**666**
Operating profit margin	**11.5%**	0.0pt	0.1pt	**11.5%**
Diluted EPS (p)	**30.9**	(6.6)		**33.1**

H1 and Q2 highlights

- **H1 reported revenue +0.1%, LFL revenue +2.6%. H1 revenue less pass-through costs -3.6%, LFL revenue less pass-through costs -1.0%**
- **Q2 LFL revenue less pass-through costs -0.5%, with North America +2.0% and Western Continental Europe +0.3%, offset by the UK -5.3% and Rest of World -2.2%, with growth in India +9.1% offset by a decline in China -24.2%**
- **Global Integrated Agencies Q2 LFL revenue less pass-through costs fell 0.6% with GroupM growing 1.4%, offset by a 2.4% decline at integrated creative agencies**
- **Top ten clients[5] grew 2.5% in H1. CPG, TME[6] and automotive client sectors grew well in Q2. Technology client sector stabilising, with a decline of 1.0% LFL in Q2, an improvement from Q1's -9.0%. Healthcare and retail sectors impacted by 2023 client losses**
- **Strong progress on strategic initiatives with new products and solutions launched within WPP Open, our AI-powered marketing operating system, and Burson, GroupM and VML on track to deliver targeted savings**
- **Agreement to sell WPP's majority stake in FGS Global to KKR at an enterprise valuation of $1.7bn, generating total cash proceeds to WPP of c.£604m[7] after tax. Proceeds will be used to reduce leverage, implying pro-forma average net debt to EBITDA of c.1.60x[8], comfortably within the range of 1.50-1.75x**
- **H1 headline operating profit £646m. Headline operating margin of 11.5% (H1 2023: 11.5%), up 0.1pt LFL, reflecting disciplined cost management as we continue to invest in our proposition. H1 reported operating profit £423m up 38.2%, reflecting the above factors and lower restructuring costs of £153m (H1 2023: £267m)**
- **$1.7bn net new billings[9] (H1 2023: $2.0bn), with Q2 net new billings $0.9bn (Q2 2023: $0.5bn). New client wins included assignments for AstraZeneca, Colgate-Palmolive, J&J and Government of Canada**
- **Adjusted net debt as at 30 June 2024 £3.4bn down £0.1bn year-on-year**
- **Interim dividend of 15.0p declared (2023: 15.0p)**
- **2024 guidance updated: LFL revenue less pass-through costs of -1% to 0% (previously 0% to 1%), with improvement in headline operating profit margin of 20-40bps (excluding the impact of FX)**

Mark Read, Chief Executive Officer of WPP, said:

"At our Capital Markets Day earlier this year we set out our strategy to build on and improve the competitiveness of WPP's offer. I am very pleased with the progress we have made in the past six months against each of our strategic objectives, particularly our continued investment in AI, the creation of VML and Burson, and the simplification of GroupM. We are strengthening our offer for clients while building a more efficient company.

"Our second quarter performance delivered sequential improvement in net sales[10] with continued growth in GroupM, Ogilvy and Hogarth and sequential improvement at Burson, VML and our Specialist Agencies. Importantly, we also saw North America return to growth in the second quarter. That said, we have seen pressure in China and in our project-related businesses which, together with an uncertain macro environment, has led us to moderate our expectations for the full-year.

"The sale of our stake in FGS Global is an excellent outcome less than four years after its creation from three separate businesses within WPP. It will allow us to focus and invest in our core creative transformation offer while significantly strengthening our financial position.

"As a team, our priority continues to be improving our competitiveness by delivering a modern, global, creative and integrated offer for our clients. The steps we have taken since January to integrate our offer, bring in new talent and invest in AI represent strong progress towards delivering on our medium-term financial targets and to shareholders."

WPP's 2024 Interim Results announcement has been submitted in full unedited text to the Financial Conduct Authority's National Storage Mechanism and will be available shortly for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

The Report is also available at http://www.rns-pdf.londonstockexchange.com/rns/4675Z_1-2024-8-6.pdf and on the WPP investor relations website www.wpp.com/investors.

This announcement contains information that qualifies or may qualify as inside information. The person responsible for arranging the release of this announcement on behalf of WPP plc is Balbir Kelly-Bisla, Company Secretary.

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1. Percentage change in reported sterling.

2. Like-for-like. LFL comparisons are calculated as follows: current year, constant currency actual results (which include acquisitions from the relevant date of completion) are compared with prior year, constant currency actual results from continuing operations, adjusted to include the results of acquisitions and disposals for the commensurate period in the prior year.

