WPP 2024 Preliminary Financial Results

Teleconference Transcript

Thursday, 27 February 2025

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Mark Read

Chief Executive Officer, WPP

Good morning, everyone and thank you for joining us in Sea Containers today for our WPP's preliminary results for 2024 and our strategic outlook for 2025.

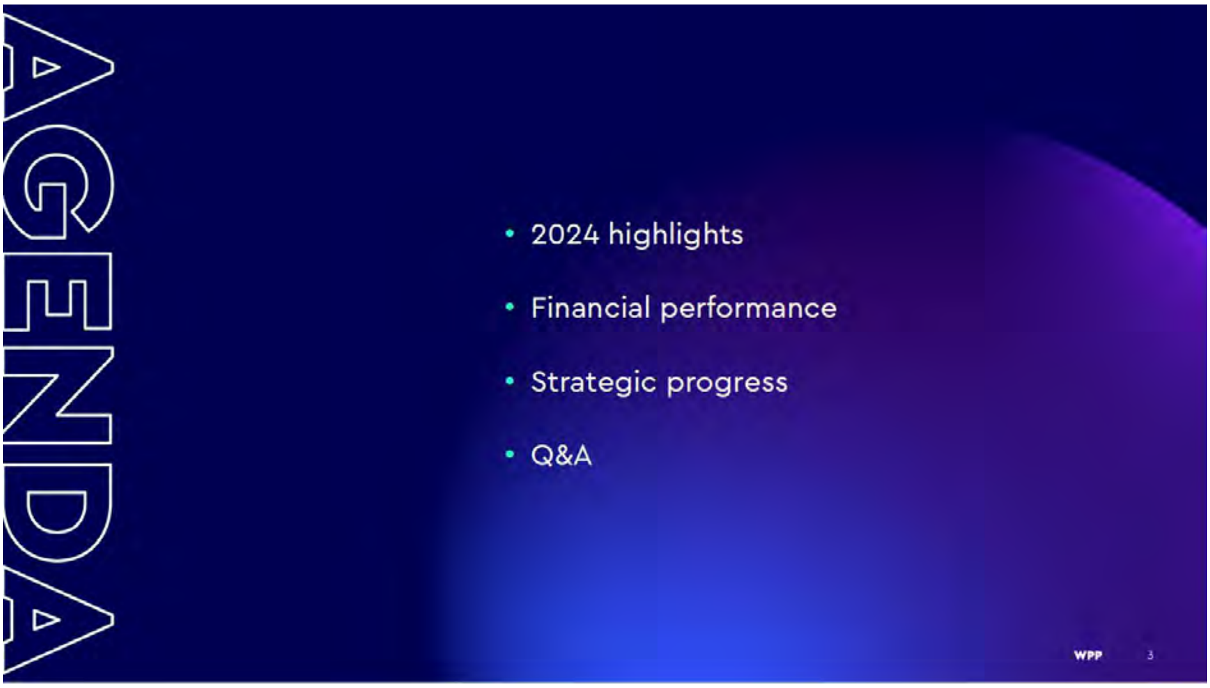
The past year has been extremely busy, and this has thrown up both challenges and opportunities. But throughout this, we have remained focused on executing our strategy to deliver long-term sustainable growth and, through this, value to our shareholders.

I am going to walk you through the key highlights. Joanne will then talk through our financial performance and then I will come back, with GroupM CEO Brian Lesser, to talk about the strategic progress we've made this year and is yet to come. We will follow this by taking your questions.

Now before I do that, I would like to make two points.

First to thank Tom Waldron, who is sitting here with us, for his hard work for us over the past couple of years in leading our IR team, and also welcome Tom Singlehurst, who's crossed sides to join us sitting in the front row for those of you, who are not here, he is here.

So, before we start, we should just look at this cautionary statement and read that carefully.



Turning to the highlights.

While we have achieved a lot in 2024, I know that the main focus for many of you, and I am sure we will come up in Q&A, will be our like for like net revenue growth, which came in at -1.0%, consistent with the lower end of our guidance range, and we were conservative when we guided you at Q3.
This performance does masks competing tailwinds and headwinds.

I would highlight a robust performance within our top 25 clients which grew 2% and supported solid growth within media and production

On the other side of the coin, we did face challenging trends in China, an 80bps drag, and the impact of historical client losses and weaker discretionary spend, particularly focused in the fourth quarter.

Despite this, we delivered a stronger headline operating margin at 15.0%, up 40bps year-on-year. And we did this, and included within that, £250m investment in AI and data, an incremental £30m over the course of the year.

We also made great progress in our strategic transformation:

- A simpler structure
- Our investment in WPP Open
- And a stronger balance sheet

So, if I would say, what I think the three main takeaways were from what we achieved in 2024, they would be: First, strong strategic progress; Second, better new business performance in the second half, and I'd highlight those two wins. And thirdly, better cash conversion, which I know is something that has been on our shareholders minds for some time.

We do need to continue to get this new business improvement back to where we want it to deliver growth where we need to be. be on growth.

So, I will come to you shortly to discuss why we remain confident, but let me hand over to Joanne to take you through to the detailed financial highlights

Joanne Wilson

Chief Financial Officer, WPP

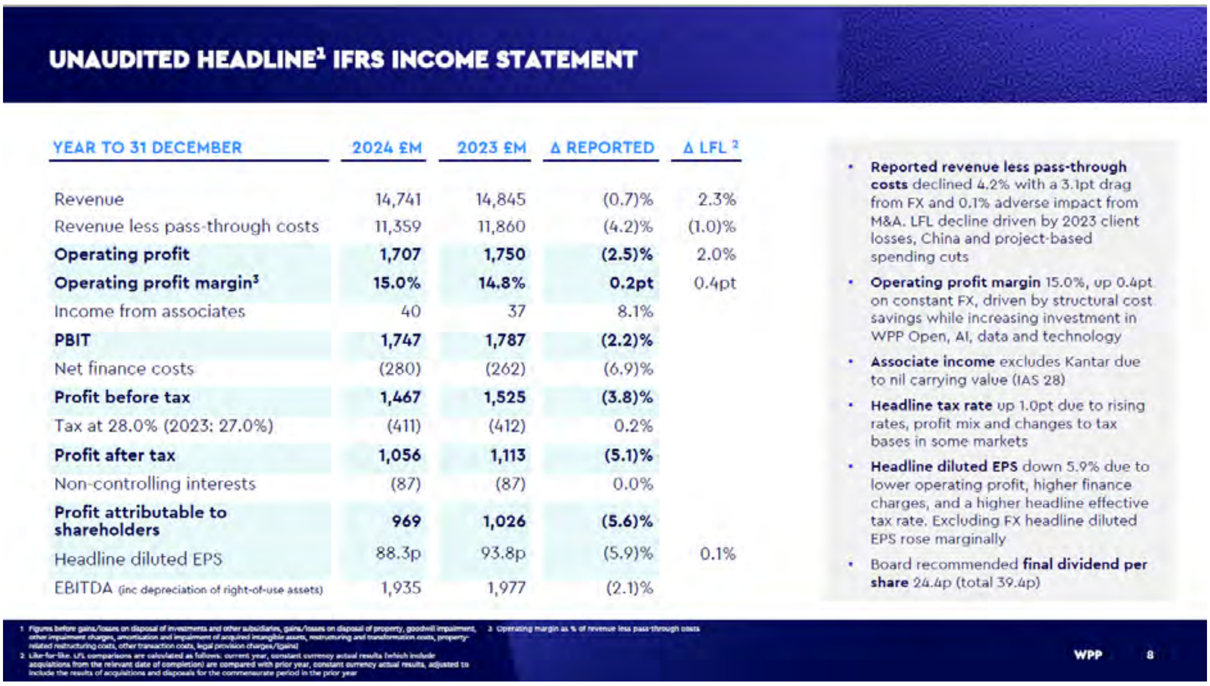
Thank you, Mark, and good morning, everyone.

So let me take you through some more detail on our financial results for 2024, and I will start on Slide 7.

Like-for-like revenue less pass-through costs fell 1% for the full year 2024. At the end of Q3 our year to date like-for-like was a decline of 0.5%. Q4 performance was disappointingly soft and took our full year like-for-like to the bottom end of our guidance range.

Despite the softer top line performance, we delivered a 40 basis-point improvement in headline operating margin to 15.0% benefitting from structural cost savings and continued disciplined cost management, whilst driving incremental investment in WPP Open, AI and data.

We also improved our operating cash flow conversion to 86% benefiting from strong working capital management. That, together with the sale of FGS Global, resulted in year-end net debt of £1.7 billion, a £0.8 billion reduction year-on-year.



UNAUDITED HEADLINE[1] IFRS INCOME STATEMENT

YEAR TO 31 DECEMBER	2024 £M	2023 £M	Δ REPORTED	Δ LFL [2]
Revenue	14,741	14,845	(0.7)%	2.3%
Revenue less pass-through costs	11,359	11,860	(4.2)%	(1.0)%
Operating profit	**1,707**	**1,750**	**(2.5)%**	2.0%
Operating profit margin[3]	**15.0%**	**14.8%**	**0.2pt**	0.4pt
Income from associates	40	37	8.1%	
PBIT	**1,747**	**1,787**	**(2.2)%**	
Net finance costs	(280)	(262)	(6.9)%	
Profit before tax	**1,467**	**1,525**	**(3.8)%**	
Tax at 28.0% (2023: 27.0%)	(411)	(412)	0.2%	
Profit after tax	**1,056**	**1,113**	**(5.1)%**	
Non-controlling interests	(87)	(87)	0.0%	
Profit attributable to shareholders	**969**	**1,026**	**(5.6)%**	
Headline diluted EPS	88.3p	93.8p	(5.9)%	0.1%
EBITDA (inc depreciation of right-of-use assets)	1,935	1,977	(2.1)%	

- **Reported revenue less pass-through costs** declined 4.2% with a 3.1pt drag from FX and 0.1% adverse impact from M&A. LFL decline driven by 2023 client losses, China and project-based spending cuts
- **Operating profit margin** 15.0%, up 0.4pt on constant FX, driven by structural cost savings while increasing investment in WPP Open, AI, data and technology
- **Associate income** excludes Kantar due to nil carrying value (IAS 28)
- **Headline tax rate** up 1.0pt due to rising rates, profit mix and changes to tax bases in some markets
- **Headline diluted EPS** down 5.9% due to lower operating profit, higher finance charges, and a higher headline effective tax rate. Excluding FX headline diluted EPS rose marginally
- Board recommended **final dividend per share** 24.4p (total 39.4p)

1 Figures before gains/losses on disposal of investments and other subsidiaries, gains/losses on disposal of property, goodwill impairment, other impairment charges, amortisation and impairment of acquired intangible assets, restructuring and transformation costs, property-related restructuring costs, other transaction costs, legal provision charges/(gains)
2 Like-for-like. LFL comparisons are calculated as follows: current year, constant currency actual results (which include acquisitions from the relevant date of completion) are compared with prior year, constant currency actual results, adjusted to include the results of acquisitions and disposals for the commensurate period in the prior year
3 Operating margin as % of revenue less pass-through costs

Turning to the headline income statement on Slide 8.

