

**WPP plc (“WPP”)**

**WPP PRESENTS STRATEGY FOR GROWTH**

**CEO Mark Read sets out three-year plan of “radical evolution”  
to deliver improved performance**

WPP today announces the results of its strategic review, setting out a new plan to return the business to growth.

The strategy reflects a new vision for WPP as a leader in creativity and technology. It incorporates a simpler, improved offer designed to capture the opportunities of a changing marketplace, and a streamlined structure built around the needs of clients. It also includes additional investments in creativity, technology and talent to enhance WPP’s proposition to clients and drive top-line growth.

WPP expects to deliver organic growth (defined as like-for-like revenue less pass-through costs growth) in line with its peers at a headline operating profit margin (excluding associates) of at least 15% by the end of 2021 as a result of the strategy. The company will incur cash costs for restructuring of £300m over the next three years to deliver estimated annual savings of £275m by the end of 2021, approximately half of which will be reinvested in the business.

**Mark Read, Chief Executive Officer of WPP, said:**

*“What we hear from clients is very consistent: they want our creativity, and they want us to help them transform their business in a world reshaped by technology. This is at the heart of what we do.*

*“We are fundamentally repositioning WPP as a creative transformation company with a simpler offer that allows us to meet the present and future needs of clients. This more contemporary proposition has already helped us to win new business, including Volkswagen’s creative account in North America.*

*“The restructuring of our business will enable increased investment in creativity, technology and talent, enhancing our capabilities in the categories with the greatest potential for future growth. As well as improving our offer and creating opportunities for clients, this investment will drive sustainable, profitable growth for our shareholders.*

*“We describe our approach as ‘radical evolution’: radical because we are taking decisive action and implementing major change; evolution because we will achieve this while respecting the things that make WPP the great company it is today.”*

WPP is hosting a presentation for investors and analysts from 12.30 GMT today at its new headquarters in London. Key points of the presentation, which will also be webcast, include:

## Opportunities in a Changing Industry

Technology is rapidly reshaping our sector, presenting challenges but also opportunities. We believe the industry is facing structural change not structural decline. WPP is adapting at speed to capture these opportunities and to become even more client-centric than it is today.

## Vision, Purpose and Identity

WPP's vision is to be a creative transformation company, bringing together creativity and expertise in technology and data – with the purpose of building better futures for its people and clients. This competitive positioning was developed in consultation with our people and clients, and is supported by a refreshed brand identity created by WPP agencies Superunion and Landor.

## Simpler, Improved Offer

WPP's future offer will cover four areas: communications, experience, commerce and technology. Each of these areas is critical to success for modern clients, and by bringing them together the company will better serve clients' needs as they react to the changing marketplace, and expand WPP's own business in high-growth sectors.

- **Communications** focuses on advertising, content, media, public relations and public affairs, and healthcare.
- **Experience** reflects the growing need of clients to create new brand, product and service experiences.
- **Commerce** allows WPP to expand its growing omni-channel commerce business and its work with brands to help them succeed in marketplaces such as Alibaba and Amazon.
- **Technology** underpins WPP's work with both CMOs and CIOs to build and operate marketing technology that supports their consumer- and customer-facing activities.

The areas of experience, commerce and technology already represent approximately one quarter of WPP's revenue.

## A Renewed Commitment to Creativity

WPP's most important competitive advantage is its creativity. It is what makes WPP special and what differentiates it from other professional services firms. WPP has significant creative strengths, having won the "Holding Company of the Year" award at the Cannes Lions International Festival of Creativity for seven consecutive years between 2011 and 2017 – but the business must invest more in this area. As part of this strategic review, WPP is making a renewed commitment to creativity, investing an incremental £15m a year for the next three years in creative leadership, with a particular focus on the United States.

## Technology, Data, Partners and Platforms

Alongside creativity, we will accelerate and promote our technology and data capabilities as clear sources of competitive advantage to WPP. We will follow a consistent approach across WPP by adopting a common technology strategy, leveraging the strengths of our unique technology partnerships, and making our significant existing capabilities in marketing and advertising technology available to all WPP companies for the benefit of our clients.

## **Simpler Structure**

WPP has become too unwieldy, with too much duplication. As a result it is not always as focused or as fleet of foot as it needs to be to satisfy the needs of all our clients around the globe. Therefore, central to the new strategy is a simpler structure, built around the needs of clients, to allow easier access to WPP's many resources. The structure is based on three principles:

- **Clients:** we will become a more client-centric organisation in order to deliver the best of WPP.
- **Companies:** we will have fewer, more integrated companies equipped to adapt to a changing market.
- **Countries:** we will integrate further at a country level to leverage our strengths in individual markets.

