WPP 2020 Full Year Preliminary Results

Morning Teleconference Transcript

Thursday, 11 March 2021

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Full Year Highlights

Mark Read

Chief Executive Officer, WPP

Thank you very much and good morning everybody and welcome to our 2020 preliminary results presentation. I'm joined here in London with John Rogers, our CFO and Peregrine Riviere, the Head of our Investor Relations team to take you through the presentation and answer any questions.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This presentation contains statements that are, or may be deemed to be, "forward-looking statements". Forward-looking statements give the Group's current expectations or forecasts of future events. An investor can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as 'anticipate', 'estimate', 'expect', 'intend', 'will', 'project', 'plan', 'believe', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance.

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I think if you turn to Page 2, we should just look at our cautionary statement quickly before proceeding to the agenda on Page 3. And I want to take everyone through a few of the highlights for the year. Before John takes you through our financial performance, we will come back at the end with a business update and then the question-and-answers.

SLIDE 3

AGENDA

1. FULL YEAR HIGHLIGHTS
2. FINANCIAL PERFORMANCE
3. BUSINESS UPDATE
4. Q&A

SLIDE 4

RESILIENT PERFORMANCE, SIGNIFICANT PROGRESS

- Sequential recovery[1] since initial lockdowns: Q2 –15.1%, Q3 -7.6%, Q4 –6.5%
- Major sectors growing well in Q4: CPG, Tech, Pharma +1.9%[2]
- Growing demand for commerce services: working with 76 of our top 100 clients
- Ongoing pivot to digital and commerce: GroupM digital billings mix +3.8pt, commerce media grew 43% YoY
- $4.4 billion in net new business, market-leading – Alibaba, HSBC, Intel, JP Morgan, Uber, Unilever
- Sustained commitment from our people, continued focus on well -being, attracting top talent
- Strong financial discipline: costs down 8.4% year-on-year; net debt £0.7bn, lowest since 2004
- Accelerating our growth: ambitious medium-term goals set at December 2020 Capital Markets Day

1 LFL revenue less passthrough costs
2 Top 200 clients

So turning to Page 4. Look, I think it's been now exactly one year to the day actually since we asked everyone at WPP to work from home, some 100,000 people around the world. And I have to say it's been an amazing effort from our people who have really gone above and beyond to deliver to their clients and to look after each other often in quite challenging circumstances.
We've had significant loyalty and support from our clients. Our client satisfaction scores are higher than they've ever been. But at the same time there is a lot of work around the health topic to help our communities. And I think there's a lot of thoughts in the presentation about how we can learn from the experience in the last year and thinking about the future.
But if you look at our performance, I said we've had a both a resilient performance during the year, but almost more importantly, we've made a significant progress on our strategy, on the strategic goals we set out just over two years ago and that we re-emphasized to the Capital Markets Day back in December.
From a financial perspective, we saw sequential recovery during the year with the fourth quarter being an improvement on the third quarter. We have seen major sectors of our business growing well, in fourth quarter in consumer-packaged goods, tech, pharm; about 57% WPPs revenues grew by 1.9%. We are seeing growing demand for our Commerce services and the pivot to digital e-commerce are seen across our business within GroupM. Our commerce media grew by 43% and our digital billings mix improved by 3.8%.
I think I'm particularly pleased by our new business performance during the year. Our industry is one where on any one day you might win one and you might lose one. But I think consistently over 2020, we had a market-leading new business performance we named some of the clients that we won here Alibaba, HSBC, Intel, JPMorgan Chase, Uber, Unilever, all entrusted WPP with more business. We talked about the commitments from our people and we really focused a lot of our efforts, particularly in last few months on ensuring their wellbeing. But we continue to attract top talent to WPP; to name a few people, Rob Reilly who joined us as our Chief Creative Officer, Andy Main who joined us as CEO of

Ogilvy, Kirk McDonald who joined us as CEO of GroupM in North America, Devika Bulchandani who joined as CEO of Ogilvy North America. We also backed Barry Wacksman and Saneel Radia in the new company Proto.

And I think talent is at the heart of our business and it's critical that we invest in talent across all of our businesses. John will talk about the progress here, our financial teams have shown really strong financial discipline with cost down 8.4% year-on-year and our net debt is the lowest it's been since 2004. So we've really set out a set of ambitious medium growth targets back just before Christmas. I think they've set the right balance between a short-term focus on performance and long-term revenue growth.

So that's the highlights for the last year. It has had its challenges. But I think as a company, we've navigated it extremely well.

So, John would you just take us through the financial performance.

Financial Performance

John Rogers
Chief Financial Officer, WPP

Thank you, Mark, and good morning everyone. I am pleased to be presenting my first prelim results for WPP for the year ending December 31, 2020.

SLIDE 6

UNAUDITED HEADLINE[1] IFRS INCOME STATEMENT

YEAR TO 31 DECEMBER	2020 £M	2019 £M	Δ REPORTED	Δ LFL[2]
Continuing operations				
Revenue	12,003	13,234	(9.3%)	(7.3%)
Revenue less pass-through costs	9,762	10,847	(10.0%)	(8.2%)
Operating profit	**1,261**	**1,561**	**(19.2%)**	**(17.2%)**
Income from associates	10	62	(83.8%)	
PBIT	**1,271**	**1,623**	**(21.7%)**	
Net finance costs	(230)	(260)	11.8%	
Profit before tax	**1,041**	**1,363**	**(23.6%)**	
Tax at 23.5% (2019: 23.0%)	(242)	(300)	19.2%	
Profit after tax	**799**	**1,063**	**(24.9%)**	
Non-controlling interests	(59)	(79)	25.6%	
Profit attributable to shareholders	**740**	**984**	**(24.8%)**	
Diluted EPS	**59.9p**	**78.1p**	**(23.3%)**	
Operating profit margin[3]	**12.9%**	**14.4%**	(1.5)pt	(1.4)pt
EBITDA[4]	1,481	1,830	(19.1%)	

- Disposals account for 0.6% reduction in revenue less pass - through costs with currency 1.2% unfavourable
- Associate income down by £52m largely due to reduction in income from Imagina and COVID-19 related downsides
- Diluted EPS from continuing operations down 23%

1 Figures before goodwill and intangibles charges, gains/losses on disposals of subsidiaries and investments, gains/losses on disposals of subsidiaries and investments, investment and other write-downs, share of exceptional gains/losses of associates, restructuring and transformation costs, restructuring costs in relation to COVID-19, litigation settlement, gain on sale of New York freehold property and revaluation of financial instruments

2 Like-for-like growth at constant currency exchange rates and excluding effect of acquisitions and disposals

3 Margin as % of revenue less pass-through costs

4 EBITDA including depreciation of right-of-use assets

So just turning now to Slide 6. The revenue less pass through costs is about GBP9.76 billion, down 8.2% on a like-for-like basis obviously due to the impact of COVID-19; this sales downside is largely offset by cost savings, delivering an operating profit of GBP1.26 billion down 17.2% on a like-for-like basis. Income from associates was down also reflecting the impact of COVID and a challenging performance in our associate Imagina. Delivering a profit before interest and tax of GBP1.27 billion, down 21.7%.
We had lower net finance cost due to slightly lower net debt of GBP230 million delivering profit before tax of GBP1.04 billion down 23.6% reflecting tax of 23.5%. The impact of noncontrolling interests delivered profit attributable to shareholders of GBP740 million, down 24.8%.
All of which delivered a diluted EPS of 59.9p per share, slightly above consensus and an operating margin of 12.9%, also slightly above consensus.

SLIDE 7

RECONCILIATION OF HEADLINE OPERATING PROFIT TO REPORTED OPERATING (LOSS)/PROFIT

YEAR TO 31 DECEMBER	2020 £M	2019 £M	Δ £M
Headline Operating Profit	**1,261**	**1,561**	**(300)**
Goodwill impairment	(2,823)	(48)	(2,775)
Amortisation and impairment of intangibles	(89)	(121)	32
Investment and other write -downs	(296)	(8)	(288)
Restructuring and transformation costs	(81)	(153)	72
Restructuring costs in relation to COVID -19	(233)	-	(233)
Gains on disposal of investments & subsidiaries	8	40	(32)
Litigation settlement	(26)	17	(43)
Gain on sale of freehold property in New York	-	8	(8)
Gain on remeasurement of equity interests	1	-	1
Non headline items	**(3,539)**	**(265)**	**(3,274)**
Reported Operating (Loss)/Profit	**(2,278)**	**1,296**	**(3,574)**

- Investment and other write-downs primarily relates to impairment of certain investments in associates, including Imagina (£256m)

Turning now to Slide 7. I'm moving on to the reconciliation of our headline operating profit to our reported operating loss. So starting off with the headline operating profit of GBP1.26 billion. Of course, reflecting the impact of the impairments that we largely covered in the first half; The write-down of investments of GBP296 million, most of which was Imagina, GBP256 million was Imagina, reflecting restructuring costs of GBP81 million in line with the guidance actually given at the 2018 Strategy Day and a further GBP233 million of restructuring costs relating to COVID-19, all of which delivered the reported operating loss of just over GBP2.2 billion.

SLIDE 8

GOODWILL IMPAIRMENT

- Impairments of £ 3,119m (including £ 2,823m of goodwill impairments for subsidiaries and £ 296m for associates shown as investment and other write -downs):

YEAR TO 31 DECEMBER	TOTAL IMPAIRMENTS £M
Wunderman Thompson	1,208
VMLY&R	517
Geometry Global	306
Imagina (associate)	256
Landor & FITCH	185
Burson Cohn & Wolfe	145
Other	502
Total	**3,119**

- The goodwill impairments relate to historical acquisitions whose carrying values have been reassessed, triggered by the impact of COVID -19
- The impairments are driven by a combination of higher discount rates used to value future cash flows, a lower profit base in 2020 and lower industry growth rates
- The goodwill impairment charge includes £2,813m relating to the period ended 30 June 2020. This figure is £328m higher than £2,485m previously reported as a result of an adjustment to appropriately reflect working capital

Turning now to Slide 8 and now the goodwill impairment in a little bit more detail. So impairments of GBP3.1 billion comprising GBP2.8 billion of goodwill and GBP296 million of write downs in Associates. Again, you can look at the table. There, you can see the table with the major CGUs detailed out at GBP3.1 billion.

As we said at the half these goodwill impairments relate to historical acquisitions, whose carrying values have been reassessed triggered of course by the impact of COVID-19 on our markets. Most of the impairment is driven actually by higher discount rates, but also by slightly lower industry growth rates for the future.

Just one thing to note, the goodwill impairment charge of GBP2.8 billion is about GBP328 million higher than the GBP2.4 billion previously reported as a result of an adjustment to appropriately reflect working capital in the calculation.