Overall reported revenue less pass-through costs was £11.4 billion, a decrease of 4.2% year-on-year. FX contributed to a 3.1 percentage point drag with M&A a further 0.1 percentage point headwind, leaving a like-for-like decline of 1%.

Operating profit margin of 15.0% benefited from that 0.4 percentage point improvement on a constant currency basis and was up 0.2 percentage points on a reported basis.

Moving down the P&L, a reminder that income from associates excludes any contribution from Kantar, in accordance with IAS 28, due to nil carrying value on our balance sheet.

Net finance costs of £280 million increased year-on-year reflecting higher interest rates following our successful bond refinancing in 2024.

Our effective tax rate increased, as expected, by 1 percentage point to 28.0% and non-controlling interests of £87 million was flat year-on-year.

Headline diluted EPS of 88.3p was down 5.9% on a reported basis, and broadly flat like-for-like.

Consistent with our dividend policy, the Board has recommended a flat final dividend of 24.4p, giving a total dividend of 39.4 pence for 2024, which is in line with 2023, representing a cash return to shareholders of over £420 million.

RECONCILIATION OF HEADLINE OPERATING PROFIT TO REPORTED OPERATING PROFIT

YEAR TO 31 DECEMBER	2024 £M	2023 £M	Δ £M
Headline operating profit	**1,707**	**1,750**	**(43)**
Goodwill impairment	(237)	(63)	(174)
Amortisation and impairment of acquired intangibles	(93)	(728)	635
Other impairment charges	(26)	(18)	(8)
Gains on disposals	329	7	322
Legal provision and other (charges)/gains	(78)	11	(89)
Restructuring and transformation costs	(277)	(428)	151
Non-headline items	**(382)**	**(1,219)**	**837**
Reported operating profit	**1,325**	**531**	**794**

- **Goodwill impairment** primarily relates to the carrying value of goodwill associated with AKQA
- **Gains on disposals** mainly relate to the sale of FGS Global
- **Legal provision and other (charges)/gains** includes estimated obligations in relation to certain on-going legal proceedings and claims
- **Restructuring and transformation costs** include £135m in relation to the creation of VML and Burson, and the simplification of GroupM; £56m for the ERP programme; £60m for other IT transformation, the campus programme and other restructuring initiatives; and property-related costs of £26m

WPP 9

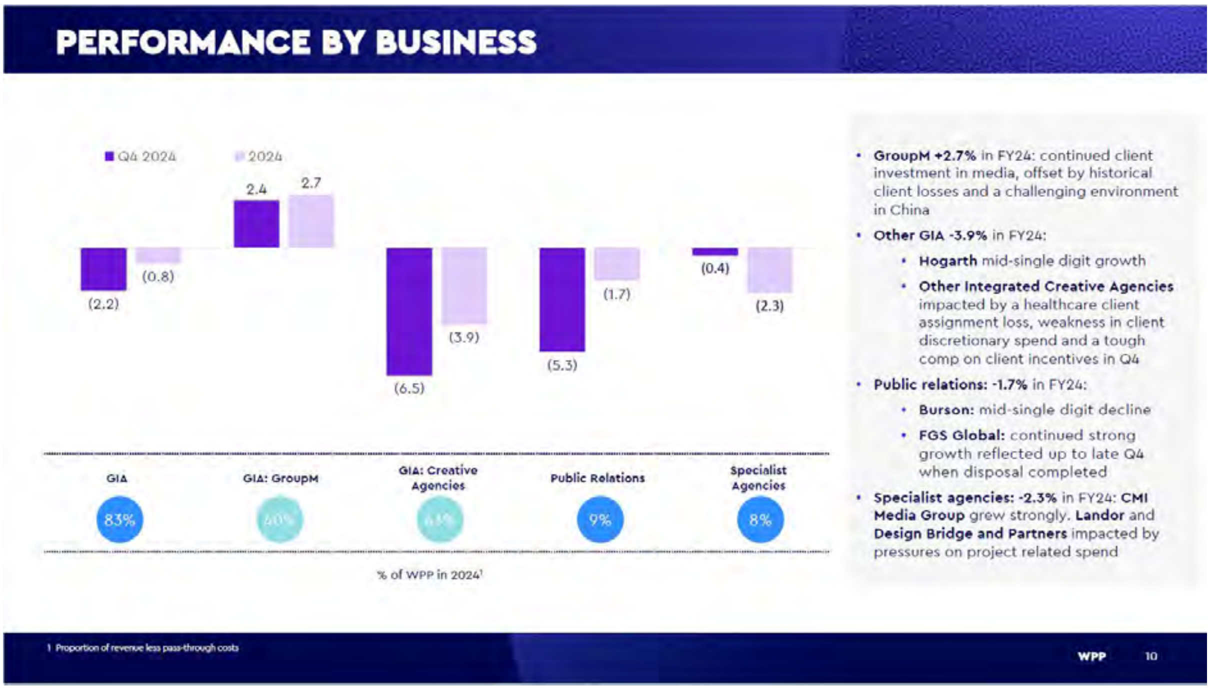
Moving to Slide 9 and the reconciliation between our headline and reported operating profit.

Headline operating profit of £1.7 billion is adjusted for goodwill impairment of £237 million which relates to AKQA and other smaller agencies.

Reported gains on disposal before tax were £329 million, with £275 million arising from the disposal of FGS and the adjustment for litigation and other charges includes £68 million relating to on-going legal matters and claims.

Finally, restructuring and transformation cost of £277 million includes costs relating to the creation of VML and Burson and the simplification of GroupM, as well as costs associated with our ongoing ERP and IT transformation and property-related costs.

As a result, our operating profit increased from £531 million in 2023 to £1.3 billion in 2024.



Moving on to slide 10 and performance across our business. Global Integrated Agencies saw a like-for-like decline of 0.8% in the year.

GroupM grew 2.7% in the full year, with growth in Q4 of 2.4%. Across the second half, GroupM saw an improved new business performance with Amazon and J&J wins and a successful outcome from the Unilever review, despite some losses, including Volvo.

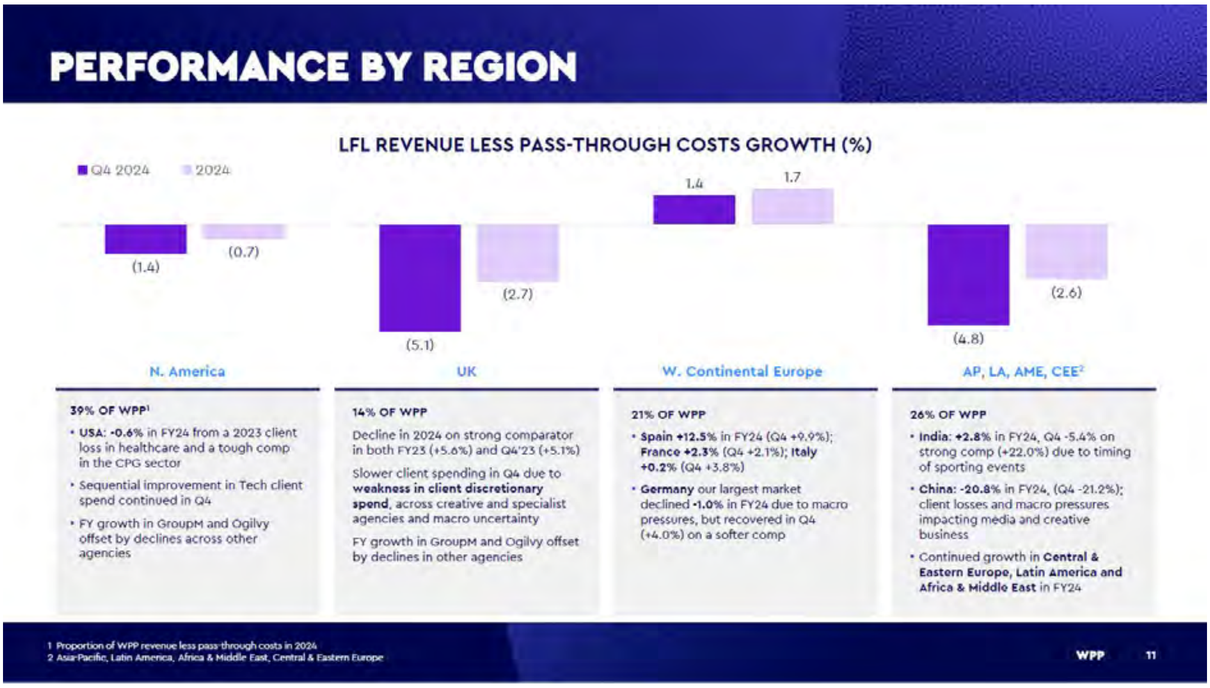
Like-for-like for our global integrated creative agencies fell 3.9% in 2024 and was down 6.5% in the fourth quarter. Almost half of the full year decline was driven by the loss of a healthcare client assignment in 2023, with further impacts from a challenging environment in China and the continued weakness in project-based work weighing on AKQA's performance.

We saw continued strong performance from Hogarth with full year like-for-like growing mid-single digits. The step-down in performance in Q4 reflected weaker client discretionary spend as well as the lap of a particularly strong quarter for variable client incentives in Q4 2023.

Turning to Public Relations, like-for-like declined by 1.7% in 2024, which reflected eleven months of good growth from FGS offset by a mid-single digit decline at Burson.

Burson's performance was impacted by the loss of healthcare client assignments and a more challenging environment for client discretionary spend. The merger integration has gone well at Burson and has been a key focus area for their leadership team in 2024.

Finally, Specialist Agencies saw like-for-like revenue less pass-through costs decline 2.3% in the year. CMI Media Group, our specialist healthcare media agency, grew strongly, offset by declines at Landor and Design Bridge and Partners.



Turning to slide 11 and our performance by region.