3. Reported operating profit divided by revenue (including pass-through costs).

4. In this press release not all of the figures and ratios used are readily available from the unaudited interim results included in Appendix 1. Management believes these non-GAAP measures, including constant currency and like-for-like growth, revenue less pass-through costs and headline profit measures, are both useful and necessary to better understand the Group's results. Details of how these have been arrived at are shown in Appendix 4.

5. Top 10 clients by revenue less pass-through costs in H1 2023. Growth rate includes the impact of a client loss in the healthcare sector.

6. Telecommunications, Media and Entertainment.

7. Comprising £557m consideration (after tax) for WPP's c.50% stake as well as a net £47m inflow for the repayment of a loan from WPP to FGS, less FGS's cash on balance sheet.

8. Pro-forma average adjusted net debt to headline EBITDA (last 12 months) (including depreciation of right-of-use assets) of c.1.60x, versus WPP's average adjusted net debt to headline EBITDA (last 12 months) (including depreciation of right-of-use assets) of c.1.84x at 30 June 2024. Calculated by reducing WPP's average adjusted net debt over the last twelve months by the expected cash proceeds after tax of c. £604m and reducing headline EBITDA by FGS's headline EBITDA contribution.

9. As defined in the glossary on page 45.

10. "Net sales" refers to revenues less pass-through costs.

Strategic progress

At our Capital Markets Day in January 2024, we announced the next phase of our strategy - 'Innovating to Lead' - to improve our competitive performance, embrace the opportunities of AI, data and technology and drive financial returns; and we have continued to make strong progress against each of our four strategic pillars.

Lead through AI, data and technology

It's clear that AI is going to fundamentally change the way in which our clients reach consumers, the way in which we deliver and produce work and the way in which we operate as a company. While it is undoubtedly early days in the application of AI to marketing, we can see enough already to know that its impact will be significant.

At our Capital Markets Day, we laid out our plans to embrace AI and invest in the technology and data that is required. WPP Open, our intelligent marketing operating system powered by AI, is a critical component of our strategy, enabling us to use AI in how we work. But it is also important to understand that this is only one part of our strategy, enabling us to use AI in how we work. But it is also important to understand that this is only one part of our strategy. We also need to train and upskill our teams, engage with our clients and create new, AI-driven experiences.

We have continued to invest in WPP Open as part of our annual investment of £250m in AI-driven technology. We have developed new functionality and integrated new AI models and as a result, have seen growing adoption and usage across WPP and by our clients.

Since the start of the year, we are seeing monthly active users up 74%, LLM usage up 177% and image generation up 241%. We are also seeing growing adoption by clients, with key clients using the platform including Google, IBM, L'Oréal, LVMH, Nestlé and The Coca-Cola Company. In particular, clients are seeing significant value in using WPP Open to streamline how they work with WPP, using the workflow elements of the platform to standardise processes.

Functionality and Model Integration

WPP Open is a single marketing operating system that powers all of WPP's businesses. The core Studios - Creative, Production, Media, Experience, Commerce and PR - are designed to support key functional areas with AI-powered applications in a way that allows for integrated ways of working across the company.

WPP Open's Creative Studio gained further functionality to support our strategy and creative teams. In May, we announced a collaboration to integrate Anthropic's Claude AI model family using Amazon Bedrock, a fully managed service from Amazon Web Services ('AWS'), and in June, WPP and IBM announced WPP Open B2B, powered by watsonx, bringing together IBM's generative AI technology and consulting capabilities with WPP's industry expertise to deliver higher conversion rates and lower costs for B2B marketers.

WPP Open's Media Studio was deployed more broadly to clients in the first half with an end-to-end workflow solution accessing GroupM's scale, and Choreograph data and technology. It enables the automation of complex media decisions, choosing from thousands of AI-powered strategies and leveraging 2.3 trillion AI-evaluated impressions to build unique audiences and activate and measure campaigns across a full range of channels.

Media Studio provides access to Choreograph's global data graph that enables intelligent activation across more than 73 markets and 5 billion consumer profiles. That includes access to AmeriLINK, our data asset in the US, containing 10,000 attributes on more than 300 million addressable individuals, with particular strength in data on consumer health and age. We are able to further contextualise and enrich that data graph with data that we generate from planning, optimisation and campaigns across GroupM.

We launched our upgraded Performance Brain™ at Google Cloud Next in April, allowing us to predict creative effectiveness before the first media impression is served, allowing clients to improve the ROI on their media and creative investments.