SLIDE 9

RESTRUCTURING COSTS

YEAR TO 31 DECEMBER	2020 £M	2019 £M	Δ £M
Restructuring and transformation costs			
Severance	27	53	26
Establishment & other	54	100	46
Total	**81**	**153**	**72**
Restructuring costs in relation to COVID-19			
Severance	70	-	(70)
Establishment & other	163	-	(163)
Total	**233**	**-**	**(233)**

- Restructuring and transformation costs relate to ongoing costs for the continuing restructuring plan first outlined in December 2018, in line with guidance at the time
- Restructuring costs in relation to COVID-19 primarily relate to severance and property costs which the Group undertook in response to the COVID -19 pandemic

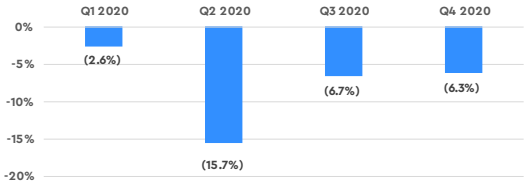
Coming on now to Slide 9 and our restructuring costs. Again as I've just described, GBP81 million in relation to the announcements that we made at the Strategy Day back in 2018, GBP27 million of which is severance and GBP54 million relates to property and other cost, and about half of the GBP81 million were severance cash and the rest is just P&L impact; and then the GBP233 million in relation to COVID-19, GBP70 million of severance, GBP163 million relating to property and, again, about half of which is cash driven and the rest P&L.

SLIDE 10

GLOBAL INTEGRATED AGENCIES: VMLY&R AND GROUPM LEAD H2 RECOVERY

£M	FY 2020	Δ REPORTED	Δ LFL
Revenue less pass-through costs	7,319	(9.7%)	(7.9%)
Headline operating profit	968	(20.6%)	
Headline operating margin	13.2%	(1.8)pt	

LFL REVENUE LESS PASS-THROUGH COSTS GROWTH



PERFORMANCE REVIEW

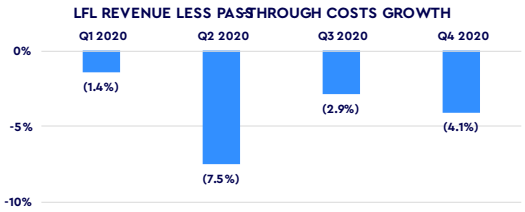
- Steady recovery – LFL revenue less pass-through costs -6.3% in Q4
- VMLY&R continues to be the best performer, close to flat for FY, growing in Q4
- GroupM down 4.1% in Q4, similar to Q3
- Headline operating margin down 1.8pt YoY, similar to overall group performance
- Continued repositioning – AKQA and Grey, VMLY&R and Geometry

Coming on to our performance across our different sectors. So, first, the global integrated agencies overall like-for-like net revenue less pass-through costs down 7.9%, broadly in line with our overall business, headline operating profit down 20.6% and headline operating margin down 1.8 pt, and you will see in the graph below, obviously, the quarter most impacted by COVID-19, the second quarter down 15.7% and then we saw gradual recovery thereafter in Q3 and Q4.
Particularly impressive performance from VMLY&R which continues to be the best performer of our global integrated agencies, close to flat for the financial year in relation to net sales and certainly growing in Q4. GroupM was down 4.1% in Q4 in line with performance in Q3. And again the continued repositioning of our businesses, AKQA and Grey coming together, VMLY&R and Geometry, again, reflecting the ongoing program to simplify the business.

SLIDE 11

PUBLIC RELATIONS: STRONGEST SECTOR THROUGHOUT THE YEAR

£M	FY 2020	Δ REPORTED	Δ LFL
Revenue less pass-through costs	854	(4.9%)	(4.0%)
Headline operating profit	141	0.5%	
Headline operating margin	16.5%	0.8pt	



PERFORMANCE REVIEW

- Like-for-like revenue less pass-through costs -4.1% in Q4 against strong comparable period
- Ongoing demand for COVID response and reputation work
- BCW continues improving trend in Q4
- Headline operating margin up 0.8pt YoY and profit flat, reflecting merger benefits and strong cost control
- Merger of Finsbury, Glover Park and Hering Schuppener to form Finsbury Glover Hering

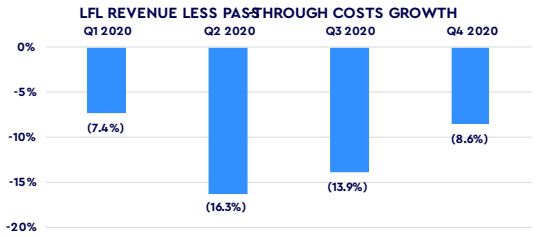
Coming on now to Slide 11. PR, which is our strongest performing sector through the year. So like-for-like net sales down 4%. We actually saw an increase in our operating profit of 0.5%, an increase in our operating margin of 0.8 points reflecting very strong performance vis-a-vis cost savings and again looking at the graph below, you will see that it was less impacted than our other sectors, but certainly some recovery coming through in the second half of the year. Although actually Q4 was slightly worse than Q3 in terms of overall decline.

Really positive performance from many of our companies in particular BCW continued to see an improving trend in Q4 and it's also worth noting the merger of Finsbury, Glover Park and Hering Schuppener to form Finsbury Glover Hering. Again, part of the overall simplification of our business.

SLIDE 12

SPECIALIST AGENCIES: ENCOURAGING TRAJECTORY

£M	FY 2020	Δ REPORTED	Δ LFL
Revenue less pass -through costs	1,589	(13.7%)	(11.5%)
Headline operating profit	152	(24.4%)	
Headline operating margin	9.5%	(1.4)pt	



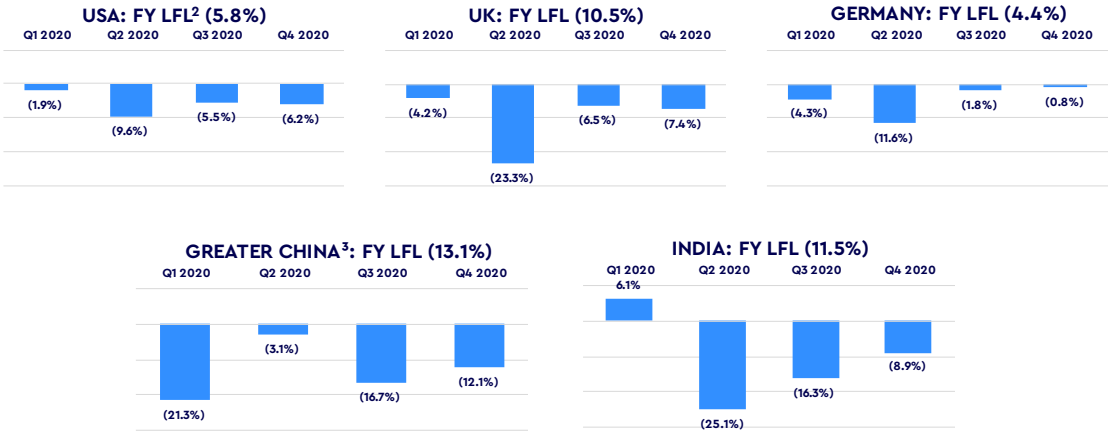
PERFORMANCE REVIEW

- Like-for-like revenue less pass-through costs -8.6% in Q4 – strongest sequential recovery
- All of our main agencies improved performance over the third quarter led by AKQA
- Superunion and Landor showing strong sequential improvement
- Headline operating margin down 1.4pt YoY

We will now turn to Slide 12 and the Specialist Agencies were hardest hit over 2020 with like-for-like net sales down 11.5%, operating profit down 24.4% and margin down 1.4 percentage points. Again, quite hard hit in Q2 but progressive recovery through Q3 and Q4, particularly driven of course by AKQA in the second half of the year and we also saw some good performance from Superunion and Landor showing sequential improvement.

SLIDE 13

TOP 5 MARKETS[1] PERFORMANCE

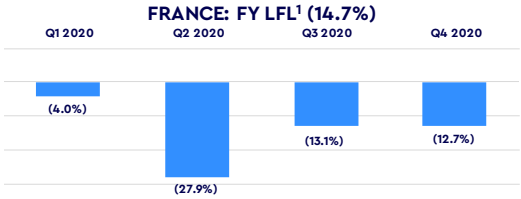


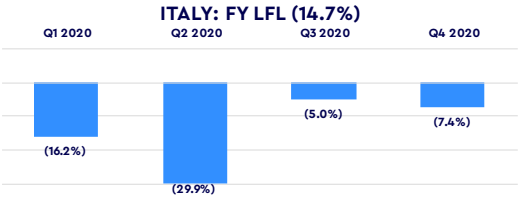
1 Top 5 markets for continuing operations
2 Likefor-like revenue less passthrough costs growth vs prior year from continuing operations
3 Includes Hong Kong and Taiwan

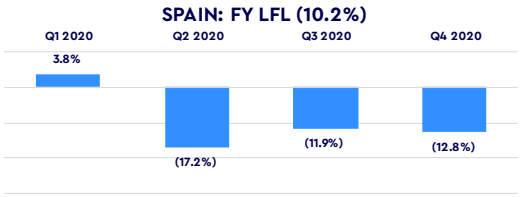
Coming on now to Slide 13 and on geographic performance. Again, the USA as reflected on our previous comments, the most resilient performer across the year, only down 9.6% in Q2 and then showing recovery in Q3 and Q4. UK was actually harder hit, 23.3% down in Q2, but some good recovery coming through in Q3 and Q4. And Germany, overall, was relatively strong, only down 11.6% in Q2 and recovery thereafter. Greater China, we saw recovery come through in the second quarter, perhaps slightly disappointing performance in Q3 although we did see some recovery coming through into Q4. And India, actually, one of our hardest hit geographies in the second quarter, down 25%, but then a strong recovery coming through in Q3 and Q4.

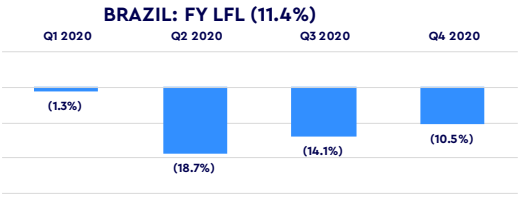
SLIDE 14

OTHER MAJOR MARKETS PERFORMANCE









1 Likefor-like revenue less pass-through costs growth vs prior year from continuing operations

Coming now to some of our other European markets. So, France and Spain and Italy reflecting relatively similar patterns being impacted in Q2, but recovery coming through in the latter half of the year; although with a slightly challenging Q4 performance, again reflecting the impact of the second lockdown on the business overall. And Brazil, reflecting very much a similar pattern to India, where there is a hard hit in the second quarter but progressive recovery for the remainder of the year.