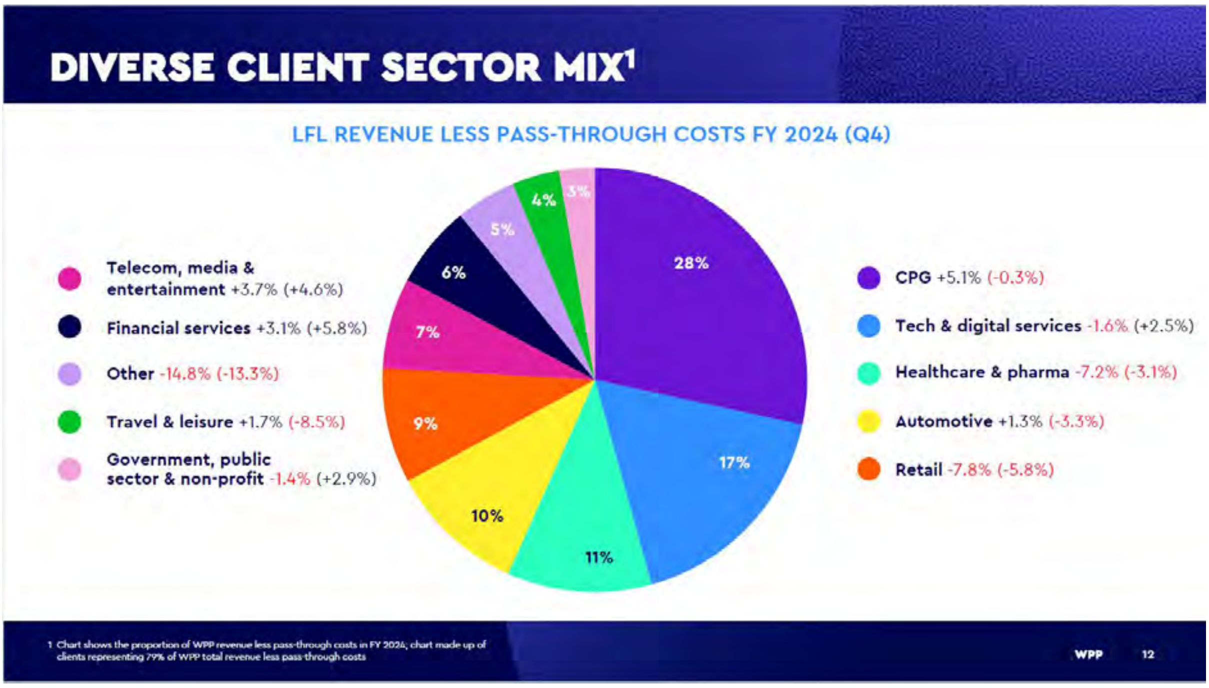
North America declined by 0.7% in 2024 with growth across automotive, TME and financial services, offset by lower revenues in healthcare, and a tougher comparison for CPG. Revenues from technology clients across North America moved back to growth in the second half.

The United Kingdom declined by 2.7% in 2024, lapping a prior year mid-single digit comparison. Our UK business was impacted by its higher weighting towards project-based work, partially offset by growth in GroupM and Ogilvy.

In Western Continental Europe, France, Spain and Italy all grew during 2024. Our largest market, Germany, saw a like-for-like decline of 1.0% reflecting macro pressures on client spending in automotive and travel & leisure sectors in particular. Q4 growth in Germany improved to 4.0%, partly reflecting a softer comp.

The Rest of World declined 2.6% in 2024 with Q4 declining 4.8%. This was largely driven by China, which declined 20.8% in the year and 21.2% in Q4, reflecting persistent macroeconomic pressures and client assignment losses.

We expect performance to continue to be challenging in China in the first half of 2025, with some improvement later in the year as we begin to lap easier comparisons from the second quarter.



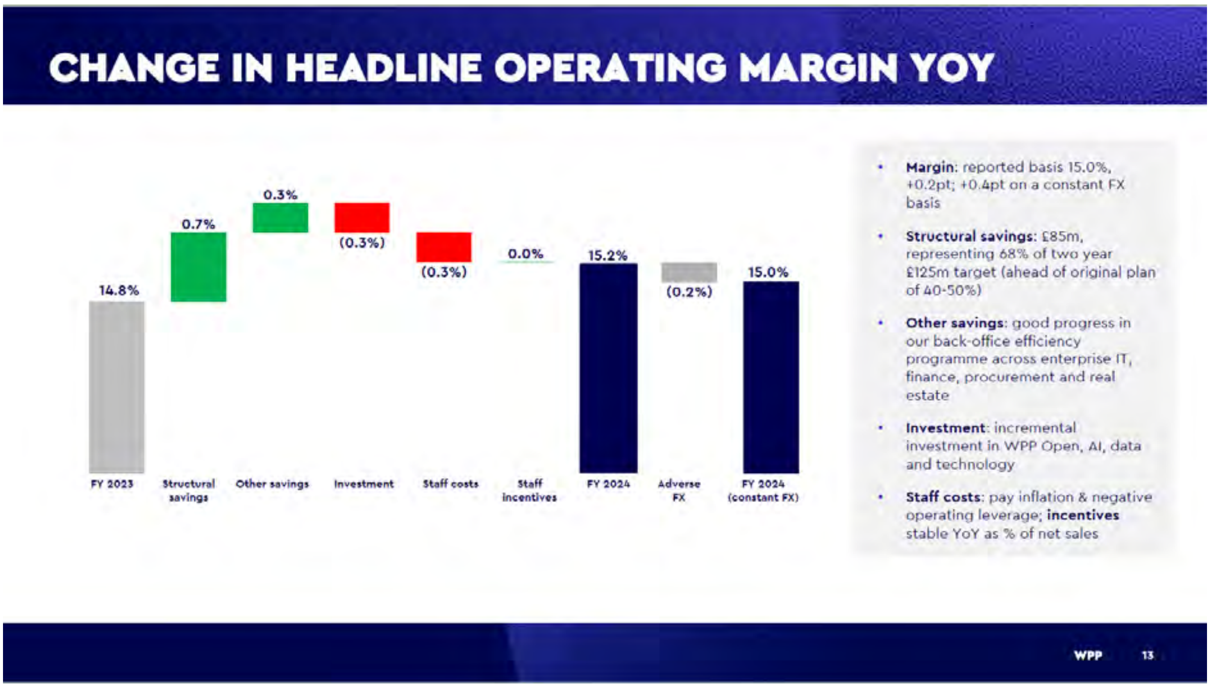
Slide 12 shows Q4 and full year performance across our client sectors.

CPG grew 5.1% in 2024 but was down slightly in Q4 reflecting both weaker client discretionary spend and a tougher comparator of low double digit like-for-like in Q4 2023.

The technology client sector showed further sequential improvement with growth increasing to 2.5% in Q4 vs 1.3% in Q3, with growth weighted to North America.

Healthcare and retail sectors continued to be impacted by 2023 client losses in Q4, with the impact from those continuing to lessen.

The automotive client sector declined 3.3% in Q4 with FY growth of 1.3% reflecting the timing of client spend through the year.



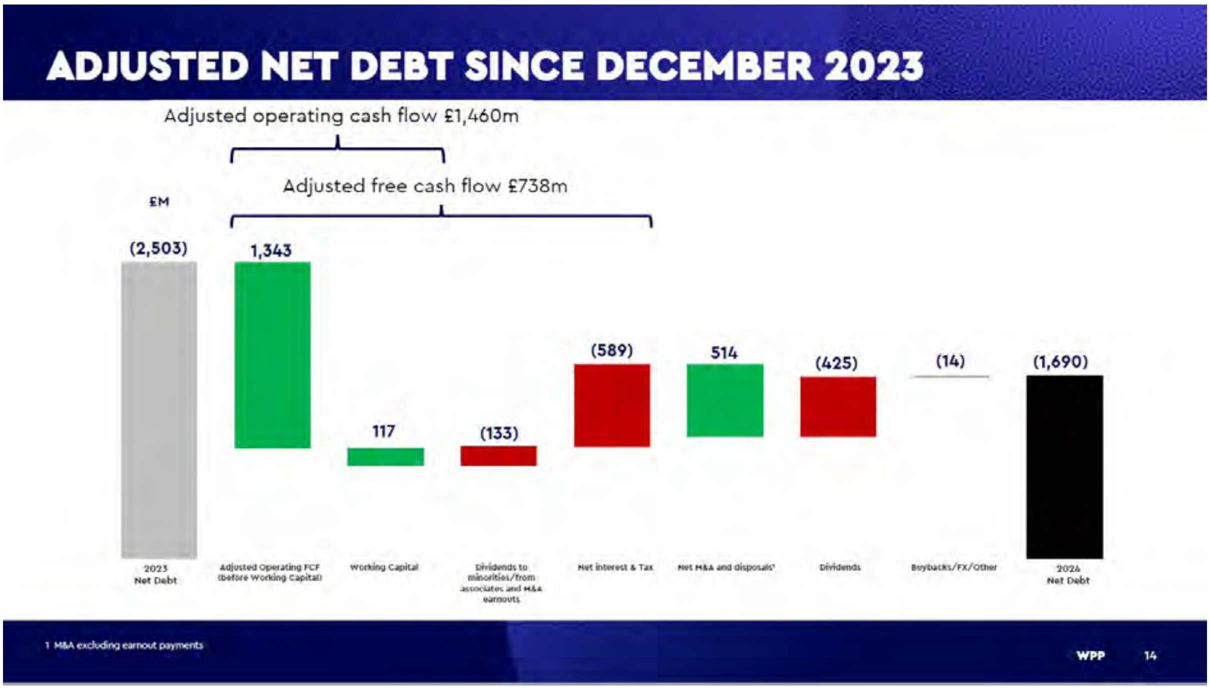
The waterfall chart on Slide 13 bridges our headline operating margin from 14.8% in 2023 to 15.0% in 2024, a 0.4 percentage points improvement in constant currency.

We are pleased with the delivery of structural cost savings from the strategic initiatives we undertook in 2024, and I'd like to take this opportunity to thank the teams involved for their hard work in making these so successful. Together these initiatives delivered in-year cost savings of £85 million, ahead of our original plan to deliver 40-50% of the savings in 2024. This contributed to a 0.7 percentage point margin benefit, and we are on track to deliver full year annualised savings in 2025.

Staff incentives were broadly flat year-on-year as a percent of sales and other savings resulted in a 0.3 percentage point benefit to margin. The latter reflects actions taken across our back office to deliver greater efficiencies and to mitigate the impact of inflation. Overall, we saw a year-on-year reduction in spend across our Enterprise Tech and Finance and Real Estate costs.

These actions enabled us to continue to invest in WPP Open, AI and data, with an incremental P&L investment of just over £30 million, representing a 0.3 percentage point impact on margin. Investment was focused on enhancements to tools as well as deployment across our teams and rollout to new and existing clients.

Looking forward to 2025, we will continue to prioritise investment in WPP Open, AI and data, and our plans include £50 million of incremental cash spend.



Slide 14 bridges the year-on-year movement in Net Debt which ended 2024 at £1.7 billion, down £0.8 billion in 2023.

