WPP 2021 Preliminary Results

Morning Teleconference Transcript

Thursday, 24 February 2022

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2021 Highlights

Mark Read

Chief Executive Officer, WPP

Thank you very much and welcome, everybody. Thank you for joining us. I'm here in Sea Containers with John and with Peregrine. Pleased to say our offices hold about 1200 people in the office today. So, I think before we start, just a few words. I woke up or we woke up like everyone else receiving news in Ukraine. It's obviously terrible and of concern. We do have 200 people there in Kyiv. We've been in touch with them over the last few weeks to provide whatever support we can. I'm sure we'll get into the economic impact a little bit in the presentation and in the Q&A. It's obviously early days. I think we just at least acknowledge that before we get into what I think is a strong set of results for us in 2021.

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2021 PRELIMINARY RESULTS 2

So on the next slide, we have the cautionary statement. I'd ask you to read that fully.

CONTENTS

3

On the content chart, page 3, I'll briefly go through the highlights. It's really been, as I said, an exceptional year. John will take you through the financial results, capital allocation and our guidance and I'll come back to review strategic progress in more detail and how that is linking to the financial performance of the company and we'll get into the Q&A.

VERY STRONG GROWTH DRIVEN BY DEMAND FOR DIGITAL SERVICES, ECOMMERCE AND TECHNOLOGY

- FY LFL revenue less pass-through costs growth more than double initial expectations: +12.1% vs mid-single-digit guidance; +2.9% on 2019
- Strong growth across the board in Q4: GIA +10.0%, PR +15.1%, Specialist Agencies +13.9%
- Performance driven by faster-growth areas:
  - Global Integrated Agencies (ex GroupM) 38% Experience, Commerce and Technology vs 35% in 2019
  - GroupM billings 43% digital, with 41% growth in commerce media
- Success with three of the world's biggest marketers, Coke, Google and Unilever; total net new business of $8.7 billion
- Leading in creativity: most creative company of the year at 2021 Cannes Lions
- Over £1 billion returned to shareholders in 2021: £729 million share buybacks; final dividend +33.6% to 18.7p
- Good momentum into 2022: guiding to LFL growth of around 5%; improvement in headline operating margin of around 50 basis points; further buyback of £800 million planned

2021 PRELIMINARY RESULTS 4

On slide 4, we have really seen very strong growth in the year and driven by demand for our digital services, e-commerce, and technology areas where we are strong. Our top line growth has more than doubled from our initial guidance which I'll remind you we upgraded three times during the year and came in slightly ahead of the October raise that we debated at some length on the call. I think growth was consistently strong across the board. All business lines growing double-digits in Q4. The performance also reflects strongly the changing nature of our business with our integrated agencies now 38% with exposure to commerce, experience and technology, up from 35% in 2019.

GroupM is now 43% digital, of course a little bit below the market mix but that market mix does reflect the performance in digital spend of smaller clients and our spend reflects the mix with the largest global marketers who tend to be our clients and shows really the scope for further growth and expansion in GroupM's business. In new business, we showed continued strength and success with three of the world's biggest marketers, Coke, Google, and Unilever. I think that shows the value of WPP and our integrated offer to the biggest marketing clients generally.

We're still very much a creative business at heart. Being back on top of Cannes for the first time since 2017 was really a validation of our commitment and the investment in creative talent we've made consistently over the last three years.

On shareholder returns, yes, we have returned a GBP1 billion to shareholders in 2021. It's a very strong figure. If you add together the close to GBP600 million on incentives as we rebuilt those, GBP400 million on M&A and GBP300 million of CapEx, you can see really, we're putting GBP1.3 billion into our people and in to growth and really balancing the cash generation of the business between shareholders and future growth.

All of that makes us confident going into 2022 with good momentum on the top line and potential for further strong earnings growth. So, John, take us through the financial performance.

Financial Performance

John Rogers
Chief Financial Officer, WPP

Thank you, Mark. So let me take you through the preliminary results for the year ending December 31, 2021.

UNAUDITED HEADLINE[1] IFRS INCOME STATEMENT

YEAR TO 31 DECEMBER	2021 £M	2020[2] £M	Δ REPORTED	Δ LFL[3]
Continuing operations				
Revenue	12,801	12,003	6.7%	13.3%
Revenue less pass-through costs	10,397	9,762	6.5%	12.1%
Operating profit	**1,494**	**1,261**	**18.5%**	
Income from associates	86	10	-	
PBIT	**1,580**	**1,271**	**24.3%**	
Net finance costs	(215)	(230)	(6.6%)	
Profit before tax	**1,365**	**1,041**	**31.1%**	
Tax at 24.0% (2020: 23.0%)	(328)	(240)	36.7%	
Profit after tax	**1,037**	**801**	**29.5%**	
Non-controlling interests	(83)	(59)	40.9%	
Profit attributable to shareholders	**954**	**742**	**28.6%**	
Diluted EPS	**78.5p**	**60.1p**	**30.6%**	
Operating profit margin[4]	**14.4%**	**12.9%**	1.5pt	
EBITDA	1,751	1,481	18.2%	

- Strong LFL growth in revenue and revenue less pass-through costs
- Foreign exchange headwind of 5.0pt on revenue less pass-through costs growth
- Operating profit increased by 18.5% with benefit of good cost control and margin improved 1.5pt
- Associate income up by £76m due to Kantar and broad recovery elsewhere
- Headline tax rate increased by 1.0pt reflecting profit mix and changing international tax environment
- Diluted EPS from continuing operations up 31%, supported by share buyback

1 Figures before goodwill and intangibles charges, gains/losses on step-ups, gains/losses on disposals of subsidiaries and investments in investment and other writedowns, share of exceptional gains/losses of associates, restructuring and transformation costs, restructuring costs in relation to COVID19, litigation settlement and revaluation of financial instruments
2 2020 figures have been restated as described in note 2 of Appendix 1 to the 2021 Preliminary Results press release
3 Like-for-like growth at constant currency exchange rates, adjusted to reflect the results of acquisitions and disposals and the reclassification of certain businesses to associates in 2021 and the reassessment of agency arrangements under IFRS 15 for the commensurate period in the prior year
4 Margin as % of revenue less pass-through costs

2021 PRELIMINARY RESULTS 6

Turning now to slide six, and our headline income statement. As Mark has already covered, revenue less pass-through costs of GBP10.397 billion, up 12.1% on a like-for-like basis significantly ahead of where we expected it at the start of 2021, and that's also ahead of our Q3 guidance. That delivered an operating profit of GBP1.494 billion, up 18.5% on the year. Income from associates at GBP86 million, slightly higher than 2020 given the strong Kantar performance and also a broad recovery across the rest of the portfolio, delivered a profit before interest and tax of GBP1.58 billion, up 24.3%.

Reflecting finance costs and tax delivered profit after tax of just over GBP1.03 billion, 29.5% up year-on-year. And I should point out here that the tax rate at 24% is slightly higher than expected given the profit mix and also, of course, the changing international tax environment.

Taking account of non-controlling interests delivers profit attributable to shareholders at GBP954 million, up 28.6% year-on-year and diluted EPS is 78.5, up 30.6% and an operating margin of 14.4%, up 1.5 points on the year, and ahead of consensus.

So overall a very strong year, out-turning ahead of 2019 on revenue less pass-through costs and a year ahead of our plan.

RECONCILIATION OF HEADLINE OPERATING PROFIT TO REPORTED OPERATING PROFIT

YEAR TO 31 DECEMBER	2021 £M	2020[1] £M	Δ £M
Headline operating profit	**1,494**	**1,261**	**233**
Goodwill impairment	(2)	(2,823)	2,821
Amortisation and impairment of intangibles	(98)	(89)	(9)
Investment and other write-downs	43	(296)	339
Restructuring and transformation costs	(146)	(81)	(65)
Restructuring costs in relation to COVID-19	(30)	(233)	203
(Loss)/gain on disposal of investments & subsidiaries	(11)	8	(19)
Litigation settlement	(21)	(26)	5
Gain on remeasurement of equity interests	-	1	(1)
Non headline items	**(265)**	**(3,539)**	**3,274**
Reported operating profit/(loss)	**1,229**	**(2,278)**	**3,507**

- 2020 figures impacted by significant impairments
- Restructuring now includes ERP roll-out per SaaS accounting guidelines
- Limited further COVID restructuring

1. 2020 figures have been restated as described in note 2 of Appendix 1 to the 2021 Preliminary Results press release

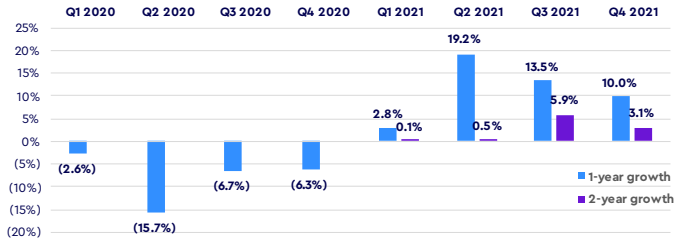
2021 PRELIMINARY RESULTS 7

Turning now to slide 7, and a reconciliation of our headline operating profit to our reported operating profit. As you can see, the headline operating profit delivered at GBP1.494 billion; we then adjust for goodwill impairment which falls, significantly less than we saw in 2020 when we made substantial impairment as a result of COVID-19. Also adjustment from amortization and impairment of intangibles, a little bit of a write-back on investments, reflecting a write-back of our Imagina investment; allowing for restructuring costs both normal and COVID-19 related, and I'll come on to talk about those in a little bit more detail later on in my presentation. Overall adjustments against headline items at GPP265 million delivering reported operating profit of GBP1.229 billion.

GLOBAL INTEGRATED AGENCIES: STRONG GROWTH CONTINUES

£M	FY 2021 £M	Δ REPORTED	Δ VS 20 LFL	Δ VS 19 LFL
Revenue less pass-through costs	8,638	5.4%	11.3%	2.5%
Headline operating profit	1,216	14.7%		
Headline operating margin	14.1%	+1.2pt		

LFL REVENUE LESS PASS-THROUGH COSTS GROWTH



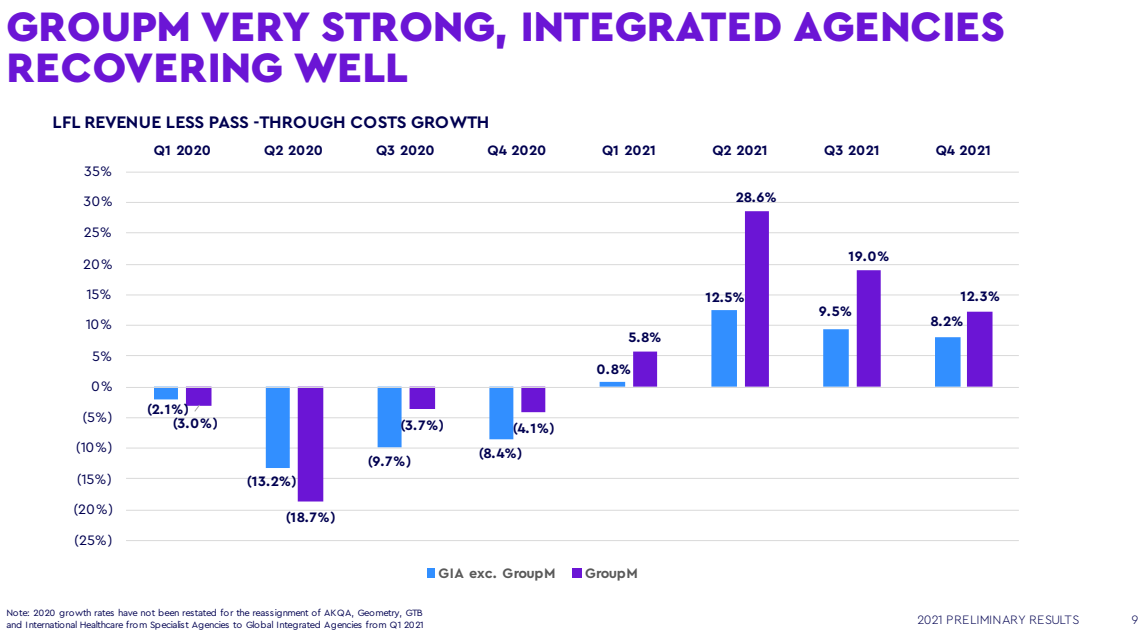
Note: 2020 growth rates have not been restated for the reassignment of AKQA, Geometry, GTB and International Healthcare from Specialist Agencies to Global Integrated Agencies from Q1 2021

PERFORMANCE REVIEW

- GroupM +12.3% in Q4, 38% of WPP's revenue less pass -through costs
- Integrated agencies growing at broadly similar rates, Ogilvy and AKQA Group improving
- H2 2-year LFL growth 4.4%
- Headline operating margin up 1.2pt

2021 PRELIMINARY RESULTS 8

Coming on now to how we're performing across our different sectors. First, the global integrated agencies. Strong growth continuing, so overall like-for-like growth in the year of 11.3% and actually on a two-year basis, up 2.5%. So good recovery over the year. Headline operating profit of GBP1.2 billion, up 14.7%, and operating margin of 14.1%, up 1.2 percentage points. It’s worth looking at the graph at the bottom of the page there which shows a really strong recovery even on a two-year basis versus 2019 in the second half of the 4.4% on 2019. So good recovery coming through in the second half.