SLIDE 15

TOP LINE DECLINE MITIGATED THROUGH STRONG COST[1] PERFORMANCE

Continuing operations, reportable £ actuals

YEAR TO 31 DECEMBER	2020 £M	2019 £M	Δ £M	Δ %
Revenue less pass-through costs	**9,762**	**10,847**	**(1,085)**	**(10.0%)**
Staff Costs excluding severance	(6,488)	(7,049)	561	7.9%
Establishment	(638)	(673)	35	5.1%
IT	(581)	(538)	(43)	(7.8%)
Personal	(137)	(339)	202	59.5%
Other operating expenses	(589)	(644)	55	8.8%
Operating expenses ex severance	**(8,433)**	**(9,243)**	**810**	**8.8%**
Operating Profit ex severance	**1,329**	**1,604**	**(275)**	**(17.1%)**
Headline Severance	(68)	(43)	(25)	(60.1%)
Operating Profit	**1,261**	**1,561**	**(300)**	**(19.2%)**
Operating Profit Margin	**12.9%**	**14.4%**	**(1.5)pt**	

- Reported revenue less pass-through costs down by £1,084m or 10.0%
- Staff costs excluding severance down 7.9% with cost actions increasing from Q2, benefitting from significant bonus reduction
- Establishment costs down 5.1%, but IT up 7.8% due to investments
- Personal expenses down 59.5% due to reduced travel
- Other operating expenses down 8.8%
- Cost savings excluding severance of £810m or 8.8%, in line with target

1 Headline operating expenses and profit are before goodwill and intangibles charges, gains/losses on step-ups, gains/losses on disposals of subsidiaries and investments, investment and other write-downs, share of exceptional gains/losses of associates, restructuring and transformation costs, restructuring costs in relation to COVID-19, litigation settlement, gain on sale of New York freehold property

Coming on now to Slide 15 and to our cost performance. As Mark already alluded to, we had very, very strong cost management through the year. So as the slide shows, net sales down just over GBP1 billion, but we are able to offset the vast majority of that net sales decline with £810 million of savings. So very strong performance in savings, slightly ahead of the guidance that we gave. We said GBP700 million to GBP800 million of savings. We were slightly ahead of that at GBP810 million. Again, overall, staff costs down 7.9% on the year, establishment costs down 5.1% on the year, IT costs were actually up by 7.8%, but again, reflecting the investment that we are making in our business in that area and we would expect that to deliver efficiencies in the future.

Personal costs down just under 60% reflecting the reduction in travel and hotel expenses and then other costs down 8.8%, all of which delivered GBP810 million of savings year-on-year and an operating profit down GBP300, down 19.2%. And again, you see the margin impact at the bottom. So a good year since we are managing our cost base in what was clearly a challenging environment.

SLIDE 16

FREE CASH FLOW AND FREE CASH FLOW CONVERSION

YEAR TO 31 DECEMBER		2020 £M		2019 £M
Operating profit		**(2,267)**		**1,580**
- Continuing Operations	(2,278)		1,296	
- Discontinued Operations	11		284	
Depreciation & amortisation charges		631		686
- Depreciation & amortisation ex IFRS 16	299		368	
- Depreciation of right -of-use assets	332		318	
Impairments and investment write -downs		3,316		56
Lease payments (including interest)		(399)		(355)
Non-cash compensation		74		71
Working capital, other receivables, payables and provisions		838		350
- Working capital	780		563	
- Other receivables, payables and provisions	58		(213)	
Net interest paid & similar charges		(100)		(190)
Tax paid		(372)		(536)
Capital expenditure		(273)		(394)
Earnout payments		(115)		(130)
Other		(50)		(94)
Free cash flow		**1,283**		**1,044**
Headline profit attributable to share owners		**740**		**984**
Free cash flow conversion		**173%**		**106%**

Coming on now to cash flow. Slide 16 and reconciling the operating loss of GBP2.2 billion and of course, adding back the depreciation, adding back the impairment, which are clearly non-cash, reflecting lease payments and a really positive significant improvement in our working capital. I'll come along to talk about that in a second, all of which delivered a free cash flow of just over GBP1.2 billion, so up year-on-year. So very strong performance in managing our cash in the business which led to very high conversion. You'll see there at the bottom.

SLIDE 17

USES OF CASH FLOW

YEAR TO 31 DECEMBER		2020 £M		2019 £M
Free cash flow		**1,283**		**1,044**
Net disposals/(acquisitions) ex earnout payments		140		2,221
- Disposal proceeds[1]	284		2,315	
- Net initial payments[2]	(144)		(94)	
Net cash flow before distributions		**1,423**		**3,265**
Distributions to shareholders		(412)		(794)
- Dividends	(122)		(750)	
- Share repurchases and buybacks[3]	(290)		(44)	
Net cash flow		**1,011**		**2,471**

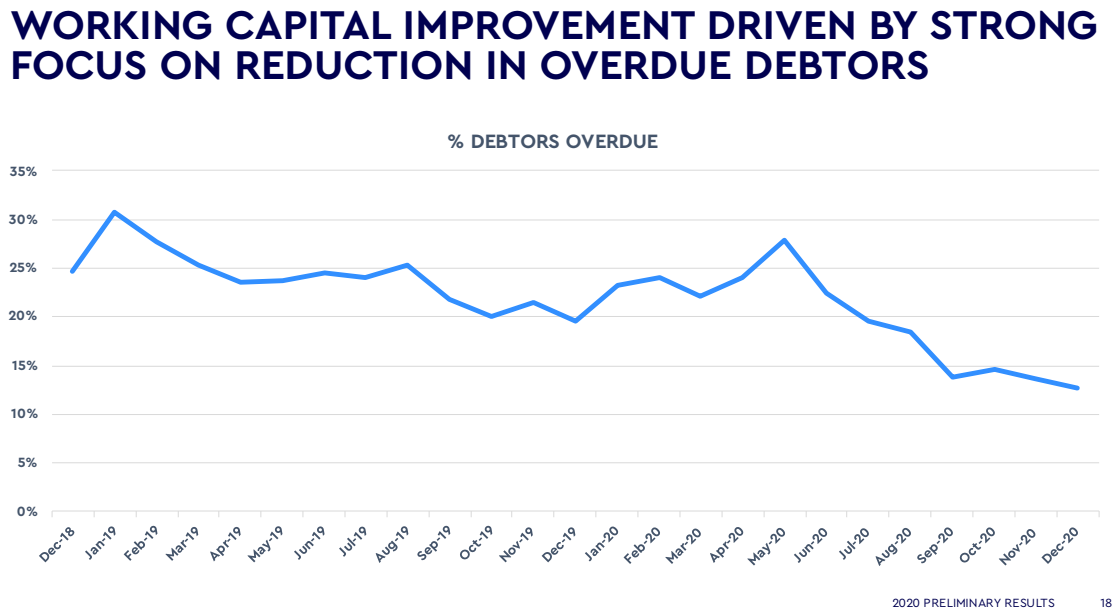
1 Comprises proceeds on disposal of investments and subsidiaries £321m (2019: £2,469m), less cash and cash equivalents disposed £48m (2019: £328m) and proceeds on disposal of property, plant & equipment £11m (2019: £174m)

2 Net initial payments include initial cash payments net of cash acquired £33m (2019: £4m), purchase of other investments £30m (2019: £27m) and cash paid for non-controlling interests £81m (2019: £63m)

3 Comprises buybacks £285m (2019: £44m) and repurchases £5m (2019: nil)

And in terms of the uses of that cash flow on Slide 17. Obviously, net disposals down significantly year-on-year. Obviously in 2019, we completed the Kantar transaction, with little M&A activity in 2020 delivering net cash flow before distributions of just over GBP1.4 billion. And distribution to shareholders is down slightly year-on-year reflecting the lower dividend payments will be offset by the share buyback program, the first phase of the Kantar share buyback that we suspended back in March 2020 and of course we are announcing today that we are recommencing that buyback program immediately as a consequence of the strong balance sheet and the good net debt position.

SLIDE 18



So turning on now to Page 18. I said I'll come back to this working capital improvement during the year. As you saw in the cash flow side, very strong improvement in working capital. Roughly GBP850 million, which led to a significant improvement in our year-end net debt. Now, much of this improvement has been driven by a reduction in our overdue debt and you will see that on the graph before you. We started out the year with overdue debt at about 20% and actually as the year progressed and we saw the impact of COVID- 19, we started to see an increase in those overdue debtors come through.

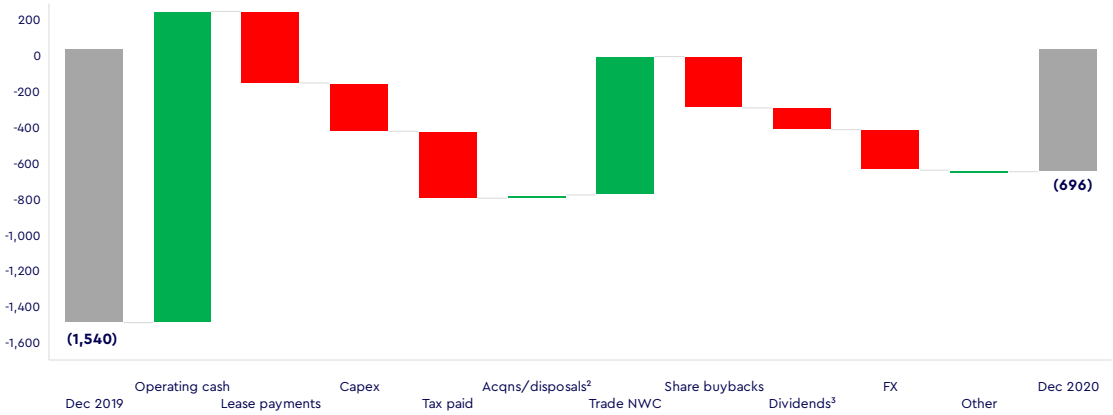
So we took very clear action in March to have an immediate program of managing our cash much more tightly and we saw the benefits of that start to flow through in May. So, we reached a peak in May of 27% of our overdue debt -- of our debt in overdue and progressively from May through to the remainder of the year, we actually managed that number down very successfully such that at the year-end, we were at 12%. So we started out the year at 20% debt as overdue and we came down to 12% as a result of very strong working capital management.

Every single one of those percentage points is worth about GBP70 million or so. So this explains about GBP500 million to GBP550 million of our inflow in the year -- of the GBP850 million inflow. Now, some of the inflow will relate to timing differences and is not sustainable, o we will expect to retain about two-third of that reduction. So of the GBP850 million we will keep about two-thirds of that benefit, but we will expect to see about a third of that reverse out over the next year ahead. So, say GBP200 million to GBP300 million we would expect to see reverse out as an outflow in 2021.

But overall very encouraging performance and I think there is more to go for. We can certainly be aspiring to single digit percentage of debtors overdue. Obviously, it gets progressively more difficult as we start to get to those numbers. But there's certainly more opportunity to improve our overall working capital position.

SLIDE 19

SIGNIFICANT IMPROVEMENT IN NET DEBT[1] SINCE DECEMBER 2019(£M)



1 Itemised movements in net debt represent management figures, which may vary from the presentation of the cash flow under IFRS
2 Acquisitions/disposals include earnout payments
3 Dividends to shareholders

If we go now to Slide 19. Looking at our improvement in net debt. Again, I went through on the slide, but you'll see as Mark already said our net debt position to be just under GBP700 million. Our best ever since 2004 and you can see in the middle of the chart that the benefit that we delivered as a consequence of the significant improvement in our trade net working capital.

