



ACCELERATING GROWTH

CAPITAL MARKETS DAY

17 December 2020

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WPP'S FINANCIAL PLAN

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1

**ACCELERATED
GROWTH THROUGH
INVESTMENT**

2

**GROWTH FUNDED
AND MARGINS
IMPROVED THROUGH
GROUP-WIDE
TRANSFORMATION
PROGRAMME**

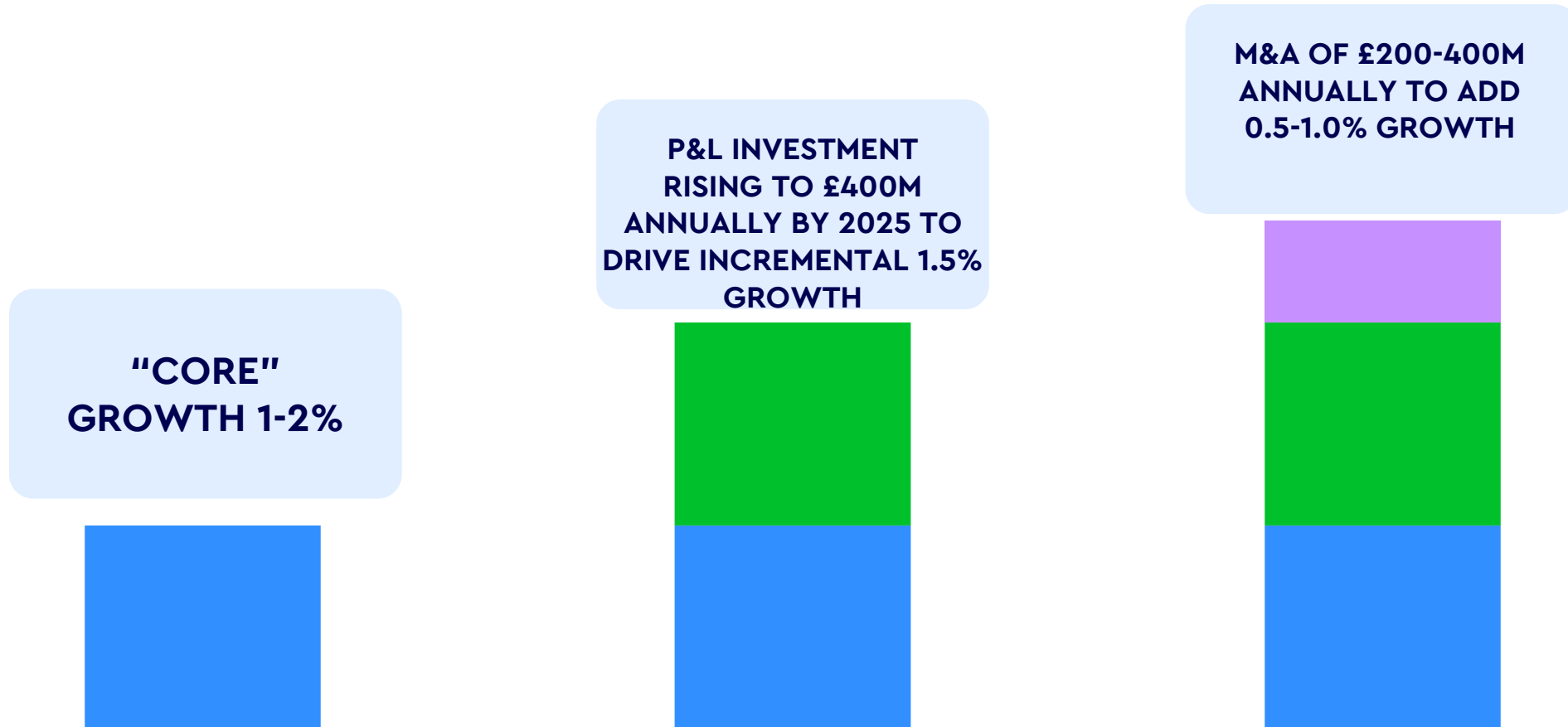
3

**CLEAR CAPITAL
ALLOCATION
FRAMEWORK**

4

**ATTRACTIVE
FINANCIAL
OUTCOMES**

1 ACCELERATED GROWTH THROUGH INVESTMENT

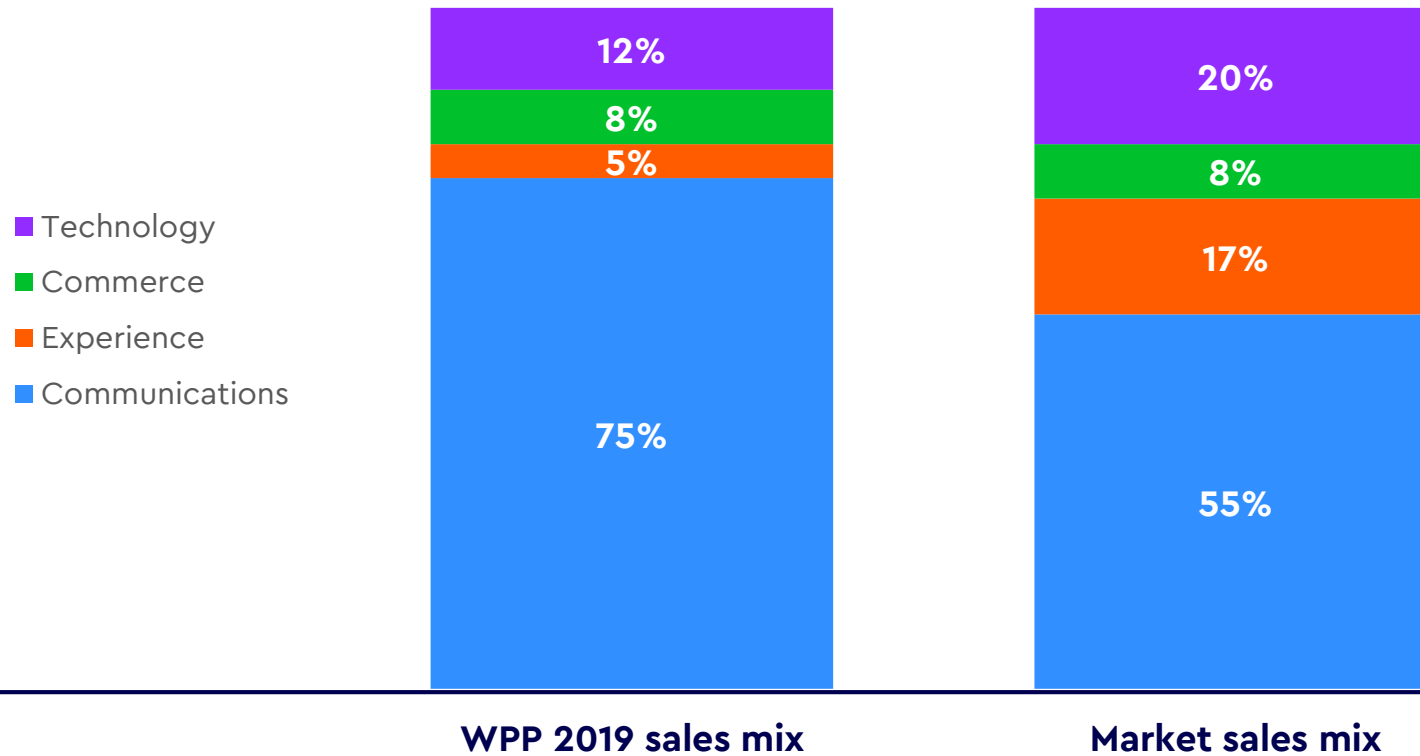


■ Core Growth ■ P&L Investment ■ M&A

MEDIUM-TERM GROWTH POTENTIAL

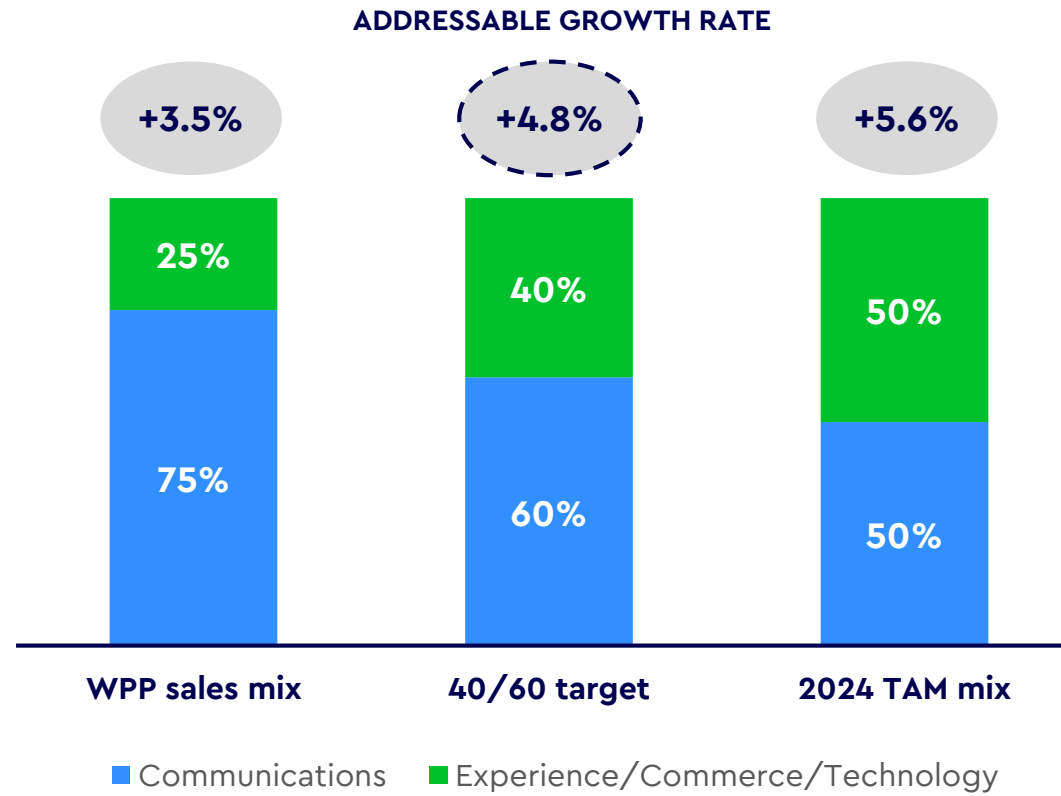
1 TARGETING 40% OF OUR BUSINESS IN HIGHER GROWTH AREAS BY 2025

SALES MIX ACROSS OFFER PILLARS



1 SHIFTING SALES MIX TOWARDS HIGHER GROWTH AREAS

SHIFTING THE OFFER MIX

