

2023 WPP Annual General Meeting

Transcript of Chairman and CEO Presentation

Wednesday, 17 May 2023

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Roberto Quarta
Chairman, WPP

It is now 11 o'clock. Good morning to you all and welcome to WPP's 2023 Annual General Meeting. I am Roberto Quarta, Chairman of WPP. I am delighted to welcome shareholders both virtually and in person here today. We believe that it is very important for us to offer a range of options to shareholders to access and participate in the meeting and, as always, we welcome your feedback on the experience. Being just after 11.00am, I can confirm that a quorum is present and I declare the AGM open.

Let me now turn to the business of the meeting. First of all, I would like to introduce my fellow Board members, all of whom are physically present with us here today. Turning to my immediate right, I think he needs no introduction, we have our CEO Mark Read. Next to Mark, we have our newly appointed CFO, Joanne Wilson - welcome Joanne. Next to her is Sandrine Dufour, Chair of our Audit Committee. Next to Sandrine, we have Ya-Qin Zhang followed by Simon Dingemans.

To my immediate left, we have our Company Secretary, Balbir Kelly-Bisla; next to her is Angela Ahrendts, who, as announced, is our newly-appointed Senior Independent Director. Next to Angela, we have Jasmine Whitbread, Chair of our Compensation Committee, followed by Keith Weed, Chair of our Sustainability Committee. Next to Keith we have Cindy Rose and next to Cindy we have Tom Ilube.

As previously announced, Nicole Seligman and Tarek Farahat are stepping down from the Board following the conclusion of this meeting and so are not joining us today, although Nicole I believe is in the audience somewhere.

Before we proceed with the formal business of the meeting, I would like to make a few comments and share my reflections on 2022, and then I shall ask Mark to present an update on our business performance.

Starting with the Board, as we set out in the Annual Report and Notice of AGM, and as just mentioned, Nicole Seligman and Tarek Farahat will not be standing for re-election at the meeting. Nicole is retiring from the Board having reached her nine year tenure, while Tarek is stepping down due to other commitments. On behalf of the Board and personally,

I would like to take the opportunity to thank and acknowledge both Nicole and Tarek for their significant contribution to WPP and service to the Board. To Nicole in particular, for her wise counsel as a Senior Independent Director, which has been invaluable over the years. It has been a pleasure working with both Tarek and Nicole and they leave with our very best wishes for the future.

In March, we announced that Joanne Wilson would be appointed to the Board and become CFO designate on 19 April, following John Rogers's decision to leave WPP to pursue broader executive opportunities beyond our company. John Rogers stepped down off the Board on 27 April and was succeeded by Joanne as CFO from that date.

John joined the company in early 2020 and made a very important contribution to WPP in his three years with us, including helping the company navigate through the pandemic - he had just started when the pandemic hit - and laying the foundation of its transformation programme. He leaves with our thanks and very best wishes for the future.

We are delighted to be able to welcome Joanne to WPP. Joanne is a highly regarded CFO and leader. Beyond her financial credentials, her extensive experience in data, retail and ESG is especially valuable given the importance to our business and our clients.

Now some reflections on 2022. It was a year in which the company, once again, successfully negotiated external challenges while developing growth for its people, clients and shareholders. Our results for 2022 brought widespread recognition of the progress the company has made in recent years, the successful diversification of its offer to clients, the strength of the business model and the resilience of the sector in which it operates.

As I said in my letter to shareholders in the Annual Report, the executive team deserves great credit for the turnaround in WPP's performance and reputation since 2018. It is very clear that clients now see WPP and its agency as business-critical partners in today's complex marketing environment. This is a result of the company's strategy to invest in talented people who produce outstanding work and in growth areas such as technology, data, commerce and digital communications.

WPP's longstanding investment in AI capability, for example, means that the company is well placed to capture the opportunities of this revolutionary technology and Mark will speak to that in more detail in his presentation.

The development of WPP's capability and transformation of its offer to clients over the last few years, has underpinned sustained demand for its services from the world's leading organisations and brands. It allows us to look ahead with great confidence in the future of our company.

The strategy has also delivered for our shareholders. In 2022, total cash to shareholders through dividends and share buybacks exceeded £1.1 billion. Our dividend policy is unchanged: to grow the dividend annually and to pay out approximately 40% of headline earnings per share.

WPP is a company that relies on talent for its success and the people strategy was a primary area of focus for the company in 2022. The Board and executive team were pleased to see significant improvements in the company's annual People Survey, which showed its highest ever level of engagement. WPP's employee net promoter score increased by 14 points, whereas inclusion, feeling valued and career growth were areas of particular strength.

The company has continued to make progress in terms of the diversity of its leadership. When we look at the proportion of women on the Board, that has increased to 46%, and we exceeded the target set by the Parker Review, with two Directors from an ethnic minority background. Also 46% of the Executive Committee members and their direct reports were women in 2022, against the FTSE average of 34%.