SLIDE 20

LEVERAGE METRICS

Continuing operations

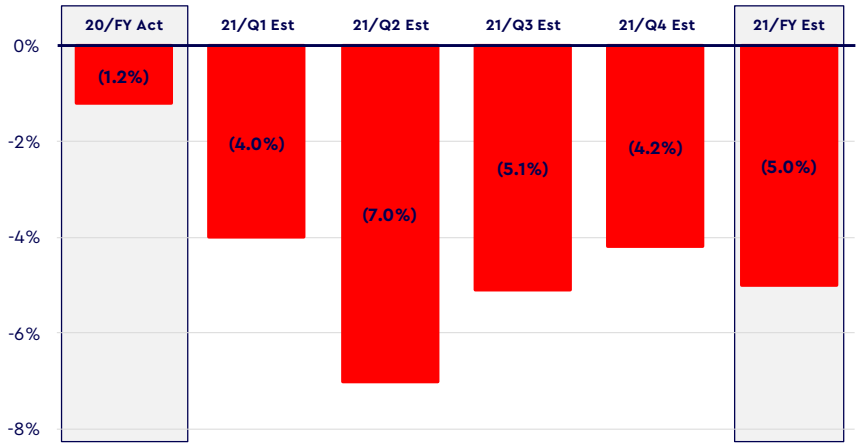
YEAR TO 31 DECEMBER	2020 £M	2019 £M	Δ £M
Average net debt[1] on constant currency basis	(2,331)	(4,358)	2,027
Average net debt[1] on reportable basis	(2,331)	(4,282)	1,951
Net debt[1] at 31 December on constant currency basis	(696)	(1,700)	1,004
Net debt[1] at 31 December on reportable basis	(696)	(1,540)	844
Available liquidity at 31 December	6,379	4,790	1,589
Headline finance costs[1,2]	(129)	(160)	31
Interest cover[1] on headline operating profit	**9.8x**	**9.7x**	
Headline EBITDA[1]	1,481	1,830	
Average net debt[1]/headline EBITDA[1]	**1.6x**	**2.3x**	

1 Net debt, headline finance costs, interest cover, headline EBITDA, exclude impact of IFRS 16
2 Headline finance costs of £129m (2019: £160m) excludes £101m (2019: £100m) IFRS 16 impact of all leases

Coming on now to Slide 20. This explains our very, very strong leverage metrics. So we've got liquidity available today in our business of over GBP6.3 billion, leading to strong interest cover at 9.8 times, an average net debt to headline EBITDA of 1.6 times actually in line with the guidance that we're providing at 1.5 time to 1.75 times; that's reached a year earlier than we originally expected. So very strong performance and obviously, we'd expect to maintain our net debt to EBITDA within that guidance going forward.

SLIDE 21

2021 EXPECTED IMPACT OF FX ON REVENUE LESS PASS-THROUGH COSTS[1]



- 2021 full year expected currency headwind -5.0%[2]
- 2021 H1 expected currency headwind -5.4%[2]
- 2020 full year actual currency headwind -1.2%

1 Continuing operations
2 January and February 2021 at actual FX rates and BOY 2021 at 26 February 2021 closing exchange rates including £/US 1.39 and £/€1.15

Coming on now to Slide 21. Important to note that in 2020, we did actually experience a currency headwind at 1.2% against our net sales line, and we expect that trend to continue and indeed worsen through 2021. So at today's exchange rates, we're expecting a headwind overall for 2021 of 5%. Indeed, in the first half it's 5.4%; probably slightly less in the second half. And so if you think about with our guidance of mid-single digit sales growth on a like-for-like basis, we would expect most of that to be broadly offset by the currency headwind that we expect to see through the year.

SLIDE 22

DIVIDEND, BUYBACK AND OUTLOOK

- 2020 final dividend of 14.0p proposed
- Full year 2020 dividend of 24.0p, in line with new policy
- Remaining £620 million Kantar buyback to recommence immediately, with up to £300 million to be completed by June
- 2021 and medium-term guidance reiterated

And coming on now to my last slide, Slide 22. Covering the dividend, buyback and the outlook for 2021. So final dividend of 14p per share proposed on top of the 10p interim dividend that we announced delivering 24p per share total dividend in line with our new policy and as I've said earlier on, the remaining GBP620 million Kantar buyback program to recommence immediately with up to GBP300 million being completed by June. And we of course reiterate the guidance that we gave at the Capital Market Day back in December for 2021 and our medium-term guidance going forward.
So with that, I'll hand back to Mark for the business update.

Business Update

Mark Read

Chief Executive Officer, WPP

SLIDE 24

WE ENTER 2021 HAVING MADE SIGNIFICANT PROGRESS — MUCH OF IT DURING COVID

- **Improved organic growth performance**
  - Above peer group for 2020, a year ahead of plan
  - Improving relative performance in US
- **Stronger client performance**
  - 15 of top 30 clients grew in 2020
  - Customer satisfaction scores improving throughout 2020
  - Industry-leading new business performance
- **Improved financial position**
  - Net debt down to £0.7 billion at year-end
- **Taken action during COVID to be ready for 2021**
  - Continued to attract top talent
  - Responded rapidly on cost
  - Positioned WPP for the future: AKQA Group, VMLY&R Commerce, Finsbury Glover Hering

Thanks very much, John. And I think we'll just touch on and highlight a few of the key points we did that we raised in the Capital Market Day back in December.

If you turn to Page 24. We did make a lot of progress in 2020 and we start 2021, benefiting from that progress. And I point out a lot of it we made, or much of it, during COVID.

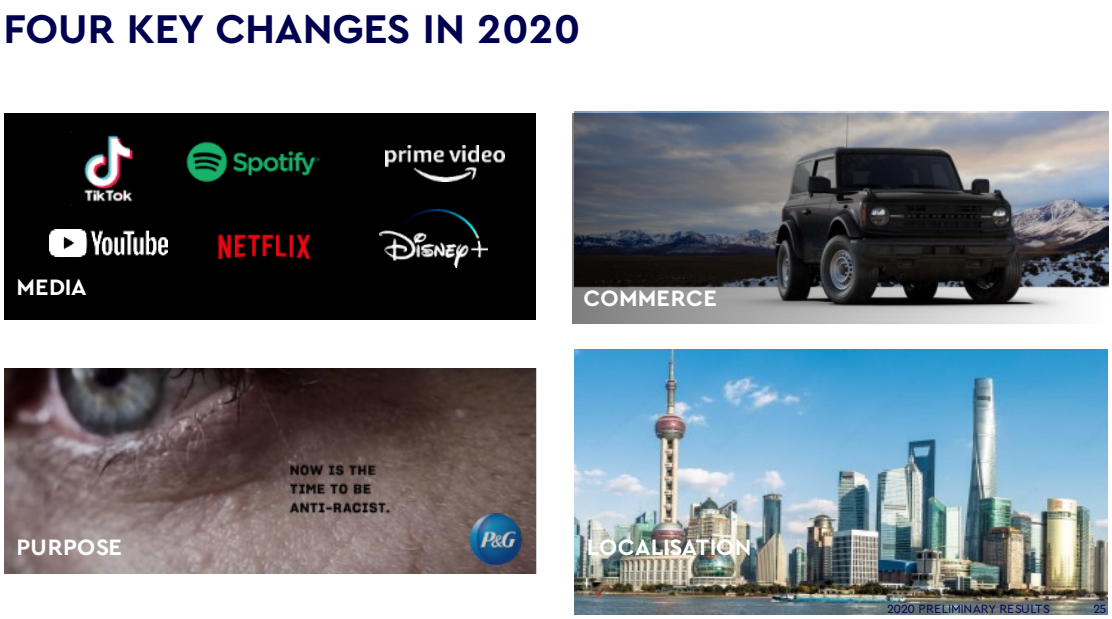
We did see an improved relative organic growth performance. We are above our peer group for 2020 overall, a year ahead of plan. We saw an improving relative performance in the United States, which we are looking to continue in 2021.

The heart of that was a much stronger performance for many of our clients. 15, that's half of our top 30 actually grew in 2020 and we saw consistent improvement in our customer satisfaction scores through 2020 and they really have moved very significantly since 2018. And we saw an industry-leading new business performance I mentioned.

I think we're particularly pleased by the progress we've made on our leverage. Actually our net debt at year end was at a 16-year low and that was the second of our three financial targets we set out back in December 2018. We've now met two of the three financial targets.

And as I mentioned, we took action during COVID to be ready for 2021 in terms of talent, in terms of cost, in terms of positioning.

SLIDE 25



If you just think about what's happening in the market on Page 25, we really highlight four key changes, that have really accelerated the trends that were already taking place in our market. The first in terms of media is the growth of streaming and new services. Streaming is now 24% of US video viewing. It's not just a US phenomenon. Netflix has 200 million subscribers, 125 million of them are from outside the US and we are seeing global growth in the streaming business and the continued acceleration towards digital media.

Commerce is a critical area of WPP's future growth plans and in GroupM we saw more than a 40% increase in the amount of media driving people to e-commerce sites. I think we will understand now the lasting impact that the pandemic will have on consumer shopping habits and indeed on the high street. The moves by Boohoo and ASOS to buy traditional retail brands without the shops to push their product through their platform is important. Across WPP, we now manage some GBP30 billion of gross merchandise value on sites that we've built for our clients.

I think the third shift or accelerating trend has been the importance of purpose. Clearly, the pandemic has brought the ways in which companies navigate societal trends, government trends, manage people very much to the fore. And this highlights some work that we did for P&G on the topic of race. We've also done a lot of work with Pfizer to help launch their new positioning around *Science Will Win* to recognize the impact of science in combating the virus.

And then the last change we make we call localization. It's a slightly clunky word. But I think it really talks to the fact that while globalization may not be in full scale retreat, we are seeing the growth importance of local markets, like China, India, Brazil becoming big massive markets in their own right and to some extent taking on their own development paths. We have a technology strategy for China now that works with all the major platforms in China. And so while we're looking at global platforms, our clients increasingly have to think how they adapt much more rapidly to local markets, to local competition, to local consumers, all of which make the geographic reach and spread of WPP in those

markets(and I point out that we are the most geographically diversified partners to our clients) much, much more important.
So those are the changes. How has that impacted on our clients.

SLIDE 26

CRITICAL PARTNER TO OUR CLIENTS

Top 200 clients -2.3% in Q4, -2.8% in FY 2020

SIGNIFICANTLY IMPACTED 22%		BALANCED RESPONSE 21%		MORE RESILIENT 57%	
Automotive	14%	Telco, Media, Ent	7%	CPG	26%
Luxury, Premium	6%	Retail	5%	Tech	18%
Travel, Leisure	2%	Financial services	4%	Healthcare, Pharma	13%
		Other	5%		
-7.9% in Q4 **-9.8% in FY**		**-6.9% in Q4** **-4.7% in FY**		**+1.9% in Q4** **+0.9% in FY**	

Note: all figures relate to LFL revenue less pass through costs from WPP's top 200 designated clients attributable to each industry for continuing operations in 2020, and include an allocation of GroupM trading revenue less pass through costs. These clients comprise 54% of WPP total revenue less pass through costs, and 82% of total designated clients for 2020 on this basis.

