“THE WORK WE DO FOR CLIENTS HELPS THEM TO GROW THEIR BUSINESSES, BUILD RELATIONSHIPS WITH THEIR CUSTOMERS AND READY THEMSELVES FOR FUTURE SUCCESS.”

Mark Read
Chief Executive Officer

As technology reshapes our industry, WPP is undergoing its own transformation. I feel very proud to have been given the opportunity to lead the Company at this important moment in its development.

WPP is a great business with many thousands of talented people and outstanding agency brands.

We count most of the world’s biggest companies as our clients and we are the largest partner to many of the world’s leading media and technology companies. The work we do for clients helps them to grow their businesses, build relationships with their customers and ready themselves for future success.

We have real scale, with strong global creative networks and the number one media-buying operation worldwide through GroupM. We are leaders in major markets like China, India and Brazil, which are important to our clients’ future growth.

The amazing work produced by our people, agencies and teams is recognised around the world for its creativity and effectiveness – forging bonds with consumers and delivering tangible business results for our clients.

We have a deep understanding of consumers and Chief Marketing Officers see us as essential partners in helping to reach them.

We also have strong and growing relationships with Chief Information Officers and Chief Technology Officers, which is vital as data and technology both disrupt and create new opportunities for our clients’ businesses.

See our strengths, page 39
Organic growth defined as like-for-like revenue less pass-through costs growth.

STRUCTURAL CHANGE, NOT STRUCTURAL DECLINE
So I am an optimist about the future of WPP. I believe our industry is facing a period of structural change, not structural decline. Clients are not cutting spend; marketing expense as a share of companies’ revenue has stayed relatively constant over the last five years.

But spend is shifting and clients are seeking broader partnerships, well beyond our traditional strengths in commercial creativity. They want much greater insight into media channels and performance, and expertise in data. They want us to connect all of our capabilities together, and put technology at the centre of what we do.

See our strategy, from page 42

We are well placed to provide everything clients need, and in a growing number of cases we already do that. However, we need to adapt more quickly to the changing world around us if we are to continue to be successful.

Every industry is being disrupted by technology, and ours is no exception. New media channels have proliferated as traditional outlets have declined. Companies like Google, Facebook, Alibaba and Tencent have redefined the landscape.

There has been an explosion in content to populate the new channels – content that needs to be produced far more cost-effectively than ever before.

Ecommerce is frequently driving 100% of the growth for retailers, and our clients are looking for us to be in that space – offering everything from consultancy to the building of platforms and applications, and strategies for working with Amazon.

Clients expect us to be fluent in the language of modern, data-driven marketing. In this new environment, the role of traditional agencies is being challenged. Clients are under pressure due to changes in consumer behaviour. Consultants are becoming more significant competitors. Technology companies are vying with us for talent and attention. And amidst concerns about transparency, privacy, fake news and data security, the industry needs to restore trust among the public, policymakers and clients.

See our market, page 36

WPP has substantial assets to help us tackle these challenges. It is an incredible company that has built up a position as a leader in our market. But that market has changed, meaning we have to change as well to continue to deliver results for our clients.

Over the years the Company became too complicated, and under-invested in key areas such as talent, creativity and technology. Consequently, WPP has under-performed its peers since the first quarter of 2017, and top-line growth has been hard to find.

In 2018, organic growth was -0.4%, albeit at the upper end of the guidance we provided in October.

The Company performed strongly in Western Continental Europe, Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe, with the United States more challenging – something we have begun to address through our new strategy.

Reported profit before tax was down 30.6%, reflecting the impact of restructuring and transformation costs and goodwill impairment.

Dividends per share were 60.0p, flat with the prior year, and our year-end net debt position improved by £466 million compared to the same date in 2017 (an improvement of £605 million at 2018 exchange rates).

See our financial review, from page 54

RADICAL EVOLUTION: A THREE-YEAR STRATEGY
To restore WPP to sustainable, profitable growth, we have begun a three-year plan of “radical evolution” designed to improve performance across the business.

We use the term “radical” because of the scale of changes we are making and the tough choices we have to take, and “evolution” because we need to take our people and clients with us on the journey.

The first element of the plan is clarifying our vision and offer. The way in which we present ourselves to clients and other audiences has to reflect the nature and quality of the work we do and the creativity of the people inside WPP.

This is something we spent a lot of time on during the second half on 2018 and we were pleased by how well the results were received at our investor day in December.

Our vision for the new WPP is to be a “creative transformation company”. Each of those three words is important and carefully chosen.

Our clients want our creativity, which is what makes us special and differentiates us from other professional services firms. They want us to help them transform their business in a world fundamentally changed by technology. And they want us to be a true company, to work as one on their behalf. Gone are the days when we could operate as a loose federation of independent agencies, overseen by a financial holding group.

