

# CHIEF FINANCIAL OFFICER'S STATEMENT

## A business in good shape for the future



### AS WE ENTER 2023 OUR FINANCIAL POSITION IS STRONG"

**John Rogers**  
Chief Financial Officer

We delivered strong top-line growth in 2022, with margin expansion, an increase in the annual dividend of over 26%, and the return of more than £800 million of excess capital to shareholders in share buybacks.

2022 was another strong year for WPP, with like-for-like revenue less pass-through costs growth of 6.9%, against our original guidance (set in February 2022) of around 5%. This performance reflects the priority placed by our clients on investing in marketing, despite economic and geopolitical turbulence, and the relevance of our offer across all our major agencies, with each contributing towards overall growth in the year.

We continued to make progress against our strategic plan with improved profitability, increasing our headline operating margin by 0.4 points to 14.8%, supported by the benefits of our transformation programme, which I discuss in more detail below.

In line with our capital allocation policy, we continued to invest in our business during 2022, both organically and with targeted M&A, and returned more than £800 million of excess capital to shareholders via share buybacks. As we enter 2023 our financial position is strong, with an average adjusted net debt to EBITDA ratio in the 12 months to 31 December 2022 of 1.46x, slightly below our target range of 1.5-1.75x.

#### TRANSFORMATION PROGRAMME

The five-year transformation programme announced in 2020 is designed to simplify WPP, build greater collaboration, drive efficiency and free up funds for reinvestment in growth. We made further progress against that plan in 2022, delivering around £375 million of gross annual savings against a 2019 base, ahead of the planned £300 million, with savings across property, procurement and our operating model.

The transformation of our property estate continues, with a further five campuses opened in 2022 (Brussels, Düsseldorf, Santiago, Tokyo, Toronto) and another in Guangzhou, China, in January, taking the global total to 37. These campuses now accommodate around half our people around the world, and the programme has driven significant savings. We plan to open additional offices including Atlanta, Paris and Manchester in 2023.

We continue to implement a new procurement operating model leveraging our global scale, aligned around categories and consolidating suppliers. As part of this programme we launched an initiative in 2022 to optimise our use of our freelance talent across the Company.

The transformation of IT, finance and HR made further progress as we consolidate and modernise our use of IT in these areas. In Enterprise Resource Planning, Workday Financial Management is operational in Wunderman Thompson North America after some delays in implementation due to the complexity of process and system design. We are now in the process of refining the capabilities of this core enterprise system and how it aligns to optimised agency processes. We successfully rolled out Maconomy in several Asia Pacific markets, and plan rollouts in Latin America in 2023.

In the UK we rolled out the first instance of Workday HCM, with plans for more rollouts to come. We also established 24x7 IT service capabilities for the Company, moving over 1,000 people from agency roles into WPP and establishing global hubs in Bucharest, Chennai, Kuala Lumpur and Mexico.

We remain comfortably on target to achieve our goal of £600 million annual cost efficiencies against a 2019 base by 2025.

### SIMPLIFICATION

WPP benefits from having a number of distinct and strong agency brands, but as we look to simplify our organisation and respond to our clients' needs for integrated solutions, we have taken the opportunity to bring brands together to streamline and strengthen our offer. During 2022 we announced the merger of two GroupM agencies, Essence and MediaCom, and the formation of GroupM Nexus. In our specialist design agencies we announced the merger of Design Bridge and Superunion to create a single leading design company, Design Bridge and Partners.

### TARGETED INVESTMENT

We continued to make organic investments to drive significant long-term growth opportunities, with a particular focus on unifying and accelerating our data, digital and AI capabilities. You can see several examples of our work related to these areas earlier in this report.

Choreograph, our data company, continues to invest in its data offer, allowing brands to predict relevance and drive deeper customer connections, with recent innovative work for Ford and Bayer. Choreograph continues to play a central role in key client assignment wins and retention.

In April 2022 we launched GroupM Nexus, bringing together 9,000 practitioners globally across addressable TV (Finecast), AI, retail media and commerce, programmatic (Xaxis), search and social to be the performance engine for GroupM's agencies. Finecast added 150 new clients in 2022 and grew strongly.

As part of our long-term strategy, we continued to target acquisitions that will bring new strengths and capabilities to our agencies. In 2022 Wunderman Thompson was joined by marketing agency Village Marketing, commerce agencies Newcraft and Diff, and digital agency Fénom Digital. VMLY&R enhanced its offering with the addition of Corebiz and Passport Brand Design, while Ogilvy was boosted by the acquisition of Bower House Digital, a marketing technology services agency. Global revenue less pass-through costs from experience, commerce and technology grew 9%, in line with expected market growth of 5-15%.

### DIVIDENDS, EXCESS CAPITAL AND LEVERAGE TARGET

We take a disciplined approach to capital allocation based around the policy we set out in December 2020. After making organic investments, paying our regular dividend at our target level of around 40% of headline EPS, and completing targeted acquisitions, we will continue to review our capital needs relative to our leverage target of 1.5-1.75x average adjusted net debt/EBITDA. When we have excess capital, we will return it to shareholders, typically via share buybacks.

For 2022, the Board proposes a final dividend of 24.4p, which together with the interim dividend of 15.0p paid in November 2022, would represent a full-year dividend for 2022 of 39.4p, up 26%. In turn this would represent around 40% of headline EPS, in line with our policy.

Over £1.1 billion was returned to shareholders in 2022, comprising £807 million of share buybacks completed and £365 million of dividends paid. Since 2019, over £3.4 billion has been returned to shareholders (£1.5 billion in buybacks and the rest in dividends), while our net debt has been reduced to sustainable levels with leverage at the end of 2022 just below the bottom end of our leverage target.

### FAREWELL

After three years in this role my decision to move on to explore new career opportunities outside WPP was announced in November. Following the announcement of the Company's 2023 First Quarter Trading Update, Joanne Wilson, who is currently the CFO of Britvic plc, will take over as WPP's CFO. I will remain with WPP for a short time thereafter to ensure a smooth transition.

I wish Joanne the greatest of success at what is a wonderful, passionately creative organisation, and I'm sure she will continue to build on the substantial progress made over the last three years.



**John Rogers**  
Chief Financial Officer  
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