We also announced the integration into Media Studio of services from Incremental, a leading provider of neutral retail media solutions, incorporating their retail media forecasting, planning and measurement capabilities, and from Shalion, a retail intelligence leader, integrating their advanced retail media, digital shelf analytics, and unified market intelligence across 18 markets and more than 5,000 retailer and category combinations.

In June, we launched Production Studio, an AI-enabled, end-to-end production application. Production Studio is based on our multi-year partnership with NVIDIA, allowing us to develop industry-first solutions that provide the brand and product fidelity and the design control needed in developing advertising content.

In July, at SIGGRAPH, the annual computer graphics conference, we unveiled the next phase of our partnership with NVIDIA - using new NVIDIA NIM microservices and Shutterstock's 3D asset library to create brand-compliant generative 3D landscapes and worlds. The Coca-Cola Company will be one of the first of WPP's clients to begin scaling the opportunities of generative 3D across its 100 markets. WPP has also been working with Ford to build physically accurate, real-time digital twins of its vehicles to create car configurators that customers can explore and adapt according to their needs.

Our Work with Clients

Not only is AI enabling us to innovate in how we work with clients and to produce work in new ways, it's also allowing us to develop new ground-breaking consumer experiences for our clients. We continue to lead the way in demonstrating the power of the technology to build more relevant and personalised experiences for our clients.

Some examples include:

- **Mars' Snickers Own Goal from T&Pm**: Powered by AI technology from ElevenLabs, Synclabs and Open AI, this application uses a personalised AI José Mourinho to humorously coach fans out of their "own goals". By generating custom video responses for fans' mistakes, this campaign leverages AI to create unique, shareable content and engage fans in a new, interactive way. The application is integrated with WhatsApp for social sharing and co-created with agency Helo.
- **Coke SoundZ for The Coca-Cola Company by WPP Open X, led by AKQA:** An AI-powered instrument creating uplifting tunes from Coca-Cola's iconic sounds. This innovative auditory branding engages consumers through sound psychology, featuring both digital and physical versions. Collaborations with artists like Marshmello have amplified its impact, reinforcing Coca-Cola's leadership in innovative marketing and delivering more than 500 million impressions globally.
- **Mondelēz's Bournvita D For Dreams by Ogilvy and Wavemaker:** Uses advanced AI technology to offer children personalised cricket training from legend Rahul Dravid. The AI tool tracks kids' time spent in the sun, translating it into virtual coaching sessions, and so promoting Vitamin D intake. The campaign combines AI-driven interactive experiences with the nutritional benefits of Bournvita, encouraging outdoor activity and health awareness.

Accelerate growth through the power of creative transformation

Creativity is what sets WPP apart, and when combined with AI, technology, data and the largest global media platform, we have an unparalleled integrated offer to clients.

That offer is resonating well, as reflected in growth across our largest clients. The first half of the year saw expansion in scope for many top clients, with wins including media assignments for Nestlé and Colgate-Palmolive's decision to name WPP as its Amazon agency of record for Europe.

We continue to win industry recognition for our creative excellence. In June, the Cannes Lions International Festival of Creativity named WPP as 'Creative Company of the Year' for 2024, with Ogilvy taking home 'Creative Network of the Year'. WPP agencies collected a total of 160 Lions, including a Titanium, 6 Grand Prix, 27 Gold, 43 Silver and 83 Bronze Lions.

The Coca-Cola Company, whose global marketing partner is WPP Open X, was named 'Creative Brand of the Year' for the first time in its history. This follows the announcement in May that Unilever, one of WPP's largest clients, was named 'Creative Marketer of the Year' for 2024, thanks in part to work from WPP agencies on its brands.

WPP's media agencies EssenceMediacom, Mindshare and Wavemaker also made a very strong showing at the festival, with GroupM ending the week as the industry's leading media group with 90 Lions, up from 59 last year.

In addition, WPP's agencies won the most awards at this year's Clio Health competition in June, with a total of more than 50 awards across Grand, Gold, Silver, and Bronze categories, further solidifying WPP's position as a leader in health marketing and communications.

Build world-class, market-leading brands

We have made excellent progress towards building stronger world-class brands.

VML launched in January 2024 and, by the end of the first-half, the integration of VMLY&R and Wunderman Thompson was broadly complete. VML played a key role in recent client assignment wins, including AstraZeneca, Colgate-Palmolive and Perrigo.

