

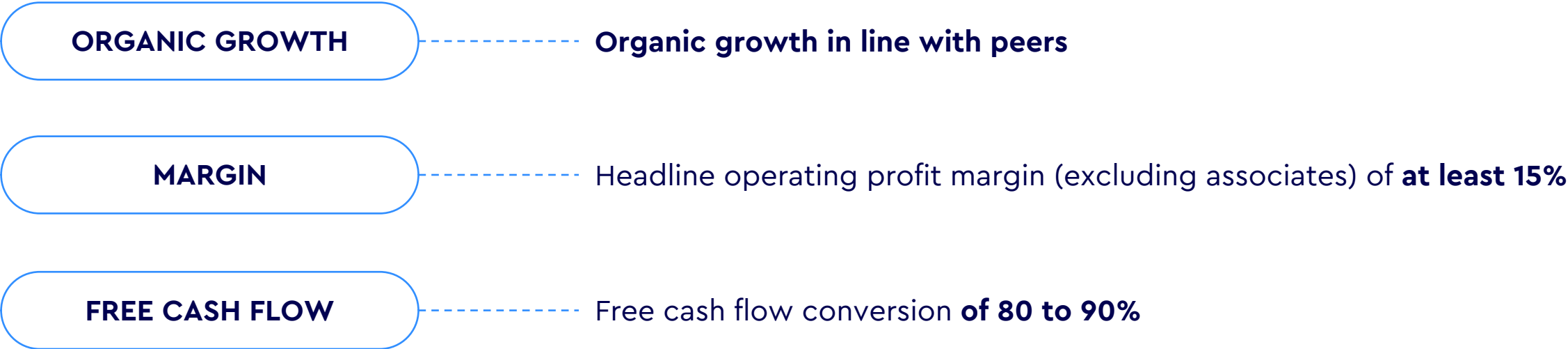


FINANCIAL OUTLOOK

ANDREW SCOTT

FINANCIAL OUTLOOK

WHAT WE ARE AIMING TO ACHIEVE BY THE END OF 2021



UNDERPINNED BY A DISCIPLINED AND SUSTAINABLE CAPITAL ALLOCATION POLICY

Note: Organic growth is measured by like-for-like revenue less pass-through costs growth. Free cash flow conversion is ratio of free cash flow to headline earnings. Free cash flow is after earnouts and changes in working capital and before new acquisition spend, disposals and shareholder distributions.

ORGANIC GROWTH

	2017		2021
Top 10 Companies	3/10 Growing	>	8+ Growing
Top 20 Countries	8/20 Growing	>	15/20 Growing & Return USA to Growth
Top 30 Clients	12/30 Growing	>	More than 20/30 Growing
Organic Growth	(0.9)%	>	In line with industry peers by the end of 2021