Our adjusted operating cashflow before working capital was £1.3 billion. And with a strong focus on disciplined working capital management, we saw a net year-on-year inflow of £117 million.

We saw an outflow of £133 million comprising the net impact of dividends from associates and to minorities, and earnouts of £97 million. Earnouts increased due to accelerated payments in 2024 and against a prior year figure which benefited from a one-off settlement.

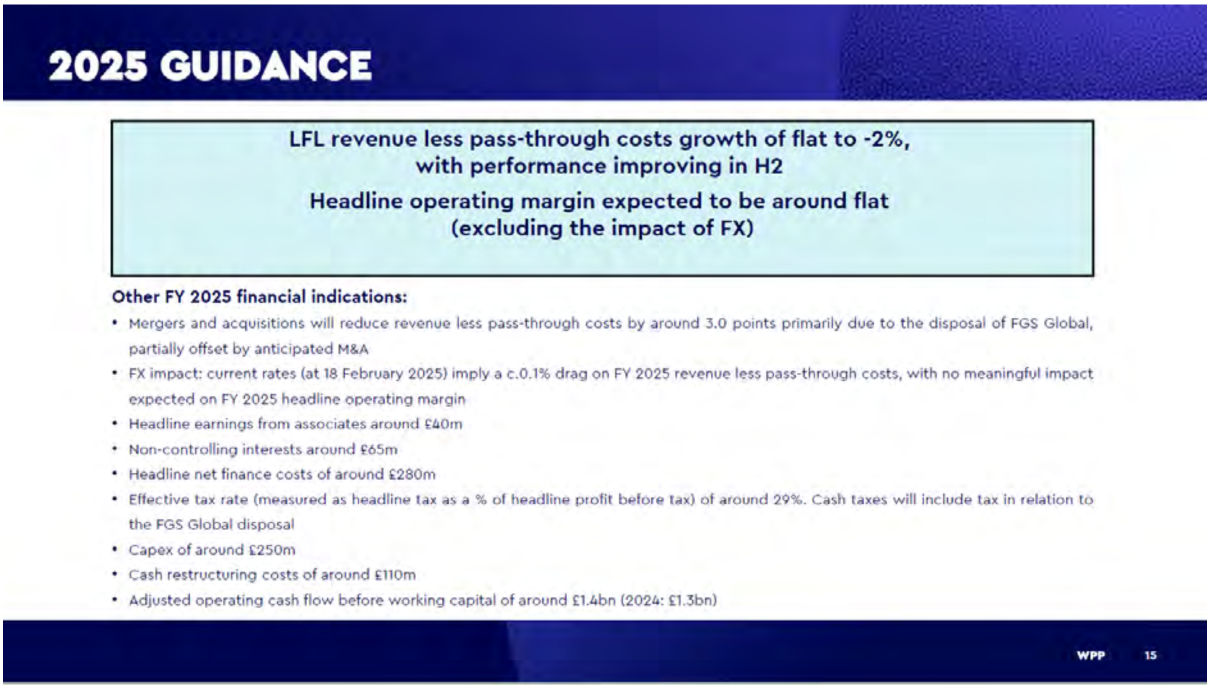
Net interest and tax contributed to a £589 million outflow, primarily driven by higher interest costs as expected with cash tax broadly in line year on year.

M&A spend was £153 million offset by disposals which included the sale of FGS resulted in cash receipts of £613 million in late Q4. This excludes the tax on the FGS disposal which will be settled in early 2025.

Cash dividends were £425 million, broadly consistent with the prior year with buybacks and other items amounting to an outflow of £14 million.

Average adjusted net debt in 2024 was £3.5 billion, compared to £3.6 billion in 2023.

The average adjusted net debt to headline EBITDA ratio for 2024 was 1.80 times, slightly down versus 2023.



And finally, from me to slide 15 which sets out our guidance for the full year.

Starting with like-for-like, we are guiding to a like-for-like range of flat to -2%. This reflects a degree of caution in light of the uncertain macro environment as well as our expectation of the impact of net new business as we go through the year.

We expect our like-for-like performance to strengthen over the course of 2025, with H1 impacted by the runoff of historical client losses before recent wins fully ramp up. This will be reflected particularly in GroupM's performance in the first half.

On profit, we expect to hold headline operating margin flat excluding the impact of FX with the benefit of annualised structural cost savings and continued disciplined cost management offsetting incremental investment in WPP Open, AI and data, as well as the margin drag from the sale of FGS.

We continue to expect a reduction in our cash restructuring costs to £110 million vs £275 million in 2024 and adjusted operating cash flow before working capital of around £1.4 billion.

So, thank you, and I will now hand you back to Mark, who will take you through our priorities for 2025.

Thank you very much Joanne.

At our capital markets day, just over a year ago, we framed our strategy as being based on four strategic pillars.

So, let's look at the progress we made on each of these in turn.

On the first, AI, Data and Technology, 2024 was really about cementing WPP Open as a single technology vision, platform and team. And I think this is a significant departure from where we have been historically where technology was often developed at an agency, sometimes even an office level. This is allowing us to build a single platform that spans the whole company and integrates how we work and also how we work with clients.

With greater investment in WPP Open – now at £250 million per annum –we are seeing greater adoption with 33,000 people using it in December and increasing deployment in our clients. And I'd remind you, as Joanne pointed out, that incremental investment came within delivering 40 basis points of margin improvement over the course of the year.

Personally, I use it every day, showing CEO and CMOs how AI can transform their marketing efforts.

On the second pillar, the benefits of Creative Transformation are coming through for our top clients, with the top 10 growing 2.8% through the year and the top 25 clients growing 2.0% - a tangible sign that our investment is bearing fruit.

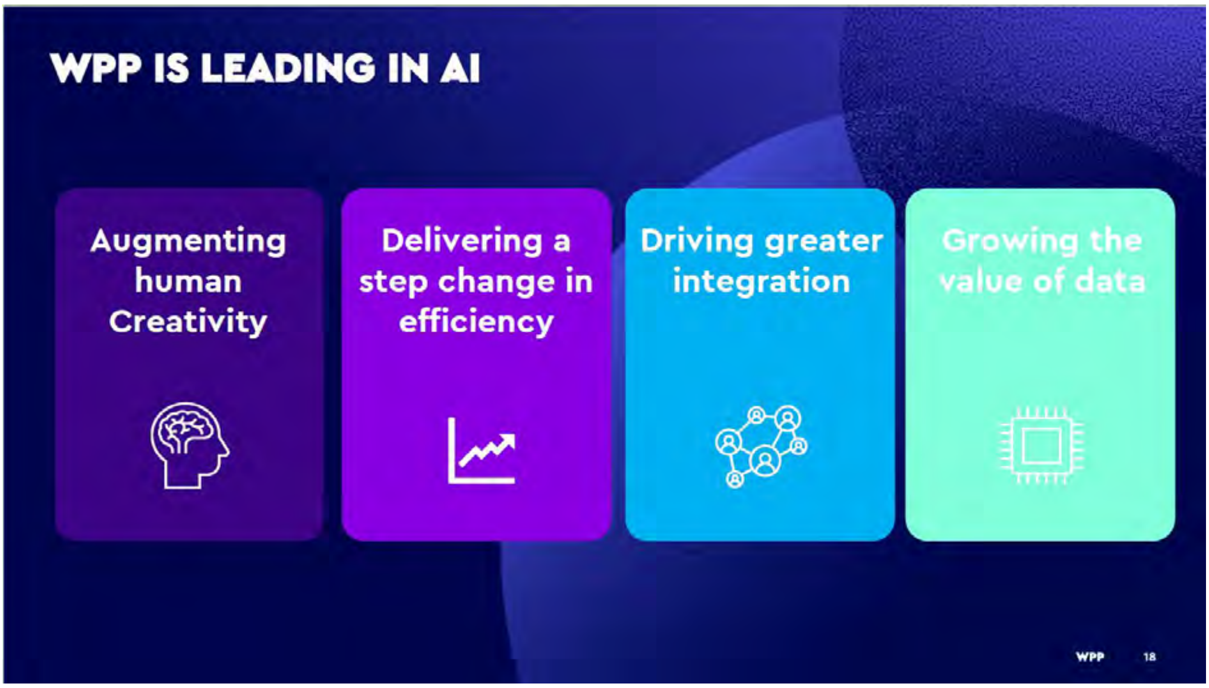
Media Studio also played a crucial role in our Amazon, J&J and Unilever wins – three of the very biggest media reviews in the second half of the year.

New business performance is the proverbial super tanker, but I do remain encouraged by the improved momentum in our efforts in the second half of the year.

As you know, 2024 was a year of heavy lifting in terms of network consolidation and simplification, the third pillar, something that required a lot of effort and intensity from our leaders as well as patience from our clients and our talent.

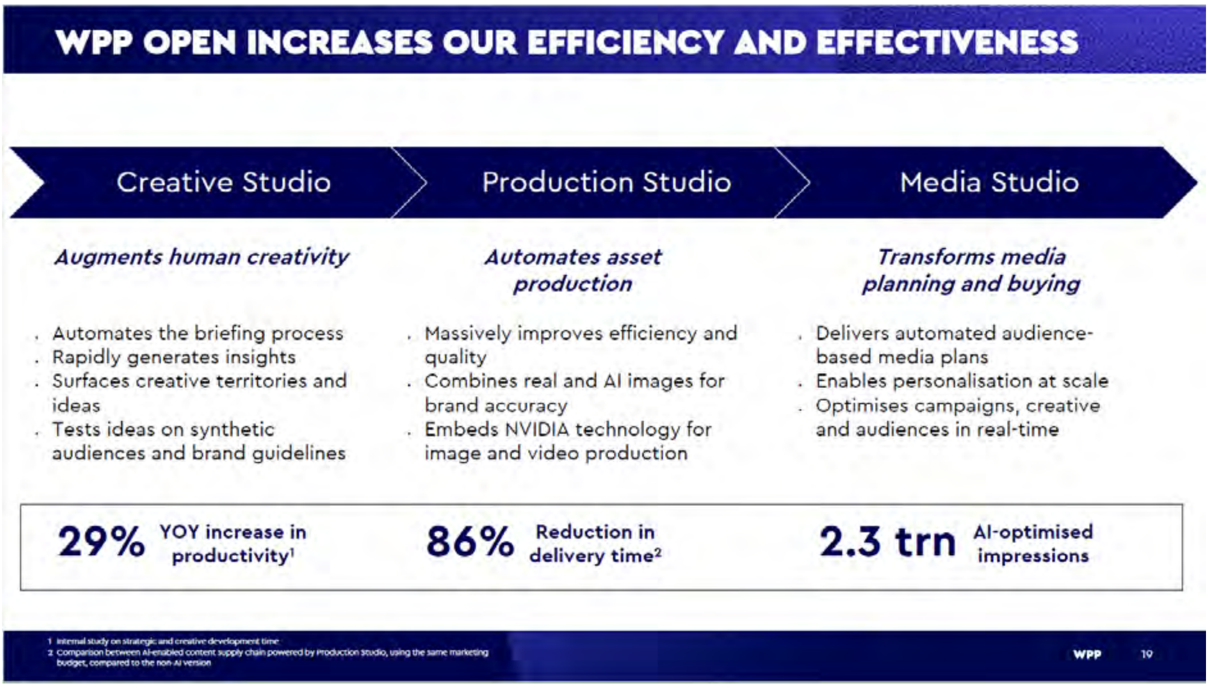
The good news is that, with this largely complete. Our top six networks now represent 92% of our pro-forma revenue and we have a much stronger and more integrated proposition for our clients. When I look at growth, while I cannot point to significant losses due to these combinations, I do believe that our teams were naturally more focused internally than externally, particularly in the first half of the year, and that naturally had an impact on our new business performance.