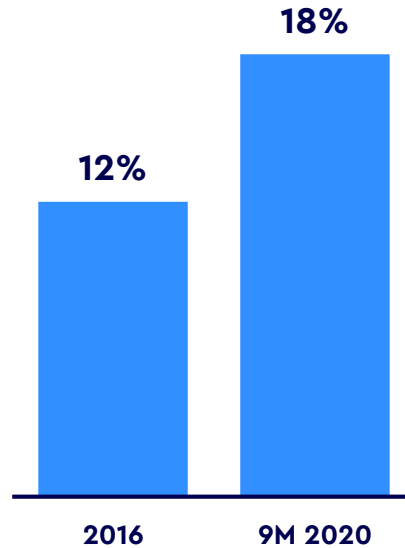


1 TARGETING SECTOR OPPORTUNITIES

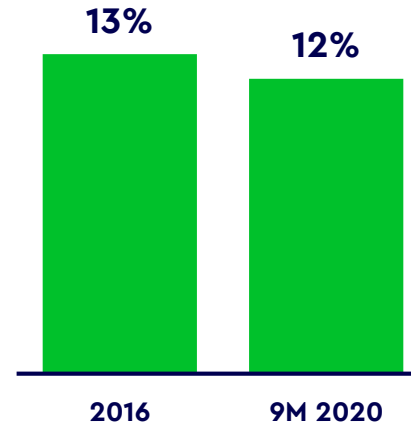
RENEWED GROWTH WITH CPG SECTOR



CONTINUE TO GROW WITH TECH SECTOR

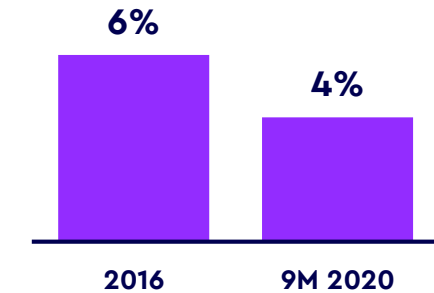


COMPLETE RECOVERY IN PHARMA/HEALTHCARE



FOCUS EFFORTS IN UNDERWEIGHT SECTORS

E.G., FINANCIAL SERVICES



PROPORTION OF REVENUE LESS PASS-THROUGH COSTS FROM OUR TOP 200 CLIENTS FOR EACH SECTOR

1 INNOVATIVE ENGINES OF GROWTH IN MEDIA



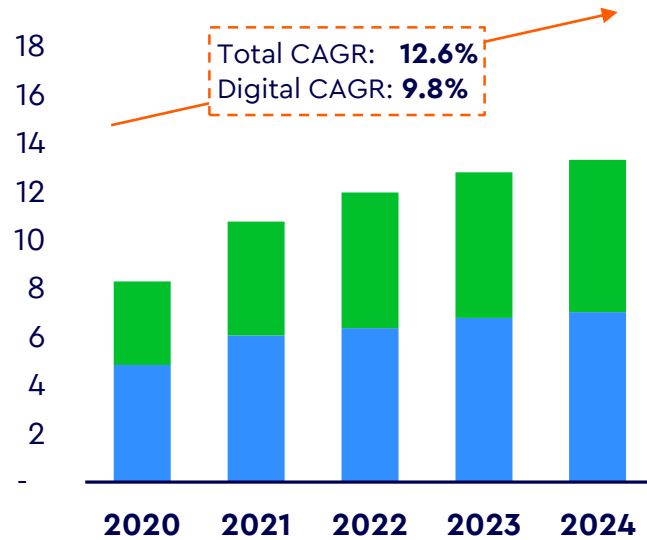
- Programmatic is 80-90% of digital display in US and UK
- Xaxis expected to capture **double-digits market growth**
- New markets (**in Europe and Latam**), new clients
- **Omnichannel video** powered by AI (Copilot)
- **Native** and **influencer** with strong momentum