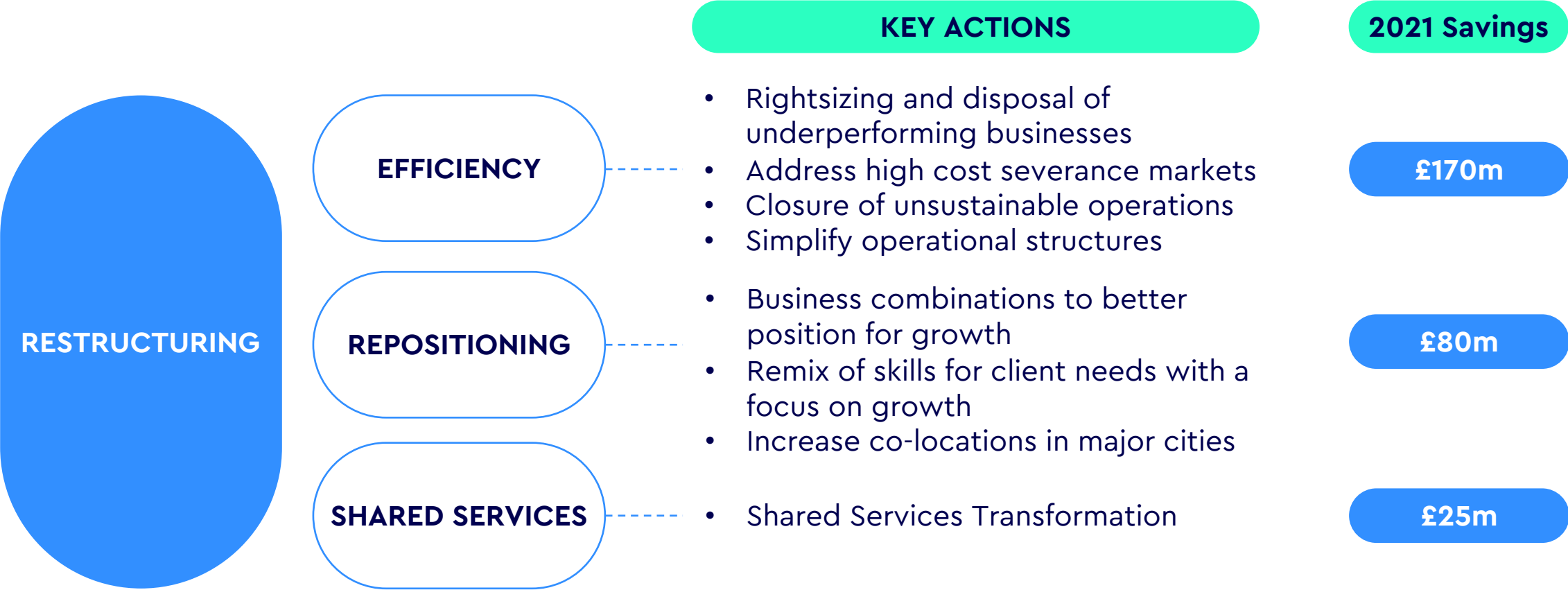
MARGIN

HEADLINE OPERATING PROFIT MARGIN OF AT LEAST 15% BY 2021

- Excludes associates
- Balance between growth and margin
- Half of restructuring savings reinvested
- 18% OP margin pre-incentives, 3% invested in incentives, 15% post
- Further efficiency savings from shared services transformation longer term

RESTRUCTURING

WILL REMOVE COSTS AND POSITION THE BUSINESS FOR GROWTH



DELIVER £275M OF GROSS SAVINGS BY 2021 AT A TOTAL CASH COST OF £300M

RESTRUCTURING

OVER 400 RESTRUCTURING INITIATIVES ARE BEING IMPLEMENTED



DETAILS

- Over 100 business unit combinations (at a local office level)
- Over 80 business unit closures (at a local office level)
- 16 disposals of non-core or underperforming businesses
- Gross headcount reduction of c.3,500, partially offset by reinvestment in talent for growth

- Mergers to create integrated networks VMLY&R and Wunderman Thompson
- Alignment of US Healthcare agencies into integrated agencies
- 64,000 people in co-locations by end 2021 up from 13,500 in December 2017, increasing to 85,000 by the end of 2023
- Co-location in 37 cities, reducing total number of offices by 300

WPP SHARED SERVICES TRANSFORMATION

TODAY

SSCs support 7 countries

>250 different ERP instances

Cost of finance: 3.6% of net sales



PLAN

30+ countries

3 ERP instances

Cost of finance: 3.0% of net sales*

OTHER KEY BENEFITS

- RESOURCE MANAGEMENT
- WORKING CAPITAL
- CLIENT SATISFACTION
- RISK MANAGEMENT

Note*: Cost of finance target at 3% of net sales to be achieved by 2023. Net sales defined as revenue less pass-through costs

INVESTMENT

JUST OVER HALF OF THE BENEFITS WILL BE REINVESTED IN TALENT AND TECHNOLOGY DEVELOPMENT



P&L INVESTMENT COST OF £135M PER ANNUM BY 2021

Net sales defined as revenue less pass-through costs

RESTRUCTURING AND INVESTMENT PLAN

SUMMARY FINANCIAL IMPACT

	£m			
	2018	2019	2020	2021
Restructuring: OP Benefit from Gross Savings	-	160	240	275
Technology	-	(20)	(20)	(20)
Creative/Growth	-	(15)	(15)	(15)
Incentives	-	(50)	(100)	(100)
Total P&L Investment: Costs	-	(85)	(135)	(135)
Net Headline Operating Profit Impact	-	75	105	140
Timing of cash costs to implement (£300m)	(110)	(130)	(40)	(20)

Note: OP Benefit refers to Headline Operating Profit. Cash costs exclude £46m of restructuring in H1 2018.

FREE CASH FLOW

INCREASE CASH CONVERSION THROUGH IMPROVED WORKING CAPITAL MANAGEMENT

WORKING CAPITAL MANAGEMENT



- Significant cultural and behavioural change to focus on the importance of cash and balance sheet management
- Investment in systems and roll-out of SSCs to improve billing processes and collections
- Overdue debtors at 29% of total outstanding

Free cash flow conversion is ratio of free cash flow to headline earnings. Free cash flow is after earnouts and changes in working capital and before new acquisition spend, disposals and shareholder distributions.

CAPITAL ALLOCATION POLICY

DISCIPLINED WITH THE CASH WE GENERATE AND FOCUSED ON KEEPING LEVERAGE AT A SUSTAINABLE LEVEL

LEVERAGE

Reduce average net debt to EBITDA leverage ratio to within **1.50-1.75x** target range

M&A

Selective spend of **c£200m** per annum on acquisitions focused on new capabilities offset by proceeds from disposals.
Kantar review in progress

DIVIDENDS

Commitment to **60p dividend**, which we aim to maintain until earnings per share have recovered to 120p at which point we will revert to a 50% pay-out policy

SHARE BUY-BACKS

To resume when leverage improves

FINANCIAL OUTLOOK

WHAT WE ARE AIMING TO ACHIEVE BY THE END OF 2021

- ORGANIC GROWTH** Organic growth in line with peers
- MARGIN** Headline operating profit margin (excluding associates) of **at least 15%**
- FREE CASH FLOW** Free cash flow conversion of **80 to 90%**

UNDERPINNED BY A DISCIPLINED AND SUSTAINABLE CAPITAL ALLOCATION POLICY