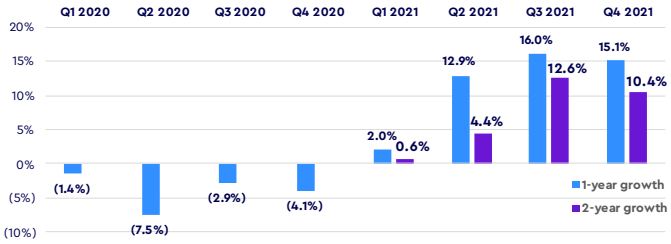


Turning to slide 9, we've actually chosen to split out GroupM's performance from our global integrated agencies and again, you see the very strong performance of GroupM particularly in Q2 and Q3, and also extending into Q4. You see that the performance of our other integrated agencies in the light blue also recovering well through Q2 and the second half.

PUBLIC RELATIONS: DOUBLE-DIGIT 2-YEAR GROWTH IN H2

£M	FY 2021 £M	Δ REPORTED	Δ VS 20 LFL	Δ VS 19 LFL
Revenue less pass-through costs	910	6.5%	11.5%	7.0%
Headline operating profit	143	1.3%		
Headline operating margin	15.7%	(0.8)pt		

LFL REVENUE LESS PASS-THROUGH COSTS GROWTH



PERFORMANCE REVIEW

- Sustained demand for strategic comms services
- H+K and Specialist PR growing strong double-digit LFL
- BCW performance accelerating
- SVC transaction completed before year-end
- Margin down slightly on very strong 2020

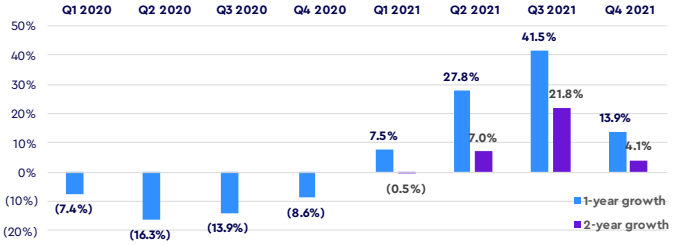
2021 PRELIMINARY RESULTS 10

Worth noting again through the graph in the second half of the year, almost double-digit growth on a two-year basis versus 2019. So really strong performance and strong performance across the board: Hill & Knowlton and our Specialist PR agencies growing at strong double-digit like-for-like growth. BCW also performing well and accelerating in the second half. And of course we completed the SVC transaction before the year-end, combining that with FGH to present a very strong business going forward.

SPECIALIST AGENCIES: UNDERLYING DEMAND REMAINS STRONG

£M	FY 2021 £M	Δ REPORTED	Δ VS 20 LFL	Δ VS 19 LFL
Revenue less pass-through costs	849	19.0%	21.8%	7.8%
Headline operating profit	135	127.5%		
Headline operating margin	15.9%	+7.6pt		

LFL REVENUE LESS PASS-THROUGH COSTS GROWTH



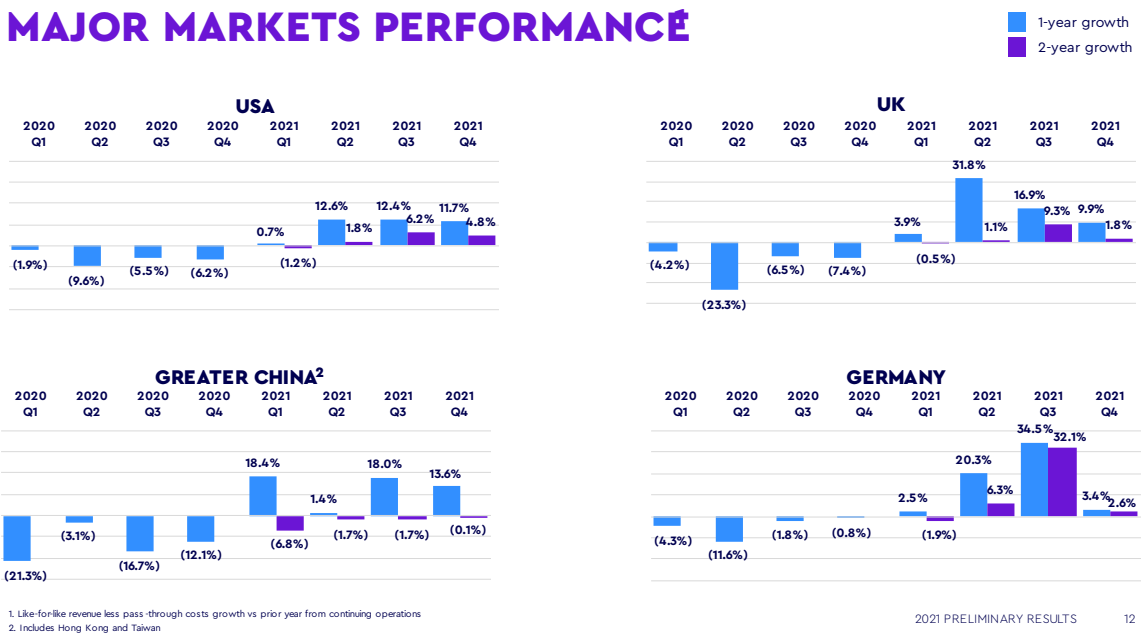
Note: 2020 growth rates have not been restated for the reassignment of AKQA, Geometry, GTB and International Healthcare from Specialist Agencies to Global Integrated Agencies from Q1 2021

PERFORMANCE REVIEW

- Continued good growth, normalising after significant contribution from COVID contract
- Brand Consulting and CMI maintained double -digit growth in Q4
- Margin driven by very strong top line growth

2021 PRELIMINARY RESULTS 11

Turning now to our specialist agencies again with strong recovery through 2021, with revenue less pass-through costs up 21.8% and up 7.8% on a two-year basis. Really strong headline operating profit recovery, up 127.5% and margin up 7.6 points. A really strong recovery of profit in particular through 2021. And if you look at the chart below, you will see very strong performance in Q2 and Q3 largely benefiting from a COVID-related contract we had in Germany under our GKK business and we saw that normalize coming through Q4. Brand consulting performing incredibly strongly. Both Superunion and Landor & Fitch performing well and also again CMI also maintaining double-digit growth in Q4.



Coming on now to our performance across our major markets, a very strong performance and recovery in the US market. You see that consistently through Q2, Q3 and Q4, and also on a two-year basis, up about 5% in the second half of the year, which gives us real confidence going into 2022. UK market also showing strong growth particularly through Q3. China was also pleasing to see recovery in the second half as we guided to at the interim last year as a good recovery coming through in the second half, and then again on the right hand side, there you see Germany particularly strong growth, as I said in Q3, driven by that COVID contract that I mentioned earlier albeit normalizing coming through into Q4.

CHANGE IN HEADLINE[1] OPERATING MARGIN

YEAR TO 31 DECEMBER	2021 £M	2020 £M	Δ £M	Δ %
Revenue less pass-through costs	**10,397**	**9,762**	**635**	**6.5%**
Staff costs pre incentives	(6,574)	(6,371)	(203)	(3.2%)
Establishment	(529)	(638)	109	17.1%
IT	(578)	(581)	3	0.5%
Personal	(132)	(137)	5	3.8%
Other operating expenses	(498)	(589)	91	15.4%
Operating expenses	**(8,311)**	**(8,316)**	**5**	**0.1%**
Operating profit pre incentives	**2,086**	**1,446**	**640**	**44.3%**
Staff incentives	(592)	(185)	(407)	(220%)
Operating profit	**1,494**	**1,261**	**233**	**18.5%**
Operating profit margin				
Pre incentives	20.1%	14.8%	5.3pt	
Post incentives	14.4%	12.9%	1.5pt	

- Staff costs excluding incentives up 3.2%, mainly salary-driven
- Establishment costs down by 17.1%: campus programme benefits
- IT flat due to investments
- Personal expenses down by 3.8% due to reduced travel in H1
- Other operating expenses down by 15.4%
- Headline operating profit pre incentives up 44.3%, with pre incentive margin of 20.1% up 5.3 margin points
- Incentives up 220% reflecting level of performance against budget
- Headline operating profit up 18.5%, with margin of 14.4% up 1.5 margin points

1. Figures before goodwill and intangibles charges, gains/losses on sales, 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 WPP 2025 and litigation settlements

2021 PRELIMINARY RESULTS 13

We turn now to our change in our operating margin. We saw salary increases through 2021. So our staff costs overall are up 3.2% reflecting of course the salary increases we put through. Significant savings on our establishment reflecting the strong performance of our campus program. Also, overall, we did deliver some savings in IT but they were broadly offset by investments: relatively neutral year-on-year in terms of our IT costs. Also on personal costs, strongly influenced of course by the reduced travel in half one down slightly year-on-year and our other operating costs significantly down on 2020 reflecting lower office costs and also bad debt performance. All of which delivered an operating profit pre incentive of just over GBP2 billion, which is up 44.3% year-on-year and delivered actually a margin of 20.1%, up by 5.3 percentage points. So really strong performance on a pre-incentive basis.

And of course, it was great to be able to report very strong incentive payments for the year of GBP592 million reflecting frankly a very strong performance of the business and a great opportunity to reward our people for the hard work during the year. All of which delivered an operating profit of GBP1.494 billion, again, I've already mentioned, margin of 14.4%, up 1.5 points year-on-year.

Coming on now to the margin bridge. We showed this slide to you at our interim. This shows the margin bridge between margin in 2020 at 12.9% and the outturn of 14.4% in 2021. Just to take you through the different components there. So, first and foremost, it is on our staff costs, if you remember at the half, we were reporting that as up 4.4% year-on-year. We also guided at the time that we would expect that to reverse in the second half and that's exactly what we saw. So actually overall in the second half, we were about zero in terms of year-on-year in our staff costs and therefore for the year, overall, a 2% improvement. On establishment costs, we showed a similar benefit in the second half to the first half, so up by 1.5% overall for the year. In relation to personal costs, we were about flat for the full year albeit we were up 5.8% in the first half, as people started to return to travel In the second half that eliminated the first half gain. It's flat year-on-year and very much as we guided to at our interims. IT costs in line with the first half and also on the G&A in line with the first half, and then of course the big offset in relation to incentives -- at the first half at 3.8% delivered the 14.4% margin for the year. So very much in line with, if not slightly better than the guidance that we gave at our interim.

And maybe now coming on to the guidance for 2022 where we're talking about an expected increase in our operating margin of around 50 bps for the full year but just a little bit shape on that. I think we will see a little bit of a drag in relation to our staff cost in 2022 reflecting the cost increases in salaries and will be somewhat offset by operational leverage. So I think the overall track for the year will be about negative 25 bps.

I think in relation to the establishment costs we will be broadly flat year-on-year. We will be delivering savings overall, but they are being offset by return to office costs. So I expect our establishment cost to be broadly flat year-on-year. In relation to personal costs, we expect that to be a drag of about 50 bps in 2022 reflecting a return to travel particularly in half one from a year-on-year basis because half one of last year, we were very much still in lockdown with very little travel taking place across the organization.

And then looking at IT and other G&A combined, a slight drag of about 25 bps. And then from an incentive perspective, while we still expect to be paying strong incentives for 2022, 2021 was an exceptional year. So

we think we'll see a tailwind of about 150 bps or so on our incentives in 2022, all of which nets off to that around 50 bps improvement in our margin year-on-year. That's important to note that from a savings perspective, we expect half one to be more challenging. We actually expect to go backward slightly on margin in half one reflecting the annualization of the salary cost increases that we put through in around June 2021. And also, of course, the increases in the travel, particularly in the first half year-on-year that I mentioned earlier. So we expect to go backward slightly in the first half of the year and we expect to recover that, more than recover that -- in the second half of the year to deliver an overall improvement at 50 bps.