2020 PRELIMINARY RESULTS 26

On Page 26, we talked to the fact that the pandemic has highlighted our importance to many of our clients and amongst the most resilient we did see growth for the full year and accelerating in Q4. But there is no doubt that the pandemic has impacted our business. We'd be naive to expect any different. But I think as we look to 2021, those companies that have consistently invested over the year I think will see the benefits and those companies that have been forced to cut the spend are going to need to reinvest to re-engage with their consumers and really restart growth inside the business.

SLIDE 27

WE HAVE WON AND RETAINED MAJOR CLIENTS

	Media Agency GROUPS	TOTAL New Business Values (Incl. billings retained)	
1	GroupM	4 808	1 910
2	Dentsu international	1 833	734
3	Publicis Media	1 666	1 759
4	Omnicom Media (OMG)	1 588	751
5	Havas Media Group	1 133	1 053
6	Mediabrands	844	204

Source: COMvergence

RANK THIS QUARTER	RANK LAST QUARTER	HOLDING GROUP	ESTIMATED CREATIVE YTD REVENUE (USD $m)	ESTIMATED MEDIA YTD REVENUE (USD $m)
1	1	WPP	334.2	273.1
2	2	Publicis Groupe	189.6	155.7
3	5	Interpublic	169.5	150.7
4	3	Omnicom	96.1	195.9
5	4	Dentsu	137.2	102.2
6	6	Havas	94.2	60.2
7	7	Accenture	94.7	2.5

Source: R3

Walgreens Boots Alliance · novo nordisk · intel · WW · Hasbro · itv · Alibaba Group · DISCOVER · DURACELL · Uber · HSBC · Unilever

2020 PRELIMINARY RESULTS 27

One of the results I think we're most proud of last year has been our new business performance. New business talks to the competitiveness of the company and you don't -- as we know win everything, but we have led the new business tables, both creatively and in media consistently during 2020. And there's no doubt that 2021 is going to be a busy year in terms of new business and we have every intention of continuing that performance if we can.

SLIDE 28

WE HAVE ALSO MADE SIGNIFICANT PROGRESS ON OUR PURPOSE AGENDA

PEOPLE

30% Club
GROWTH THROUGH DIVERSITY

The Valuable 500

2019 Bloomberg Gender-Equality Index

PLANET

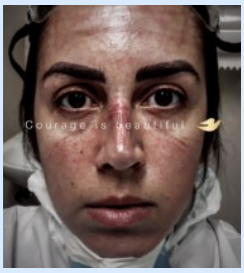
NEW PLASTICS ECONOMY

AD GREEN where low impact counts

RE 100

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

CLIENTS



COMMUNITIES

2020 PRELIMINARY RESULTS 28

We touched briefly on the importance of purpose. And purpose is really critical to WPP. On Page 28, so our purpose is to use the power of creativity to build a better future for our people, our planet, our clients and our communities. And in each of these areas, we have worked consistently over 2020 and I'll touch maybe on the highlights.

In terms of people, there is no doubt that the killing of George Floyd and the other events of 2020 touched the nerve in society and brought the topic of racism very much to the fore. And we responded significantly from WPP laying out a three point plan. First, to take on the 12 recommendations in writing of 1200 black advertising professionals in the United States to commit to use the power of our voice and work with our clients to fight racism. And lastly to invest GBP30 million over three years in programs inside WPP and outside to further those goals. We made a lot of progress over the last six months. We still have a lot of work to do, as do most companies.

The pandemic has also highlighted the way in which we can change the impact that we have as a company on the planet, not just in terms of how we travel, but in the work we do with our clients, in media, in production and we will touch a bit more on that in a second.

We have worked with our clients to help them communicate what they're doing. Consistent frustration I hear from Chief Executives is the ability to get credit for the actions that they take in purpose. So we are helping them to communicate to their people, to their customers and to investors the actions they are taking and their importance.

And last but not least, we consistently across the company around the world will be helping our communities. So there is no sense in which WPP is not on the front line. I think we all recognize that communications plays a critical role in changing behavior in the face of Corona virus. We're very proud of the work that we've done as a group with the World Health Organization, who needed to further their goal both in terms of the behavior and in terms of the uptake of the vaccine.

SLIDE 29

BRINGING IT TOGETHER IN OUR WORK

SPEED AND RELEVANCE

PURPOSE INTO ACTION

And maybe bring some of that together. I think on Page 29. I'd like to share two examples of work. The point I'd make it in both of these is that when times are tough is where you look for innovation. And when things are going well, you tend to continue to do things in the same way that you've always done them. But times like 2020 really caused you to innovate. I think we've seen across the company through the work that people have done from home, a much greater in degree of speed and agility in the way that we've worked. And we're seeking to keep that as we start to come back to our offices over the last year.

The first piece of work I showed demonstrates that speed and relevance. One of our creative teams had an idea around the Presidential inauguration. We set up cameras in 23 homes across America for families to watch the inauguration. We –had the work ready to be launched with the UN in just 8 hours. So please -- would you show the first film.

(Video Presentation)

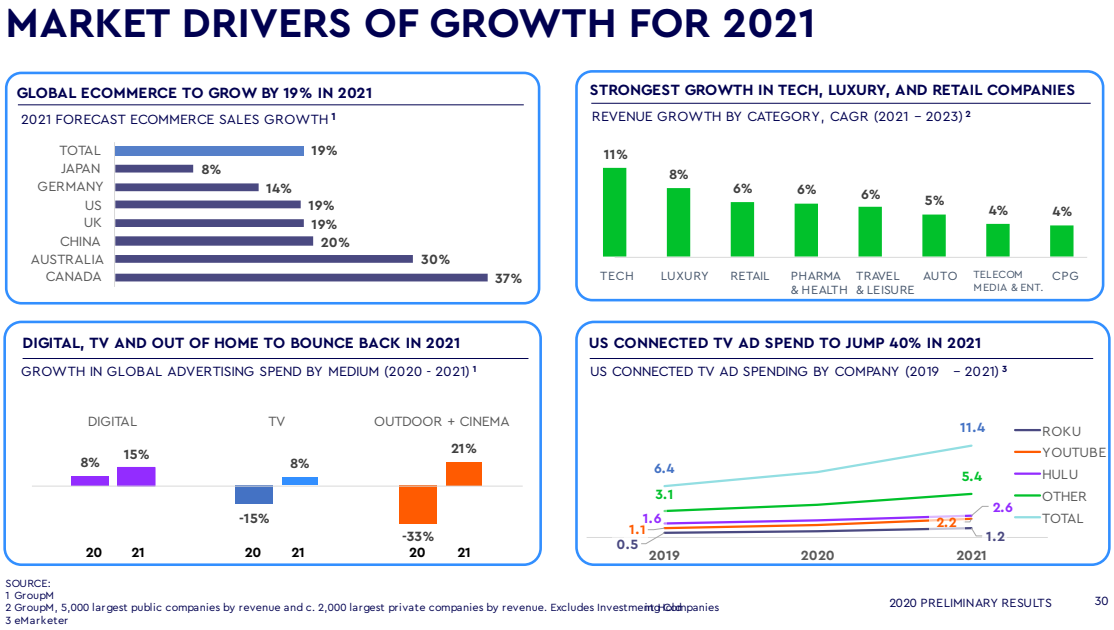
So that’s fantastic work from the Ogilvy team.

The second one I want to focus on is in production. At the height of the pandemic, clearly it was very difficult to shoot new film. We looked at it and realized only 0.5% of film shot is actually ever used. This next film highlights some work we have done through Hogarth and our production capabilities. Dealing firstly with what you can do when you can’t produce work and secondly using new technology to shoot work; this is technology that was actually used in The Mandalorian to create virtual environments.

(Video Presentation)

I think that shows what you can do using technology to apply to production.

SLIDE 30



So looking ahead on Page 30, I think I would highlight really four key drivers of growth for WPP in 2021. The first is the consistent growth in e-commerce. We expect globally e-commerce to grow by 19% in 2021. Those companies looking to succeed and looking to lock onto the gains they made in e-commerce will continue to invest and pivot through that channel.

Secondly, we are seeing strong growth in technology, luxury and retail companies. This is the net sales growth in the world's 5,000 largest public companies and 2,000 private companies, really strong net revenue growth in technology, luxury and retail.

We are expecting on the bottom left to see a strong rebound overall in advertising spend. I would point out one key insight from the chart is the consistent growth of digital. So if you grow by 8% and then by 15%, you're net-net you are up just over 23% for the year. While television has been down by 15% in 2020, it will be up in 2021 and will end the year, down 7%. So we are, despite the bounce back in traditional media, seeing that consistent shift to digital media.

And within digital media, we are expecting to see significant growth in connected television and a large area of investment for us is the Finecast platform.

SLIDE 31

WPP DRIVERS OF GROWTH IN 2021

- Good exposure to growth sectors– CPG, tech, pharma
- Global footprint to capture phased recovery across multiple markets
- GroupM strength in digital, commerce, programmatic and connected TV
  - Xaxis and Finecast "speedboats"
- Integrated agencies deeply engaged in experience, commerce and technology projects
- PR opportunities in purpose and reputation growing
- Specialist agencies primed for recovery

But uncertainties remain: new business, vaccine roll-out, economic outlook

So on Page 31. Taken together, we think about what are the drivers of growth for WPP in 2021. We have continued good exposure to the growth sectors of CPG, tech and pharma and the bounce back as it starts to happen in the other sectors.
We have got a global footprint that's well balanced to capture the phased recovery across multiple markets. Half our businesses is in the US and the UK where the vaccine roll-out is pretty solid. I think that bodes well for the future.
We've got significant strength in GroupM, media business and digital, e-commerce, programmatic, connected television, highlights in particular Xaxis and Finecast where we expect to see above market growth.
In our integrated agencies, our creative agencies and I don't know that we always give them the credit that they deserved for the repositioning over the last two years; they are deeply engaged in Experience in Commerce and in Technology projects. And actually Wunderman Thomson last night was awarded Agency of the Year in the Campaign Awards. VMLY&R was Campaign's Agency of the Year in the United States and it's the first time in as far back as I can remember that a WPP creative agency was Agency of the Year in the US.
Our public relations businesses had a good 2020. Looking back, PR was always the discipline got most hit in a downturn, that's not the case in 2020. I think it talks to the importance of public relations to clients. Today I'd point out in our Walgreens Boots win, it covers both creative and communications that spans both the sort of marketing elements and the communications elements of the business. And I think clients interestingly see the importance of bringing those things together in the complex world.
And then on Specialist Agencies who have had a tough 2020 are primed to recover in 2021. So amid many strong drivers of growth there are uncertainties. It's going to be a busy year for new business for everybody, I think. So we need to deliver on our new business targets. The pace of vaccine roll-out I think is positive, but it's still choppy in some markets particularly in Western Europe. And the economic outlook does have its uncertainties despite the fact that we do expect to see a strong fiscal stimulus and consumer spending.