- **Audio, DOOH** moving to programmatic

F:NECAST

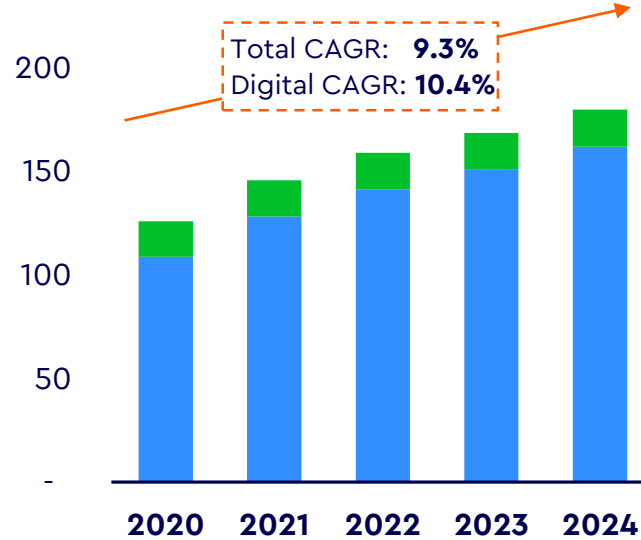
- **63%** YoY growth in US internet-connected devices usage, Q2 2020
- Roku (AVOD) nearly **50%** of total US internet-based viewing minutes in Q2
- Finecast progress:
 - **Deep technology integration** with broadcasters
 - Supported by GroupM **purchasing scale**
 - **+27%** LFL revenue less pass-through costs in H1; H2 acceleration forecast
 - Rapid footprint expansion: **11 markets** by end 2021

1 INVESTING IN HIGHER-GROWTH MARKETS

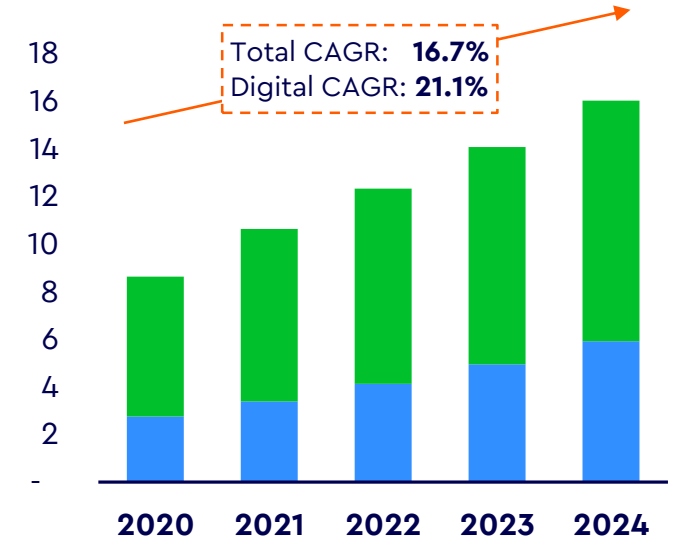
BRAZIL: 2.4% OF WPP



CHINA: 6.7% OF WPP



INDIA: 2.5% OF WPP



■ Digital
 ■ Non-Digital

1 SUMMARY INVESTMENT PLAN

Goal to grow in Communications, and to increase the share of our business in Experience, Commerce and Technology to 40% by 2025