ACCELERATING OUR TRANSFORMATION TO INVEST IN GROWTH

A SIMPLIFIED BUSINESS

- 9 more campuses opened, 12 under construction, 17 more in scope. c. £110m savings v 2019
- c. 500 legal entities removed, similar target for 2022
- Significant agency consolidation in smaller markets

WORLD-CLASS SUPPORT SERVICES

- Leaders hired across key functions: >65% of CFO direct reports and their teams are new to role, >40% new to WPP
- Target operating models defined for IT, Finance and HR
- £40m procurement savings already achieved
- Global/regional shared service centres set up- India, Middle East, Asia, Latam
- Workday deployment delayed to 2022

ACCELERATED CAPABILITIES

- Corporate plan for key growth platforms Choreograph, Xaxis, Finecast, and c. £40m committed to their product innovation
- Enhanced mgmt. insights- enterprise data, client profitability
- Commercial playbook and asset pricing tool
- Career Explorer
- Leveraging acquisitions internally- eg AI/Satalia

2021 PRELIMINARY RESULTS 15

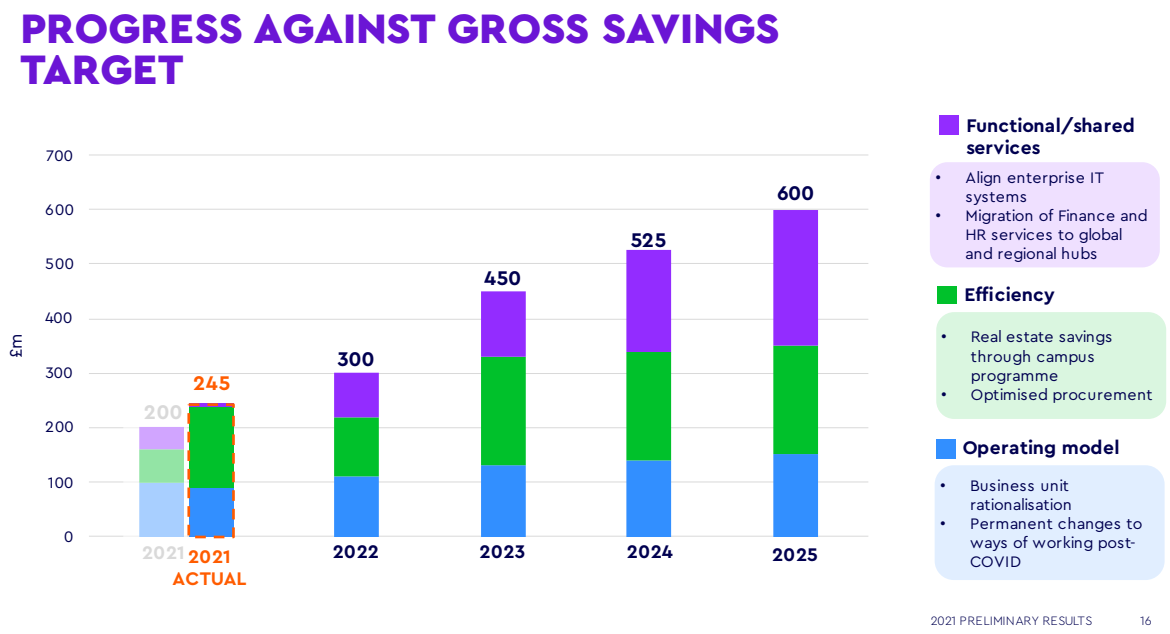
Coming on now to our transformation program, and I'll talk about the cost savings in a second. But just to sort of bring to life a couple of highlights through the year. So in terms of simplifying our business, great progress being made on our campus growth program, nine more campuses opened, 12 under construction, 17 more in scope and GBP110 million of savings versus 2019, already being seen in 2021.

Again, we continued to simplify our business, we've taken out 500 or so legal entities. We are now down to about 2,300 and more to go in the year, probably another 500 or so we aim to eliminate in the next 12 months. And also significant agency consolidation, some of our smaller markets, which has been really effective at not only savings in costs, but also driving our top line. In terms of building world-class support services, really, really strong progress here, particularly in relation to hiring the team which is going to deliver this transformation over the next couple of years.

In terms of my direct reports and their teams around 65% of those people are new into role and actually over 40% are new to WPP. We're really bringing in a strong team to help us deliver this transformation. We've defined new target operating model across IT, finance and HR and indeed, are already implementing the new target operating model of IT, as we speak. We delivered GBP40 million of procurement savings across our business and also set up shared service centers across India, Middle East, Asia and LatAm. The only slight downside is in relation to our workday deployment where we've actually delayed deployment until the middle of 2022, but we're confident in the phased rollout of workday over time.

And in relation to accelerating our capabilities, we've got very clear growth plans for some of our key growth platforms in our business, Choreograph, Xaxis, Finecast, et cetera, and have also committed GBP40 million to their product innovation. We've enhanced our reporting, our enterprise data and our understanding of client profitability and performance. We've created commercial playbook and asset pricing tools to ensure that we are pricing effectively within our markets. We've created Career Explorer that enables our people to have visibility at all job opportunities right across WPP and we've leveraged our acquisitions internally, particularly, for example, Satalia where we're really using that to upscale our AI capabilities not just within Satalia, of course, but right across the WPP organization.

So very pleased with the progress that we've made on transformation.



And of course, that has delivered the bottom line. We set out our targets in our Capital Market Day in December 2020, we expected to deliver GBP200 million in savings in 2021, we've actually delivered GBP245 million split across property at GBP110 million, procurement at GBP40 million, travel savings which we estimated around GBP80 million or so, business rationalization at around GBP10 million and shared services at GBP5 million, delivering GBP245 million available savings. So really promising performance and that bodes well for delivery of those savings over time that you see set out in the graph.

RESTRUCTURING COSTS

YEAR TO 31 DECEMBER	2021 £M	2020 £M	Δ £M
Restructuring and transformation costs			
Severance	12	27	15
Establishment & other	40	54	14
Enterprise IT	31	-	(31)
Sub-total	**83**	**81**	**(2)**
Workday	63[1]	-	(63)
Total	**146**	**81**	**(65)**
Restructuring costs relating to COVID			
Severance	1	70	69
Establishment & other	29	163	134
Total COVID-related	**30**	**233**	**203**
Total	**176**	**314**	**138**
Total ex Workday	**113**	**314**	**201**

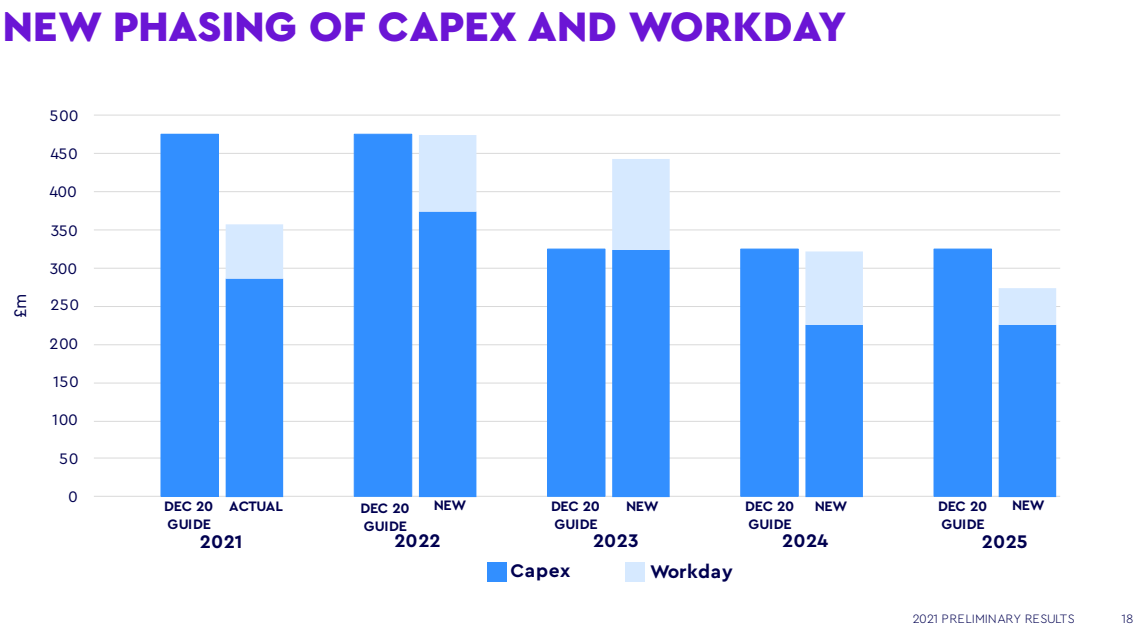
- "Core" restructuring costs of £113m, slightly ahead of previous indications of £70-100m, due to additional IT restructuring
- Workday (ERP) costs reclassified from capex under IFRIC guidance for SaaS
- c. £350m of Workday costs 2022-25 now included in restructuring and transformation, c. £100m in 2022
- Other restructuring/ transformation costs of c. £200-250m 2022-25; c. £120m in 2022

1. Includes £14m that was previously capitalised in 2020

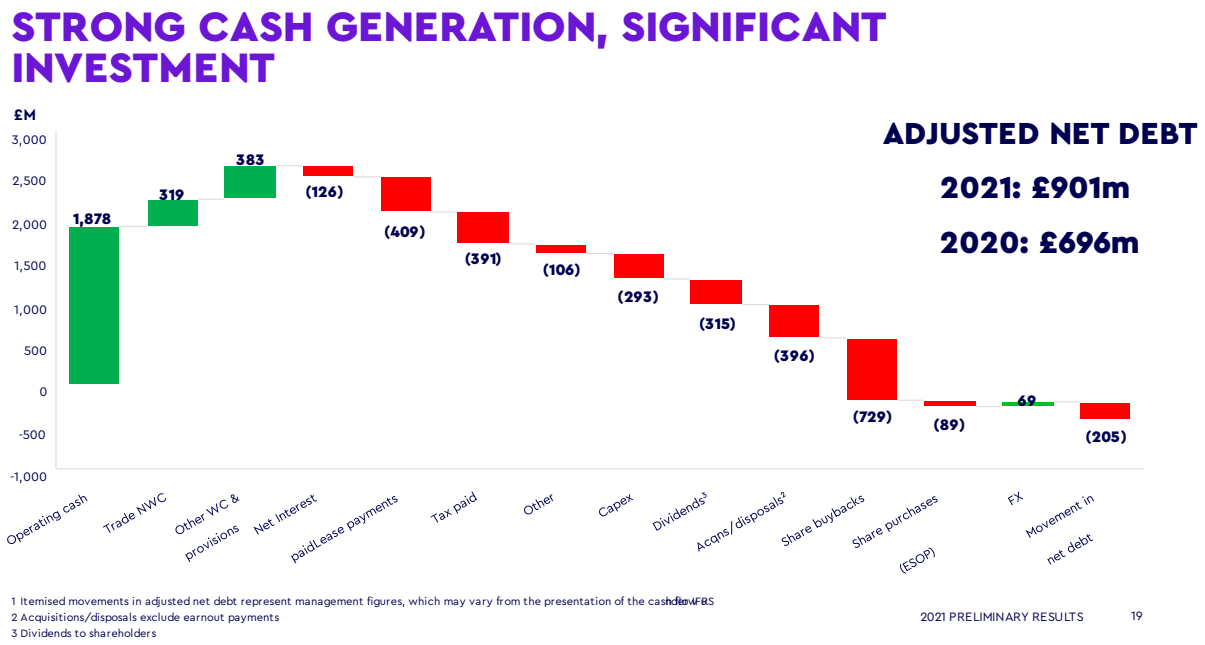
2021 PRELIMINARY RESULTS 17

As I promised earlier, coming on now to slide 17, I thought I'd set out in a little bit more detail our restructuring costs for 2021. You see overall restructuring cost of GBP146 million which when added to the COVID-related restructuring cost of GBP30 million gives a total of GBP176 million. You'll see there that within the GBP146 million we've actually included GBP63 million of costs for Workday, which is effectively a reclassification away from CapEx into our P&L taking account of the updated IFRIC guidance for SaaS accounting. So we put the Workday costs there into our P&L. As I've said, overall, GBP176 million of restructuring costs, of which around GBP125 million is cash. And actually if you strip out the Workday which we previously had in capital that gives overall restructuring cost of GBP113 million, slightly ahead of the guidance that we gave - we guided to about GBP70 million to GBP100 million - due to the additional IT restructuring cost you see there of GBP31 million in the top half of that table. And of course, in relation to Workday, we are expecting circa GBP350 million of Workday cost coming through between 2022 and 2025 which will now be included in restructuring and transformation and taken out of CapEx and I'll come on to show a CapEx slide later on to make that clear.

And we anticipate GBP100 million of workday cost in 2022. And in relation to other restructuring transformation costs, we foresee that as being between GBP200 million and GBP250 million between '22 and '25, a slight increase to our previous guidance of GBP100 to 200 million or so albeit, in a second you'll see that when we look at the overall CapEx costs including workday, you will see that those are actually coming down slightly. So net-net overall between restructuring cost and CapEx cost, a draw in relation to the previous guidance that we've given, and we expect that GBP120 million of those restructuring costs come through in 2020 and, again, all those will be cash.