SLIDE 32

SUMMARY

- Resilient 2020 performance on top line, bottom line and cash flow
- Well set up for 2021: clients focused on growth and transformation
- Confident on medium-term outlook:
  - Simpler, more agile organisation
  - Multiple growth drivers
  - Momentum underpinned by significant cultural change
  - Material cost and efficiency opportunity

So turning to Page 32. To summarize, I'd say, how we see the year, a resilient performance in 2020 on top line, bottom line, cash flow, net debt. So I think the strong management of the business during quite a turbulent time with 100,000 people working from home. But we started 2021 with clients really focused on growth and transformation. So both the recovery and the renewal of their business. And we're confident on the medium- term outlook for our business with a simpler, more agile organization, multiple drivers of growth for our business, and we aim to give you further insights as we go forward into how those businesses are growing, and give you more detail on that.

Our momentum was underpinned by significant cultural change. I think one of the benefits, if that the right word, of COVID is that it’s brought people together and certainly brought WPP together and demonstrated the benefits to people of collaboration, working together, sharing ideas and resources and the importance to people of building an efficient and effective company. And we do have material cost and efficiency opportunities that John outlined in great detail back in December.

So I'd like to close by thanking our clients and thanking maybe not most of all, but thank you in particular all of our people around the world. They've done a fantastic job in difficult circumstances. It's been a very turbulent year, but I think we can look forward to solid recovery in 2021.

So thank you all for listening and John and I are now available to take your questions.

Q&A

Lisa Yang (Goldman Sachs): Hi, Mark. Hi, John. Thanks very much for taking my questions. So firstly, I was wondering if you can give us a sort of update on the sort of the contracting environment. And what clients are basically saying and what do they expect activity to really pick up as I think you suggest for the year? It looks like December got to be better compared to October and November. So do you think that the sequential improvement has continued into Q1? So I think any color on that would be really helpful.

The second question is on China. I think GroupM said the China advertising market was up 2.5%. I think most agencies were down high-single digit or low-double digit. So I'm just wondering if there's anything really structural in that market? And what the opportunity for WPP to sort of capture the future growth coming from that region? Or do you think you have to rely more on developed markets? That's the second question. And the third one is on the new business. Obviously, last year was a fantastic year for WPP. There has been a bit more news flow – positive / negative this year. And you talked about again on the call about your new business targets. So I'm just wondering if you could elaborate a bit more on the targets in terms of new business and how much is your mid-single digit organic growth target in 2021 and 2022 dependent on new business like you're basically taking a conservative assumption or, yeah, that will be really appreciated as well. Thank you.

Mark Read: Okay. So I'll talk to sort of the client environment and maybe let John talk to the forecast for 2021. Look, I think the clients are sort of looking through the immediate sort of short-term lockdowns in terms of spending. You saw the ITV numbers in terms of their advertising spend. I think broadly that holding their nerve is how I would describe it.

On China. Look, I think that our business in China has been a little bit disappointing. And some of it has been the nature of the clients that we work with, some of it I think has been that our business has not been performing as well as we would like. And it's going to be an area of focus for us. It's a bit difficult to go there at the moment, but I think that we were working with them on specific strategies to capture the future growth in the China market. I'm sure there will be growth. But I think the problem may be that we are a little bit more dependent on traditional media in that market than perhaps we need to be.

In terms of new business. Yeah, I think our goal would be to repeat our performance in 2020 -- in 2021 very much. I think that given where we are in the year, I don't think our numbers per se depend on that. But I think the better we do, the better our numbers will be without stating the obvious.

John, do you want to add a little bit, about some more color for the year?

John Rogers: Sure. Hi, Lisa. Well, yeah, obviously, today the prelim statements are largely focused on looking back over 2020 and we won't sort of get drawn on current trading in the first couple of months of the year. We will come back to that and of course, a lot more detail at our trading statements, first quarter trading statement in April. But fair to say, we've had a good start for the year and we are very comfortable with the guidance that we gave at the Capital Markets Day back in December, which is mid-single digit growth for the year and nothing much to add to that at this stage.

Lisa Yang: Okay, thank you. That was very helpful.

Richard Eary (UBS): Good morning, everyone. Good morning. Yeah, just three questions from myself. First one is just on net debt. Obviously, a very strong result this year helped by obviously the improvements in working capital. And John, you obviously outlined some probably give back in 2021, but scope to obviously to call -- obviously debt is down again. Can you just help us think about

essentially where the net debt number goes for the end of 2021? And how we should think about capital management within the envelope of you repeating your medium term debt guidance? So that's the first question.
The second question is just on account wins. Obviously, it's been a strong year for the group. But I did notice that the year-end number was slightly lower, actually lower than what you gave at the Capital Markets Day. So GBP4.4 billion of net new billings for the year versus I think GBP5.6 that you gave out at the Capital Markets Day. So I'm just trying to understand that.
And then just lastly, just on GroupM. Obviously, you said they were still down in the fourth quarter. I would have thought we would have seen an improving trend just with what we're seeing in terms of the advertising environment. And obviously you are sort of more upbeat going into 2021. But within GroupM, can you just talk through any sort of regulatory changes in terms of IOS and cookies and what that means to GroupM as we go into 2021? Thanks.

Mark Read: All right. Why don't I take the second and third, and then John can talk to you on the net debt. But I think on the account wins, the number we gave in Q3 was a gross number. The number we gave at Q4 was a net number. We decided just to be consistent. It would be easier. So we did have a net gain in Q4. I think the fourth quarter was a little bit slower than the first three quarters of the year, I think it's fair to say. But we still ended the year well.
As you know, our business is a lumpy business. But I think that we've made much, if you think about the progress in 2018 to 2019 to 2020, I think we've made pretty, pretty good progress in terms of the new business number. So the GBP5.6, I think the GBP4.4 does not compare with the GBP5.6. So, comparable number to GBP5.6 and the gross wins would be GBP7.3. On GroupM -- yeah, on GroupM, look, I think probably Q3 was slightly better than we would have expected and Q4, was in line with Q3. I wouldn't read too much into the sequential changes in the year. Our businesses has been directly linked to billing. So I wouldn't read too much into those changes. John, do you want to...

John Rogers: Yes. So just on the -- let me just talk about the working capital piece first. And then sort of help you with your calculations with regards to net debt. So working capital, we were really pleased with the performance over the year and it was a significant amount of work actually driven by two things. One of which was getting the overdue debtors down and you saw the results of that in the graph. We're now down at about 12% or so. I mean, those waxed and waned a little bit during the year in the business cycle. But I'd like to think we can get that down to sort of high-single digit. I mean, in theory, of course, it should be down to zero. I don't think we'd ever achieve that objective. But I think we can get it down to 7% or 8% albeit it gets progressively more difficult. So maybe another GBP200 million to GBP300 million, GBP400 million that we can extract from working capital over the next couple of years. But it does become progressively more difficult.
And the second thing we've done as well which we don't talk about too much is just a cash extraction exercise where we've really centralized a lot of our cash in the business and that we pulled out about GBP800 million of cash from different parts of the business. And that's good to improve our overall central liquidity, but also actually puts our businesses under a little bit more pressure from a cash perspective. So they do tend to manage their cash more tightly. So again that's had a good result in the discipline that we've applied to managing cash.
In terms of guidance on net debt, it's a little bit difficult because of course there are lots of moving factors in that calculation. What we have done of course is it given you quite specific guidance on each of those moving factors. So CapEx we said GBP500 million for the year that looks there or thereabouts to be in that range. M&A we said GBP200 to 400m. Again, that's obviously a little bit unpredictable, depends what comes along but no reason to believe that that won't be the case for this year. Dividends,

obviously clear guidance on and the working capital point we just mentioned despite the opportunity to deliver improvements. Overall, over the next couple of years, we do expect that to be a little bit of reversal of some of the one-off gains that we've had this year. So maybe a GBP200 million to GBP300 million outflow for the year. So if you put all of those different components together, you're going to end up probably with the number somewhere between GBP1.5 billion to GBP2 billion net debt position at the end of 2021, give or take. But again, it depends a lot on those different movements, which is why we tend not to go into a net debt number for the year-end because there's lots of moving parts. But hopefully that gives you a little bit of a flavor as to where we think we'll end up.

Richard Eary: No, that's helpful. Thanks.

Julien Roch (Barclays): Yes, good morning. My first question is on GroupM down 4.1% in Q4. Was that net sales organic or reported net sales and can we have the full year numbers, net sales organic in 2020 for GroupM and the net sales in either millions of pounds or in percentage of total.
The second question is on the reviews in 2021. Mark, you said that there will be quite a lot of them. So what is your estimate of billing that will come into review in full-year '21 with the normal year being around GBP15 billion I believe. And out of the review, you know about what percentage of incumbency versus no exposure. That's my second question.
And then the third question is, what's the impact of the end of cookies at Apple and then Google being against ID solution in typical online platforms fashion, end targeting as before their solution FLOC for everybody else, so impact on WPP of those two significant moves in the online space. Thank you.

Mark Read: Okay. So, I'll talk about new business and then the data changes and John can come back to you with what you want to share in terms of GroupM. But I think on new business, I can't predict what the gross level of new business activity will be in 2021. I think we can reasonably expect it to be higher than 2020 because I think a number of clients for all these reasons put reviews on hold in 2020 given the situation in which they are working. And I think a number of clients will also start the year thinking about whether or not they have the right partners. I'd say, overall, perhaps there's a little bit more at WPP in the start of 2021 than it was of the start of 2020 but still much less than there was in 2018 or 2019 when you know – our single largest client was up for review. So it's much reduced from then and I point to our client satisfaction scores improving talk to our ability, but it's a lumpy business and anything is possible.
In terms of the data question, I think that, overall, in the long run, it's beneficial for the industry by protecting consumer privacy. I think it has a differential impact on the players, tends to benefit the larger platforms and it tends to disadvantage the smaller publishers and intermediaries that don't necessarily have a one-to-one relationship with their consumers. For companies like WPP, I think it's neutral to net positive given the need to advise our clients on how to activate their data in a more complicated environment. I think it's probably most detrimental to small businesses that have relied on sort of basically targeting to drive sales and to intermediaries like ad networks or trading platforms where really they are neither the buyer nor the seller and they are really hoovering up the data. So I think that hoovering up has been stopped. I think in the long run that's probably beneficial.
John, do you want to talk to what you can on GroupM?

John Rogers: Of course, yeah. Hi, Julien. The numbers that we're referring to are of course organic like-for-like numbers, and I'm happy to share those with you. I'm not going to talk about overall numbers in

total but I'll share the like-for-like organic with you quarter-by quarter through the year to give you a little bit more color. And so, just to find … Q1 GroupM were down 3, Q2 down 18.7, Q3 down 3.7, and Q4, as we've said to you is down 4.1. So overall for the year, down 7.5. And that gives you a pretty good visibility I think of the performance of the Group and across the year and what is the most meaningful number, which is the organic like-for-like sales.