The new Burson agency launched in June, with the new leadership team in place globally and in most markets around the world. As a further simplification of our offer, Buchanan Communications joined Burson under the brand Burson Buchanan with the intention to expand its offer into the United States.

The GroupM simplification initiative also progressed well in the first half. We made good progress on the structural cost actions, with GroupM operating as one entity in markets around the world. As part of this, we have launched Media Studio, a key component of WPP Open, bringing together key media tools and simplifying our go-to-market proposition. Execution of the plan will continue through the second half with all related cost actions due to be complete in 2024.

In July, WPP announced the appointment of Brian Lesser as the new Global CEO of GroupM, succeeding Christian Juhl, who will be moving to a new role within WPP. Brian is a leading industry figure with a track record of creating addressable advertising products and technology. He previously spent 10 years with WPP, joining with the acquisition of 24/7 Real Media in 2007, and most recently serving as CEO of GroupM in North America from 2015 to 2017.

In the final COMvergence report for 2023, GroupM remained the largest media planning and buying agency by some distance with leading positions in key global markets such as China, India, Japan, Germany and the UK, and an unchanged #2 position in the US.

GroupM continues to invest in retail media initiatives around the world, and of particular note is its partnership with Tesco to create a Media and Insight Platform, powered by dunnhumby, to deliver best-in-class delivery of data-led solutions, education and innovation across all areas of retail media in the UK.

We have a strong pipeline of new business in media, and while our new business performance at GroupM in North America was below our expectations in the first half of the year, we expect that the actions that we are taking will see an improvement in our competitive performance and success rate.

Execute efficiently to drive financial returns through margin and cash

As well as the structural cost savings relating to the initiatives above, we are making good progress in our back-office efficiency programme across enterprise IT, finance, procurement and real estate.

In enterprise IT, we successfully rolled out Maconomy in certain markets in EMEA and South America in the first half. Our cloud migration continued to deliver benefits as we migrate workloads to the cloud and decommission legacy equipment and capacity.

Across IT and Finance, we continue to optimise our finance shared service centres, including migrating teams from VML in North America and Brazil, and WPP HQ.

Our category-led procurement model continues to consolidate spend by sub-category to drive further savings. We are digitalising our source-to-contract processes, enabling further automation as we consolidate our ERP landscape.

In real estate, our ongoing campus programme and consolidation of leases continues to deliver benefits. Several new campus openings are planned for the second half of 2024, including WPP's third London campus.

We have also opened a new operations and delivery hub in Wuxi, Jiangsu as part of an ongoing optimisation of our cost base in China.

Purpose and ESG

WPP's purpose is to use the power of creativity to build better futures for our people, planet, clients and communities. Read more on the ways WPP is working to deliver against its purpose in our 2023 Sustainability Report.

First half overview

Revenue was £7.2bn, up 0.1% from £7.2bn in H1 2023, and up 2.6% like-for-like. Revenue less pass-through costs was £5.6bn, down 3.6% from £5.8bn in H1 2023, and down 1.0% like-for-like.

	Q2 2024 £m	% reported	% M&A	% FX	% LFL
Revenue	**3,815**	1.4	0.3	(2.0)	**3.1**
Revenue less pass-through costs	**2,912**	(2.3)	0.1	(1.9)	**(0.5)**

	H1 2024 £m	% reported	% M&A	% FX	% LFL
Revenue	**7,227**	0.1	0.5	(3.0)	**2.6**
Revenue less pass-through costs	**5,599**	(3.6)	0.3	(2.9)	**(1.0)**

Segmental review

Business segments - revenue less pass-through costs

%LFL +/(-)	Global Integrated Agencies	Public Relations	Specialist Agencies
Q2 2024	**(0.6)**	**1.5**	**(2.0)**
H1 2024	**(0.7)**	**(0.9)**	**(4.7)**

Global Integrated Agencies: GroupM, our media planning and buying business, grew 1.9% in H1 (Q2: +1.4%), offset by a 2.8% decline at other Global Integrated Agencies (Q2: -2.4%).

GroupM growth continues to be impacted by 2023 client assignment losses, which have been partially offset by wins including Nestlé. Q2 growth of 1.4% slowed sequentially from 2.4% in Q1 as an acceleration to mid-single digit growth in the US was more than offset by weaker second quarter trends in Germany, which was lapping a strong quarter last year, and in China which has been impacted by client losses and a challenging macro environment.