£ MILLIONS	ANNUAL REINVESTMENT BY 2025	COMMENTS
INCENTIVE POOL	c.100	Rebuild incentive pool to historical levels: target 3-4% of revenue less pass-through costs from c. 2.5% today
TECHNOLOGY	c.150	Increased investment in technology and enterprise IT
TALENT	c.150	Increase in fee-earning heads in growth areas, investment in training to build capability
TOTAL	400	

1 SCALABLE M&A IN GROWTH AREAS

COMMUNICATIONS

MEDIA

- Enhance planning and strategy offer
- Offshore / flexible delivery models
- Performance media

CREATIVE

- Exceptional creative agencies to underpin our creative core

EXPERIENCE

SCALED CUSTOMER EXPERIENCE BUSINESSES

- End to end digital customer journey design and implementation
- Expand experience consulting and delivery in USA and Asia

COMMERCE

DIGITAL COMMERCE

- Scale existing solutions to meet global demand

MOBILE & SOCIAL COMMERCE

- Functional specialists to build global capability

TECHNOLOGY

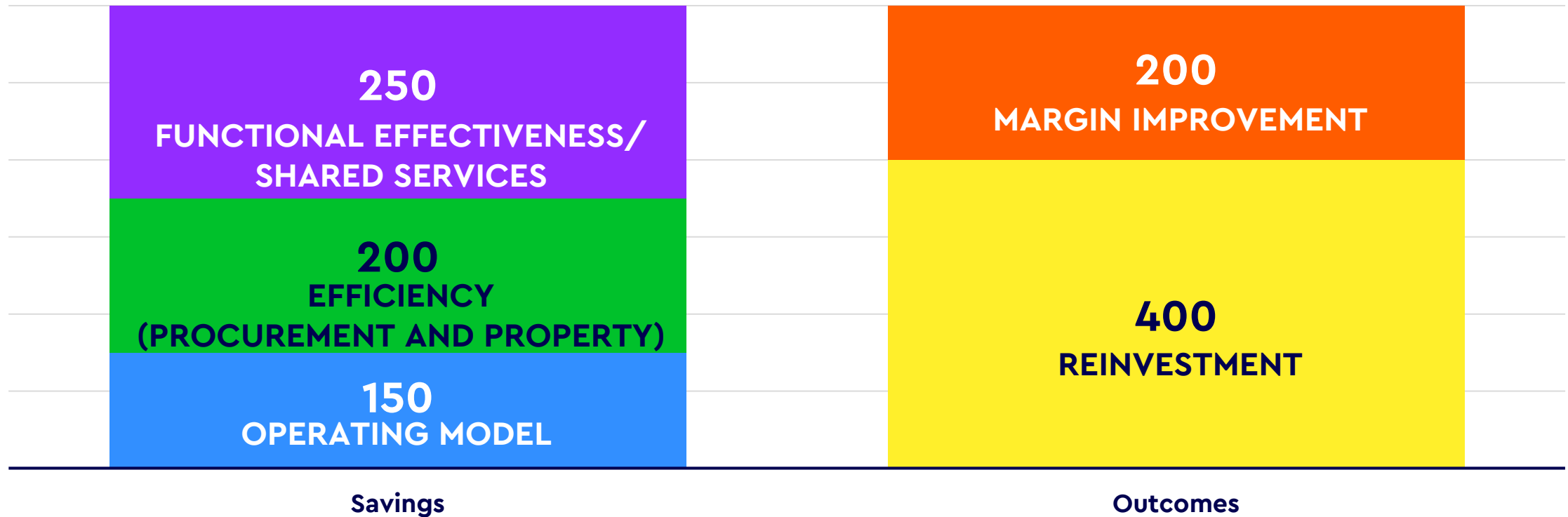
MARTECH CONSULTING & IMPLEMENTATION

EXPANSION INTO CORE IT CONSULTING TO COMPLEMENT MARTECH OFFER

DATA SCIENCE AND PREDICTIVE ANALYTICS

2 GROWTH FUNDED AND MARGINS IMPROVED THROUGH GROUP-WIDE TRANSFORMATION PROGRAMME

BY 2025...



2 FUNCTIONAL EFFECTIVENESS AND SHARED SERVICES: £250 MILLION OPPORTUNITY

CURRENT COST OF FINANCE

c. 4%

OF REVENUE LESS PASS-THROUGH COSTS

MODEL TODAY

- Dispersed, siloed and unbalanced functions in Finance, HR, IT and legal
- c. 8,000 Finance employees
- > 3,000 business units in c. 100 countries, > 300 financial systems
- Non-standardised ways of working
- Very detailed reporting requirements

FUTURE MODEL

- Single, federated approach to global business functions
- End-to-end process simplification and standardisation
- Automation, shared services at scale
- Streamlined reporting and control framework
- Data-driven insights for improved decision-making – leading not lagging indicators
- Agencies empowered to focus on winning and delivering client business
- Improved talent mobility

2 EFFICIENCY: £200 MILLION OPPORTUNITY

REAL ESTATE

CURRENT ESTABLISHMENT COSTS

c. 6%

**OF REVENUE LESS
PASS-THROUGH COSTS**

PROCUREMENT

INDIRECT SPEND

c. £2B

MODEL TODAY

- Campus strategy in place since 2018
- Already a third of people in 20 campuses
- Still multi-site even in cities with campuses, eg London, NYC. Scope for further consolidation