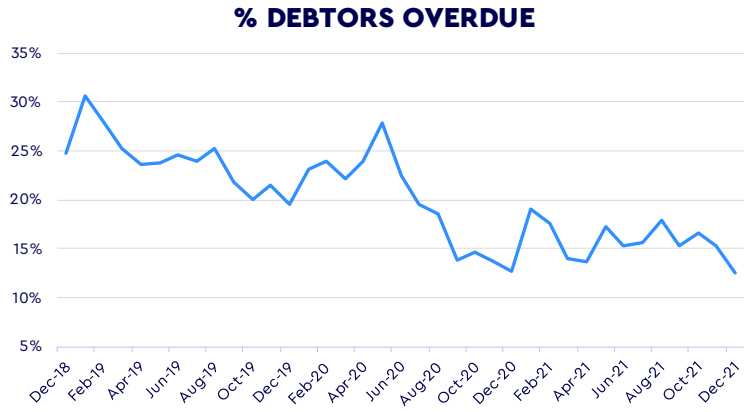


So as I've said earlier just coming on now to talk about the phasing of our CapEx and workday. You will see here that the costs set out on the left hand side here as per our Capital Markets Day guidance in December 2020 and then you'll see the numbers, the new guidance on the right hand side, you will see an underspend in 2021, you will see spend in line with the previous guidance in 2022, a slight catch-up coming through in 2023, in line in 2024, under in 2025. So there's been a slight rephasing of the spend. But overall, actually when you add it altogether, it's coming in about GBP50 million less than what we previously guided to, reflecting of course the slight increase in the restructuring guidance and as I've said when you add the two together, they broadly play a draw.



Coming on now to our strong cash generation. You'll see there on the left hand side, very strong operating cash generation of just over GBP1.8 billion. Good performance in our trade net working capital, better than we guided. We expected that to be a GBP200 to 300 million outflow at the start of the year. We actually saw a GBP300 million plus inflow. We also saw positive movements on our other working capital reflecting of course the large accrual for our bonus payments at 2021. Taking out the interest, lease payment, tax paid, CapEx as I've already mentioned. That CapEx is about GBP190 million of property and GBP100 million on IT and of course, the strong return to shareholders in dividends, share buybacks and so forth.
So, our overall net debt for the year increased by GBP205 billion from GBP696 million in 2020 to GBP901 million in 2021.

WORKING CAPITAL DRIVEN BY BUSINESS GROWTH: IMPROVEMENT IN OVERDUE DEBTORS MAINTAINED



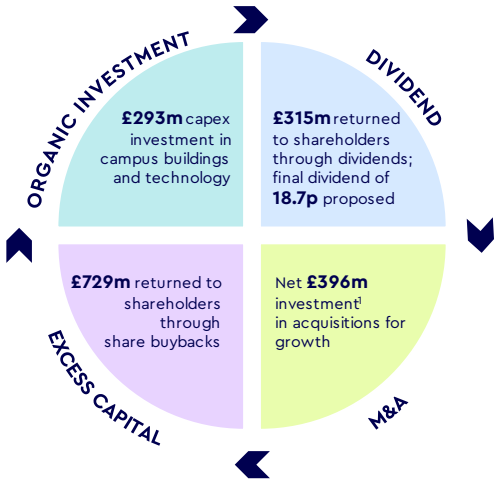
- Continued discipline on timely billing and collection delivering lower average net debt
- Further scope for improvement
- Overall working capital position driven by strong business performance

2021 PRELIMINARY RESULTS 20

And again, looking at working capital on slide 20, I think a good performance through the year on our overdue debtors and around 12.5% or so overdue, but what was different from 2020 was consistently low through the year. I still think we've got opportunity to improve this going forward, but overall, given the growth of GroupM in particular, we saw in 2021 over £300 million of inflow from working capital, we expect for this year, for 2022, that our trade working capital will be broadly flat year-on-year, albeit we also expect to see a slight outflow in relation to our non-trade working capital as a consequence of the unwind of the bonus accrual.

ALLOWING SIGNIFICANT INVESTMENT IN GROWTH AND RETURNS TO SHAREHOLDERS

- Cash flow invested in growth, organically and through acquisitions
- Over £1 billion total cash returns to shareholders
- 30% growth in dividend year-on-year
- Strong and flexible balance sheet; FY21 average net debt/EBITDA at 0.9x (comfortably below leverage target of 1.5– 1.75x)



1. Excludes earnout payments

2021 PRELIMINARY RESULTS 21

Now coming on now to slide 21, looking at our overall sort of capital allocation. Obviously, we've been able to invest significantly in our business in 2021, investing in growth, particularly the growth platforms, Xaxis, Finecast, Choreograph, investing in our talent, investing in our IT, et cetera. And at the same time we've also been able to return over GBP1 billion to shareholders in the form of dividends and share buybacks, 30% growth in our dividend year-on-year and our balance sheet remained strong.

So, on average, net debt to EBITDA for 2021 at 0.9 times comfortably below our leverage target at 1.5 times to 1.75 times and hence why we're able to support GBP800 million planned share buyback for 2022 of which we've already completed just under GBP130 million.

LEVERAGE METRICS

YEAR TO 31 DECEMBER	2021 £M	2020 £M	Δ £M
Average net debt[1] on constant currency basis	(1,565)	(2,271)	706
Average net debt[1] on reportable basis	(1,565)	(2,331)	766
Net debt[1] at 31 December on constant currency basis	(901)	(627)	(274)
Net debt[1] at 31 December on reportable basis	(901)	(696)	(205)
Available liquidity at 31 December	5,458	6,379	(921)
Headline finance costs[1, 2]	(124)	(129)	
Interest cover[1] on headline operating profit	**12.0x**	**9.8x**	
Headline EBITDA[1]	1,751	1,481	
Average net debt/headline EBITDA[1]	**0.9x**	**1.6x**	

1. Net debt, headline finance costs, interest cover, headline EBITDA, exclude impact of IFRS 16
2. Headline finance costs of £124m (2020: £129m) excludes £91m (2020: £101m) IFRS 16 impact of all leases

And again, that's shown in our leverage metrics on the following slide, you see that at 0.9 times at the bottom, interest cover very healthy and overall the balance sheet in very good shape.

2022 AND MEDIUM-TERM GUIDANCE

- 2022 guidance:
  - LFL revenue less pass-through costs growth around 5%; foreign exchange c -0.5%, net M&A +0.5 -1.0%
  - Headline operating margin up by around 50bps (excluding FX and M&A)
  - Capex £350-400 million, plus c. £100m of Workday deployment costs previously in capex guidance and now classified as restructuring/transformation costs
  - Trade working capital around flat year-on-year
  - c. £800 million of share buybacks
  - Headline tax rate (based on headline PBT *including* associates) around 25.5%

- Medium-term guidance unchanged. From 2023:
  - Revenue less pass-through costs growth of 3-4%, comprising 2.5-3% LFL growth and 0.5-1% contribution from M&A
  - Headline operating margin of 15.5-16.0%

2021 PRELIMINARY RESULTS 23

So coming now to 23, my last slide, and our guidance for the year. So guidance for 2022, we expect like-for-like revenues less pass-through costs at around 5%, a slight headwind from forex at about 0.5% and the contribution from M&A of between 50 and 100 bps.
Headline operating margin, we expect to be up by around 50 bps and CapEx at about GBP350 million to GBP400 million roughly half property, half IT and in addition of GBP100 million or so cost on Workday then, again, consistent with the guidance that I gave earlier on.
Trade working capital around flat year-on-year, GBP800 million of share buybacks. And a headline tax rate of around 25.5%, a slight uptick on where we've guided to previously, again, just given the prevailing tax environment that's out there from an international perspective.
We're not changing our medium-term guidance. The guidance we gave at the Capital Markets Day back in 2020, so revenue less pass-through costs of 3% to 4% growth, broken down into 2.5% to 3% like-for-like and 0.5% to 1% from M&A. And the headline, operating margin of 15.5% to 16% consistent with what we told you back in December 2020.

And with that, I'll hand back to Mark to take you through our strategic progress. Thank you.

Strategic Progress

Mark Read

Chief Executive Officer, WPP

Thanks very much, John, and I'll talk to you about our strategic progress which I think really has been significant if I think back to this call three years ago where we were facing a situation where our revenues had been declining for three years, our largest client had been up for review, our debt was approaching levels that I think was unsustainable, to today, where we're delivering above average peer level growth, we've just won probably the largest new business pitch in our industry's history and our balance sheet is in a really strong position. We have made tremendous strategic progress.

OFFER TRANSFORMED, STRONG MOMENTUM

2021 PRELIMINARY RESULTS 25

And on slide 25, if I think about what's changed and how the industry is changing, three factors really give us strong momentum going into the future. The structural drivers of our industry, our own competitiveness and really the relevance of our offer to the needs of our clients. On structural drivers, there are several factors at play, and one is obviously the growth of digital and commerce everywhere to see. It's still sort of early days and this is a long term trend that all companies are going to need to invest behind. The other is interface of different parts of the marketing mix and introduction of new ones.

Lots of talk about fragmentation of scope and complexity. I think the response from clients increasingly today is to design simplicity within that, that's at the heart of what The Coca-Cola Company have asked us to do and media, creative, data and technology need to come together. Clients are looking for partners that can bring those together. We've positioned WPP to be central to both of these drivers, now leading to our improved performance particularly as clients continue to commit and reinvest in marketing for growth.

On competitiveness, I think the results are really very clear. Our investments in our client teams and our marketing efforts, our agency mergers leading to much improved client satisfaction. Creativity remains a differentiator. The idea is still important regardless of what medium it's executed in, and we will continue to lead with ideas. Rob Reilly who I hope some of you will have a chance to meet, is making a big impact. We continue to invest in creative talent across WPP. Scale in media remains critical. We haven't stood still, it's really a story of continued investment over the last 15 years. We think back to the acquisition of 24/7 Real Media, which was, it seems a long time ago today, in 2007, and that's led to our leadership in programmatic and connected television, the depth of our relationships with technology partners and the investment in Choreograph. All of these are keeping us ahead of the market and that is building on our strong new business performance and that, I think reflects over the last two years, how much more competitive we've become as a company.

And then on relevance. I think we have what clients need and we are increasingly easy to work with. That simply was not the case three or four years ago. If you think about the key issues in the boardroom, digital

transformation, reputation, what about my privacy, how do I manage my data, how do I think about Facebook. These are all issues that people at WPP can help their clients navigate. Our agency mergers have clearly delivered and our creative agencies have a transformed -- a much more relevant offer post that integration. We'll continue to invest through product innovation, under Stephan Pretorius, we're putting significant operational and CapEx behind growth platforms like commerce-as-a-service, data, connected television.

We're also making acquisitions of companies like Satalia and Cloud Commerce with capabilities that we can leverage across all of WPP rather than remaining siloed inside one of our operating companies.

I think net-net, if you look across through the offer to our clients, we're in good shape and John's talked about our transformation which we'll touch on at the conclusion.

Now on slide 26, I think we should talk briefly on purpose, actually at the heart of our offer. If I remind you, our purpose is to use the power of creativity to build better futures for our people, our planet, our clients and communities. And how we do business continues to change and improve and that's increasingly ever more important to our people and in the fight for talent. I think purpose is critical and you can see from the range and scope of our commitments is something that's now deeply embedded across our organization and a few highlights to call out in the carbon disclosure project, upgraded our ESG score to an A minus in the 2021 ratings, distinguishing WPP as a leader on climate change and reflecting the ambition of our new NetZero strategy, our emissions reductions targets and our stronger governance across our carbon emissions.

We are proud signatories of the UN Global Compact and Business Ambition for 1.5 degrees. The purpose, which is to galvanize the business support for the strong climate action and the race to zero campaign and we're a marketing partner actually to the UN FCCC. Our science-based targets have been approved by the Science Based Targets Initiative, which is also an important step. I'd point out in the FTSE Leadership

review published this week, we entered the top 10, the gender representation among our executive committee and direct reports moved up from 10th to 8th at board level in the FTSE 100 and for the fourth year in a row we're recognized as a leader in the Bloomberg Gender-Equality Index.

PEOPLE AT THE HEART OF OUR BUSINESS

Looking after our people

- Launched our **Mental Health Allies** programme providing mental health training to 500 colleagues across the UK and US
- Invested in a further 9 **campuses**, creating world-class work and social spaces; most recently opened our second London campus, Rose Court
- Reinvested in **incentives** to reward talent and reflect exceptional performance

Developing our people

- Democratised mobility through our **Career Explorer** platform
- Nurtured early career talent through our **NextGen Leaders** learning series (1,400 participants)
- Leveraged tech partners to develop new **training programmes** including: Amazon ecommerce bootcamp (2,900 participants); TikTok training academy (5,200+); Snap AR Lab (700)

Driving balance and diversity

- Launched **Unite, WPP's first company-wide LGBTQ+ community**, live in UK, North America, India and Hong Kong; WPP named among Best Places to Work for LGBTQ+ Equality
- **Gender diversity** amongst leaders: 39% female senior leadership
- **Broadened talent search**, working with talent networks such as the LAGRANT Foundation and Brixton Finishing School
- $30 million commitment for **racial equity**

2021 PRELIMINARY RESULTS 27

As I had mentioned, this is increasingly important to our people and on slide 27, purpose at the heart of our offer and people, if you like, are at the heart of our purpose. And we've done a lot over the last couple of years to really step up our efforts across many fronts. This year, we've been very focused as have many companies at looking after our people through COVID, the launch of our Mental Health Allies program providing mental health training to 500 colleagues across the US and the UK in 2021, and we are going to expand that across our business in 2022.