Finally, as Joanne said, we have used these changes to deliver structural cost savings of £85 million which helped to improve headline operating margin and cash flow and fund our investment in the business. The latter, coupled with the sale of FGS, also brings year-end net debt down to £1.7 billion.



As we turn to 2025, one of the most important messages I want you to come away with is that WPP is leading in AI.
We are excited about the prospect of AI augmenting humas creativity, carefully and systematically impacted, and believe that it will be an opportunity for us as a company. It's going to impact an augment our people's creative talent and make them more efficient. And it's going to deliver greater integration and grow the value of our data we have within the business. And our approach to AI is not based around activating a data ID, it's about applying it to the end-to-end marketing process to deliver better returns to clients.

It's worth taking a detailed look to see how this works in practice.



To show how WPP Open will deliver greater efficiency and effectiveness, let's look at how three components, creative production and media, work together to integrate the end-to-end marketing process.

Creative Studio is used by teams across the business to augment the creative process with AI. For example, and this is just some of the functionality, it enables our teams to take briefs, surface more insights, come up with different territories and test them in real time against synthetic audiences.

These ideas then flow into Production Studio, which automates how we turn them into content in a way that is safe for brands and much, much faster.

And finally, Media Studio, takes those assets and automates the process of media planning and buying tools, using AI, to transform how media is bought, with the ability to automatically plan media campaigns and optimise them in real time.
And the real power comes when the three components work together and we are seeing a 29% improvement in productivity, an 86% reduction in delivery time, and trillions more impressions evaluated using data.

So, how is this landing with our clients?

Now, I think, a really important point to make is that, while we would like all of our clients to adopt Open, it is not a way 'one-size-fits-all' solution in reality.
In practice, we need to meet our customers where they are rather than where we want them to be. So, here we set up examples of three of our largest customers all of whom have embraced WPP Open, but it is important to note that how they have done this is different:

For Client A, the adoption of Open has come alongside a massive process of consolidation – moving from literally thousands of global suppliers to just one. Because of this, they were open to a 'transformative' approach to creating custom solutions and embracing integration and this has worked well for them. For them, WPP Open is increasingly being to turn global ideas into local executions across different media, from digital to retail. We've also built in the platform specific tools that allows them to create content for multiple partners in-market.

Our client B was much more focused on using WPP Open to standardise and consolidate its media, centralising aspects of digital media to drive efficiencies. It's relied more heavily on the workflow capabilities of the platform and has seen strong early success. Encouragingly, it will be progressively rolling out the use of Production Studio in 2025 to bring media and production more closely together. Here WPP Open is enabling Technological Innovation, and we are moving at the pace the client wants.

Client C, meanwhile, is very focused on technology led innovation. It is using WPP Open to create custom trained models, our brand brains, which it uses on a selfservice basis. They are increasingly seeing this as a managed service and it's making our relationship with them more sticky.

Plus, they are more focused on getting our input into strategy and planning and, as the CMO of that client said to me, "*I never want to see a piece of AI content where an agency creative was not involved*". So, there is a balance of AI and human creativity, that's why we are talking about augmenting human creativity.

And now we have the capability, it's about making sure we get our go-to-market right and meet the clients where they want to be. And nowhere is this more important than at GroupM, where to be frank, we have not realised our full potential in the last 18 to 24 months.

And key to closing the growth gap with our best performing peers is making sure that we can leverage the full benefit of AI, data and technology at GroupM.
With this in mind, we asked Brian to join us today and I wanted to introduce him properly before he talks to you about plans are for GroupM.

Brian joined us – or I should say rejoined us – in September of last year having briefly previously served as the Chairman and CEO of InfoSum. For those of you who don't know them, InfoSum is a leading marketing data company with experience in dealing with both CLIENT and MEDIA data and connecting the two.

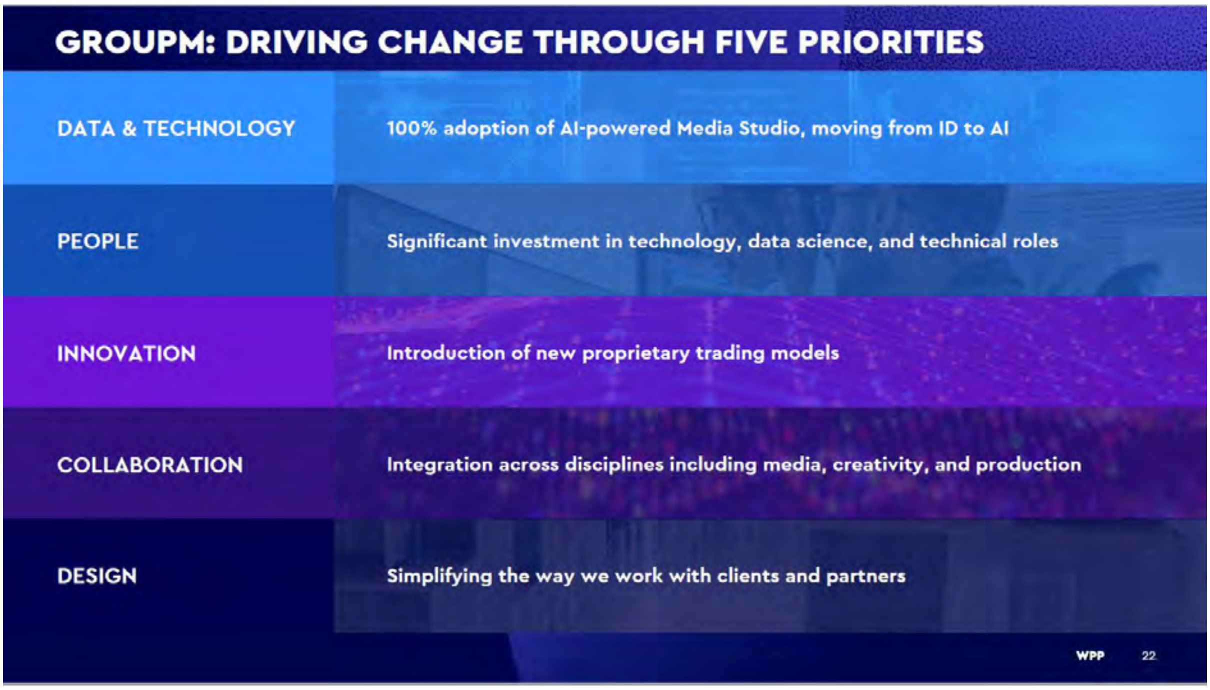
Prior to that Brian led the Xandr advertising business at AT&T.

What's also important is that Brian spent 10 years at WPP before leaving us to join AT&T. He was laterally CEO of GroupM North America and was the brains behind the creation of Xaxis, the agency world's first programmatic buying platform, and probably the first technology-led proprietary media businesses.

I know Brian extremely well, having worked closely with him back in 2007 when he joined WPP through the acquisition of 24/7 Real Media, part of the business I was responsible for at the time.

So, I think you can see why we are excited for Brian to come back. He knows our business, he knows data and technology and the media business, both the buy and the sell side.

He's been with us for six months now so we thought this would be a good opportunity for him to share his thoughts and strategy.



Thank you, Mark. Good morning everybody I'm Brian Lesser, Global CEO of GroupM, and it's great to be here with all of you today. I'm excited to share GroupM's vision and how we are driving priorities to improve our offering.

Today, I am going to focus on two key areas:

1. GroupM's five strategic priorities.
2. Our data strategy.

Let's dive in.

Since rejoining GroupM, I've engaged extensively with our clients to understand their needs. The conversations have been insightful, and several key themes have emerged. Clients are asking:

- How can we drive effectiveness through AI and technology?
- How can we enhance efficiency through greater integration?
- What structure makes it easier for clients to work with us?

To address these, we have taken significant steps, but above all, we remain relentlessly focused on client retention and growth.

Let's start with client retention. We are focusing on making client experiences more seamless and frictionless while delivering exceptional value.

On the client growth and new business side, we are driving success through creating the most competitive offering, backed by our investments in data and technology, and leveraging the strongest global network with WPP's assets for multi-market advertisers.

We've seen early progress with recent wins including Johnson & Johnson in the US, retaining and growing Unilever in the US, expanding our relationship with Unilever globally, and securing Amazon's global business, outside of the Americas. Data, technology, and Open Media Studio were fundamental to winning and expanding with these businesses.