Julien Roch: Okay, thank you very much. Thank you.

Sarah Simon (Berenberg): Yes, good morning, everybody. I have two questions. First one was we're hearing a lot about retail media advertising now and opportunity there. I think you sold Triad. I'm just wondering if you have retail media anywhere else in the group.
And the second question was, can you just remind us what first party data you have within Xaxis? Thanks.

Mark Read: Yeah. So, on Triad, Triad actually was a sales operation, not a media buying operation. So they were the sales partner to Walmart and to eBay and the company was acquired a number of years ago and first eBay and then Walmart decided to take that business in-house. I think that was probably to be totally candid always a risk, but, well it wasn't my decision to buy it.
On the retail media buying side, we have a significant business. We talked about GroupM's growth in e-commerce business. We've invested a lot in companies that specialize in Amazon, we bought a business in the US, we bought a business in Luxembourg 2Sales and within GroupM and other parts of the business, we have a significant business advising clients on how to spend billings in digital media. It's not an area interestingly we traditionally would have been in. Those budgets often sat with the sales force. And I think there is an opportunity for us to bring all of that retail media together with the sort of more brand building media as clients think about that media in one sort of in one pool and think about optimizing it across brand and retail. So, I think it's quite an interesting opportunity for WPP that sits behind what we're doing overall in terms of ecommerce.
In terms of first-party data inside Xaxis. Really, most of the data we have is sort of second party data. It's thinking about the impact of content or channel or time or indeed weather or other factors in terms of performance and we think that about 10% of the signal strength of Xaxis is from cookies. Often this wouldn't necessarily be first party data to us. We do have some first-party data within the Wunderman data business, but primarily our focus in terms of first-party data is in terms of helping our clients activate their first-party data. And I just remind you of the retention and expansion of our work with Walgreens Boots that talks to our ability to help our clients activate their data in their marketing.

Sarah Simon: That's great. Thanks a lot.

Patrick Wellington (Morgan Stanley): Good morning, everyone. A couple of things. Good morning. Just on GroupM and the presentation of global integrated agencies. I mean, you've given us the organic growth of GroupM. Do you want to give us a clear idea of the rough split in global integrated agencies between GroupM and the creative arms. So obviously a lot of interest in people. We could probably work out from the organic growth rates but that might be misleading. So you might want to put us straight on that.
Secondly, on the cost savings. I think, John, when you talked about GBP800 million of cost savings and retaining GBP200 million of that, that was always subject to the pace of reopening in 2021. Obviously, we've spent the first quarter still in lockdown around most of the world, maybe some of the second

quarter. So what impact might that have on the level of retention of that GBP800 million of cost savings?
And then thirdly, just a general question: I’ve lost sight I think of what the drivers are in the specialized businesses. So what's driving the performance of the specialized businesses? Why do they need to do a bit worse than the rest of the group in '20?

John Rogers: So just in terms of the cost savings first. So, we said that of the GBP800 million savings on a pure like-for-like basis so other words, if we could return back to 2019 sales levels then we would retain GBP200 million of that. Obviously, we're not at this stage expecting in 2021 to return to 2019 level. So we would expect to retain some of that cost savings and in fact, the guidance that we gave at the Capital Markets Day showed a table where we showed that the new target of GBP600 million of savings being delivered over the next five years which circa GBP200 million or so fell in 2021. But maybe if I can give you a little bit of help in terms of forming a margin bridge between 2020 performance and 2021 performance, and I think this may help you get to the margin guidance of 13.5% to 14% that we've given for the year. Firstly, taking -- I'll come back to sort of overall staff costs in the second, but starting with some of the other line items. We said we talked about property savings at the Capital Markets Day and we delivered some good property savings in the 2020 numbers but we expect that trend to continue. And I expect to see maybe up towards a 0.5 percentage point of margin improvement and maybe a little bit more actually as a result of lower property costs in 2021.
Then coming on to personal costs, which largely reflects the impact of travel, hotel expenses and so on. We do expect to see a little bit of headwind in that regard in 2021 versus 2020, which is clearly largely a year of no travel and no hotel expense. We expect to see some of that return in 2021 albeit nowhere near the levels that we obviously delivered in 2019. So I expect to see maybe about 0.5 percentage point headwind in relation to personnel cost.
IT costs, we saw go up in 2020. I suspect we'll see that trend continue into 2021. So we'll see a bit of headwind on margin again on IT costs reflecting the fact that we continue to invest and we will start to see payback on those costs come through in 2022 and 2023. And I'm still very confident there is significant opportunity to take our IT costs albeit we have to invest upfront to deliver that.
And then in relation to all our other cost again probably about sort of 0.5 point of improvement. So when you net all of those together that gives you somewhere between 0.4% and 0.6% improvement on the non-staff related costs, vis-a-vis margin year-on-year. Coming back to the staff costs now. There is lots of moving parts in the staff cost. Not least of which of course that we think with severance will be low in 2021, but also we won't get the benefit of the government aid that we saw in 2020. Those two will broadly play a draw. We equally got a bit of a headwind in relation to incentives year-on-year. So we expect our incentives or we hope our incentive pool will go up in 2021, probably by circa GBP100 million or so in sterling. So about a minus 1 percentage drag on margin in relation to that within this other improvements coming through in greater efficiencies in headcount. So probably an overall improvement of maybe 0.1, 0.2. When you add all those together, you've got roughly a margin accretion of somewhere between 0.7 and 0.8 or something of that nature, which gets you slam in the middle of the range of 13.5% to 14% that we've given for the year. So that's a pretty detailed margin bridge between 2020 and 2021. Hopefully, that will get into your numbers. Is that makes sense?

John Rogers: And in relation to GroupM. We're not going to breakout and also reversing out the creative. I think we need to be a little bit careful here because we got to remember of course at the creative agencies are now very much a combination of digital and creative. And we're seeing that marriage work really well. I mean, the best example of that of course is VMLY&R where we are -- we

were almost within splitting distance of delivering growth of VMLY&R in the year. In fact Q4, as we said, was positive. We're seeing some great performance in there and also from Wunderman Thompson. So as you bring these agencies together, we are seeing strong performance. We're not going to break that out, but I think one of the guidance we have given is, we would expect to see GroupM growing at circa 3% per year. We would expect to see the other creative agencies probably broadly flat to maybe slightly positive over the next few years. And that's where we get to our medium-term growth target of 3% to 4% if you remember that math that we did at the time of the Capital Markets Day. So hopefully that gives you a little bit of flavor there.
And, Mark, do you want to pick up the one on the specialized businesses?

Mark Read: Well, look, I think there are number of different entities from agencies that works primarily with Ford to AKQA to a number of sort of events and we have a specialized business in the airline, advertising business which for obvious reasons has had a somewhat difficult 2020. So I think they are all grouped there because they are a diversified group of companies. We now have someone to look after them and drive the growth a bit harder. And so they no doubt, have been impacted more in 2020 than the rest of the business.

John Rogers: I think what was encouraging about the specialized businesses was some really good recovery coming through in Q3 and Q4. So they were the most impacted as Mark described in the second quarter, but we saw very good recovery come through in Q3. And then progressive recovery come through into Q4. So I think it bodes well in terms of the future trajectory of growth for those businesses.

Patrick Wellington: Should we class them as reopeners which will outperform the rest of the group in '21 do you think?

Mark Read: I think, it’s human nature, the further you fall, the more you have to rise. So I think that some of that may be the case. But I think we have to look at as we go through the year.

John Rogers: I think what's interesting actually is again in the combination of AKQA and Grey, perhaps arguably a more traditional creative agency combined with a digital agency, we are seeing some really successful client wins across the business in certain geographies. The teams are working well together. And again it's evidence of the combination of the offer from a client perspective is working well in the same way that we're seeing that progress translate into the results of Wunderman Thompson and also VMLY&R. Obviously, VMLY&R and Wunderman probably a couple years ahead in that journey. But it's interesting to start to see those initial results come through in the Grey/AKQA combination.

Patrick Wellington: That's great. Thank you.

Matti Littunen (Bernstein): Good morning. Mark, you've previously very helpfully given us the amount of client media spend invested with Google, Facebook and Amazon. So as a reward, I'm afraid, you'll get

that question again for me. So that would be very good to know. Then in terms of the -- within the specialist agencies, could you give us any color on the performance of healthcare agencies as those that have been outperforming during 2020 elsewhere in the industry?
And then finally with the PR agencies. They are the best performers within the group. Do you have any commentary in terms of how you see that performance against the wider industry? So we've seen some even more positive numbers in that area elsewhere. Thank you.

Mark Read: So I'll probably be more helpful on the last two questions than I can be on the first. I think we haven't -- we're not going to give you that disclosure on our spend by media part of the 2020. We will look at it and see what we can give. But we are not going to be able to give that to you today. I think in terms of healthcare, as we've realigned our healthcare businesses, our healthcare businesses now sit with our integrated agencies. Our view was that to be successful in helping healthcare clients, you needed both a blend of healthcare skills but also insight into all of the change taking place elsewhere in marketing. And since we've integrated our healthcare business, we've actually seen a big improvement in the performance of our healthcare companies with some of the major clients and clients where we've seen 15% to 20% revenue declines, stabilize and indeed grow in 2020. So we're very pleased with the progress we've made in healthcare and with the healthcare clients. And I think we've seen a better improvement overall. But you don't see that anymore within the specialist communications line.
On public relations. I think our public relations businesses has been very resilient. I'm not sure what competitive figures you're referring to. But I think both BCW and Hill & Knowlton and Finsbury Glover Hering have done extremely well in 2020 competitively to the numbers I have seen.

Matti Littunen: Great, very helpful. Thank you.

Adrien de Saint Hilaire (Bank of America): Hi, good morning everyone. Hello. Thanks for taking the questions. First of all, perhaps you've already alluded to that but North America and UK, were sequentially slower, weaker in Q4 versus Q3. So, could you perhaps elaborate a bit on that? And then, John, thank you for giving us all these details around performance of GroupM and VMLY&R. But obviously I now can't resist asking the question about the other agencies. Perhaps if you could tell us a bit about maybe not in number terms, but at least describe the performance of Wunderman Thompson and maybe AKQA/Grey since the two merged? Thank you very much.