Ogilvy's performance benefited from recent new business wins, including Verizon, good growth in CPG clients and stabilisation of spending by technology clients in Q2. Hogarth grew well, benefiting from new business wins and growing demand for its technology and AI-driven capabilities, as clients seek to produce more personalised and addressable content. VML continued to be impacted by the loss of Pfizer creative assignments, but saw sequential improvement in Q2, benefiting from recent new business wins and stabilisation of spending by technology clients. AKQA was impacted by delays in project-related spend.

Public Relations: FGS Global continued to grow strongly in H1 2024, offset by declines at Burson due to the loss of Pfizer assignments and the impact of macroeconomic uncertainty on some areas of client spending.

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

Regional segments - revenue less pass-through costs

%LFL +/(-)	North America	United Kingdom	Western Continental Europe	Rest of World
Q2 2024	2.0	(5.3)	0.3	(2.2)
H1 2024	(1.6)	(2.6)	1.7	(1.4)

North America declined by 1.6% in H1 2024, reflecting lower revenues from technology clients and in the retail and healthcare sectors, reflecting 2023 client losses. This was partially offset by growth in CPG, telecommunications and automotive. Within the half, Q2 growth of 2.0% showed a marked sequential improvement, (Q1: -5.2%) driven by GroupM and as technology client spend began to stabilise against easier comparisons.

United Kingdom declined 2.6% in H1, reflecting a strong comparator (H1 2023: +8.2%). Ogilvy, GroupM and Hogarth grew in H1, offset by declines in other agencies due to delays in project-based spending.

In Western Continental Europe, Germany declined 4.8%, reflecting the impact of macroeconomic pressures and delays to project-related spend, offset by good growth in Spain and France as new clients were onboarded.

The Rest of World declined in H1 2024 as good growth in India (+8.1%) was offset by a decline of 20.3% in China on client assignment losses and persistent macroeconomic pressures impacting both our media and creative businesses.

We appointed a new President of WPP China in February who is working closely with the local CEOs of each of our agencies, including the new senior leadership team at GroupM, to bring together the best of our talent and capabilities in China and build on our leading market position. While we expect performance to continue to be challenging in the second half of 2024, we are confident these actions will strengthen our business in what is an important strategic market for WPP.

Top five markets - revenue less pass-through costs

%LFL +/(-)	USA	UK	Germany	China	India
Q2 2024	2.6	(5.3)	(7.4)	(24.2)	9.1
H1 2024	(1.4)	(2.6)	(4.8)	(20.3)	8.1

Client sector review - revenue less pass-through costs

	Q2 2024	H1 2024	H1 2024

	%LFL +/(-)	%LFL +/(-)	%share, revenue less pass-through costs[11]
CPG	5.1	7.2	28.3
Tech & Digital Services	(1.0)	(5.1)	17.2
Healthcare & Pharma	(9.7)	(9.0)	11.4
Automotive	3.6	1.5	10.4
Retail	(10.7)	(9.9)	8.8
Telecom, Media & Entertainment	5.1	5.9	6.8
Financial Services	1.9	0.5	6.2
Other	(15.7)	(15.3)	4.8
Travel & Leisure	1.9	3.0	3.7
Government, Public Sector & Non-profit	(7.6)	(7.2)	2.4

11. Proportion of WPP revenue less pass-through costs in H1 2024; table made up of clients representing 78% of WPP total revenue less pass-through costs.

Financial results

Unaudited headline income statement[12]:

£ million	H1 2024	H1 2023	+/(-) % reported	+/(-) % LFL
Revenue	7,227	7,221	0.1	2.6
Revenue less pass-through costs	5,599	5,811	(3.6)	(1.0)
Operating profit	646	666	(3.0)	0.5
Operating profit margin %	11.5%	11.5%	-	0.1pt*
Income from associates	15	8	87.5	
PBIT	661	674	(1.9)	
Net finance costs	(136)	(128)	(6.3)	
Profit before taxation	525	546	(3.8)	
Tax	(146)	(148)	1.4	
Profit after taxation	379	398	(4.8)	
Non-controlling interests	(41)	(37)	(10.8)	
Profit attributable to shareholders	338	361	(6.4)	
Diluted EPS	30.9p	33.1p	(6.6)	
Reported:				
Revenue	7,227	7,221	0.1	
Operating profit	423	306	38.2	
Profit before taxation	338	204	65.7	
Diluted EPS	18.8p	10.3p	82.5	

*margin points

12 Non-GAAP measures in this table are reconciled in Appendix 4.

Operating profit

Headline operating profit was £646m (H1 2023: £666m), at a headline operating profit margin of 11.5% (H1 2023: 11.5%), 0.1 points higher than the prior period on a constant currency basis. This reflects the decline in revenue less pass-through costs, cost inflation and investment for future growth, partially offset by continued cost discipline and restructuring initiatives.