In the United States, our largest market, the proportion of senior and executive leaders who are non-white has increased from 14% in 2019 to 22% in 2022. WPP last year was named among the best places to work for the LGBTQ+ equality, for the second year in a row.

As encouraged as we are by these achievements, we know that continued progress requires sustained effort and focus. To drive further change, the company has linked DEI performance to remuneration, with diversity, equity and inclusion goals included in senior executives' incentive plans since 2021.

Moving on to creating value through sustainability, since it was first established in 2019, the Board's Sustainability Committee has played a very important role in supporting progress towards WPP's ESG objectives. As sustainability grows in importance for the company's people, clients and wider shareholders, the committee has considered a range of complex and interconnected issues.

During 2022, it covered topics on which WPP has taken leadership positions such as media decarbonisation and single-use plastics, regulatory developments such as TCFD reporting, internal processes, such as the company's new Green Claims Guide and support, for our people and communities in response to events such as the war in Ukraine.

WPP's aim is to embed sustainability throughout its operating model and organisation. The Board and executive team do not see this as an exercise in compliance or risk mitigation but as an opportunity to create value because it helps to attract and retain talented, passionate and motivated people and strengthen our relationships with our clients. Again, Mark will talk more about this shortly.

Before I hand over to Mark, I would like to end by saying how proud I am of the work that WPP does and for the people responsible for it. The fact that WPP continues to attract such talented individuals, drawn by the strong culture of its agencies, its sense of purpose and its vision to become the most creative company in the world, is the foundation of our positive outlook for WPP as the company continues to execute its strategy for growth. Now I will turn it over to Mark.

Mark Read
Chief Executive Officer, WPP

Thank you, Roberto, and let me add my welcome to those of you in the room as well as to those joining us on the webcast. I am going to highlight some of our key strategic developments during the year, as well as taking you through a brief review of our performance in 2022 and the first quarter of 2023.

SLIDE 4 – CAUTIONARY STATEMENT

First, though, please note that you should refer to this important cautionary statement here.

SLIDE 5 – WINNING WORK AND RECOGNITION

In looking back over the past year, I would like to start with our work, because that is really what matters for our clients and the recognition it has achieved over the last 18 months.

You can see here the many awards that our agencies have won around the world, across all of our disciplines from advertising to media, from design to public relations. At the Cannes Lions Festival of Creativity last summer, WPP was named the Creative Company of the Year, for the second year running, and the last time we achieved that was in 2017. On top of that, Ogilvy was named the Network of the Year and the last time they made that achievement was in 2016. These are both superb accomplishments and reflect the quality of the work and our client relationships.

In Mergermarket's ranking for 2022, FGS Global was the world's leading M&A adviser, as well as in the US, Europe and in Asia, so each of those regions, and the firm has become a true powerhouse in the area of strategic and financial communications.

We were also proud to be recognised by WARC - the World Advertising Research Centre - in all three of its global categories for excellence in marketing, ranking first in media, in effectiveness and in creative. WARC also recognised our agencies Ogilvy, EssenceMediacom and Wavemaker for their contribution.

As you can see across WPP, our work is getting better and better, something that is not only being recognised by the industry but, most importantly, by our clients.

SLIDE 6 – INVESTING IN DATA & TECHNOLOGY

Along with creativity, the other area where we have continued to invest to drive our long-term growth, is data and technology, as you would expect. Within that, the first important area has been e-commerce, including partnerships with the like of Stripe and Instacart, and the acquisitions of Corebiz, Newcraft and Diff in the e-commerce space.

In media, we launched GroupM Nexus, to bring our digital media operations together. This will create a specialist group able to serve our clients and agencies, and to take advantage of scale, common technology and a greater ability to offshore. Within GroupM Nexus, the Xaxis and Finecast businesses, in programmatic media and connected television respectively, continue to grow strongly, delivering \$2 billion of billings last year.

Finally, we continue to train and invest in our people: building the skills and capabilities that help our clients implement and get the most value out of the platforms provided by companies like Adobe, Salesforce and Microsoft, who are all close partners to WPP.

SLIDE 7 – HOW WE SEE THE OPPORTUNITY IN AI

There has been a lot of attention on the topic of generative AI and more broadly over the last few months and, as you would expect from this company, we have been investing in AI for some time across our businesses. We use it in our media business in GroupM through Xaxis, where AI helps us to target media to particular audiences and to optimise campaigns. In our production company Hogarth, we use AI to create and produce work just like a top Hollywood studio.

Two years ago, we acquired the AI company Satalia, here in the UK, which is home to a lot of the innovation that is going on in the area of artificial intelligence.

In addition, we are using AI in more creative ways to help support the creative process and to bring our ideas to life. At our first quarter trading update, we highlighted three recent examples of the work we have done that you can see on this chart. The first was a campaign for Lacta, a Mondelez brand, in Greece, from Ogilvy, which I shall show you in a minute. Our team at AKQA Bloom used AI to promote Chile's NotCo plant-based meat company, demonstrating what would happen if animals aged naturally to their full maturity. Then Wunderman Thompson have been working with the Iranian Democracy Council to highlight the future for women in Iran, and you can look at those fantastic examples later by scanning the QR codes in the AGM presentation but, in the meantime, I would like to show you the Ogilvy work for Lacta in Greece.