John Rogers: I'll give you a little bit of flavor on that, Adrien. In terms of the other agencies, obviously, we don't want to unpack in too much detail. But Wunderman Thompson overall for the year, our two best performing agencies were Wunderman Thompson and VMLY&R, and VMLY&R is clearly the best performer and Wunderman Thomson overall came in behind that. But again some encouraging performance reflecting the bringing together the two agencies and the synergies that creates in our offer for our clients. I think it's fair to say the Ogilvy is probably a little bit more challenged, but Andy Main is doing some great work not least of which in bringing in some fantastic talent into that business that Mark alluded to earlier on. And we expect this to start to see that business turn around as a consequence of Andy's leadership in that business.
And in terms of Grey and AKQA. Again, it's -- so far, it's been a successful marriage of the businesses. They work closely together. We've had some initial quite positive reaction from clients and interesting

client wins, but it's early days yet. Still a lot more work to do. But we are encouraged by the initial reaction. So hopefully that gives you a little bit of a flavor to where different agencies are in their journeys.
In relation to North America. I mean, I think you're right in Q4 and the UK Q4 was probably slightly worse in Q3. I think I put that down to obviously second wave of lockdown across the globe and that having a sort of marginal impact. As we come out of lockdown in this coming calendar year, of course, we would expect to see positive growth start to come through and we'll provide more detail of that when we update you at our Q1 trading statement.

Adrien de Saint Hilaire: Thanks a lot.

Matthew Walker (Credit Suisse): Hi, Mark. Hi, John. Thanks for taking my question. The first one is on the transformation. I think it was going to move from around 25% of sales to 40%. So the first question is that a fairly linear progression? Would you expect to see that sort of linear improvement or would it take a big step up in any one particular year?
Second question is on restructuring charges. And obviously some of your rivals include restructuring charges in their operating profits. Obviously, yours were quite heavy this year. But going forward, you'd expect to see less restructuring coming in. So I guess two questions on restructuring. One is do you think you might include it in your profits going forward and then how much of the GBP477 million was cash?
And then lastly on M&A. You've done a couple of small -- smallish deals so far. If we didn't anticipate any further, obviously, there will be further deals. But we didn't anticipate any further deals for this year. How much revenue and profit contribution with the M&A that you've done so far make in 2021?

John Rogers: I imagine all three of those are for me. Thank you. All right. So on the transformation, in terms of whether it's linear or not. Look, I think it's safe. If you want include – put something into your models then I'd assume it's linear. Of course, the reality will be it won't necessarily be linear in nature, partly because some of it is going to be driven by M&A and the timing thereof. So, but there's no reason to assume sort of a starting point to assume it's linear over the next three years to five years.
But to extent because M&A is inherently unpredictable and you can clearly, you said already the first two acquisitions we've made is very much in line with the strategy that we've talked about of pivoting from that 25% to 40% and that will impact whether that practice turns out to be linear or not.
In terms of the comments on restructuring. Again, just from a technical perspective, the reason why we take those outside of underlying is because we've done so historically. And the standard is that you have to be consistent with what we've done historically. So, and that's why we've taken the -- both the COVID restructuring and of course the restructuring charges that were announced in 2018. We've taken both of those outside of underlying, which is consistent with what we've done over the last couple of years. And in relation to COVID it's consistent with what we did at the first half. So, except the fact there are different approaches being taken by different competitors in the sector, but we're fully disclosing the details and we just take them outside of underlying because that's what we've done historically.

In terms of going forwards. I would expect restructuring charges for this year to be, and in fact, going forward, more broadly to be significantly lower than what we have done historically. So I think it's a general theme we are through the period of time of seeing large-scale restructuring come through.
But just to help you in terms of 2021. I think we expect to see total restructuring cost of the order of GBP70 million to GBP100 million or so of which half will be at the remainder, if you like - what we call

the 2018 plan and the other half will be COVID related. So that will give you a bit of a flavor and roughly, I would say 70%, 80% of that will be cash and the rest will be P&L.
And then in relation to the out years 2022 to 2025. I would say you expect another GBP100 million to GBP200 million spread over those three years to four years. Again, roughly 70% of which will be cash and the rest P&L over those years. But as I've said, a significant lowering of restructuring costs going through the overall P&L compared to where we've been historically.
In relation to the two deals that we've done. Actually, one of which was tiny in the overall scheme of things and one of which was a medium-sized deal. I'm not going to get sort of drawn on specifics of what that's going to do to impact on revenue and profit at this stage. Obviously, we bought it for a reason because we think our strong synergies between the businesses and our businesses and that's true in both cases actually. One particular from a client perspective, the other, in relation to the work that we can sell to North American clients. So we would expect to see synergies come through from both those deals, but at this stage I won't be drawn on the quantum of the benefit that we'll see within this financial year. It's fair to say that they don't yet reflect the respective proportion of the GBP200 million to GBP400 million guidance that we've given but not a big proportion. And so we would expect more M&A deals this year to come through in line with the guidance that we've given.

Matthew Walker: And just to quickly follow up on the GBP477 million that you did in '20, how much of that was cash?

John Rogers: So on the GBP477 million that we did in 2020, it's about 50% cash and 50% P&L.

Matthew Walker: Okay. Great. Thanks so much.

Tom Singlehurst (Citi): Thank you very much. It's Tom here from Citi. Thanks for taking my question. A couple -- actually maybe three. The first one is on purpose and whether that specifically driving a rebound in sort of broader creative work or whether that is the factor behind PR doing much better in your view? I'm just interested more broadly in whether that sort of refocusing on brand messaging and strategy is going to be something that fuels global integrated agencies or further drives outperformance in PR? That was the first question.
The second question was on North American creative where I think historically you sort of identified a sort of a relative weakness and one that needs to be filled with through talent acquisition. And the question is very simply. Does Rob Reilly fill that gap. Is that now a fixed problem? It may take time to come through in terms of new business, et cetera, but is that largely done in terms of the pieces in place to resolve that challenge?
And then the final question is around media and sort of disintermediation. I mean, one of the things that really jumps out is a platform like the Trade Desk has twice your enterprise value. It is worth twice as much as the whole of WPP and it generates revenue that's less than half your free cash flow. I'm just wondering with platforms like Finecast, is there any way for you to claw back some of the value that an intermediary like the Trade Desk is taking out of the system? Is there anything you can do to disintermediate some of the sort of technology platforms standing between you and your advertisers and the media owners? Thank you.

Mark Read: Okay. So I think on purpose. Clearly, it's risen in importance over the last year, but that is part of an ongoing trend. I think that our work actually touches every part of our business and we tried to demonstrate that a little bit in the presentation. So it's not just about public relations.

In fact, if it were just about public relations, I don't think in WPP group, we would really be living with that purpose. I think we have to take the view that actions speak louder than the words and what we should be doing with our clients is really talking about the work that they're really doing. So it does touch advertising as we've done with Pfizer, it touches packaging. We're working with Unilever and Microsoft on accessible design to making sure that the products that they made are accessible to everybody. Clearly, it touches our public relations, public affairs businesses. It touches on media business in a very meaningful way. GroupM have really been championing a diverse media slate.
We have a sort of a multicultural media program in the US so that our clients can ensure that their media buys meet their diversity targets and contribute to that and it touches production in terms of the carbon footprint of our production work and would add green. We are working on sort of carbon-neutral and carbon-zero production. So I think it's really at the heart of everything that we do as a business as indeed it should be for every business.
In terms of our creative agencies and our North American creative agencies. Clearly, I think when Rob Reilly starts in a in a few weeks he will have an impact. I mean, we have done a tremendous amount already. We had a number of pieces of work in the Super Bowl and our agencies I think really upped their game creatively in North America. I can't stress how important that is, what will be important, but one person -- that's not the solution fix. It will be important when we do better work for clients where we hire better people, when we train the people that we have already; it’s not just about the people that we hire and creativity is not just the responsibility of the creative department. Great creative work is the result of a great insight and the great data collected. Indeed, often brought to life by the media in the way that we used the media to place it. So really, it's a team effort.
In terms of the Trade Desk and disintermediation. Look, I think that, I remind you that we bought 24/7 Real Media back in 2007 that built us an ad tech business and off the back of that investment in advertising technology, we did create Xaxis and off the benefits of other investments in advertising technology we have created Finecast. I can't talk to the valuation of the Trade Desk and whether the valuation is right or wrong. What I would say is that I think there are opportunities for us to invest more in advertising technology and for us to retain more of that value within WPP. And while we are partner to and work with the Trade Desk and other ad tech companies, I do think there are opportunities for us to do more of that ourselves. And GroupM will continue to invest in ad tech to do that.

Tom Singlehurst: That's very clear. And one very brief follow-up. I mean, in the past you’ve given billings number and things like that to help us track taxes, what should we sort of hang our hats on with Finecast or is it too early for that?

Mark Read: I think we'll come back to you with a more sort of consistent way of looking at it, but it's the same thing - I would look at billings growth.

Tom Singlehurst: Perfect. Thank you.

John Rogers: Just to give a little bit of color as well just to the previous question in relation to the cash restructuring. I realized you, I think the question is cited a number of GBP451 million of restructuring, which just to be clear, we look at that GBP451 million broken down into GBP313 million of restructuring -- restructuring and then the GBP146 million of that is actually exceptional losses.
I wanted to provide a bit more color. So all the GBP313 million, which is broken down into the GBP81 million which is part of the 2018 program and the GBP233 million, which is the COVID restructuring. Then as I've said on the -- to my answer roughly half that is cash and half of that is P&L.
In relation to the GBP146 million of exceptional losses which gives you the total of GBP451 million on the exceptional losses only a third of that is cash and about two-thirds is just P&L.

So, hopefully, that gives you a bit more breakdown.

Lisa Yang (Goldman Sachs): Hello. Again, I just had a quick follow-up if I may. It's on the buyback, actually. I was wondering what's the rationale of this new giving a number for three months, GBP300 million for three months and how should we think about the rest of the year, should we expect the remaining GBP320 million to be done in H2 or is there scope for more? And given the strength of the balance sheet, even in -- even last year, just wondering if you could maybe give us any indication on how you think about buyback in 2022. And a very quick follow-up as well as on associate that was a bit better than expected in 2020. Could you give us maybe a sort of expectations for 2021? Thank you.

John Rogers: So I think probably both mine, again, Lisa. I think on associates, we'd expect to see a number in 2021 which was marginally shy of 2019. So some recovery coming through there, but probably not quite as strong as 2019. So hopefully that gives you, that helps. And then in relation to buyback, these things are always done in tranches and obviously we've announced the first tranche of GBP300 million to take place between now and June. And then in relation to future tranches, I'm not going to get drawn on when we might do those but we set out very clearly our capital allocation policy at the Capital Market Day in December and we set out very clearly our expected gearing ratio is driven by a range of 1.5 to 1.75 net debt to EBITDA. And if you do your modeling and we deliver the growth that we projected, then we would expect to see further opportunity the share buybacks going forward. But I'm not going to get drawn on the specific timings of those other than to obviously announce the recommencement of the GBP300 million and it's a further GBP320 million to go over that Kantar buyback program at some point. And then on top of that, there will be further buyback programs if we deliver the growth and the cost performance that we've given you guidance on.

Lisa Yang: Okay. Understood. Thank you.

Mark Read: Thank you everybody for your questions. And I think just like to close by first thanking our clients for their support over the past year, thanking our people for all of their hard work. We've made a lot of changes. It's a quite a year for everybody, but I think if you look ahead to 2021, we expect a year of solid recovery. And thank you all. We look forward to seeing you in a couple of months on our first quarterly update.

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