

WPP PLC

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WPP due some relief as large advertisers step up marketing efforts, says Goldman Sachs

WPP PLC (LON:WPP) is expected to benefit from some relief in the short-term as some large advertisers step up their marketing efforts, according to analysts at Goldman Sachs, leading them to upgrade their recommendation for the shares to 'buy' from 'neutral'.

The US investment bank's analysts also hiked their 12-month price target to 1,150p from 870p for the FTSE 100-listed advertising and marketing giant as it sees scope for a re-rating of the shares on "improving organic growth momentum and cost cutting upside".

In a European media sector note to clients on Monday, Goldman's analysts predicted that WPP's organic growth will improve to -0.7% in the second half of 2019 from -2.8% in the first half, helped by recent new business wins, a phasing out of account losses and easier comparatives from last year.

READ: WPP reaffirms 2019 guidance although first-quarter sales drop due to "significant" US client losses

This forecast was supported by recent management comments from WPP that its first quarter was worst in North America and that internal budgets point to a stronger second half with a sequential improvement in most major markets.

"In our view recent new business performance is particularly encouraging given the departure of long-standing CEO Sir Martin Sorrell in April 2018 and the company's ongoing reorganisation - which we previously highlighted as a risk," the analysts said.

They added that Goldman's new business tracker also showed that WPP was not "at risk" in either of the large account reviews from LG and Novartis, while the proposed sale of a 60%-70% stake in data research arm Kantar could enable share buybacks of 1.7%.

Looking elsewhere in the wide media sector, the Goldman analysts said industry consolidation is expected to remain a major theme in the coming 12 months, with ITV plc (LON:ITV) seen by the bank as one of the most likely takeover candidates in the sector, along with Ascential (LON:ASCL).

The analysts raised their rating for FTSE 250-listed Ascential to 'Conviction Buy' list from 'buy', while trimming their target price to 510p from 525p.

Meanwhile, they resumed coverage on ITV plc (LON:ITV) with a 'neutral' rating and 121p price target.

"We believe the core TV operations for ITV will remain difficult in the near term owing to Brexit uncertainty and regulatory risks around gambling and fatty foods advertising, while secular pressures continue to accelerate," analysts said, though they believe the broadcaster is better positioned structurally and more diversified than its peers.

Price: 985.2

Market Cap: £12.43 billion

1 Year Share Price Graph



Share Information

Code: WPP

Listing: LSE

| | | |
|----------------|-------------|------------|
| 52 week | High | Low |
| | 1047 | 791 |

Sector: Media

Website: www.wpp.com

Company Synopsis:

WPP is one of the world's largest communications services groups. We are made up of leading companies in: Advertising; Media Investment Management; Information, Insight & Consultancy; Public Relations & Public Affairs; Branding & Identity; Healthcare Communications; Direct, Promotion & Relationship Marketing; Specialist Communications.

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The Goldman analysts also downgraded their rating for FTSE 100-listed business publisher and exhibitions group Informa PLC (LON:INF) to 'neutral' from 'buy'.

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