## **Kantar**

As previously announced, the Board of WPP has decided to develop Kantar with a potential strategic or financial partner, with WPP retaining a significant minority interest and strategic links with Kantar. Proposals will be evaluated on their financial and strategic benefits and if a transaction is agreed it is likely to be announced in the second quarter of 2019. Preparations are well underway and we have received numerous unsolicited expressions of interest.

## **Leadership, Talent and Culture**

For the first time, WPP has established an Executive Committee drawn from both corporate and company leadership. This Executive Committee will work together to implement the new plan, and we will review the company's incentive arrangements to align with the strategy.

To make WPP the natural home for the best and brightest, and to attract the next generation of talent, we will champion a culture across WPP characterized by the values of openness, optimism and a commitment to extraordinary work.

## **Progress to Date**

Since April this year, we have made consistent progress towards our goals. This includes the creation of the integrated networks VMLY&R and Wunderman Thompson; the alignment of our US healthcare agencies with integrated agency partners; and the elimination of the sub-holding company WPP Health & Wellness. VML, Y&R, Wunderman, J. Walter Thompson and WPP Health & Wellness collectively account for 23% of WPP revenue. We have also disposed of 16 non-core investments and associates, raising £704m to reduce our debt.

## **2018 and 2019 Outlook**

We anticipate reporting full-year results in line with consensus expectations, with full-year like-for-like revenue less pass-through costs growth now expected to be closer to -0.5%.

We are beginning a multi-year improvement programme and 2019 will be a year of investment in the business with the execution of our cost-savings programme and further actions taken to return the company to long-term sustainable growth. Previously announced account losses will create the anticipated headwind, particularly in the first half of the year.

## **Restructuring and Investment**

The company will incur cash costs for restructuring of £300m over the next three years, reflecting actions to position the company for growth, address under-performing units and streamline our operations.

The actions include:

- The integration of VML and Y&R, and Wunderman and J. Walter Thompson.
- Right-sizing and disposal of under-performing businesses.
- Closure of unsustainable operations.
- Further development of Campus co-locations.
- Establishing a consistent shared service infrastructure to support 30 countries over the next five years.

The annual savings from the actions are anticipated to be £275m by the end of 2021. WPP will reinvest approximately half of these savings in 2019 to 2021.

## **Future Capital Allocation Policy**

The company has made good progress on its divestment of non-core assets, raising £704m from 16 disposals to date. We continue to target a reduction in average net debt to EBITDA ratio to within our revised target range of 1.50-1.75x by 2021.

Over the next three years we will prioritise the dividend over share buy-backs and will balance targeted M&A with divestments. The Board anticipates declaring a final dividend of 37.3p at the Preliminary Results to deliver a full-year dividend for the current financial year of 60p which it intends to maintain.

## **Medium-Term Financial Targets**

As part of the strategic review, WPP has set out new medium-term financial targets that will allow the company to invest in talent and technology, improve its competitive position and deliver sustainable long-term growth rates. These are as follows, to be achieved by the end of 2021:

- Organic growth (defined as like-for-like revenue less pass-through costs growth) in line with peers
- Headline operating profit margin (excluding associates) of at least 15%
- Free cash flow conversion<sup>1</sup> of 80%-90%

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<sup>1</sup> Free cash flow conversion is ratio of free cash flow to headline earnings. Free cash flow is after earnouts and changes in working capital and before new acquisition spend, disposals and shareholder distributions.

## Notes

A live video webcast of the event and presentations will be available on the WPP investor website ([www.wpp.com/investors](http://www.wpp.com/investors)) where it will remain available for replay. The presentations will begin at 12.30 GMT and are expected to conclude at 18.00.

## For further information

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## Forward looking statement

In order to utilize the 'safe harbour' provisions of the United States Private Securities Litigation Reform Act of 1995 (the 'PSLRA'), WPP plc is providing the following cautionary statement. This press release contains certain forward-looking statements – that is, statements related to future, not past events and circumstances – which may relate to one or more of the financial condition, results of operations and businesses of WPP plc and certain of the plans and objectives of WPP with respect to these items. These statements are generally, but not always, identified by the use of words such as 'will', 'expects', 'is expected to', 'aims', 'should', 'may', 'objective', 'is likely to', 'intends', 'believes', 'anticipates', 'plans', 'we see' or similar expressions. Actual results may differ from those expressed in such statements, depending on a variety of factors including the risk factors set forth in our most recent Annual Report and Form 20-F under "Risk factors" and in any of our more recent public reports. **Nothing in this press release is intended as a forecast, nor should it be taken as such.**

Our most recent Annual Report and Form 20-F and other period filings are available on our website at [www.wpp.com](http://www.wpp.com), or can be obtained from the SEC by calling 1-800-SEC-0330 or on its website at [www.sec.gov](http://www.sec.gov).