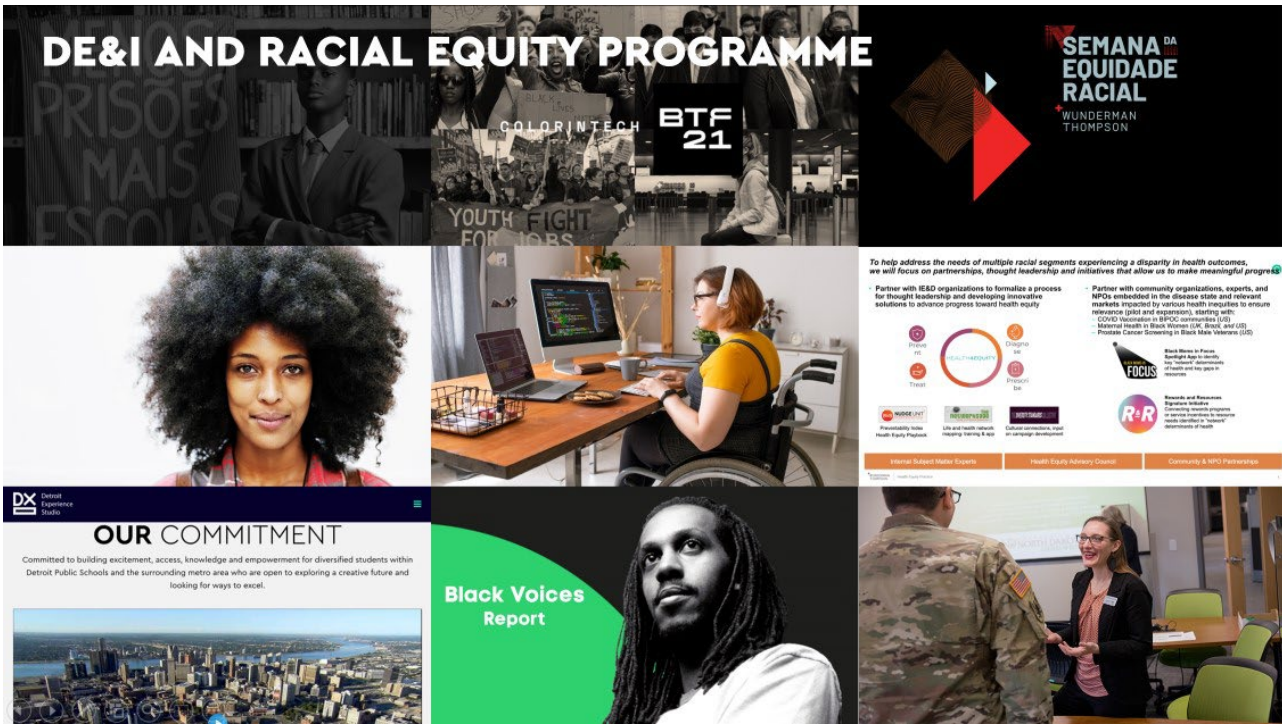
As John mentioned, we invested in a further nine world class campuses including Milan, Prague, Singapore, and most recently our Czech and London campus in Rose Court just down the river from here in Sea Containers. And most importantly, this year, we've really reinvested in our incentive pool to thank people for their hard work this year both in terms of quantum, but also importantly in terms of the number of people across the company that that's reaching.

We also continue to invest in the development of our people, increasingly our people want greater mobility across the group. That's something that we can offer as a competitive advantage to WPP. And we launched our Career Explorer platform to aggregate all the jobs across WPP available to our people in one place. And it's an important cultural change in terms of how we think about our people from a pan WPP perspective. We launched the second series of our NextGen Leaders program, which is a 10-week virtual learning program with the aim of reaching a much more diverse pool of younger talent interested in other opportunities where being able to be virtual is enabling us to expand the pool of participants and this year, 50% of the participants in the US and in the UK identified as Black, Asian or Latin and 58% identified as female.

Really good progress in expanding the type of talent that we attract into our industry. But we continue to invest in learning and development programs, particularly with our technology partners.

And then finally, talking to balancing diversity throughout the company, we launched Unite, our first WPP company-wide LGBTQ plus community. It's now live in the UK, North America, India and Hong Kong. And for the second year in a row WPP was named among the Best Places to Work for LGBTQ plus Equality by the Human Rights Campaign. We launched a very good campaign for them, actually, yesterday in the US. We're making good progress in gender diversity, I've mentioned, women now represent more than 50% of our senior managers and 39% of our senior leadership, up from 37% the year before.

And finally, we've placed diversity at the center of our recruitment process, working with Black talent networks such as the LAGRANT Foundation, Brixton Finishing School and I'm very keen that we do even more to attract Black talent particularly into our creative department where I think we can really find some unique opportunities. And that's all part of the $30 million anti-racism commitment, which we made after the murder of George Floyd and we'll cover on the next slide, slide 28.



And our DE&I and Racial Equity Programme, I think it's really a differentiator for WPP as one of the most, I think, innovative programs -- I don't think I've seen anything like it, but it's the fund that we apply -- invite agencies from across WPP to apply for resources and funding to run programs to promote racial justice within and outside WPP and support Black and minority ethnic talent getting into our industry and getting into WPP. We announced nine initiatives to be funded in September last year. And just to sort of highlight a few, one is a research project by WPP Roots here in the UK looking at the role of data in reaching minority ethnic audiences in the UK to build inclusivity into our data and market research efforts.

We have a really fantastic project - Detroit Experience Studio, a commitment led by VMLY&R, UniWorld Group, GTB and other teams to increase career opportunities for young black and brown talent in Detroit. AKQA have a SOMA plus platform to expand professionally to a thousand black and indigenous people in Brazil. And we have a 10-week training program at WPP to help underrepresented minority veterans in the US become project managers and client leaders. So I think really these are an innovative set of programs to help to advance our position in this area.

EXPERIENCE, COMMERCE AND TECHNOLOGY DRIVE GROWTH IN OUR INTEGRATED CREATIVE AGENCIES

VMLY&R

- **32 Cannes Lions** (inc. Grand Prix)
- **Global Ad Network of the Year** by both Campaign and The Drum
- Campaign **Global Best Creative Network**
- **Global Marketing Agencies Leader,** Gartner[2]

AKQA GROUP

- **51 Cannes Lions** (inc. Design Grand Prix), **19 D&AD Awards**
- **#1 Creative Effectiveness** WARC
- **16 Clio** Entertainment awards
- **Winner**, Fast Company World Changing Idea award
- **Global Marketing Agencies Leader** for ninth year, Gartner[2]

WUNDERMAN THOMPSON

- **27 Cannes Lions** (inc. Innovation Grand Prix)
- Integrated Marketing Agency of the Year, **Campaign UK**
- **Global Marketing Agencies Leader** for third year, Gartner[2]
- **Leader in Commerce Services**, Forrester[3]
- **Key talent:** Audrey Melofchik (CEO NA), Shamsuddin Jasani (CEO South Asia)

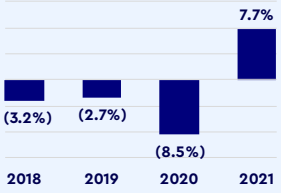
Ogilvy

- **81 Cannes Lions**
- **#1 Creative Agency** WARC Creative 100
- **Global Marketing Agencies Leader** for sixth year, Gartner[2]
- **Loyalty Service Providers Leader**, Forrester[4]
- **Key talent:** Liz Taylor (CCO), Devika Bulchandani (Global President)

CANNES LIONS Holding Company of the year

WARC
#1 Creative 100
#1 Media 100
#1 Effective 100

GIA ex. GroupM growth[1]

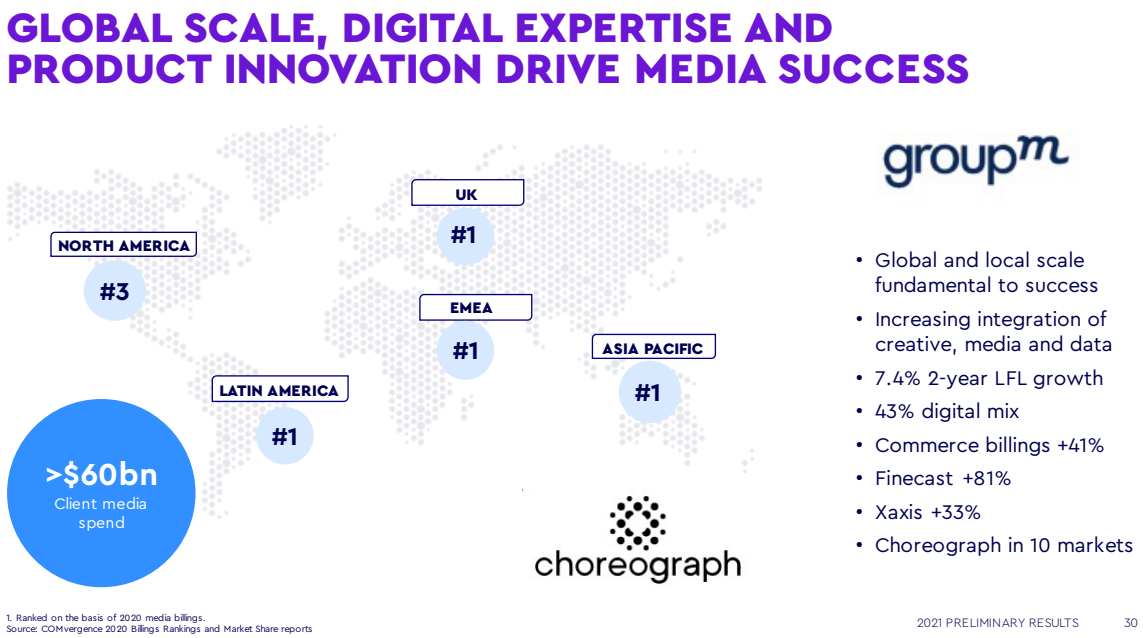


1. LFL revenue less pass-through costs growth
2. Gartner's Magic Quadrant for Global Marketing Agencies 2021
3. Forrester Wave: Commerce Services Q1 2021
4. Forrester Wave: Loyalty Service Providers Q3 2021

2021 PRELIMINARY RESULTS 29

So turning from purpose back a little bit to our offer and our competitiveness, on slide 29. Let's start with our integrated agencies. I think there's a tremendous amount of progress being made here in terms of people, technology and creativity we're being recognized for. We've done extremely well in creative awards, both at Cannes and from WARC with all our major agencies and many smaller ones winning awards and actually each of our major networks winning a Grand Prix at Cannes.
If you look at the financial performance of the business, it shows how we're really changing the business mix with nearly 40% of our sales coming from the new growth areas in experience, commerce and technology; increasingly being ranked by industry analysts ahead of consultants and other competitors, not just in marketing, but in areas like commerce and loyalty and you can see Forrester and Gartner recognizing our agencies and disciplines like that.

We've had good strong recognition in the trade press, and at Campaign, underman Thompson in the UK was named Integrated Marketing Agency of the year. A new category. And this is translating into better financial performance. So I think that's important. I think about the strategic objectives that we had three years ago to return to peer level growth. The two key topics were really our creative agencies and the United States and in both areas as we look forward into next year they are positively contributing to our overall growth, a growth not far off the average for all of WPP. And I think that puts us in a good place to meet both our numbers for 2022 and our long-term guidance.



On slide 30, I think we need to recognize the strength of GroupM and its position in media and data around the world. Our scale across markets and regions are increasingly valued by clients. I think one important trend has been the global consolidation of media and clients continuing to reduce the number of media partners to enhance their ability, I think, to negotiate with the major media partners here, -- the Googles, the Meta and the Amazons of this world, but also to simplify that partnership strategy and be able to move much more quickly in a much more agile way.

And our two-year growth rate of 7.4% –of course hardly shows the impacts of COVID and reflects the strong performance of media. It's a good reminder that GroupM has compounded in the long run at 5% or better, a growth rate similar to a number of global data or business services franchises.
We see now, very strong growth in commerce media, billings at 41% and in our specialty products at Finecast or Xaxis we’re also seeing strong growth. And as you know, we launched Choreograph in 2021: it’s not just a US business and is now present in 10 markets and that's helping us to differentiate our offer and helping us in our new business performance.

DEMAND FOR STRATEGIC COMMUNICATIONS BENEFITING PR

- Finsbury Glover Hering/SVC: creating a leading global strategic communications firm
- Reputation and purpose increasingly important to our clients; 2.5x brand value for brands perceived to have a high positive impact on society[1]
- Public relations services increasingly part of integrated pitches

1. Kantar Purpose 2020 Report

2021 PRELIMINARY RESULTS 31

On Page 31, public relations has been, I'd say, growing strongly over the last, certainly over the last year, was much less impacted at the beginning of the pandemic than perhaps you would have expected and I think reflects its increasing importance to clients and in the marketing mix. The merger with BCW, the continued development and resurgence of Hill & Knowlton and the new combination of Finsbury Glover Hering and Sard Verbinnen means we're in an increasingly strong position in this market -- represented in boardrooms, tackling key issues around reputation and purpose are important to clients, doing this at scale with a global footprint and winning both bigger assignments, but importantly integrating assignments into the rest of WPP. And I think our public relations and communications businesses are really a critical strategic capability within WPP.