MODEL TODAY

- Inconsistent centralisation and pooling of scale
- Many goods and services still separately negotiated at agency level
- Prices can range by +/-25% by brand for same goods/services

FUTURE MODEL

- Post COVID opportunity to utilise space more intensively within existing and future campuses
- Increase levels of shared/flexible space within campuses
- Target of 85k people in 65 cities on campus by 2025
- Reduce space requirements by 15-20%

FUTURE MODEL

- Optimised and diverse supplier network
- Simplification of processes —mindful contracting
- Full adoption of analytic tool during 2021

2

OPERATING MODEL: £150 MILLION OPPORTUNITY

MODEL TODAY

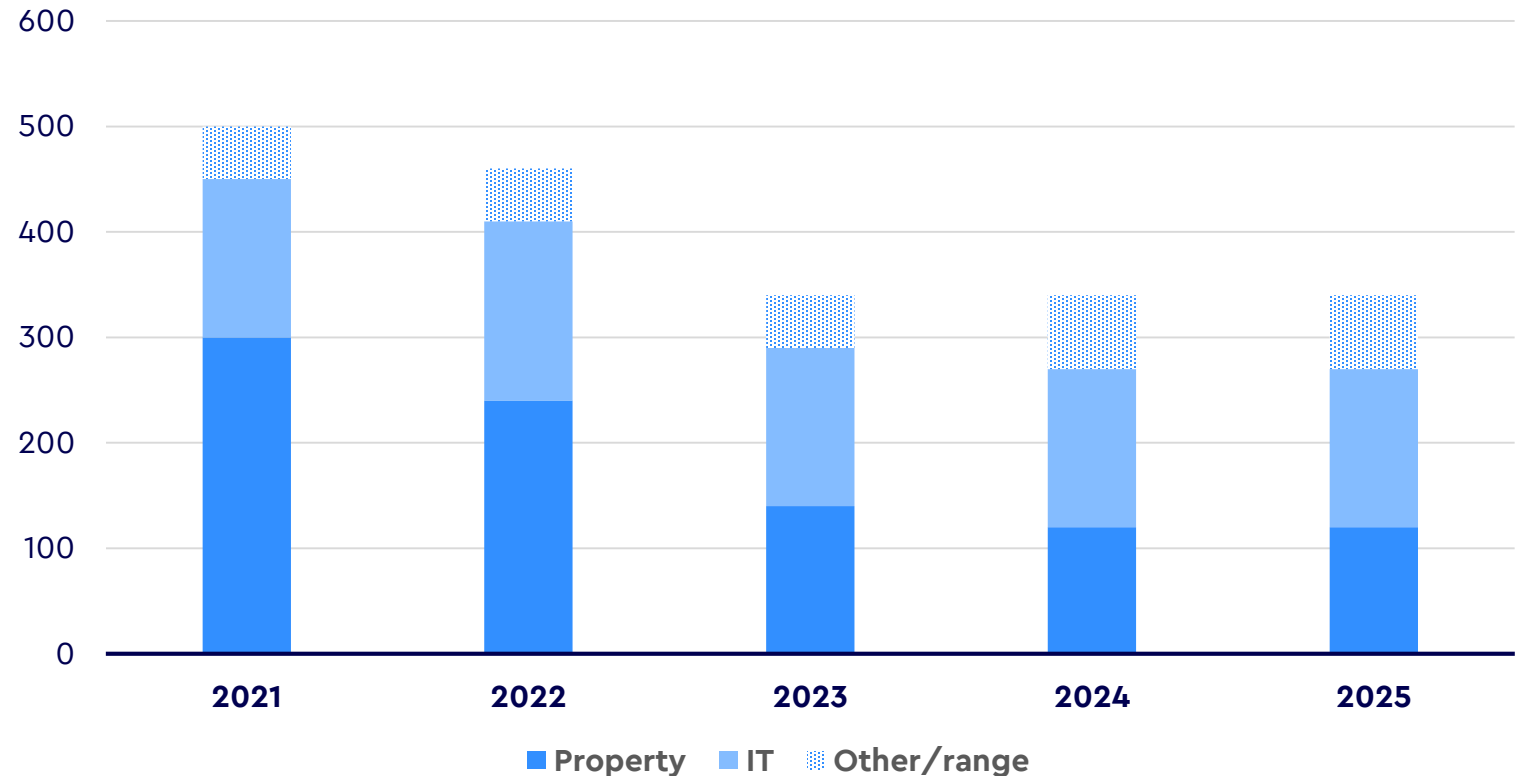
- 10+ different, opaque country operating models
- Long tail of small agencies in unprofitable countries
- Too many management layers
- Duplication of effort in eg technology, production assets
- Significant travel and personal costs

FUTURE MODEL

- 3 clearly-defined country models
- Significant consolidation of local agency operations
- Simplified org. structures
- Standard, connected global platforms, leveraging our scale
- Permanent change to ways of working post COVID