Total headline operating costs were down 3.7%, to £4,953m (H1 2023: £5,145m). Staff costs (excluding incentives) of £3,837m were down 3.3% compared to the prior period (H1 2023: £3,969m), reflecting higher wage inflation offset by lower headcount as a result of the actions we have taken to mitigate the top-line decline in H1 and our restructuring initiatives. Incentives of £148m were down 14.0% compared to the prior period (H1 2023: £172m) due to phasing relating to the weighting of business performance through the year against annual incentive targets.

Establishment costs of £242m were down 11.1% compared to the prior period (H1 2023: £272m) driven by benefits from the campus programme and consolidation of leases. IT costs of £341m were down 2.6%, personal costs of £103m were down 8.0% driven by savings in travel and entertainment, and other operating expenses of £282m were up 4.4% driven by higher commercial costs.

On a like-for-like basis, the average number of people in the Group in the first half was 113,000 compared to 115,000 in the first half of 2023. The total number of people as at 30 June 2024 was 111,000 compared to 114,000 as at 30 June 2023.

Headline EBITDA (including IFRS 16 depreciation) for the period was down 1.4% to £756m (H1 2023: £767m).

Reported operating profit was £423m (H1 2023: £306m) at a reported operating profit margin of 5.9% (H1 2023: 4.2%). Reported operating profit includes restructuring costs of £153m (H1 2023: £267m), amortisation and impairment of acquired intangible assets and impairment of investments in associates of £80m (H1 2023: £100m, including £53m of goodwill impairment).

goodwill impairment).

The restructuring and transformation costs (£153m) relate to actions set out at the January Capital Markets Day, primarily the structural cost saving plan relating to the creation of VML and Burson and the simplification of GroupM (£72m). These structural savings are to deliver annualised net cost savings of c.£125m in 2025, with more than 50% of that saving now expected to be achieved in 2024 (ahead of the original plan of 40-50%) and an associated restructuring cost of c.£125m in 2024. Also included within restructuring and transformation costs are the Group's IT transformation projects (£47m) and property costs associated with impairments prior to 2024 (£22m).

Net finance costs

Headline net finance costs of £136m were up 6.3% compared to the prior period (H1 2023: £128m), primarily due to the impact of refinancing bonds at higher rates.

Reported net finance costs were £101m (H1 2023: £103m), including net income of £35m (H1 2023: net income £25m) relating to the revaluation and retranslation of financial instruments.

Tax

The headline effective tax rate (based on headline profit before tax) was 28.0% (H1 2023: 27.0%). The increase in the headline effective tax rate is driven by changes in tax rates or tax bases in the markets in which we operate. Given the Group's geographic mix of profits and the changing international tax environment, the tax rate is expected to increase over the next few years.

The reported effective tax rate was 27.2% (H1 2023: 26.9%). The reported effective tax rate is lower than the headline effective tax rate due to gains on disposal of investments and subsidiaries not being taxable.

Earnings per share ("EPS") and dividend

Headline diluted EPS was 30.9p (H1 2023: 33.1p), a decrease of 6.6% due to lower headline operating profit (which includes an adverse FX impact which reduced headline diluted EPS by 1.5 pence) higher headline net finance costs and a higher headline effective tax rate.

Reported diluted EPS was 18.8p (H1 2023: 10.3p), an increase of 82.5% due to higher reported operating profit.

For 2024, the Board is declaring an interim dividend of 15.0p (2023: 15.0p). The record date for the interim dividend is 11 October 2024, and the dividend will be payable on 1 November 2024.

