CHIEF FINANCIAL OFFICER'S STATEMENT

Having simplified our business and reduced debt, we are well positioned to support our clients in achieving their growth aspirations.

"WE WERE ABLE TO MAINTAIN A VERY STRONG BALANCE SHEET THROUGH A PERIOD OF EXTREME UNCERTAINTY."

John Rogers
Chief Financial Officer

FIRST IMPRESSIONS

When I started at WPP in January 2020, I could not have envisaged spending my first year in front of a monitor, getting to know my colleagues over a range of video-conferencing tools. But the reaction to an unprecedented global shock tells you a lot about an organisation and its people, and I have been constantly impressed by the collective and individual professionalism, commitment and resilience I have witnessed, combined with the speed and agility of response in those very difficult few weeks when visibility was at its lowest. I am truly thankful to my new colleagues for their dedication.

When I am asked what most attracted me to WPP, the answer is very simple – opportunity. I believe the services we offer are more important to our clients than ever before, as every industry is disrupted and the marketing ecosystem becomes more fragmented and complex. In addition, we have the potential to be much more than the sum of our parts: first, in the way we bring the full power and range of expertise across WPP to our clients in a more simple and effective manner; and second, in the way we run our own business, as we simplify and standardise our operations, and reinvest for future growth.

ACHIEVEMENTS OF 2020

In such a challenging year it is especially important to reflect on what we did well. First and foremost, we moved at high speed to preserve the business. We took a number of rapid measures to improve our liquidity, including very tight control of working capital, the suspension of our share buyback and 2019 final dividend, and the issuing of two new bonds. We also worked hard to liberate "trapped" cash in a number of our subsidiaries. As a result, we were able to maintain a very strong balance sheet through a period of extreme uncertainty, and we have also retained a number of practices (particularly with regard to working capital) which can enhance our financial position further.

We also reduced cost in a highly effective manner: a £1,085 million reduction in revenue less pass-through costs translated into a £300 million reduction in headline operating profit, thanks to our cost control. Margins were much more robust than in the previous downturn in 2008/9 and, unlike in previous cycles, we were able to cut cost without cutting into the core of the business. Although there were inevitably some headcount reductions, we kept these to a minimum and are consequently well set to best serve our clients as the market recovers in 2021.

Finally, we built a robust corporate plan across the organisation, with a clear focus on growth, underpinned by efficiency and reinvestment, and with clear commitments and targets across the agencies. This forms the foundation of the medium-term guidance we have provided to our shareholders.

FINANCE PRIORITIES

CONTROL ENVIRONMENT

In such a large organisation as WPP, the need for a rigorous control environment is particularly important. Throughout 2020 the Company continued to improve and enhance controls across the business supported by the Risk and Controls Group that was created early in the year and is committed to the remediation of the material weaknesses reported as of 31 December 2020.

As the transformation programme continues our governance structures allow us to evolve and strengthen the control environment to match our strategic goals.

TRANSFORMATION

WPP has a very material opportunity to unlock efficiency savings, creating a more effective operating platform for our agencies, transforming the way we do business and reinvesting the savings for growth. We aim to achieve annual gross savings of around £600 million by 2025 by simplifying our operating model, generating efficiencies in procurement and real estate, and through improving the effectiveness of our support functions and shared services. The responsibility for delivering the savings from this transformation sits across the organisation, and one of my first priorities is building a team that has the skills and experience to deliver such a large and complex transformation programme.

Of the total savings target, we anticipate reinvesting around two-thirds into talent, technology and incentives to drive future growth.

INFORMED DECISION-MAKING

One of the significant benefits of the transformation described above is that it will improve the quality and speed of financial and other management information available to the business. This will empower finance to shift its centre of gravity away from highly detailed but ultimately backward-looking financial reporting to more commercial and real-time decision support: how best to bid for business, how to allocate resource across teams, and how to measure account and project profitability, for example. It will also facilitate automated, rolling forecast updates with less need for the regular, labour-intensive reviews that we undertake today.

"WPP HAS A VERY MATERIAL OPPORTUNITY TO UNLOCK EFFICIENCY SAVINGS."

CAPITAL ALLOCATION

The discipline with which companies allocate capital is a key determinant of growth and sustained financial returns. Finance plays a crucial role in this process, both in helping to set the overall framework and in the assessment of each project.

As we set out in December 2020, the four elements of our capital allocation strategy are as follows:

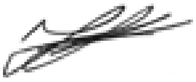
Capital expenditure: we will continue to invest in our technology infrastructure and Campuses, building platforms for our people and our clients, and supporting reduced property costs and standardised systems. Capex will rise to £450-500 million in 2021 and 2022, reflecting the peak of Campus and IT investments and in part the postponement of some 2020 spend. After 2022, we expect capex to return to a more normalised range of £300-350 million per annum.

Dividend: our goal is to pay a dividend that is growing and sustainable, reflecting the strong cash generation of the business while allowing for sufficient reinvestment for growth. Starting from the current year, we intend to grow the dividend annually and to pay out approximately 40% of headline earnings per share. The full-year dividend of 24.0p for 2020 is approximately 40% of our 59.9p headline diluted EPS.

M&A: acquisitions have always been an important engine for growth for WPP, enhancing organic growth and introducing future talent. We intend to pursue a focused M&A strategy, building out our capabilities in key growth areas, such as marketing technology and ecommerce, and concentrating on a few targets with critical mass which are scalable across WPP's offering to our clients. We expect to spend £200-400 million a year on acquisitions. The two deals announced since year-end, DTI in Brazil and NN4M in the UK, are exactly aligned to this approach.

Excess capital and leverage target: we restarted the buyback, funded by the proceeds of the Kantar transaction, in March 2021. We expect to generate and return ongoing excess capital in future years, subject to our leverage target of 1.5-1.75x average net debt/EBITDA.

The Company is in a robust financial position with good liquidity, supported by strong free cash flow generation; and has a very material opportunity to unlock efficiency savings.



John Rogers
Chief Financial Officer
29 April 2021

"STARTING FROM THE CURRENT YEAR, WE INTEND TO GROW THE DIVIDEND ANNUALLY."