To drive change in these focus areas, I have defined five key priorities:

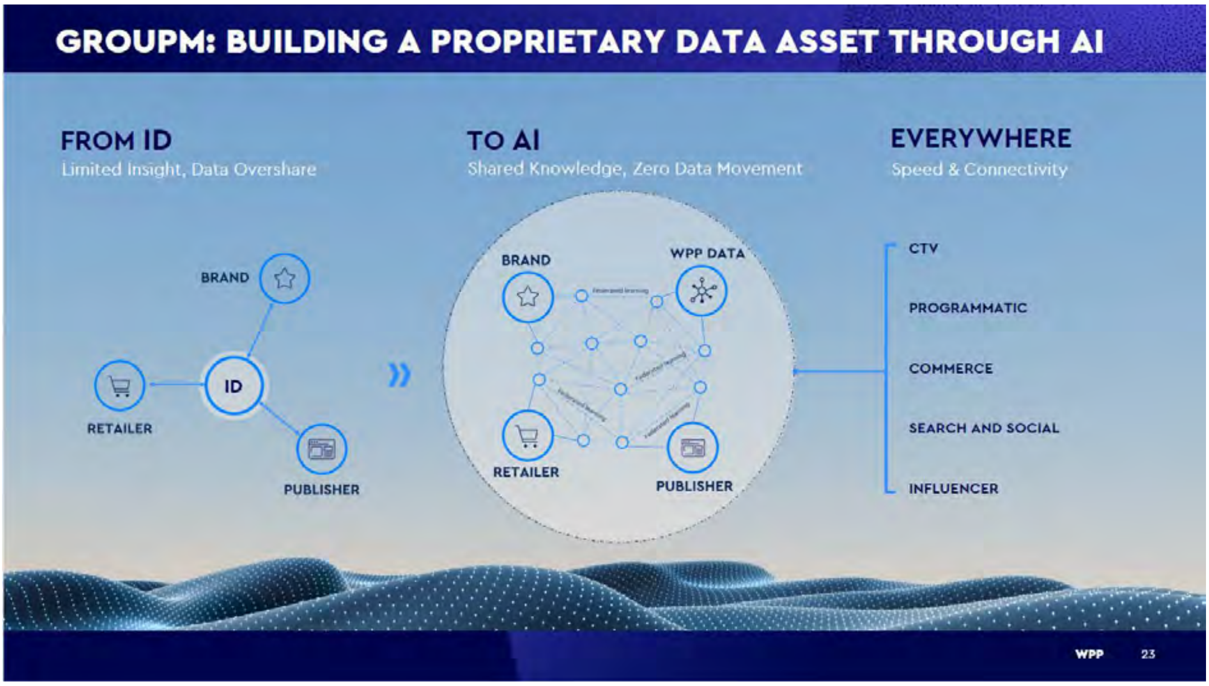
1. Data and Technology – We are fearlessly embracing AI and technology with a future-focused, open platform designed for tomorrow. WPP Open and Media Studio form the backbone of this approach, and we are driving towards 100% adoption from our clients. This will enable our shift from ID to AI that underpins our data strategy.

2. People – We are upleveling our talent by investing in technical employees and workforce development, ensuring alignment with our client's future needs. Additionally, within the global organisation I have restructured the team to focus on what's most important to our business by appointing four new roles, focused on clients, growth, transformation and operations, and market expansion.

3. Innovation – We are entirely focused on innovation, introducing new proprietary trading models and next-generation media products. This will allow us to offer more performance to our clients at efficient prices, using our expertise, scale, and data capabilities, to redefine industry standards.

4. Collaboration – We are improving internal and external collaboration across GroupM and WPP, integrating media, creativity, and production more effectively.

5. Org Design – We are further simplifying our structure to become a unified company with one voice to clients and partners. In 2024, we made significant strides in eliminating complexity, but we know that we have to be simpler and there is more work to do.



Now let's talk about our data strategy and AI – because AI is fundamentally transforming our industry. AI is quickly becoming the norm in how we work. As Mark spoke about, consumers are engaging with AI in new ways, gaining a deeper understanding of its benefits and risks. As this shift happens, GroupM will fundamentally change the way we work, streamlining our media planning and buying via automation. We won't just react to this change – we will lead it.

The market is quickly moving from identity-based solutions to AI-driven connectivity. Here's what that means:

- We believe that data connectivity is more important than simply owning data, and the value of connectivity will only continue to grow
- No matter how many traditional IDs you own, it will never be enough. The real power lies in connecting data across publishers, partners, retailers, platforms, and clients, and thoughtfully using our own first party data assets in conjunction with the available data in the world.
- The future is about connecting disparate data sets to extract insights, create predictive models, and drive performance

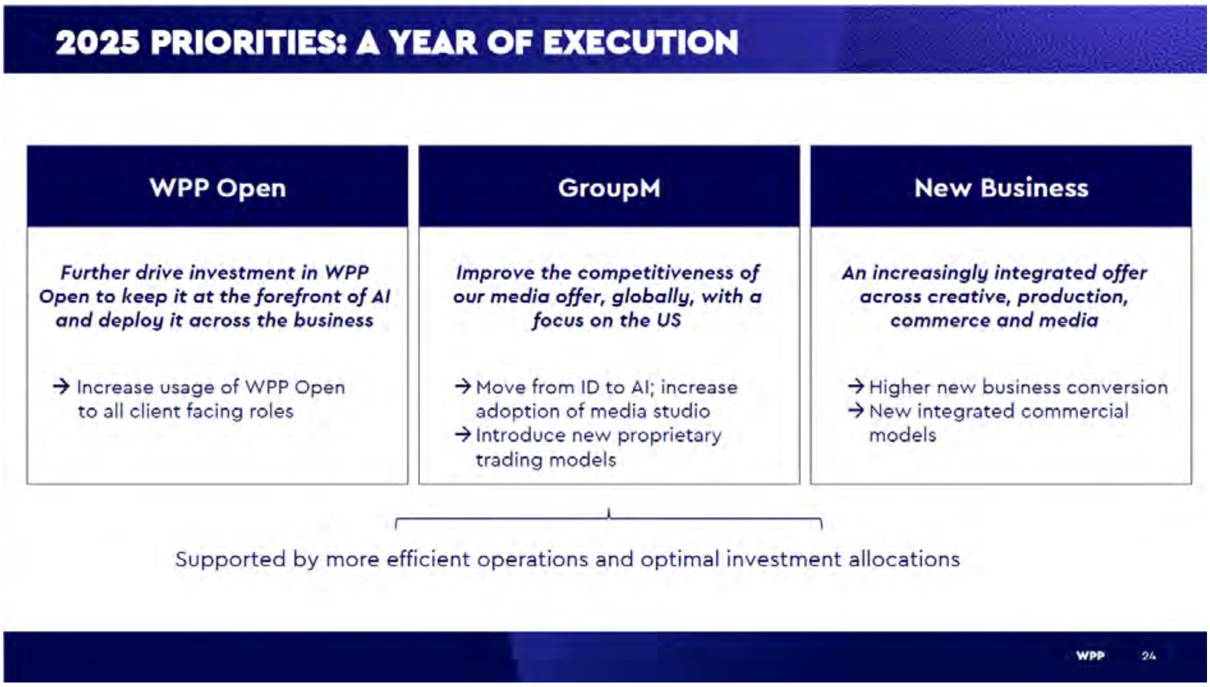
Traditional ID solutions, like those grounded in email addresses, only learn from overlapping data points, relying on outdated lookalike models that limit insights. Using technologies, like federated learning, we can create shared knowledge and predictions across all our partners, without sharing raw data and activate via a simple connector. It's a game-changer. And as Mark mentioned, this will drive significant efficiencies in audience targeting and real-time campaign optimisation, tailored to clients' unique needs based on their own data maturity.

By 2030, we'll be working with thousands of data partners to guide audience decisions. The only way to harness that scale is by leveraging AI at every step of the process. No singular, legacy database can manage that scale and complexity.

2025 marks a defining year for GroupM. Our strategic priorities, AI-driven data strategy, and commitment to innovation will position us as the industry leader. With our unparalleled global capabilities and relentless focus on simplification, efficiency, and growth, we will drive results for our clients as true business partners.

Thank you for your time. I look forward to driving success together in the years ahead.

Now I will hand it back over to Mark and I look forward to your questions during the Q&A.



All right. So, thank you very much, Brian. And I'm sure there'll be a lot of questions for you in the Q&A, particularly on the refreshed data approach from ID to AI.

So, let me outline what our priorities are for 2025.

I need to start by acknowledging again that 2024 did not end quite as we wanted. Even if the -1% FY was technically in the guidance range, I know that will be a disappointment.

That said, we do also need to look at the enormous progress we made in 2024 both in terms of the heavy lifting of network consolidation/simplification and the step up in in data and technology and the progress we made on those financial metrics.

As I look at 2025, there are really three things we need to do as a company:

- Deliver on the promise of WPP Open
- Get GroupM back to growth
- And win more new business

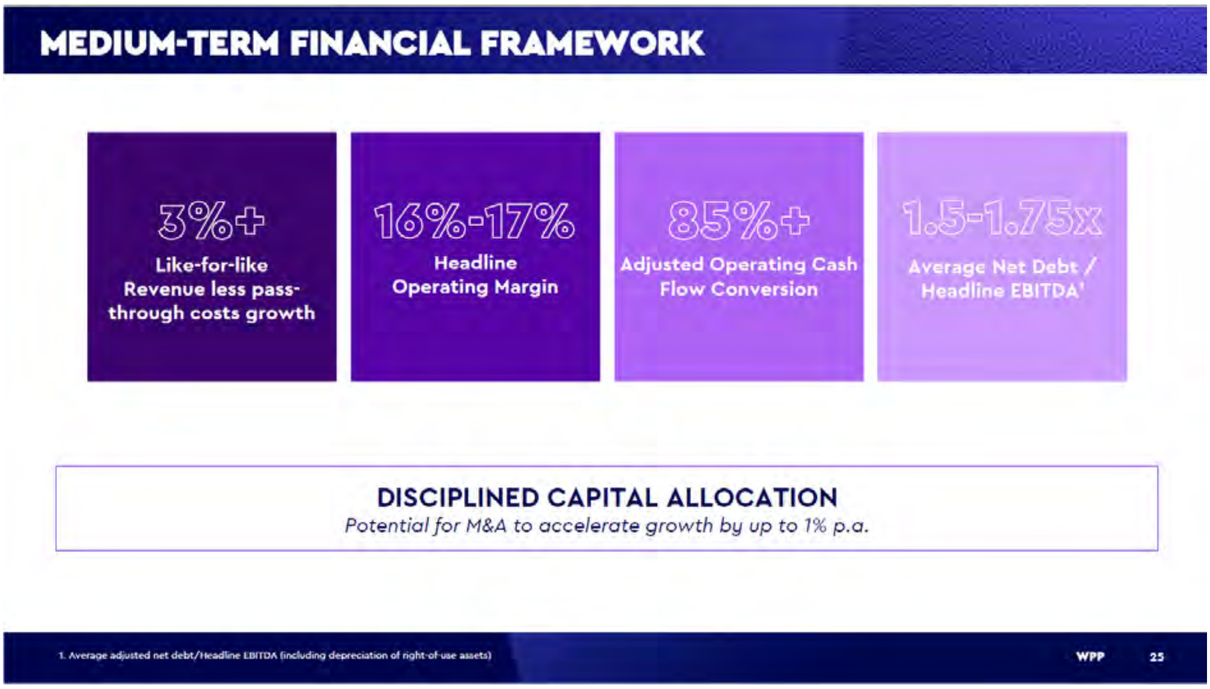
And each of these are really related.

For WPP Open, we need to push it harder. We are investing more, but we need to get all our client-facing people using it by the end of the year. We shouldn't underestimate its progress. I don't believe there's many companies out there that have 40,000 of their own people using a proprietary AI platform every month. So that is an achievement.

For GroupM, you heard Brian's plan, and he has a great sense of urgency around data, around proprietary media and around new business, with a focus on the US.