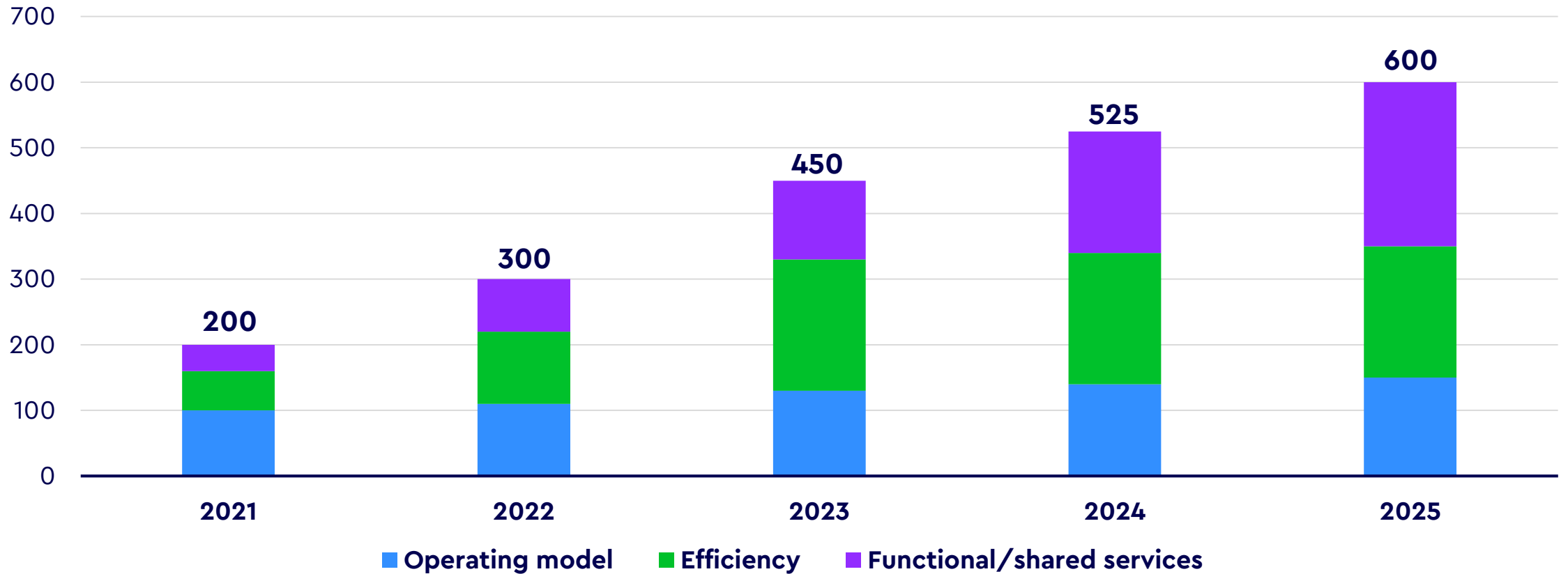
2 SAVINGS UNLOCKED BY SIGNIFICANT CAPITAL INVESTMENT

- Capex forecast at £450-500 million in 2021 and 2022
- Partially relates to delayed 2020 capex
- Investments in campuses, ERP and shared service centres driving the majority of efficiency savings



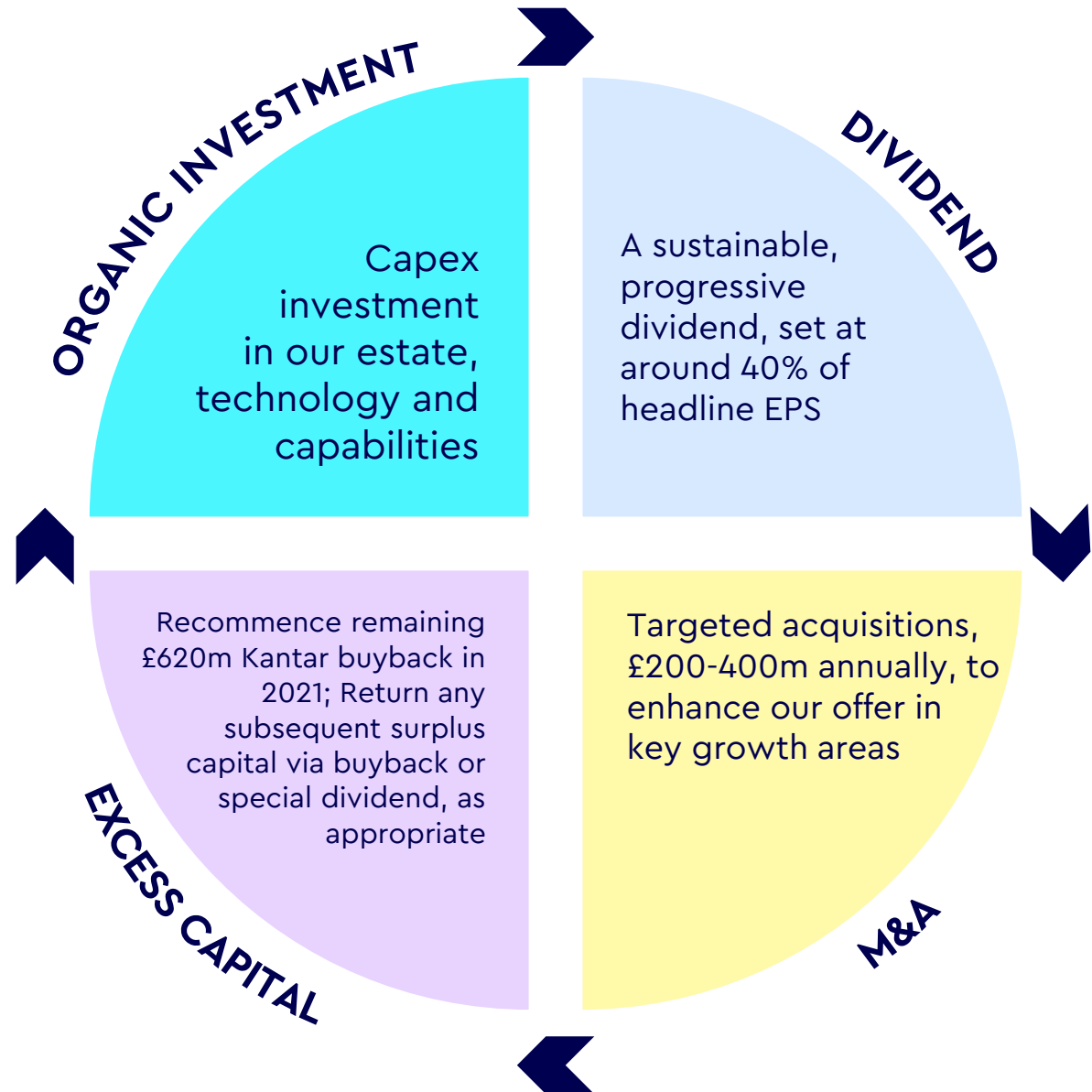
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APPROXIMATE PHASING OF THE GROSS SAVINGS TARGET