EXPERIENCE, COMMERCE, TECHNOLOGY ALSO BOOSTING SPECIALIST AGENCIES

LANDOR & FITCH

superunion

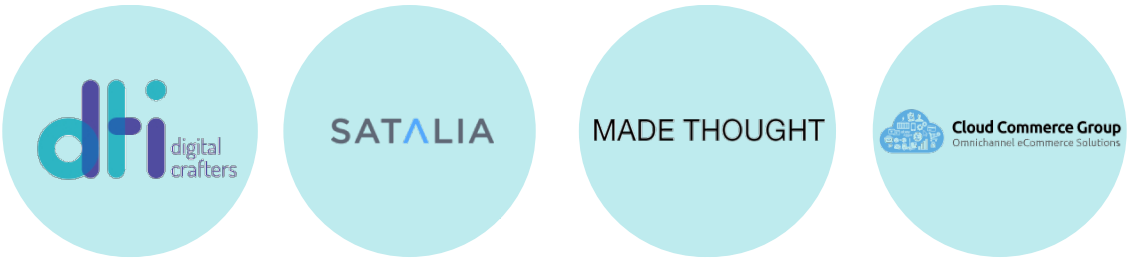
CMI MEDIA GROUP

- Experience, commerce, technology 58% of mix in 2021
- Resurgence in demand for brand consulting
- Sustainability a growing priority in innovation and branding
- Acceleration in growth within our specialist healthcare media business, CMI

2021 PRELIMINARY RESULTS 32

On page 32, our specialist agencies had a very strong performance, as John mentioned, in 2021 probably off a slightly tougher 2020. But I think it reflects resurgence in demand certainly for brand consulting, also the importance of purpose and sustainability within those markets.

KEY ACQUISITIONS IN 2021



2021 PRELIMINARY RESULTS 33

And on slide 33, we have been investing more in acquisitions, net-net we spent around GBP400 million on acquisitions during the year. While we did acquire the minorities in our business in Australia and joint funded the acquisition of Numerator within Kantar – we have our equity stake there - we have also bought quite a number of businesses, very strong capability, DTI in Brazil, around 600 and more software engineers who can focus on application development, Satalia, John mentioned is a leader in AI solutions, Made Thought, a very strong design business, and Cloud Commerce, a platform to help us invest more behind our commerce-as-a-service space. And then on Tuesday, we announced the acquisition of Village Marketing, a leader in the area of influencer and creative marketing and have 150 people specializing in that in the US. I think we'll continue to see us make more acquisitions in these areas around digital marketing, technology, data, and e-commerce in 2022.

SIGNIFICANT WINS AND RETENTIONS: VOLUME AND VALUE

R3 WORLDWIDE

2021 NEW BUSINESS LEAGUE HOLDING GROUP RANKING

Global / 2021

RANK	HOLDING GROUP	ESTIMATED CREATIVE YTD REVENUE (USD $m)	ESTIMATED MEDIA YTD REVENUE (USD $m)	ESTIMATED OVERALL YTD REVENUE (USD $m)	AS % OF 2020 REVENUE	NO. OF WINS
1	WPP	838.6	684.2	1522.8	9.9%	2,140
2	Publicis Groupe	233.1	326.3	559.4	5.4%	899
3	Omnicom	237.1	266.5	503.6	3.9%	859
4	Interpublic	212.2	101.7	314.0	3.3%	632

2021 PRELIMINARY RESULTS 34

I'll talk briefly about the highlights of our new business performance on page 34. We've had really a very strong competitive performance, I like to see our strength both in creative and in media. Highlights to me, it would be when you look at it through the lens of The Coca-Cola Company, Unilever and Google, three of the world's leading marketers who are strengthening in the building of their partnership with WPP.

STRATEGIC PARTNERSHIP WITH THE COCA-COLA COMPANY

ACROSS 200 MARKETS, 9 REGIONS, FOR 200 BRANDS; SCOPE INCLUDES:

CREATIVE, EXPERIENCE & DESIGN	DATA	MEDIA	PRODUCTION	TECHNOLOGY	SOCIAL	PR
70% of global creative work (all WPP creative agencies)	(Choreograph)	92% of all global media	100% translation and transcreation work globally	Expansive technology deployment at the heart of the transformation	Social and CIC deployment in all regions	Brand PR

From		To
Data poor	›	Data driven
One model for all	›	Models matched to categories
Ads & Sponsorship	›	Experiences, Open Source Creative Excellence
Linear development	›	Collapsed decision making

"This new agency approach gives us access to **the best creative minds** regardless of source, as **underpinned by leading edge data and technology capabilities**"

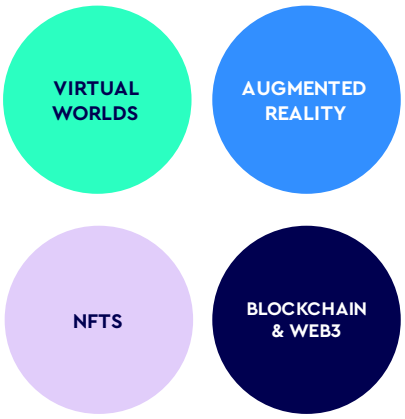
James Quincey, Group Chairman and CEO, TCCC
TCCC Fourth Quarter Earnings Conference Call

2021 PRELIMINARY RESULTS 35

And on slide 35, just to talk briefly about our strategic partnership with The Coca-Cola Company - it is really a significant and important partnership to us. I think in many ways, we look at it as a validation of the strategy of the company to have strong creative capability combined with the ability to use data in our marketing to help our clients navigate with the increasing global technology and media partners and to invest in technology. It's really a very significant commitment they've made to us as a company, if you think about the Coca-Cola company as a partnership company and think about their relationship with their bottlers, and in many ways that's at the heart of their long-term strategic partnership with WPP. They've entrusted us with a tremendous amount of their marketing, of their creative work, their media, their data, their production as well as social and PR across 200 markets and 200 brands.

And we're fortunate to have very strong sponsors on their side and CEO James Quincey and CMO Manolo Arroyo and see James' quote from their recent earnings call which called out creativity, data and technology at the heart of that. Work has really started in earnest and –we are very focused on delivering as a company over the coming months.

FINALLY, THE METAVERSE IS A FERTILE NEW GROUND FOR CREATIVE TRANSFORMATION



AND WE HAVE UNRIVALLED SCALE AND EXPERTISE TO HELP SHAPE OUR CLIENTS' METAVERSE STRATEGY

2021 PRELIMINARY RESULTS 36

Now on slide 36, no earnings call in 2022 would be complete without some reference to the Metaverse and this is no different. I think everyone has their own definition of what the Metaverse is. I think we think about it as really being the digital equivalent of the sort of analog world and the way that those two worlds merge together. So think about virtual worlds versus real world or NFT versus owning the real product or real money to cryptocurrency. It's really the merging of that digital and analog world. There's no doubt since Facebook's rebranding that this is captured client imagination. But more importantly, I think it is a substantial and growing area of our business, think about where consumers are spending their time, 55 million daily users of Roblox; where consumers are spending their money, the $54 billion spent on virtual goods in a recent JP Morgan study. And it's an opportunity for us to help our clients find new and creative ways to help them cut through.

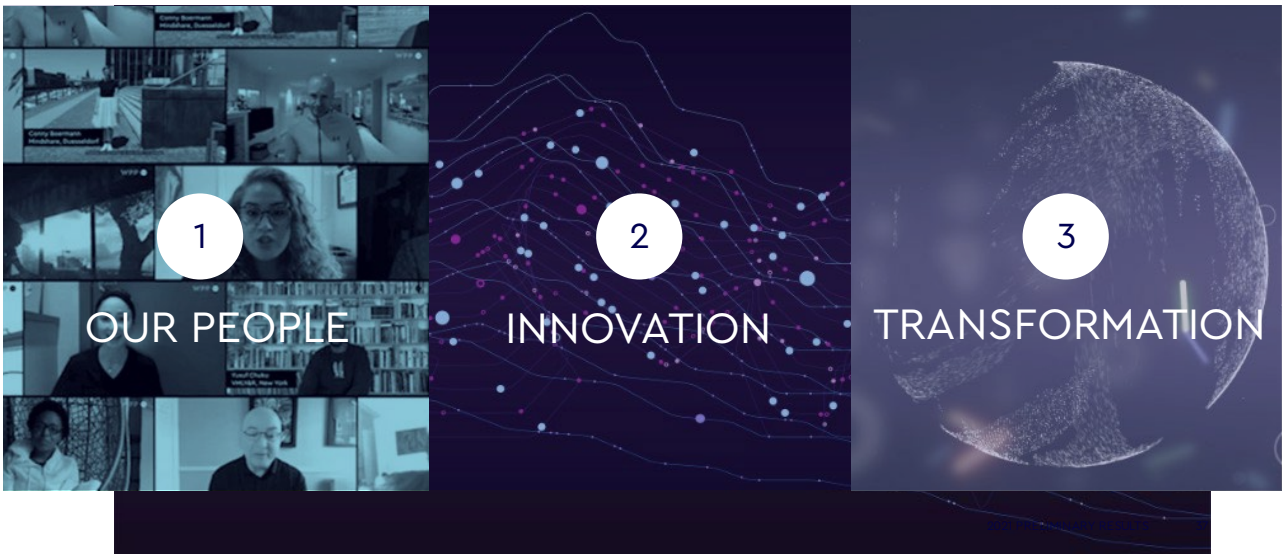
We launched this week the Metaverse Foundry at Hogarth that brings together a team of more than 700 people to help our clients execute their ideas in the Metaverse. It's worth sharing the two ideas of work from WPP companies in the Metaverse. The first one is EMI and the band Bastille, and what you'll see is us taking their new album and putting it into a virtual world. It's innovative in the sense the band is not playing a concert that you're watching on Fortnite. We had the band play. We filmed it with special 3D cameras to create a world that consumers can inhabit. We do that in partnership with Epic Games and with Microsoft and this experience will be launching soon.

The second piece I wanted to show is Under Armour. It really celebrates Steph Curry's 3-point record in basketball and the film is relatively straightforward even to a British audience. What's important is, I think the customer engagement we had. We launched 2,974 NFT sneakers, they sold out in minutes, but 4.5 million people tried to buy them. It was also interesting as you can see how these NFT sneakers you could wear them in different virtual worlds. We negotiate with four different virtual worlds to have them trade including Decentraland and Sandbox.

I think what's insightful about that film is the degree of customer engagement you can get with no paid media and 4.5 million people engaged. I think it demonstrates the potential of the Metaverse and while

vis-a-vis today, there may be more sort of heightened interest in reality, I think it is going to grow. It is increasingly important to our clients, and we have at WPP an important role to play in capabilities through companies like The Metaverse Foundry and our investments in business like SubVRsive to help our clients navigate it.

ACCELERATING OUR GROWTH: PRIORITIES



So on page 37, talking a little bit about the future and our priorities in accelerating our growth. I think that we've covered a lot of ground. Just a few closing words and our priorities for the year. I think it's a little bit more of the same as 2021 but perhaps pushing harder. For our people, it's about bringing them back into offices in a flexible way, adapting to the future of work, giving them more opportunities across WPP and driving the DE&I agenda.

Innovation is about continuing to invest in creativity, but also investing in new products and services across the company such as the work that we're doing with Choreograph, the work we're doing with Xaxis or Finecast. And lastly, transformation, where we're making very solid progress on a four- to five-year program. It’s a major opportunity for us and an area to free up investment that we can invest back into the business to further accelerate our growth.

SUMMARY

- 2021 was a marquee year, well beyond a cyclical recovery
- Our strategy is delivering results for our people, clients and shareholders
- We enter 2022 well-positioned in high-growth markets
- We have the financial firepower to invest in future growth through talent, capabilities and targeted M&A, while rewarding shareholders today
- Our transformation programme gives us significant potential for efficiency and reinvestment for growth

So in summary, on page 38. As I think 2021 was really a very strong year, we went well beyond a cyclical recovery.
You can see that our strategy is delivering results for our people, for our clients and for our shareholders through the numbers.
We do enter 2022 well positioned in high-growth markets.
I think, importantly, we have now the financial firepower to invest in growth through talent, through capabilities organically and through M&A, while rewarding our shareholders today.
Our transformation programme gives further significant potential to enhance that investment and reinvest in growth.

So a good year behind us and notwithstanding today's events, we have to plan for the future and as we enter 2022, we do so with confidence. Now, just one more point to say thank you before we move to the Q&A. To thank Fran Butera, who I think all of you know. Fran's retiring next week. He's really been a linchpin of our Investor Relations efforts in the US more than 20 years. He knows our industry and our business as well as anyone else. He's been a great help to me personally and to our team, and we really valued his calm demeanor through many events. His insights into our business and his collaborative spirit. So Fran, thank you very much. I'm sure many of us in the call would like to thank as well. We wish him all the best.
So thanks, Fran. Thanks to all the people at WPP and to our clients for their hard work and trusting us through 2021 and let's turn to the Q&A.