Cash flow[13]

Six months ended (£ million)	30 June 2024	30 June 2023
Headline operating profit	**646**	**666**
Income from associates	15	8
Depreciation of property, plant and equipment	81	84
Amortisation of other intangibles	14	9
Depreciation of right-of-use assets	110	129
Headline EBITDA	**866**	**896**
Less: income from associates	(15)	(8)
Repayment of lease liabilities and related interest	(187)	(184)
Non-cash compensation	56	76
Non-headline cash costs (including restructuring cost)	(144)	(114)
Capex	(107)	(104)
Working capital	(1,056)	(1,044)
Adjusted operating cash flow	**(587)**	**(482)**
% conversion of Headline operating profit	***(91)%***	***(72)%***
Dividends (to minorities)/ from associates	(16)	(42)
Earnout payments	(25)	(12)
Net interest	(49)	(48)
Cash tax	(168)	(171)
Adjusted free cash flow	**(845)**	**(755)**
Disposal proceeds	33	14
Net initial acquisition payments	(29)	(203)
Dividends	-	-
Share purchases	(57)	(37)
Adjusted net cash flow	**(898)**	**(981)**

Adjusted operating cash outflow was £587m (H1 2023: £482m). The main driver of the larger cash outflow year on year was an increase in non headline cash costs to £144m (H1 2023: £114m), mainly driven by costs related to the previously announced restructuring plan, including the creation of VML and Burson and the simplification of GroupM. The working capital outflow was £1,056m, in line with the prior period (H1 2023: £1,044m) and reflects the usual seasonality of client activity and timing of payments. Reported net cash outflow from operating activities (see Note 6) increased to £540m (H1 2023: £445m outflow).

Adjusted free cash outflow was £845m, higher than prior period (H1 2023: £755m) due to higher adjusted operating cash outflow and higher earnout payments, offset by lower dividends to minorities. Adjusted net cash outflow of £898m was lower than the prior period (H1 2023: £981m) due to lower net acquisition payments.

A summary of the Group's unaudited cash flow statement and notes for the six months to 30 June 2024 is provided in Appendix 1.

Appendix 1.

13 Non-GAAP measures in this table are reconciled in Appendix 4.

Balance sheet

As at 30 June 2024, the Group had total equity of £3,958m (31 December 2023: £3,833m).

Non-current assets of £12,438m decreased by £241m (31 December 2023: £12,679m), primarily driven by the amortisation of intangible assets and right-of-use assets.

Current assets of £13,375m decreased by £569m (31 December 2023: £13,944m). The decrease principally relates to trade and other receivables which decreased by £478m to £7,982m.

Current liabilities of £14,988m decreased by £1,317m (31 December 2023: £16,305m). The decrease principally relates to trade and other payables which decreased by £1,411m, partially offset by a net increase in bank overdrafts and bonds of £255m.

The decrease in both trade and other receivables and trade and other payables is primarily due to the seasonality of client activity and timing of payments, with the relative movement from December consistent with prior years.

Non-current liabilities of £6,867m (31 December 2023: £6,485m) increased by £382m, primarily due to a £523m increase in bonds to £4,298m, relating to the issuance of two new bonds in March 2024 (€600m and €650m) offset by a €500m bond due in March 2025 classified within current liabilities as at 30 June 2024 (31 December 2023: non-current).

Recognised within total equity, other comprehensive loss of £62m (H1 2023: £210m) for the period includes a £37m loss (H1 2023: £285m) for foreign exchange differences on translation of foreign operations, and an £18m loss (H1 2023: gain of £78m) on the Group's net investment hedges.

A summary of the Group's unaudited balance sheet and selected notes as at 30 June 2024 is provided in Appendix 1.

Adjusted net debt

As at 30 June 2024, the Group had cash and cash equivalents of £1.9bn (31 December 2023: £1.9bn) and total liquidity, including undrawn credit facilities, of £3.9bn (31 December 2023: £3.8bn). Bonds and bank overdrafts totalled £5.5bn as at 30 June 2024 (31 December 2023: £4.7bn).

As at 30 June 2024 adjusted net debt was £3.4bn, against £2.5bn as at 31 December 2023, up £0.9bn on a reported basis and at 2024 exchange rates, reflecting seasonal cash outflows in the first half of the year. Average adjusted net debt in H1 2024 was £3.6bn, compared to £3.6bn in H1 2023, at 2024 exchange rates.

The average adjusted net debt to headline EBITDA ratio in the 12 months ended 30 June 2024 is 1.84x (12 months ended 30 June 2023: 1.68x), which excludes the impact of IFRS 16.

In February 2024, we refinanced our five-year Revolving Credit Facility of $2.5bn, with the new facility running for five years, with two one-year extension options maturing in February 2029 (excluding options) and with no financial covenants.

In March 2024 we refinanced $750m of 3.75% bonds due September 2024 and €500m of 1.375% bonds due March 2025 as planned, issuing €600m of 3.625% bonds due September 2029 and €650m of 4.0% bonds due September 2033.