3 CLEAR CAPITAL ALLOCATION FRAMEWORK

- Invest in growth, with a goal to increase net sales from Experience, Commerce and Technology to 40% by 2025
- Provide shareholders with an attractive and sustainable return, combining capital growth and income
- Maintain a strong and flexible balance sheet (leverage target of 1.5 – 1.75x average net debt/ EBITDA), with excess capital returned to shareholders



4 STRONG FINANCIAL OUTCOMES

RAPID POST-COVID RECOVERY

LFL revenue less pass-through costs to grow **mid-single-digits** % in 2021 and 2022

ACCELERATED MEDIUM-TERM GROWTH

Targeting revenue less pass-through costs growth of **3-4%** annually from 2023

IMPROVED PROFITABILITY

Targeting headline operating margin of **15.5-16.0%** in 2023

4 2020 OUT-TURN AND INITIAL 2021 GUIDANCE

2020 Q4 CURRENT TRADING

- LFL revenue less pass-through costs
-6.7% Oct/Nov 2020
 - -8.4% YTD
 - Full year outcome expected to be in line with YTD performance
- Headline operating margin 12.5-13.0%
- Year-end net debt around £1.6 billion, continued working capital focus

2021 OUTLOOK

- Mid-single-digit growth in LFL revenue less pass-through costs
- Returning to growth in Q2
- Headline operating margin 13.5-14.0%
- Net finance costs similar to 2020
- Pre-associates tax rate c 24%, rising c. 0.5% annually
- Capex £450-500 million

WPP'S FINANCIAL PLAN - SUMMARY

1

ACCELERATED GROWTH THROUGH INVESTMENT

- Accelerating through growth in Communications and expanding Experience, Commerce and Technology from 25% today to 40% by 2025
- Targeting sector opportunities eg CPG, Tech, Healthcare
- Innovative engines of growth in media eg Xaxis, Finecast
- Capturing the opportunity in higher growth markets eg Brazil, China, India
- 2021-2022 – recovery
- 2023 onwards – accelerated growth
 - 1-2% core business growth potential medium-term
 - c 1.5% incremental growth from investing c£400m p.a. in technology, talent and incentives
 - 0.5-1.0% incremental growth from investing £200-400m p.a. in high growth, scalable acquisitions

2

GROWTH FUNDED AND MARGINS IMPROVED THROUGH GROUP-WIDE TRANSFORMATION PROGRAMME

- Plans in place to target £600 million of annual gross-cost savings by 2025
- Annual net cost savings of £200 million expected by 2025 after £400 million reinvestment in growth
- Savings phased over the next five years
- Key areas of efficiency:
 - Operating model savings (e.g. new ways of working, consolidating data and technology investment, simplified country structure, stream-lined organisational structures);
 - Efficiency savings (Procurement, Real estate); and
 - Functional Effectiveness & Shared Service savings (Legal, Finance, HR, & IT)
 - Efficiencies unlocked by significant capital investment in our campus programme, ERP systems and shared service centres
- Efficiency measures will also enhance effectiveness: improving business insight and talent management, leaving agencies free to focus on growth

3

CLEAR CAPITAL ALLOCATION FRAMEWORK

- Capex £450-500m p.a. expected in 2021 and 2022, reverting to £300-350m p.a. from 2023 to fund cost savings programme
- Intention to pay a progressive dividend at around 40% pay-out ratio
- £200-400m p.a. for high-growth, scalable M&A
- Average net debt/EBITDA maintained in target range 1.5-1.75x
- Kantar share buyback programme to resume in 2021

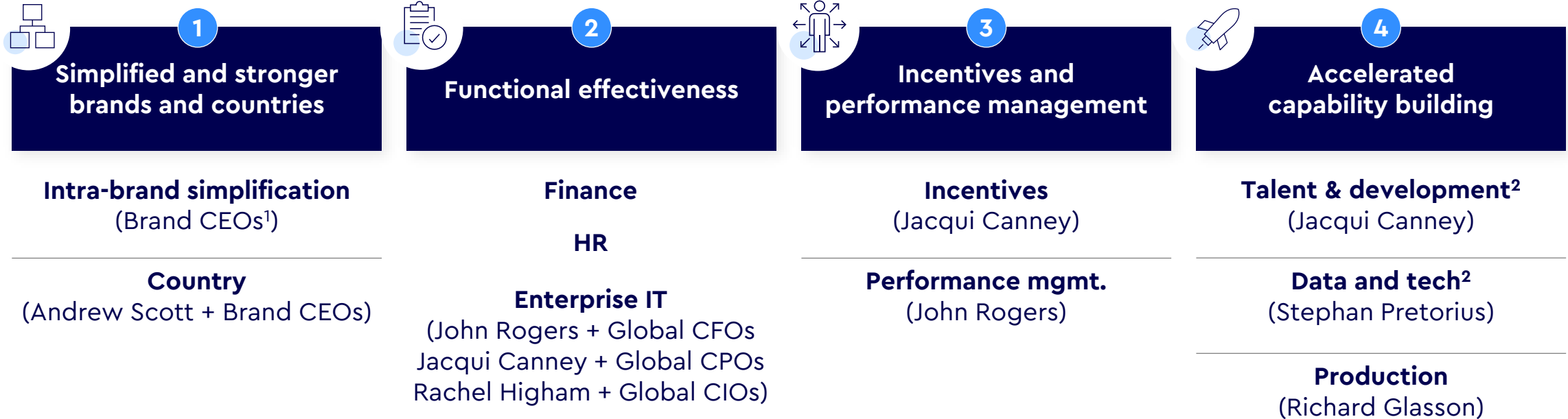
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ATTRACTIVE FINANCIAL OUTCOMES