[video played]

A fantastic idea and, if you do use it, be careful as you may be asked if you wrote it yourself!

We are developing longer-term plans for using AI in our business. We do believe it will be fundamental to WPP's business in the future, helping to automate processes, particularly in our media and production agencies, and to help in assisting decision-making across the company.

We have asked ourselves the question that I know a lot of people are asking today: what will be the impact on employment and the people in WPP? Will it create jobs or will it destroy jobs?

For WPP, I have to say that I believe it is an opportunity and that we have to treat it as one, just as we have with the other technological innovations that have swept through our industry in the past two decades and that we have successfully navigated.

This will apply to jobs as well. It's a lot easier, today, to identify that jobs that will be impacted by AI, than to identify all those jobs that will be created by AI, because we don't know what they will be. If we embrace this AI revolution and use it to do great work for our clients, then I am sure that it will create new jobs and new opportunities for WPP and our people.

The last area of focus for WPP in 2022 I would like to touch on is Purpose.

SLIDE 8 – INVESTING IN OUR PURPOSE

In 2018, we set out a new purpose for WPP: to use the power of creativity to build a better future for our people, planet, clients and communities. We have both been guided by this purpose over the last five years and taken action to support each of these areas.

For our people, we work hard, as Roberto said, to create a diverse, positive culture at WPP and I am very proud of the progress we have made. In 2022, we were ranked 6th in the FTSE Women Leaders Review, which ranks FTSE 100 companies by the proportion of women among executive committee members and their direct reports. We were also recognised in the Bloomberg Gender-Equality Index, we received a top score in the Human Rights Campaign's Corporate Equality Index, and featured among the best places to work for LGBTQ+ equality. We know there's more work to do across our industry to improve diversity and this does remain a priority for all of us at WPP.

In terms of the planet, we've committed to be net zero in our own operations by 2025, and in our supply chain, our Scope 3 emissions, by 2030. We have made good progress towards reducing the absolute emissions across our own operations – driven, in large part, by our campus strategy. In 2022, GroupM launched a global framework for media decarbonisation, with the support of a leading coalition of clients, that aims to tackle the 50% of our Scope 3 emissions that come from our media buying activities, so probably the biggest contribution.

Lastly, to touch on our role with communities. Our people live and work in communities and many of them have, sadly, been impacted by war and natural disaster: in Ukraine, where we have 200 people; in Pakistan, where we have around 150 people and Turkey, where we have close to 1,000 people. In each of those countries, we've moved swiftly to support our people and the broader communities that surround them.

I think it is fair to say that our purpose is important for us as a company, and it's certainly important for our people. I believe it makes WPP a better destination for people and a better partner to our clients. It is in no way in conflict with our financial objectives but supportive of them, so you should be proud of the work that we've done and the progress we have made so far.

If these are the key strategic moves, what have been the results for you, our shareholders?

SLIDE 9 – 2022 & Q1 FINANCIAL PERFORMANCE

From a financial perspective, we had a strong year in 2022. We upgraded our guidance a number of times during the year and delivered full-year growth of 6.9%. Our performance was broad-based, across all our major agencies and nearly all of our key markets. As a result, we entered 2023 in a strong competitive position, based on our enhanced client offer, the quality of the work we do for clients and the scale of GroupM, demonstrated in the close to \$6 billion worth of new business that we won in 2022.

Our transformation plan remains on track, with savings coming in ahead of target in 2022, and we're on track to deliver the aggregate savings by 2025.

Lastly, we gave guidance for continued growth and margin expansion in 2023, as we continue to transform and invest in our business. Our performance in the first quarter of 2023 was very much in line with our expectations and we reiterated, at that point, our guidance for the full year.

SLIDE 10 – INCREASED CASH RETURN

As a result of our good performance, we were able to invest significantly in our business in 2022 – in the data and technology platforms, talent, IT and campuses that I mentioned. At the same time, we have maintained a strong balance sheet and returned over £1.1 billion to shareholders, in the form of buybacks and dividends.

For 2022, the proposed 24.4p final dividend, together with the interim dividend paid in November 2022, gives a full-year dividend of 39.4 pence per share – representing a very respectable 26% growth year-on-year.

SLIDE 11 – SUMMARY

In summary, your company has delivered a strong performance in 2022 and has made a positive start to 2023, very much in line with our expectations. We look forward to the rest of 2023, despite the uncertainties, with confidence. That's down to the many talented individuals who make up the 115,000 people who work for your company around the world. I'd like to close by thanking each of them very much for their effort and commitment to the company and thank you very much for listening.

I will now hand back to Roberto.

[END OF PRESENTATION]