CHIEF FINANCIAL OFFICER'S STATEMENT

"THE EFFICIENCY INITIATIVES WE ARE IMPLEMENTING WILL SUPPORT OUR AMBITION TO DELIVER MORE PROFITABLE GROWTH OVER THE MEDIUM-TERM, AS WELL AS CONTINUED INVESTMENT IN WPP OPEN, AI, DATA AND OUR TALENT"

JOANNE WILSON
CHIEF FINANCIAL OFFICER

Stronger margin and improved cash conversion, despite top-line pressures

Integral to our strategy over the past year has been the imperative to execute more efficiently, by unlocking structural and other cost savings, improving our cash conversion and investing for growth.

In 2024, we made good progress across these areas: structural cost savings associated with the creation of VML and Burson, and the simplification of GroupM, are being delivered ahead of plan; we improved our cash conversion; and we are investing in AI through WPP Open to transform how we work, getting from ideas to results more efficiently and effectively.

Our top-line performance was, however, weaker than we expected at the start of the year. Like-for-like revenue less pass-through costs fell by 1.0% for the year, which was at the low end of our revised guidance shared during our half-year results. This was driven by three factors that impacted our performance throughout the year – historical client assignment losses, a more challenging trading environment in China and weaker project-based spending.

The impact from these factors was most evident in our integrated creative agencies. Partly offsetting this, we delivered growth at GroupM, our media planning and buying business, and Hogarth, our production agency.

On a regional basis, these factors resulted in like-for-like declines in North America, the UK and Asia, which was only partially offset by growth in Western Continental Europe.

Across our key client sectors, we delivered mid-single-digit growth in CPG, our largest client sector, with growth in automotive, TME, financial services and travel and leisure. This was offset by declines in healthcare and retail, largely as a result of historical client losses, and while technology client spending declined low single-digit on a full-year basis, we did, as expected, see a return to growth in the second half of the year with sequential improvement from Q3 into Q4.

STRONGER OPERATING MARGIN

Despite the softer top-line performance, our headline operating margin increased to 15.0%, up from 14.8% in 2023, a 0.2 percentage point improvement on a reported basis and 0.4 percentage points in constant currency terms.

STRUCTURAL COST SAVINGS

This margin improvement was driven by strong progress on the realisation of structural cost savings from the strategic initiatives we undertook in 2024 – the creation of Burson and VML and the simplification of GroupM. I would like to thank each of the teams involved for their hard work in making these so successful.

As a result of these actions, we are now a simpler company with fewer brands and more streamlined back office support, able to optimise our investments in client-facing roles, in our capabilities and in our client technology, providing a stronger foundation for future growth. By way of example, GroupM now operates on one global technology platform, WPP Open Media Studio, with common support functions across all our media agencies.

These initiatives delivered in-year cost savings of £85 million in 2024, equivalent to 68% of the 2025 annualised saving of £125 million, and ahead of our original plan to deliver 40-50% of these savings in 2024.

MORE EFFICIENT BACK OFFICE

We also made good progress in our back office efficiency programme across enterprise technology, finance, procurement and real estate.

We continued our enterprise resource platform deployment, driving standardisation, better and more timely commercial insights and improved operational efficiency. We rolled out Maconomy in certain markets in Europe, Middle East, Africa and South America, and will go live with Workday in VML and Ogilvy in the UK in the first half of 2025.

More than 1,000 legacy servers were decommissioned in 2024, with over 60% of workloads now moved to the cloud. We also invested in AI tools to be used across WPP, including Microsoft Copilot, to improve our efficiency across back office functions and strengthen the capabilities of WPP Open for our agencies.

Across enterprise technology and finance, we continue to optimise our shared finance service centres, offshoring more back office processes and driving further automation and efficiencies in the work we do to support our agencies.

In 2024, we invested in our Global Delivery Centres (GDCs) with a capability hub headquartered in India, accessible to all WPP agency teams and providing services with capabilities from hyper-personalisation and composable commerce to cloud modernisation and product engineering. Prashant Mehta joined WPP in 2024 from Accenture as Managing Director to lead the GDCs.

Our category-led procurement model is proving successful in consolidating spend by sub-category to drive further savings. In real estate, we continued to consolidate leases and deliver savings from our ongoing campus programme, replacing multiple smaller, less efficient offices with fewer, larger, more modern sites. Seven new campuses opened during the year.