Q&A

Tom Singlehurst (Citi)
Thank you very much. Morning. It's Tom here from Citi. Thanks for the presentation. And just to echo, thanks to Fran for all the hard work over the years. But, a couple of questions, if that's okay. Firstly on the outlook for revenue. I mean, you've got that very strong new business performance from last year, but you've ended up opting for a guidance level, at least initially, that's essentially in line with what the other big agency groups are saying at 5% and I'm just interested in whether you are factoring in much of an additional kicker from new business, and just broadly, how we should think about the relative outlook for WPP versus the market in 2022. That would be great to get some insights on that to begin with.

And then the second question was on headcount, John has prepared the ground for staff costs to move up as a percentage of sales. And then obviously, there's a bit of buffer with the incentive costs, but I'm interested in the interplay between pure wage inflation and headcount. How much will headcount go up and whether there are any challenges in hiring? And then very finally, on cash usage, I noticed by Numerator you've effectively been putting some more money into Kantar, which makes sense given the strong progress they're making. I'm just interested overall on your strategic view vis-a-vis Kantar and whether once the transformation is completed there, whether you anticipate bring strategically involved for the longer term. Thank you very much.

Mark Read
I'll tackle the Kantar question and then John and I will tackle the outlook together and then John can continue on in terms of helping on the headcount. On Kantar, we're partners with Bain Capital. And we'll

see where that ends up. As you say, the business is doing well and we and they are aligned in supporting the company for the moment, too early to talk about what an exit would be.

In terms of the outlook and guidance of 2022 and sort of relative performance competitively, we obviously do our budgets and our forecast independently of our competition. The industry consensus was 3.3%. I think coming out at around 5% reflects a strong competitive performance and the new business that were there.

John Rogers
I think in a way I look at it in terms of the new business that sort of really underpins the 5% growth. We got obviously much better visibility on that new business as a result of the Coke win. So I think we can - notwithstanding the situation today of course - go into 2022 with strong competence and strong visibility of that 5% growth. I think in relation to your question on the headcount, we started 2021 with 100,000 people. We finished 2021 with 109,000 people so we added a lot of headcount through 2021, reflecting the higher net sales growth of course.

But actually the average across 2021 was about 102,000, but we added quite a lot of people towards the back end of last year. And again very much in anticipation of that strong growth coming through in 2022. I do think that clearly we will add more headcount as we go through 2022, reflecting that 5% growth. I wouldn't like to forecast at this stage how much but it might be of the order of 5,000 or 6,000 people or so and we will probably also see about 4% to 5% inflation come through in relation to salary.

Now so all of that obviously go straight to the bottom line. But at the same time, given the growth levels and the operational gearing that the business will deliver, we only expect staff costs to be a 25 basis point drag on our margin through 2022. So we do expect those costs to increase, but equally, we expect to see some operational gearing come through net-net at 25 bps drag for the year. Hope that makes sense.

Tom Singlehurst (Citi)
Okay. Thank you very much.

Lisa Yang (Goldman Sachs)
Good morning. Thanks for taking my questions. And wishing my best to Fran as well. Three questions, if I may. Firstly is a follow-up on the outlook and guidance. So I'm just wondering if you could maybe share any color on latest sentiment and whether you've seen any impact at all at this point from inflationary pressure or obviously the recent geopolitical tensions or may still be early, and if you could just help us understand really how you construct it that 5% guidance. And how much is saturating from, let's say, the competitive trends, contribution from new growth areas, contribution from some new business - would be very helpful.

Second question is on the buyback and use of cash -- clearly the buyback being really well ahead of expectations and the balance sheet is very strong reaching GBP800 million in both 2021 and 2022. How should we think about the level buyback beyond 2023? I think previously, John, you said GBP300 million to GBP400 million, given the pace of the buyback, so far, I'm just wondering between -- could we expect more? And the third question is on the tax rate, actually with going up a bit more than what we had expected to 25.5% in 2022 and of course, you have the UK tax rate increase in 2023.

I'm just wondering like what's really driving that. And how should we think about the tax rate from 2023 as well, because I don't think I have heard of the other companies talking about that yet for 2022. Thank you.

Mark Read
Okay. I'll talk a little bit about what I'm hearing from clients and then John can underpin that with how he thinks about building out the forecast and then continue. Look I think, as I talk to clients, and notwithstanding the events today, I think you're right, Lisa, it's too early, it's not the right time to really trying to understand the impact of what's happening in Ukraine on the year. There is obviously a concern. Look, I think, on clients -- if you think about our business, there are three sectors, technology, consumer packaged goods and health, which together have been really pretty strong over the last two years on a two-year basis. Then you have sectors like retail, travel and tourism that have come back more strongly and probably have some way to go. And the same is true, a little bit, geographically. I mean, people focus a lot on consumer packaged goods, because it is a big part of our business and maybe the most visible. And I'd say there clients are challenged by input costs.
At the same time when I talked to them, there is a desire to maintain their spend. Now they have to make commercial decisions. But I think that inflation is historically has not been a negative for our industry. It's more what Central Banks do to try and reign inflation in as a negative but per se clients are looking to increase their pricing to premiumize their product to innovate and need to support that with their marketing investments. And I think that's what they're trying to do where they can, I think that's the way I think about what I'm hearing from clients. John, what do you think about how we help this and build up the budget.

John Rogers
I mean, the other thing I would say to build on your comments, Mark, there are significant markets, particularly in APAC in some parts of Europe - about 9 of our top 20 and also sectors. It's Mark's comment on sectors, thereis leisure and transport that still haven't returned to 2019 levels given the COVID impact and we would, all else being equal, notwithstanding the impact of today, expect to recover in 2022. So that gives us, I think, some confidence and some visibility in that 5% growth.

And as I said earlier, in response to Tom's question as well, I think the new business and the visibility that we have, obviously, particularly around Coke also gives us confident in that 5%. So I'd say we probably have got more visibility and more confidence in that 5% growth than we would ordinarily have at this point in time in the year. So hopefully that gives you a little bit of a flavor as to how we're feeling about the 12 months ahead.

Coming now to your questions on the buyback and the GBP800 million we've got planned for 2022. I mean, I think, the simple way to look at the buyback again is just to refer you back to our capital allocation strategy, which we outlined at the Capital Markets Day in December 2022, where we clearly said, first and foremost, it's our intention to invest in our growth.

And I think you've seen that reflected in 2021, you made significant investments in our people and our incentive schemes, salary increases. We've made significant investment in parts of our business like Choreograph, Xaxis and so forth. So that's our first number one priorities to grow organically. Our second is to pay a dividend, there's an increase in our dividend year-on-year and that's also important to us and, of course, our shareholders as a business. And our third priority is to then focus on M&A, particularly M&A that drives future growth in our business and where there are synergies between the businesses that we acquire in WPP where we can leverage our scale and help support the growth.

And then the fourth is return any excess to shareholders in the form of share buyback, particularly against the parameters of net debt to EBITDA of 1.5 to 1.75 times as a target. So we exited the year at 0.9 times, significantly below our guided range. So it shouldn't be a surprise to anyone that we're announcing an GBP800 million share buyback for this year. I think - what does that mean going forward? Well, if you assumed that our acquisitions remained at £400 million or so, if you reflected the guidance we've given today on CapEx and restructuring and also performance then,all else being equal, you could expect the buyback program of a couple of hundred million dollars a year thereafter.

But it's a big assumption to make that all else remains equal. Obviously, we have a strong balance sheet. We're very much focus, as Mark said, on looking at how we can grow the business going forward. And we have lots of flexibility. And so I think projecting buybacks beyond 2022 is a little bit challenging because there are so many things that could change between now and end of 2022, but I just refer you back to the capital allocation policy very clearly sets out anything that allows us to within our balance sheet constraints to return cash, then we will do so.

In relation to the tax rate, you're absolutely right.It is slightly higher than we were previously guiding to. I just think it's simply a reflection of the current tax environment. Obviously, we have the impacts of the increase coming through in UK in 2023. We also have the impact of US tax reform, which is yet to be clear, but it's certainly moving in one direction. We have the OECD BEPS program as well, which is likely to impact the future tax rate. What's clear I think to all corporates that tax rates are going to go up, not least of which have the need of course to fund the deficits created through the impact of COVID on our global economy and so we think tax is moving in one direction. We're giving guidance 2022 at 25.5%. I think it will go up in 2023. At this stage, I wouldn't like to say by how much. But clearly, it's a result of the international tax environment within which we operate.

Lisa Yang (Goldman Sachs)
Fantastic. Very clear. Thanks very much.

Lina Ghayor (Exane BNP Paribas)
Hi, good morning. Lina here. Thanks for taking my questions. I have three, if that's okay. The first one is on GroupM. You mentioned digital billings were 43% of total billings. I was hoping you could first think about the transition towards more and more digital billings. So, at what pace should we expect this 43% to increase? My second question is on your M&A ambition. You did not change your M&A envelope for 2022, while some of your peers are accelerating or doubling down on both acquisition, any specific reasons for that or are you just happy with this envelope and we don't see the need to increase it. And finally, on third-party cookies, it's been a while since you last updated us on where your clients send in terms of preparing for a cookieless world and how you can help them navigate that. So any comments on that would be great as well. Thank you.

Mark Read
Okay. So look, I think on GroupM the 43% digital I think is a reflection of the clients, that GroupM work with and the pattern of geographic mix. Now China is sort of 90% digital market and that 43% would be a much higher number, if you were in China, but I think the witness the Super Bowl and the growth of traditional -- both digital media has grown strongly in '20 and '21. Traditional media declined in '20 has bounced back strongly in '21. So I think clients need to reach consumers where they are and consumers do spend a lot of time as in traditional as well as in digital media. And so, I think our business reflects that. Now, there's no doubt that clients are shifting more and more their media goes into digital media,

both because that's where consumers are going and these clients are looking for the data and targeting that they need, and that was at the heart of our proposition to The Coca-Cola Company. So I would expect our business to transition in line with the market over the next few years, if anything, maybe somewhat faster as larger companies catch up with smaller companies, in terms of where they want to shift their spend.

In terms of M&A, I think we gave sort of, I wouldn't want to put it, guidance is really how we think about it, and the amount that we spend will be determined by the opportunities that we see. Then what's important is we come into the year in a strong position from a balance sheet and finance perspective with good opportunities ahead of us and it may well be that, hopefully, we find opportunities that mean we spend a little bit more than that, but I think it depends on the events and we wouldn't want to change what guidance we gave 15 months ago for that.

And on the cookieless world, we talked about this at length. I think from a WPP or marketing service industry. It's a neutral to net positive impact for us as our clients seek to use data in their marketing in a world that's more data driven. There's no doubt that as we've seen in the financial results in the valuations of the major technology companies that it has an impact on their business, but I think from our perspective, it's much more about shifting budgets between the major players when it is reducing the absolute level of spend that clients place on media. So the cookieless world disadvantages those players that have less data and those media players that have fewer opted in consumers and also of those companies that have, to some extent, relied on the wild west of the cookie to collect data from across the Internet, something that I don't think is possible or even probably the right thing to do in a more privacy compliant world.

So from our perspective, data continues to be a hard offer to our clients. The role is to drive both targeting and measurement of performance through the use of data and there are many interesting ways that we can do that without cookies. We can look at targeting people based on context and content, on weather, our investments in AI, and design to replace a lot of the signal strength that we've lost from the cookie and other things that we can infer from marketing for our clients. So I think there is a tremendous amount of opportunity. What's interesting is what the team at Satalia are trying to think about doing in terms of how we use AI to replace this as some of that was signal lost from the cookie.

Lina Ghayor (Exane BNP Paribas)
Very helpful. Thank you.

Dan Salmon (BMO)
Good morning. Taking the early shift. So, Mark, I had two questions. The first for you is a bit more of a big picture one. You touched on it once again today, how much has changed through the pandemic. There is already a lot changing before the pandemic. So, I was just curious to ask you, your big picture views on the role of the holding company generally. Your competitive set continues to change and evolve, can you talk maybe a little bit about what you see as the key strengths and weaknesses of the holding company structure today and how you might see it evolving over the next few years.

And then a second one either for you or for John, WPP like all of their peers now are forecasting around 5% organic revenue growth for the year, do you think mid single-digit organic revenue growth is the new normal for the industry or is there still a little bit of COVID follow through impact in that. Thank you.

Mark Read

I will respond to the first and John could give the second. I think increasingly we think about WPP as a company and not a holding company and that's something that we've said actually for the last 3.5 to 4 years. I think, as you say rightly, the pandemic has changed a lot. There are very few periods where we see such significant consumer changes that we've seen, but it's largely been an acceleration of trends that we knew before the growth of digital media, the growth of e-commerce, the shift to video, the explosion of mobile. I mean, the only thing that's probably surprise us has been the sort of resurrection of the QR code that we thought had died, but in many other ways through the pandemic, we accelerated all the trends we've thought we saw.