And in new business, we need to continue to use WPP Open to deliver and improve our new business success. In the last year, we saw pitches with WPP Open at the heart having a 10% increase in success rate. This year, we don't want any pitches without it. And we need to unlock more integrated pitches with different commercial models – allowing us and our clients to share in the value we create and deal with some of the pricing pressures that we sometimes see.

And finally, we need to do all of this with more efficient operations and strict capital allocation – areas that Joanne is very focused on.



Success on this, will deliver our medium-term financial framework.

The central point is that, while the 4Q performance was not where we wanted it to be, we do believe the strategy we outlined this time last year is on track.

Reflecting this, we remain confident in our medium-term targets which are
For the group to deliver 3%+ organic net revenue growth over time; achieve 16%-17% margins while also delivering 85% cash conversion.

A final word before we dive into Q&A. I am extremely proud of the teams that have worked so hard in 2024 across so many dimensions – whether it is the creation and deployment of WPP Open, the integration of our major integrated creative and PR networks, or the simplification of GroupM – and I am very grateful to them, and to our clients, for their continued trust and perseverance. Thank you.

I am excited about building on this hard work in 2025, showcasing what we can do and delivering the benefits of creative transformation to our clients.

Thank you very much for listening and with that, we are available to take your questions, which we do both in the room and on the phone. I think we will do it sitting down and we will start, I guess with Adam:

Q: Adam Berlin, UBS

Good morning. I've got three questions if I can. Okay.

The midpoint of the guidance for next year is roughly the same as what you delivered in 2024. And I think everyone's a bit confused about why we're not going to get an improvement next year given you did do better in account wins in '24 than '23. China is a really easy comp and a few other things that kind of went wrong this year. Can you just give us a bit more of a breakdown maybe by segment or just help us understand why you're not guiding for an improvement in organic growth? That's the first question.

Second, a similar type of question on margins. How are you going to deliver flat margins with negative growth? Does that mean staff incentives are going to remain low again? What else is there that means we should believe that you can deliver the flat margins in that environment?

And third question is, you helpfully gave this metric of average net debt divided by headline EBITDA to give us a kind of average leverage? And that number was still quite high in '24, but that's probably because the FGS revenue receipts went in there, and so can you give us any guidance on where you expect that metric to be after the end of '25? Because I assume that's how you think about capital allocation.

A - Mark Read

I think it's probably best for Joanne to take those questions.

A: Joanne Wilson

Okay. Let me answer the last one first because it's easy. So, our average leverage, we'd expect that to come down towards the midpoint of our target range, which is 1.5 to 1.75 times. As you said, the FGS proceeds were received in December, so very small impact on the average metric in 2024.

On our guidance, look, we've guided to flat to minus 2 and you're right, the midpoint is in line with 2024. As we think about the bottom end and the top end of that guidance, there's a couple of things to consider. Q4 was softer for us than we were expecting. We talked about softer client discretionary spend. And in the first couple of months of the year, the macro uncertainty has not improved, if anything in the last few weeks, I think it's got more uncertain, and that makes us cautious, particularly in the first half from the perspective of project-based spend and client discretionary spend. And that's really reflected in that range and the bottom end.

The second factor is our net new business. Look, we were encouraged by the progress we've made in the second half of net new business. Net new business for 2024 was flat with 2023, but it was higher in the second half, so skewed to that second half. And the important thing to think about net new business is the sequencing of that and how it translates to like-for-like. So, in the first half of the year, as I said, we will see a bigger impact from client losses, particularly in the first half of 2024, before we see the full ramp-up of some of those client wins. So, some of those client wins, which were fantastic and will be great clients for us, will not start to ramp-up until Q2. So, I think that's important to think about those two levers in the guidance. And at the bottom end, as I say, it assumes a more cautious macro perspective as we go throughout 2025. And it also assumes that we don't see continued momentum in our net new business, which we are expecting to. At the top end of the guidance, obviously, you see the flip of that, the macro, I think will remain challenging in Q1, but we start to see an improvement as we go through the year, and we continue to build on that net new business momentum. And the pipeline is healthy, and we've got many good opportunities. So that's really where we are on the guidance.

In terms of our margins, look, we made, I'm really pleased with the progress we made in 2024, and that was really driven, as I said, by the structural cost savings, the back-office efficiencies, but we're also continuing to make progress on the commercial delivery that we talked about at the CMD, and that's enabled us to invest importantly in WPP Open, AI and data and it's important that we continue to do that in 2025. Our guidance reflects the fact that wherever we land at the top line, we do expect to retain flat margins for the year, and I think we'll continue to make more progress on those efficiencies throughout 2025 to be able to fund that. You mentioned specifically staff incentives. Look, I think it's important to call out 2024 was softer on the top line, but we held incentives flat as a percent of net sales, and that's certainly not supporting the margin progress that we made in 2024.

Q - Adam Berlin

That's still low versus history you say, or you disagree.

A - Joanne Wilson

They're low -- if you take the last three years to four years, we had max incentive payouts in '21 and a high level of incentive payouts in 2022. So, they have come down from those highs, but I don't think it's an issue for us in terms of staff retention. And there are other ways that we look to reward our staff.

A - Mark Read

I think just on the AI, I'd say, as Joanne said, we -- the new business pipeline is strong. And I think it's a number of big opportunities. I do think some of the nature of those means they're taking longer to close than we would expect, quite complex and there's lots of things that are going on that are more complex. I think it's important to think about the client, our growth as I mentioned, our top 10 clients last year grew at 2.8%. Our top 25 grew 2% and our top 50 grew 1.1%.

So, we are seeing good growth from our stronger clients. And I think we did guide to sort of - we were cautious in Q3 about Q4 because we were concerned about the impacts of project related businesses. And I think that impacted as you see through the numbers in the UK and some of our businesses.

So, it does needs to be cautious in Q1, but I think we are -- we do see a lot of opportunities ahead for this year. And certainly, as a team, we're gunning for the top end of the guidance. Adrien?

Q – Adrien de Saint Hilaire, Bank of America

Yeah, thank you. This is Adrien from Bank of America. So, a couple of questions, if you don't mind.

To come back on the point about the cuts in discretionary spending in Q4, I think you noted CPG was flat in Q4 versus, I think it was up 8% in Q3. We had the comments from P&G talking about reducing their fees to agencies because of greater in-housing. Is there a correlation between these two information?

Secondly, perhaps for Brian, you talked about not necessarily owning traditional ID, but more moving into AI. Do you think WPP needs to make an acquisition or investment into a data set like your competitors have done?

And then to come back on the second half story, how much of that is based around existing new business and how much is it based around your business that you think you're going to gain? Thank you.

A - Mark Read

Why don't you take the first and third question, Joanne and then, Brian.

A - Joanne Wilson

Okay. So again, I'll start with your third question, Adrian. Thank you for the questions. On the second half, so we've talked about strengthening performance through the second half and really there's a couple of factors within that. China will start to lap softer comps in Q2. And also that sequencing of net-new business that you asked about, I would expect it to be an improvement in H2 based on existing net new business. And so, as I talked about, those existing losses will hit really from Q1 and some of those wins will only really ramp up from Q2. So, we'll see an improved performance in H2 as a result of that.

In terms of CPG, look, in 2024, we delivered mid-single-digit growth in CPG and it's our largest sector. We would expect to see continued growth in 2025. I think again that growth will be weighted probably to the second half. And what we are seeing in Q4 was about over 50% of that impact was really driven by some of the factors that we've seen earlier in the year, but also that variable incentive that I talked about really impacted that CPG sector, and so I would consider that a one-off.

As we go into Q1 and Q2, look, I think we've seen mixed comments from CPG clients, I think, and that's reflected perhaps in some of the softer discretionary spend that we saw in Q4. But they are many of our clients are talking about continuing to invest in their brands, the importance of A&P, and so it's a very strong sector for us. In terms of the in-housing and Brian may want to add on this. I think some companies that are talking about in-housing around marketing services and the extent of that is probably an outlier. I think if anything and Mark quoted a client in his script today. I think we're seeing less of a risk from in-housing as a result of AI and what clients are looking to do is more marketing transformation, more integrated services, working with agencies to help them do that. And we see that as an opportunity. Of course, there's always areas of their marketing services that will make sense for them to in-house, but we're not seeing that as an overriding risk for our business.

A - Brian Lesser

Yeah, Adrien. On the question of whether we need to buy a database? I think it's important to understand that the world of advertising is shifting from the notion that you have to ground everything into a traditional CRM database to a world where you can build predictive models using more sources of data and disparate sources of data and data that's not available to a traditional CRM database. So, we're very focused on moving from ID to AI. And what I mean by that is, if all you ever do is ground something in a cookie or an email address or a mobile ID, then you're severely limiting your view of consumer behaviour across an increasingly complex and fragmented marketplace. Data in the CRM database is not going to help you with TikTok or Meta.

We have proprietary data at WPP, and that's important. And I'm not saying that having data is not important. But what's just as important, if not more important, is having the technology and the modelling capabilities to build predictive performance at scale to really meet consumers where they are in this fragmenting landscape. So of course, we're constantly looking at what we can acquire in terms of building out that model, but no, we're not focused on a legacy database at the moment.

A - Mark Read

Good. Steve?

Q - Steve Liechti, Deutsche Numis

Thanks, Steve Liechti from Deutsche Numis.

First question, a few parts for me. Just looking back on fiscal '24, just to help us, can you just remind us of the building blocks of the drags that were there and the nine months figures, I think we sort of talked about various things. So, I'm thinking in terms of new business, you said the new business net-net was about neutral at the nine months on a kind of pro forma basis. So, what would it be at the 12-month period?

And also, just remind us in terms of what the drag in like-for-like for China and tech was specifically. We can kind of work it out, but just helpful to get your insights there.

And then finally, just a question for Brian. In terms of the plan to move to where you want to move to, I know everything is changing fast, but kind of where are you in that journey in terms of your go-to-market? When do you think your go-to-market strategy will be absolutely right for what you want to do?

A - Joanne Wilson

Do you want me to start with the first one?

A - Mark Read

Yeah

A - Joanne Wilson

So, thanks for the question, Steve. Look, there were three factors that weighed on 2024, and we've talked about those consistently through the year. The first was, net new business and client losses, the largest being that healthcare client assignment, which we talked about as having around a 1% like-for-like impact in 2024. That will be fully rolled off by Q2. Second factor as you talked about was China. China was an 80-basis point drag for the full year 2024. As we go into 2025, we start to lap softer comps from Q2 for China. I would expect China to continue to be a challenge in H1, Q1 in particular, and then potentially stabilising in the second half and that's reflected in our guidance. And the third factor we talked about was this project-based spend and that impacted agencies like AKQA, Landor, and Design Bridge and that was also about an 80-basis point drag. So overall, those three factors were about a 250-basis point drag in 2024. I think in net new business, the comment that you're referring to is, we've said in the past in a good and bad year, net new business can be plus / minus 1.5%. I think we were asked in Q3 about will it be net neutral going into 2025? And I think as I've explained, I think we'll see a different impact in H1 versus H2. So, I think a drag in H1 and more positive in H2.