You can read more about these cost initiatives on page 32

IMPROVED CASH CONVERSION

Our adjusted operating cash flow was £1.5 billion, up from £1.3 billion in 2023. This improvement was driven by our disciplined focus on working capital management, leading to a year-on-year inflow of £117 million, compared to an outflow of £260 million in the prior year. This in turn improved our operating cash flow conversion of headline operating profit to 86%, up from 73% previously. Our improved cash performance, combined with the sale of our majority stake in FGS Global, resulted in year-end adjusted net debt of £1.7 billion, a £0.8 billion reduction year-on-year, helping to strengthen our balance sheet.

£1.7bn

year-end adjusted net debt
(2023: £2.5bn)

DISCIPLINED CAPITAL ALLOCATION

We maintain a consistent and disciplined approach to our capital allocation, supported by a focus on delivering improved cash flow conversion to achieve our medium-term targets while paying a sustainable and progressive dividend to our shareholders.

Our first priority is to invest in our business with a focus on WPP Open, AI and data. Cash investment in 2024 was £250 million, focused on enhancements to tools and functionality, as well as the deployment of WPP Open across our teams and roll-out to new and existing clients.

We maintain a progressive dividend policy, with a target payout ratio of around 40% of headline earnings per share. For 2024 the Board has recommended a flat final dividend of 24.4p, giving a total dividend of 39.4p for 2024, level with 2023 and representing a cash return to shareholders of over £420 million. This dividend will represent a payout ratio of 45% of headline earnings per share, slightly above our target level, but consistent with the commitment to a progressive dividend and reflecting the Board's confidence in future growth and improving profitability.

The third leg of our capital allocation policy is to invest in targeted M&A opportunities that strengthen and accelerate our capabilities in high-growth areas. In 2024, we acquired New Commercial Arts, a fast-growing independent creative agency, which joined Ogilvy's global creative network to drive the agency's momentum in the UK market.

And finally, where we have excess cash we will return it to shareholders, as we have demonstrated in recent years.

Our capital allocation policy is underpinned by the commitment to a strong, investment-grade balance sheet, and in December 2024 we repurchased €599 million of bonds using proceeds from the sale of FGS Global.

Our average adjusted net debt to headline EBITDA ratio for 2024 was 1.80x. This is slightly above our target range of 1.5-1.75x, reflecting the timing of the completion of the disposal of FGS Global late in the year.

OUTLOOK

The macroeconomic volatility and geopolitical uncertainty that characterised 2024 continues as we begin 2025. With that backdrop we have set our guidance for revenue less pass-through costs on a like-for-like basis at flat to -2.0%.

We believe that the strategic progress we made in 2024 and the investments we are making in 2025 will support delivery of our medium-term financial targets, and returning to growth is a top priority for everyone at WPP.

During 2025 we will continue to deliver on the fourth pillar of our strategy, executing efficiently to drive financial returns. We expect to hold headline operating margin flat compared to 2024, excluding any impact from foreign exchange movements, with annualised structural cost savings and continued disciplined cost management offsetting top-line pressures, a small margin drag from the FGS Global disposal and increased investment in WPP Open, AI and data.

While we have made good progress on unlocking cost savings and delivering strong cash flows, there is more work we can, and will, do to ensure our operations are efficient and support an optimal investment allocation for future growth. As part of this, we are on track to deliver the remaining £40 million of annualised structural cost savings in 2025 and further efficiency opportunities across both our back office and commercial delivery.

Finally, we expect an improvement in adjusted operating cash flow before working capital, driven primarily by a meaningful reduction in our cash restructuring costs from £275 million in 2024 to around £110 million in 2025.

We have reaffirmed our financial targets for the medium term: 3%+ like-for-like revenue less pass-through costs growth, 16-17% headline operating margin, and at least 85% operating cash flow conversion of headline operating profit. We will maintain our average adjusted net debt to EBITDA target ratio at between 1.5-1.75x and an investment-grade balance sheet.

2024 was a year of significant strategic progress at WPP, despite challenging trading, and I would like to take this opportunity to recognise the hard work and commitment from colleagues across our business and to thank them for their contribution in 2024. I look forward to working closely with all colleagues in the year ahead to deliver our goals and improved returns for shareholders.

See Financial Review on page 68 for further details

Joanne Wilson
Chief Financial Officer
28 March 2025