As well as this new vision we articulated a new, more motivating purpose for WPP: to build better futures for our people and clients. We find this resonates with people both inside and outside the Company, who are pleased to hear WPP express such a positive and confident reason for being.

1 Organic growth defined as like-for-like revenue less pass-through costs growth.
That purpose – of building better futures – applies to our wider communities too, and in our sustainability review we talk about the many ways in which we use the power of our creativity to bring about change.

See sustainability, from page 60

Our new competitive positioning was developed in consultation with our people and clients, and is supported by a refreshed brand identity – developed by two WPP companies, Superunion and Landor – that you will see reflected in the pages of this report. We are very proud of it, the feedback has been overwhelmingly positive, and I hope you feel the same way.

We are also going to market with an improved, simpler offer that reflects our clients’ needs and allows us to expand in high-growth sectors. The new offer encompasses communications, experience, commerce and technology – each of which is necessary for success for modern clients.

See our offer, from page 7

The second pillar of the strategy is a renewed commitment to creativity – putting our most important competitive advantage back at the heart of the business. We are investing an additional £15 million a year for the next three years in creative leadership talent, focused on the United States, which is our largest market and where the investment is most needed.

We remain passionate advocates of brand-building, its incalculable long-term value, and our creative agencies’ ability to make emotional connections between people and brands that last for a lifetime.

To misquote David Ogilvy, every piece of communication – from the apparently fleeting tactical promotion to the classic “big idea” – should be approached as an investment in the future of a brand. Strong brands, especially in a market disrupted by technology, are the best protection against competitors, the best foundation for premium pricing, and the best guarantee of lasting appeal.

Third, we are creating a simpler structure for WPP, to make it more straightforward for clients to access our skills and resources, and more straightforward to run.

Three principles sit behind the new organisation: we will be absolutely focused on the needs of our clients in everything we do; we will have fewer, stronger companies, each positioned to grow; and we will have more closely integrated operations at the country level to make best use of our collective strengths.

We have already made good progress in simplifying WPP through, for example, the creation of the integrated networks VMLY&R and Wunderman Thompson; the formation of BCW through the merger of Burson-Marsteller and Cohn & Wolfe; the alignment of our US healthcare agencies with integrated agency partners; and the elimination of the sub-holding company WPP Health & Wellness.

We have also disposed of 30 non-core investments and associates, raising £849 million to reduce our debt, and accelerated our programme of co-locating our agencies in state-of-the-art new Campus buildings around the world.

Fourth, we are making technology and data the engine of our business. Adopting a common strategy for the whole of WPP, we will leverage our unique technology partnerships and make our capabilities in marketing and advertising technology available to all WPP companies for the benefit of our clients.

In my first months as CEO, I have spent a lot of time listening to people across the business and one of the things I heard loud and clear was a desire for WPP to make a statement about its values and the kind of culture we want to have in our Company.
WE ARE MAKING TECHNOLOGY AND DATA THE ENGINE OF OUR BUSINESS.

Our people and clients rightly expect workplaces that are inclusive, respectful, collaborative and diverse in every sense. If we want to continue to attract the best and brightest, we have to live up to those expectations.

So the final part of our plan is to build and champion that new culture – one characterised by our new values of openness, optimism and a commitment to extraordinary work.

More broadly, we are placing a greater emphasis on developing talent across WPP, and ensuring we have the right incentive structures for our leaders. Our new Executive Committee, drawn from agency leadership as well as from WPP central functions, will promote a new spirit of collective purpose and collaboration throughout the Company.

Further details of the strategy, including the costs and associated financial benefits of our turnaround plan, our approach to capital allocation and our new medium-term financial targets, can be found from page 42 and in our investor day presentation on wpp.com.

RENEWAL AND CHANGE

2018 was in many ways a turbulent and difficult year for WPP, for well-documented reasons. But it was also a year of renewal and much-needed change.

WPP is fortunate to have a strong central team that is absolutely committed to the success of the business. We are more fortunate still to have over 130,000 brilliant colleagues in our companies around the world, each of them dedicated to professional excellence in their own discipline.

Together we are building a new WPP that will deliver for our people, clients and shareholders for many years to come.

Our priority in 2019 is implementing the strategy – continuing to stabilise and rejuvenate the business. Although we face headwinds from account losses in 2018, we have begun the year with confidence after significant new business wins and the positive reaction to our three-year plan.

People in our business rarely have the luxury of looking backwards, and everyone at WPP has their eyes firmly fixed on the future. We have every reason to look ahead with optimism about what that future will bring.

Mark Read
Chief Executive Officer
10 April 2019