Our bond portfolio as at 30 June 2024 had an average maturity of 5.9 years.

Outlook

Our guidance for 2024 is as follows:

Like-for-like revenue less pass-through costs growth of -1% to 0% (previously 0-1%)
Headline operating margin improvement of 20-40bps (excluding the impact of FX)

Other 2024 financial indications:
- Mergers and acquisitions will add <0.5% to revenue less pass-through costs growth (previously 0.5-1.0%)
- FX impact: current rates (at 2 August 2024) imply a c.2.8% drag on FY 2024 revenues less pass-through costs, with a 0.1pt drag expected on FY 2024 headline operating margin
- Headline income from associates and non-controlling interests at similar levels to 2023
- Net finance costs of around £295m
- Effective tax rate (measured as headline tax as a % of headline profit before tax) of around 28%
- Capex of around £260m
- Cash restructuring costs of around £285m
- Working capital expected to be broadly flat year-on-year

Medium-term targets

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

- 3%+ LFL growth in revenue less pass-through costs
- 16-17% headline operating profit margin
- Adjusted operating cash flow conversion of 85%+[14]

14. Adjusted operating cash flow divided by headline operating profit.

Business sector and regional analysis

Business sector[15]

Revenue analysis

	Q2			H1		
	£m	+/(-) % reported	+/(-) % LFL	£m	+/(-) % reported	+/(-) % LFL
Global Int. Agencies	3,238	1.5	3.3	6,117	0.6	3.2
Public Relations	311	(0.1)	1.1	601	(2.8)	(0.9)
Specialist Agencies	266	1.9	3.0	509	(2.3)	(0.5)
Total Group	**3,815**	**1.4**	**3.1**	**7,227**	**0.1**	**2.6**

Revenue less pass-through costs analysis

	Q2			H1		
	£m	+/(-) % reported	+/(-) % LFL	£m	+/(-) % reported	+/(-) % LFL
Global Int. Agencies	2,392	(2.6)	(0.6)	4,595	(3.5)	(0.7)
Public Relations	293	0.1	1.5	568	(2.7)	(0.9)
Specialist Agencies	227	(3.2)	(2.0)	436	(6.6)	(4.7)
Total Group	**2,912**	**(2.3)**	**(0.5)**	**5,599**	**(3.6)**	**(1.0)**

Headline operating profit analysis

£ million	H1 2024	% margin*	H1 2023	% margin*
Global Int. Agencies	551	12.0	550	11.6
Public Relations	80	14.1	88	15.1
Specialist Agencies	15	3.4	28	6.0
Total Group	**646**	**11.5**	**666**	**11.5**

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

[15] Prior year figures have been re-presented to reflect the reallocation of a number of businesses between Global Integrated Agencies and Specialist Agencies. The impact of the re-presentation is not material.

Regional

Revenue analysis

	Q2			H1		
	£m	+/(-) % reported	+/(-) % LFL	£m	+/(-) % reported	+/(-) % LFL
N. America	1,467	6.5	6.2	2,781	1.3	2.5
United Kingdom	544	(4.1)	(4.4)	1,058	(0.7)	(1.2)
W Cont. Europe	762	(2.4)	0.1	1,458	(1.3)	1.9
AP, LA, AME, CEE[16]	1,042	0.5	5.1	1,930	(0.3)	5.5
Total Group	**3,815**	**1.4**	**3.1**	**7,227**	**0.1**	**2.6**

Revenue less pass-through costs analysis

	Q2			H1		
	£m	+/(-) % reported	+/(-) % LFL	£m	+/(-) % reported	+/(-) % LFL
N. America	1,152	1.5	2.0	2,207	(3.4)	(1.6)
United Kingdom	396	(5.4)	(5.3)	779	(2.1)	(2.6)
W Cont. Europe	608	(2.1)	0.3	1,164	(1.3)	1.7
AP, LA, AME, CEE	756	(6.3)	(2.2)	1,449	(6.6)	(1.4)
Total Group	**2,912**	**(2.3)**	**(0.5)**	**5,599**	**(3.6)**	**(1.0)**

Headline operating profit analysis

£ million	H1 2024	% margin*	H1 2023	% margin*
N. America	336	15.2	287	12.6
United Kingdom	78	10.0	98	12.3
W Cont. Europe	117	10.1	111	9.4

W Cont. Europe	117	10.1	111	9.4
AP, LA, AME, CEE	115	7.9	170	11.0
Total Group	**646**	**11.5**	**666**	**11.5**

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

[16] Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.