Q - Steve Liechti

Sorry, can I just go back on that particular point. So, if we were neutral at the nine-month figures, are we still neutral at the fiscal '24 year-end? And I understand your point about the phasing, but on I'm kind of asking what happened in the fourth quarter?

A - Joanne Wilson

So, look, I think it's -- if we talked about GBP4.5 billion net new business in 2024, which was consistent with 2023, that was more weighted to the second half. It doesn't, I'd love it to but doesn't translate right through to like-for-like in the same way every year. So, it's a sequencing of those losses and wins that impact. And so, in Q4, we had some great wins. We also had a loss, so I think it's broadly similar to where we were at the end of Q3.

A - Brian Lesser

In terms of where we are on our journey, and when we'll be sort of satisfied with our go-to market, we have some more work to do in terms of simplifying the

GroupM organization. Our client expectation is that we bring them the best of the Group in every engagement. But we're, in terms of our go-to-market, we're there now. I mean we are competing effectively; we are winning pitches, we are building businesses with our clients. We have everything we need to compete, win, and retain clients now. The only constant in this industry is change. So, you'll see us evolve, but that's the expectation of our clients.

A - Mark Read

Okay. Good.

Q - Joe Thomas, HSBC

Good morning. It's Joe Thomas from HSBC. Three from me as well, please.

The first thing is the AI investment and the step up. Just what's the thinking behind the need to do that? And is it OpEx or CapEx? And how is that changing?

Second thing, Brian, if I could ask you sort of the same question in a slightly different way. There's been a lot of debate about what was wrong with GroupM in the past. You've talked about what you're doing right now, but perhaps you could identify, what you think was wrong there, and fundamentally how that's changing. I know you put your five priorities up on the screen.

And then finally, a question on the interest, the changing interest line this year, so the guidance has gone up a bit. What has moved there to do that really?

A - Mark Read

Why don't I just start on the AI question. I think if you look at where we come from, we acquired Satalia in 2022 [sic 2021]. It was an AI research company, at the time that had 100 people, it today has 300 people and it's actually selling work externally, but many of those people are working on our own platforms. We've used an acquisition to build an important capability. I think we're seeing it resonate to such a degree with clients that we know we need to invest more and it's about getting the right balance between the margin improvement and growth.

And if I think about financial metrics for '24, so top-line disappointing, okay. No, I'm not going to argue with that. We did flag Q4 a little bit, then Q3, but I think even there the decline in project expense will be a bit more intense than we expected in Q3. But I think if I look at the margin improvement, we delivered 40 basis points holding the incentive and a 30-basis point investment in WPP Open. So, we are becoming a more efficient and effective company, so the restructuring is bearing fruit and we're using that to invest in WPP Open in '24.

Now, we don't think about the margin guidance in '25, we're saying we're going to hold it flat despite some pressure in the guidance on our top line, now what would happen? Some of the savings in '24 will flow through on an annualised basis in '25, so that will help. We're increasing the investment in AI by sort of similar amount because we think that it will bear fruit in our new business performance. And what we don't want to do is cut investments in the business to stop the growth. So, I think that is very much the approach that we're taking. And I think the increase in investment is less about -- is more about – because we see the opportunity then less about, we feel kind of the need to do it.

Now we think we are ahead. Everyone is quite cautious about showing their platforms in public, but that's what we hear from clients. And I think that it is going to be a big opportunity for us to have very, very different conversations with clients. We said in the statement and maybe I should have said in my remarks, I think the way that clients buy what we do is becoming much more like technology services. It used to be, and it's still creative, obviously, but it's becoming much more like technology, they're taking a more strategic approach. They're thinking about who their partners are. They want to look at simplifying and rationalizing those rosters. I was with a client consumer health company the other day; they had 1,400 people in their marketing teams around the world. And if you can believe it, 1,450 agencies, they had more than one agency for every person. And that is not uncommon. And if you're the CEO or the CMO or the CIO trying to drive change, you can't do that with a roster of agencies that are so complex and deploy this technology. And it's now, I know sometimes you feel like there's a danger that's always sort of a diversion, a diversion from the reality. I don't think this is a diversion from the reality. I think it's what we need to do to get the business back to growth. I don't think that it's impacting, you know, there's some comments out there that maybe it's impacting pricing and revenue, and that's why we saw the softness we've got. I don't think that's the case. I think that -- and if I look at -- and you can look through the numbers, the parts of the business most impacted were our design companies, AKQA that's very project related, those parts of the business. And by the way, technology services have not been immune to some pressure on top line. I think GroupM grew okay, but nowhere near where it needs to be from a competitive performance.

And if you look at what we need to do to close the gap with our peers, it's really about GroupM, so there's no pressure on Brian, but we're probably a 10% delta from where we need to be, and it's half our business, it's a 5% delta. Now the other thing I'd point out is that we don't all report the top line in the same way. And if we reported our top line like Omnicom reported their top line, we'd be at 2.1%. So, I think that's something else that we sort of need to consider. So, it's a bit of a long-winded preamble, but I think it's important to sort of talk – think about AI, and our investment is there in the right context, an investment we need to make because we see the potential. And I think that it will fund growth in the business and will deliver success in that.

A - Joanne Wilson

On that point, about OpEx and CapEx, it's balanced, the £50 million incremental is balanced pretty equally between OpEx and CapEx. And on interest, look, I think this is pretty straightforward. Our interest cost or net interest cost in 2024 was lower than what we guided to, and we're guiding in 2025 to flat interest. We are benefiting from the very successful bond buyback, which we used the FGS proceeds to do. We're seeing an impact from the successful refinancing in 2024 of bonds. So, we have that full year effect of those higher blended rate as a result of that. There's a little bit lower interest income and there's a bit of a drag from FX as well.

A - Brian Lesser

Joe, on your question, what was wrong, what was wrong in the past? I mean, there was nothing wrong in the past. GroupM is a big vibrant growing business. I would say the one thing I've observed is, perhaps GroupM was too complex and not focused enough on our clients. And we've made those changes, and we'll continue to make those changes. We're relentlessly focused on our clients. And through the five priorities I discussed, we'll invest in our platform. We have a market-leading platform. And I think some of our competition has been good about positioning legacy data assets as a future forward strategy. And we have a different take on that, and we're winning business with that strategy. So, we'll focus on our platform, our people, we will build the culture of innovation. Many of the innovations that have come out of the media industry originated at GroupM, and we will get back to that culture.

A - Mark Read

Who is next? Richard, then we should start to take, if there are questions online, we should take those.

Q – Richard Kramer, Arete Capital Partners

I'll try to be very brief. Question for Brian and one for Mark.

For Brian, you mentioned AI tools. We see a rising portion of spend go through big tech, they all are seeing a rising portion go through their own AI tools. You see ad-tech intermediaries talked about curation and data marketplaces. What portion of the market do you see addressable for incremental spend that you can pull into GroupM or incremental margin you can pull into GroupM?

And a simple question for Mark. Two of your major competitors are proposing to undertake a very messy merger. What speaks against investing margin this year to take more market share and finally deliver the growth that I think investors are mostly looking for? Thanks.

A - Mark Read

Okay. Brian, do you want?

A - Brian Lesser

Yeah. I mean, in terms of our big technology partners investing in AI, that's our expectation and that's a good thing for us. Their investments in AI don't mean that we are disintermediated from helping our clients spend across platforms. In fact, the more complex platforms get, the more valuable our services and our technology is to our clients. So, in terms of where we can offer incremental margin, our two fastest-growing sectors are retail media and addressable television or CTV. And we've already delivered a lot of efficiency and performance to those categories, and we'll continue to innovate in those categories, and I expect those to become a bigger part of what we do with GroupM. But it's not just limited to that. I mean, one of our fastest-growing trading partners is TikTok, and you wouldn't have necessarily predicted that five years ago, but they're a good partner of ours and five years from now, there will be a media company that we've never heard of that we'll be trading very effectively with. So, I think there's nothing but upside in terms of how we help our clients engage consumers, how we predict consumer behaviour at scale. And I think we have the best model to do that.

A - Mark Read

So look, on your question, as I talk to clients about the strengths of WPP, we have a very well balanced business, across creative, production and media. I'd point out that creatively we were to the extent that they matter - and they do to some clients, they don't do to all - the Creative Company of the Year at Cannes, Ogilvy was Network of the Year and our client Coke was Brand of the Year and our client Unilever, Creative Marketer of the Year. So creatively strong. Our production business in Hogarth, I'd say, is the biggest in the industry. And GroupM as Brian has said is very strong and even post the merger, GroupM will be, you know, by a smidgen number two based on the pro-forma figures, but number one still in Europe and Asia, which are probably the markets where scale counts the most.

So, I think our business is in a strong position. And then secondly, we have through WPP Open, I think a single platform that spans the whole company that I think is extremely powerful.

And then the last point I'd make is that the restructuring is behind us. I have no doubt, I don't think there are specific client losses we can point at or to in these mergers. But I do think people do become more internally focused than externally focused. I think that probably weighed on the business over the course of the year. We've had good client win in VML yesterday. I think AKQA had a very strong start to the year in terms of new business, won three major clients in the first two months of the year. And look, none of that is, I'm not trying to change our guidance, but I'm just saying that there are positive things, as you say, in terms of the client comments, and the points I'd make to clients that I talk to is, we have a strong platform, strong technology, strong capabilities, excellent people, and we can start to engage in these more complex discussions because the types of marketing transformations that clients are looking for are complex to some extent, they take longer. I don't think that it's a question of sacrificing margin to drive growth. Yes, we have to be competitive on margin. And yes, we have to use all the tools in our armoury, offshoring, moving people to cheaper locations, centralising services. So, all of the discussions we have with clients are around how we deliver to them more efficiently because that's absolutely what they want. But I don't think that's simply a case of sort of a straightforward trade-off between price and margin that somehow, if we reinvested X amount, we'd grow X amount faster. I think it's more, complex than that.

Okay. So look, there's no more questions. Thank you very much for attending and taking the time to come and be with us in person. As you know, at WPP, we believe in-person working is better in the long run for the organisation than remote working. So pleased to see you all here. And Joanne, Brian, and I really appreciate your interest in WPP. It is a challenging macro environment out there, but I am very positive about the plans that we have and look forward to updating you on the progress over the coming months. Thank you very much, and thank you everyone that joined online.

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