- Rapid post-COVID recovery: LFL revenue less pass through costs is anticipated to grow mid-single digits over each of the next two years, recovering to 2019 levels through 2022.
- Accelerated medium-term growth: revenue less pass through costs anticipated to grow 3-4% from 2023 onwards
- Improved profitability: targeting 15.5%-16.0% operating margin in 2023
- Double-digit EPS growth over the next three years

HOW WE WILL DELIVER THIS PROGRAMME

Steering Committee (ExCo)



Integrated plan/ Programme management

Integrated plan
(John Rogers)

Programme management
(John Rogers)

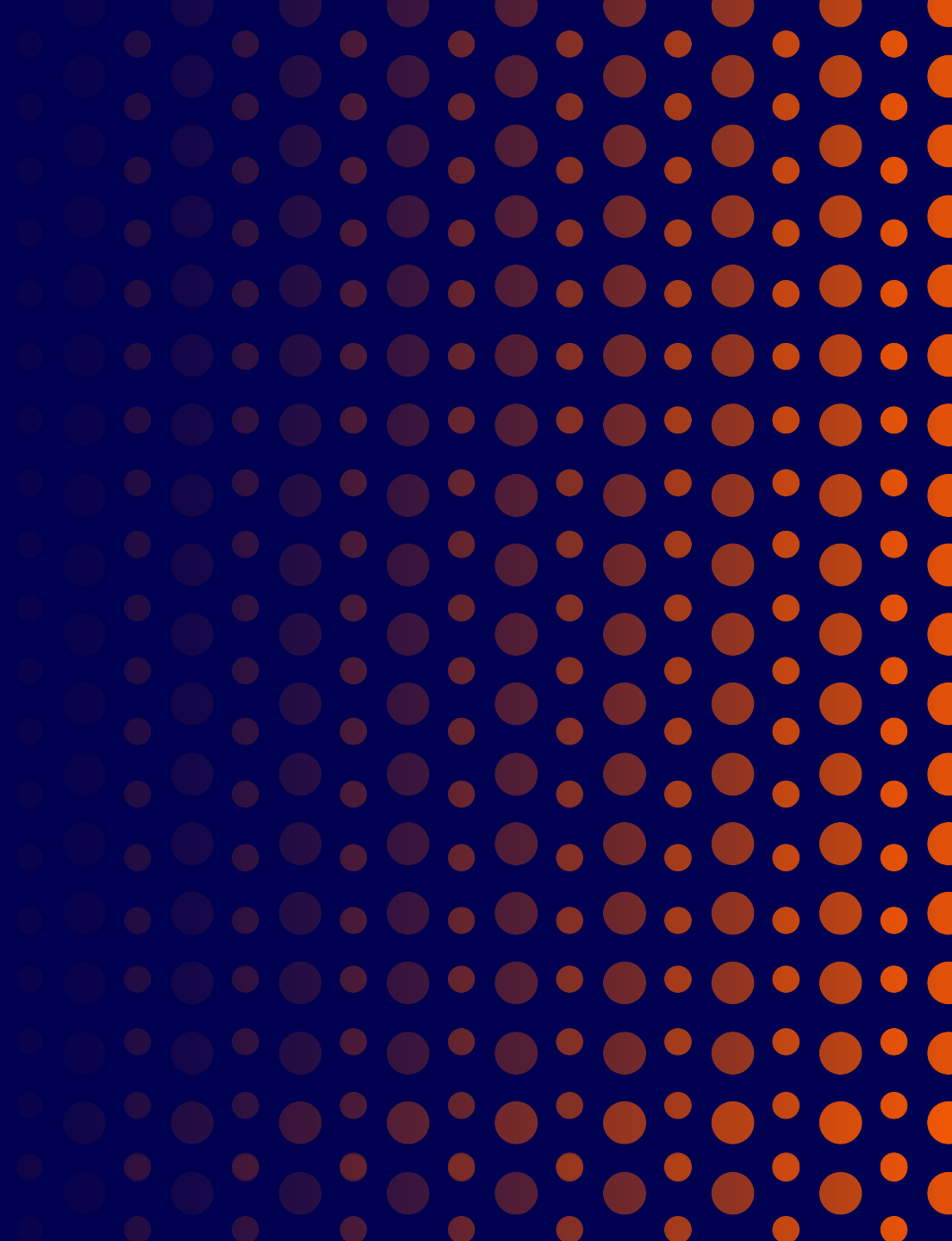
Change communications
(David Henderson)

1. Includes Specialist Communications
2. Starting point is offer articulation

ADDITIONAL ANALYSIS/ DISCLOSURE

- Aim to provide split of business by four pillars at full year and half year:
 - Communications, experience, commerce, technology
 - From H1 2021
- Increased GroupM insight
 - Revenue, revenue less pass-through costs
 - Billings breakdown between digital/ traditional
- Ongoing updates to Group transformation programme
- Ongoing updates to our People strategy & KPIs

SUMMARY



SUMMARY

- Focus on growth, profitability and returns, driven by client demand for our services
- Converting size into scale: data, media, technology
- People, culture and ESG at its heart
- Reducing inefficiency, investing in faster-growing areas
- Greater insight into underlying business performance
- Clear and investible capital allocation

COMMERCIAL BREAK

10 MINS