

CHIEF EXECUTIVE'S STATEMENT



In 2019 we made good progress in implementing our new strategy for WPP.

"I AM MORE CONFIDENT THAN EVER OF THE ENDURING DEMAND FOR OUR SERVICES."

We presented the strategy in December 2018. Our vision was to become a creative transformation company, one that combined outstanding human talent and imagination with expertise in technology and data, and behaved not as a financial conglomerate or group of separate businesses, but as a unified whole.

We defined a new purpose – to use the power of creativity to build better futures for our people, clients and communities.

And we set new financial targets to allow us to invest in the long-term health of our business and deliver sustainable growth for our shareholders.

Our clients are our lifeblood, and we placed them at the centre of every part of our strategy:

- a new vision and contemporary offer to meet the needs of modern marketing;
- increased investment in creativity, the spark that makes for truly great work;
- harnessing our strengths in data and technology, including our unique partnerships with the world's leading technology firms, for the benefit of clients;
- a simpler structure that makes it easier for our clients to understand and access our talent and resources; and
- investment in our culture, to ensure WPP and our agencies are the natural home for the industry's brightest talent.

We describe our progress in each of these areas from page 18 but, in summary, we were encouraged by the positive momentum within the business in 2019.

"WE WANT OUR PEOPLE TO FEEL PROUD TO BE PART OF WPP."

A FOUNDATIONAL YEAR

2019 was the foundational year for our new strategy – one in which we stabilised and began to rejuvenate the Company. We said we would begin the journey to return WPP to growth, simplify our business and reduce our debt and, thanks to the hard work of our people all around the world, we met each of these goals.

That said, WPP began to under-perform its peers in the first quarter of 2017. From the outset we said it would take time to return the Company to sustainable growth, and progress towards that goal would not be linear. 2019 was the first of a three-year turnaround plan and, of course, the coronavirus pandemic has subsequently had its own major impact.

Organic growth¹ in 2019 was -1.6% (-1.2% including Kantar), in line with the guidance we provided in December 2018. The second half was stronger than the first, with performance improving globally and in the United States, our largest market.

Headline operating margin was 14.4%, down 1.2 margin points like-for-like (down 0.9 margin points including Kantar) as a result of challenges in our specialist agencies and investment for future growth.

Reported profit before tax fell by 21.9%, reflecting an exceptional gain in 2018 that was not repeated in 2019 and a charge on the revaluation of financial instruments (versus a credit in 2018). Net working capital improved by £350 million.

Year-end net debt fell from £4.017 billion in 2018 to £1.540 billion.

It is clear that the impact of Covid-19 on our business in the current financial year will be significant but it is not possible at this stage to quantify the depth or duration of that impact. As a result, at the end of March we took the decision to withdraw our guidance for the 2020 financial year.

PLATFORM FOR GROWTH

We have made a number of major structural changes within WPP to set us up for future success.

The mergers announced in the second half of 2018 that created our two newest agencies – VMLY&R and Wunderman Thompson – were finalised during 2019. We now have fewer, stronger agency brands that are better positioned to grow.

We announced the sale of 60% of Kantar to Bain Capital in July 2019 and completed the majority of the transaction in December, earlier than expected. The disposal achieved our objective of strengthening our balance sheet by reducing debt to the lower end of the target range.

The new partnership with Bain Capital means that we will benefit from the future growth of Kantar, and our clients will continue to benefit from its services.

It was a successful year for new business, reflecting clients' positive reaction to our new approach. Just as importantly, we retained and grew business with existing clients, who place a high value on the longevity of our relationships and how deeply we understand their businesses.

I am more confident than ever of the enduring demand for our services – especially as we expand our offer in high-growth areas. Clients continue to seek out our ideas, our creativity and our ability to combine our skills in every discipline – from advertising, media and public relations to technology, experience and commerce. Few companies are better placed to help clients navigate a dynamic and complex marketing landscape.

¹ Organic growth defined as like-for-like revenue less pass-through costs growth. A definition of revenue less pass-through costs can be found on page 205.

AWARDS IN 2019



Most effective holding company for the eighth consecutive year



Number one holding company in WARC Effective 100 ranking



189

Total awards



87

Total awards



82

Total awards



89

Total awards

Our people, teams and agencies produce work of exceptional quality – work that wins awards not only for its artistry but, most importantly, for its effectiveness in delivering results for clients. You will find examples throughout this report.

We welcomed new leaders to many of our agency networks, and we enhanced central WPP teams such as people, technology and marketing to provide greater support to our operating companies. We also formed WPP's first Executive Committee, consisting of the leaders of our largest agencies and central corporate functions.

A NEW CULTURE

One of WPP's most important roles is to be a supportive platform for our agency brands and the brilliant work that they do for our clients. We want our people to feel proud to be part of WPP, as well as the agencies who employ them directly.

Every WPP workplace should be open, inclusive and collaborative: somewhere to do your best work, and to make a difference. Having defined our purpose of building better futures, we have begun to pursue that aim with real determination and clarity.

We are investing in WPP Campuses around the world – state-of-the-art buildings that are great places for our people to work and learn, that bring together our different agencies under one roof, foster cooperation between them and champion creativity.

We are working hard to become an ever-more inclusive and diverse organisation, and making progress. The proportion of women on our Board has increased from 33% in 2018 to 40% today, and we are aiming for parity soon.

Although we have work to do to meet our commitment to achieve parity at the most senior executive level, women now make up 50% of our senior managers, compared to 49% in 2018. We were included in the Bloomberg Gender-Equality Index for the second year running, and the 2019 Hampton-Alexander Review of FTSE Women Leaders placed WPP at 12th in the FTSE 100.

We signed up to the Valuable500, a global initiative designed to put disability on the boardroom agenda, and 12 WPP leaders were named in the HEROes and Yahoo! Finance list of role models for women and champions of gender diversity.

We are placing ever-greater emphasis on the impact of what we do beyond the purely commercial – from our pro bono work for NGOs, charities and international bodies and our social contribution to the phasing out of single-use plastic within our offices. During the year our carbon emissions per employee fell by 21%, and our use of renewable energy rose to 35%, with all of the electricity we used in the United States purchased from renewable sources.

We have established our first Sustainability Committee at Board level to continue to drive improvements in our environmental and wider sustainability performance. To attract and retain the most talented people, we need to be an organisation that is a leader in every sense.

Our Company has been built by truly great people, and in 2019 we said goodbye to two of the greatest. We pay tribute to Lester Wunderman and Harold Burson on pages 50 and 51. Both Harold and Lester brought inspiration, originality and pioneering spirit to the organisations they founded and to WPP as a whole.

I would like to thank all the amazing people within our Company who carry that spirit forward, and the many thousands of WPP alumni around the world who have played their own important part in our success.

Mark Read
Chief Executive Officer
29 April 2020