I think what clients need is simplicity and integration and what that means is that WPP needs to come closer together, be more of a company. And that is the type of company and the culture that we've been focused on building for the last three years. They also need strong creative ideas and creativity is at the heart of our offer and our culture. Again, that's something - need to combine that with an understanding in-depth and deeper understanding of the way the world is changing of technology, of data and ability to execute and operate that around the world.

And as I said, I think in the presentation, if you look at the relationship that we're building with the Coca-Cola Company, it's in many ways I think the type of relationship of the future and the type of relationship we want to have with our clients. I mean it's -- I'd say amazing the number of clients that have asked and talked to us since that about what it means and what they're trying to achieve. What they're saying is that creativity and ideas remain critical, but they also need to have global partners with reach and breadth and scale to be able to execute those around the world as well as an understanding of how to use data in their marketing and how technology is changing the way they reach consumers.

And I think if you look at WPP with a pretty unique set of capabilities, I think that we're in an excellent position to deliver that. And I make one comment on your second question, which doesn't answer it directly, but I think addresses the first, which is it's not the end of the world,If everyone is guiding to 5%. Actually, it implies the strong demand for the services that our industry provides. And I think that's a positive thing, not a negative thing. Now I'll leave John to tell you why we're going to continue to perform competitively strongly.

John Rogers
Thanks, Mark. Yeah, look, I mean, Dan, as I said earlier on in my presentation, we're not changing our previous guidance for 2023 today. So obviously, we said revenue in the past three quarters was 3% to 4% and like-for-like to 2.5% to 3% and we are reiterating that guidance again today for 2023 and beyond. That said, of course, we are very consciously invested in those client growth areas of our business. As I said earlier on in data within Choreograph, commerce particularly within Wunderman Thompson, but in other parts of our business as well. So we are very calm investing in these high growth areas.

You will see in the announcement that we talked about our mix is definitely changing so within our Global Integrated Agencies stripping out GroupM, which is largely communications driven, 38% of the work that we are doing is in the areas of commerce, experience and technology and these are very high growth areas. A couple of years ago, that 38% was 36%. So we are definitively changing the mix of our business into those parts of the market that are growing at double digit.

So at some point that will translate into our long-term growth potential. We're excited about the performance in 2021 and we are confident that our performance going into 2022 at 5%. And we're

doing all the right things to lay the groundwork for future growth in 2023 and beyond. But we're not updating our guidance in that respect today.

Dan Salmon
Okay, great. Thank you, both.

Matti Littunen (Bernstein)
Hello, good morning.
The first question relating to that at the reiteration of the 2023 guidance. I also recall in the Capital Markets Day in 2020 you gave a target for the revenue mix in 2025 sort of 40%, 60% mix at group level with 40% coming from commerce, technology and experience. Would you sort of still retain that target? Are you sort of tracking towards that number or is it a bit too early to say? Then related about revenue mix, would love to hear your thoughts on how you think that would potentially impact the cyclicality of your sort of overall net revenues?

And then final question on China and some sequential improvement on the two-year stack growth there. Could you give us a bit of color on what was driving that and how you expect that to continue as far as you can tell into early 2022? Thank you.

John Rogers
So, maybe I'll pick up the first one and then maybe, Mark, may comment on some of the others. But I think in a way, in terms of that 40%, 60% split that we gave you at the Capital Market Day, we're in some ways victims of our own success, because our GroupM business, which is primarily communications business is growing so well and we anticipate to grow further over the years ahead. And the consequence of that, is it somewhat distorting the great underlying success that we're seeing in our creative global integrated agencies in relation to the move towards those high-growth areas of commerce, experience and technology.

I think we're not coming off that 40%, 60% target per se, but I think what we are saying is that given the growth of GroupM, we are focusing more on the mix in the creative agencies and the great progress that we've seen over the last couple of years. So I think we'll be reporting on that number more regularly because we think it's a better reflection of what's happening in the underlying business rather than an aggregated number across the business.

In terms of cyclicality, again, I think the business is incredibly robust and we're investing in these areas, technology, experience, commerce. It's been huge growth in commerce and -- advising many of our clients, I think, about 75% of our top clients were doing some form of commerce-related work for and we do see this as being very strong revenue streams going forward. So I think if that gives us a degree of robustness in our business model, then I think that is the case. I don't expect us to be particularly cyclical over the years ahead. We can divert and are increasingly diverting a lot of our work in these high growth areas.

In relation to China and the two-year recovery. I think we signaled this at the interims where I said we expected to see recovery come through in the second half and we did see that come through very clearly. We're still, that said, below where we were in 2019, which is disappointing and so we still think - and that's true of not just China but that's true of quite a few of our Asian markets, reflecting practically like the more intense lockdown that we've seen in that part of the globe.

And so we do expect to see some recovery in 2022. If you put out sort of mid-single-digit type growth in 2022 in China, I think that would be consistent with our forecast. I think we will expect to see some further recovery particularly in the luxury and travel areas where we over indexed in automotive where we over indexed in China. So we are confident of seeing that growth come through mid-single digits for 2022.

Mark Read
What I might add, I don't know if addresses your question directly. If I were thinking about an investment in WPP that I was looking at, what is the strategic progress the company is making, what is our competitive performance and what is the relevance of our offer, which I think are all questions that people had about the group three years ago. I'd look at 2022 as very positive. Now, we don't break down our 5% guidance by sector or country even though you might like us to. But what I would say if you look at the 5%, the USA is around the 5% and our creative agencies are around 5% level.
And those are two important strategic questions that I think investors had about WPP three years ago, indeed, over the last three years. And so coming off the back of a strong 2021 into 2022 delivering growth of around the average for the group in those two areas, I think it's a very strong indication of first of strategic progress. Secondly, of our competitive performance. And thirdly, the relevance of our offer to clients and so I'm keen that we put these strategic questions to bed. I know we probably never will. But I think those are the things I think that you need to think about in terms of what is going to be the long-term performance of the company as an investment for our shareholders.

John Rogers
I think just to build a little bit on Mark's comments as well. We do obviously have forecasts for our business, cut by country, cut by agency, cut by sector and what's really interesting actually, if I look at the 2022 budget numbers whichever dimension you want to look at it geographically or by agency, it's really consistent. It's about 5%. There aren't any massive overperformers or any massive underperformers and that actually gives me a lot of confidence going into the year. We've got a very robust business across the board. We're not just relying on one particular geography or one particular agency to drive our growth.
We're seeing it very consistent and given that that budget by the way is built up from the bottom by the businesses, it's in some ways coincidental that 5% or broadly 5% growth across all these different areas is consistent across the business.

Matti Littunen (Bernstein)
Plenty more answers than I had questions. So thank you very much for that.

Matthew Walker (Credit Suisse)
Thanks a lot. Good morning, everyone. Hope you can hear me okay. The first question was on the topical Metaverse. You've got new a new company with the Foundry deal with the Metaverse. What kind of scale of revenue do you expect to get from Metaverse and how do you sort of define it in 2022? And do you think the advertising in the Metaverse from clients, do you think it's basically just spend which is shifting from other things from other media or is it sort of truly incremental to the client budget?

The second question is just interested in your thoughts on what happened with Google and Meta. Do you think the clients are just pulling away from Meta because of privacy issue and putting the money with Google? I'd be interested in your thoughts on that.

And then finally, probably a less popular question and also you said that purpose is at the heart of WPP and the offer and then some of your rankings improved, but I was just wondering like you do have quite a lot of fossil fuel companies and some people maybe unkindly appointed out that with fossil fuel companies like a small change in their outputs pretty much wipes out all of what WPP is trying to achieve by themselves.
So how do you feel about continuing to work with fossil fuel companies because they often talk about how they're going to improve themselves, but the vast majority of what they do is still in fossil fuel?

Mark Read
Okay. Why don't we start there, Matthew, and answer that directly. You know I'd prefer to call them energy companies. But we do work with a number of energy companies. I think it's fair to say that we want to work with companies that share our values and share our commitment to move to a low carbon future and energy companies are in the process of doing that. They may not be doing that at the speed and pace, which would please all commentators, but they are shifting their investments.

I do think that those companies have and should communicate what they're doing to consumers and to other stakeholders. That's the right thing for them to do, but they have to do that in a way that is fair and accurate and it does not involve greenwashing. Something by the way that's increasingly difficult to do, if you want to do in a much more sort of transparent and social media-led world. So I think for us at WPP, we do look at the clients we work with and there are clients that we have declined in that sector.

Secondly, we have to make sure that all of the work that we do for them conforms to the highest standards of fairness and actually provide training and we do have discussions with those clients about t what they're doing and I think that as we continue to work on this transition, we should be there to support them on that transition.

Turning to the Metaverse. Look, clearly, Facebook's rebranding captured the world's imagination. We do talk about 700 people in our Metaverse Foundry, which isn't a new company, it's really part of Hogarth, our production business. We're not launching more companies but trying to simplify the offer. It’s part of Hogarth but it’s really designed to highlight the expertise in that area.

I think -- look it's interesting – whether is it additive or not. If you look at GroupM's forecast, 20% growth last year, 10% growth this year, 5% to 6% next year in advertising spend, it's clear that the advertising paid media industry is in a healthy place. If you look at that work we did with Under Armour, there was no paid media involved in it. We earned a fee for all involvement in it, they raised, I think, $2 million or $3 million for the charity and had 4.5 million consumers engaging it. So I think it's, to some extent -- I wouldn't necessarily call it additive but I would call it incremental and reflects the growth in fee in relation to paid media that we see in our business.

And we'll have to see how big -- I saw some very large JP Morgan numbers that people are a little bit skeptical about for the Metaverse, but if you think about where the trends are growing, where the innovation is going, I think people are spending more time in these virtual environments and it's easy to be cynical about it, just as people were cynical about people watching video on mobile phones 10 or 15 years ago. It's very hard to judge I think exactly what the impact will be.

On Google and Meta, I think what you're seeing really is a shift in spend driven by the ROI of those investments and logic would tell you that if Facebook has access to less data and is therefore -- and that data was driving higher ROI, loss of access to that data would drive a lower ROI and would cause clients

to shift budget towards those platforms that can drive a higher ROI i.e. Google who, through their search data have probably a bigger sense of what intent is.

So I think that is not necessarily in relation to privacy issues. It's more really in relation to where clients seek the highest ROI. We are seeing tremendous growth in our spend actually on TikTok. We saw spending on TikTok grow five times in 2021 and I think, again, if you look at the ROI on TikTok, it's really pretty high, because the consumer audiences grown and faster than marketers' ability to shift their budgets there and our job is to search out the highest ROI for our clients' media spend and find those media properties where they can get that.

And actually platforms like TikTok which have probably slightly under leveraged relative to their consumer audience should be attractive. That's what we do for our clients., and I think that's the impact that you see in the financial results and hence valuation.

Matthew Walker (Credit Suisse)
Great. Thank you very much for the answers. Thank you.

Sarah Simon (Berenberg)
Yes, morning. So, most the interesting questions have been answered, so I just had a couple. John, you gave us some new phasing of the restructuring. Can you just remind us or just point us to the page where the cash restructuring or the new phasing of cash restructuring is laid out? Secondly, on Russia, just to tick the box, can you remind us what the exposure is to kind of Russia, Ukraine, broader Eastern Europe?

And then sort of vaguely interesting one, obviously Mark, you were just talking about the shift in terms of the changes announced to Android, do you think that overall this is going to result in more spend going to walled gardens or do you think this will result in a more even playing field? Thanks.

Mark Read
Right. Naturally it will involve more spend going to new walled gardens and people that have logged in and used it. Now I think it's still given a fair amount of time to phase it out. So it's not going to have an immediate impact, but the value of data is the ability for it to improve your ROI and clients will seek out those companies that have that and that will tend to be the walled garden so Facebook will benefit on one side by being a walled garden.
And we will have to spend it on the other by not having access to the Android data and we'll have to see where those two things net out.

John Rogers
And Sarah, just on your other two questions on restructuring and the cash component. We don't actually set that out. It's quite simple response, because the vast majority of our restructuring costs going forward will be cash. So hopefully that's clear. So all that we've guided to in relation to Workday cost GBP250 million and also the GBP200 to 250 million on other restructuring over '22, '25. The vast majority of that is cash. And that's the simple way to look at it.

In relation to your question on exposure to Russia. Less than 1% of our revenue sits within Russia. I don't have the numbers direct to hand in relation to Eastern Europe and obviously depends how you define that as well, but it's a relatively small percentage. It won't be much above sort of low single digit

percentage wise. So we don't have a high exposure to those geographies. But as we said at the very beginning of the call, the issue is much more about the potential broader macro economic impact of what's going on in Ukraine today and that could clearly have global implications, not just local ones.

Sarah Simon (Berenberg)
Okay. That's helpful. Thanks.

Mark Read
All right. Thank you everyone for your questions. Thank you in particular to our clients for their confidence in us, our people for their hard work in 2021. I think it's a very strong set of results and we face 2022 with confidence. Our thoughts like yours are with the news in Ukraine, which I'm sure will continue to follow throughout the day. So thank you, everyone, for your questions, your attendance and look forward to speaking with you soon.

[END OF TRANSCRIPT]

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