

The fast read

For a quick, pre-digested, highly-compressed version of this Annual Report: read the next seven pages.

The full story starts on page 16.

Please read that, too.

Visit us online



Annual Report

wpp.com/annualreport2016

Sustainability Report*

wpp.com/sustainabilityreport2016-17

Pro bono work 2016*

wpp.com/probonoreport2016-17

Who we are

WPP is the world leader in communications services. It comprises leading companies in all these disciplines:

- Advertising
- Media Investment Management
- Data Investment Management
- Public Relations & Public Affairs
- Branding & Identity
- Healthcare Communications
- Digital, eCommerce & Shopper Marketing
- Specialist Communications

There are more than 160 companies within the Group – and each is a distinctive brand in its own right. Each has its own identity, commands its own loyalty, and is committed to its own specialist expertise. That is their individual strength. Clients seek their talent and their experience on a brand-by-brand basis. Between them, our companies work with 360 of the Fortune Global 500, all 30 of the Dow Jones 30 and 78 of the NASDAQ 100. It is also of greater value to clients that WPP companies and their people can work together, as increasingly they do: providing a tailor-made range of integrated communications services. Some 892 clients are now served in three distinct disciplines. 596 clients are served in four disciplines, and these clients account for over 53% of Group revenues. Group companies also work with 462 clients across six or more countries.

Collectively, over 205,000 people (including associates and investments) work for WPP companies, out of over 3,000 offices in 112 countries.

Why we exist

Within WPP, our clients have access to companies comprising the complete range of advertising and marketing communications services skills: companies with strong and distinctive cultures of their own. WPP, the parent company, complements these companies in several different ways.

- WPP encourages, enables and incentivises operating companies of different disciplines to work in close collaboration for the benefit of clients. We call this ‘horizontality’ – a way of working that unites diverse talents round a single client brief to forge a seamless solution.
- WPP can also function as the 21st-century equivalent of the full-service agency. For some clients, predominantly those with a global presence requiring a wide range of marketing services, WPP can itself provide a single contact point for both access and accountability.
- And finally, WPP the parent company relieves the operating companies of much necessary but time-consuming administrative work. Financial matters (such as planning, budgeting, reporting, control, treasury, tax, mergers, acquisitions, investor relations, legal affairs and internal audit) are all coordinated centrally. It also plays an across-the-Group role in the management of talent, property, procurement, IT, knowledge-sharing, practice development and sustainability.

Our mission

To develop and manage talent; to apply that talent, throughout the world, for the benefit of clients; to do so in partnership; to do so with profit.

Read more about our role on page 16.

What we think

WPP's collective intelligence

by Sir Martin Sorrell

Horizontality is best described as 'connected know-how': a way of working that unites people with diverse skills to deliver seamless solutions for clients. We have made it our strategic priority, because client demand for coordination between the different companies and disciplines within parent groups is growing stronger all the time. We need to continue to do it better than our competitors, several of whom have now woken up to its advantage.

WPP's 205,000+ individual brains represent the planet's greatest store of advertising and marketing services insight, expertise, creativity and experience. The more we work together, the more we can draw on that collective intelligence and the more effective we are on behalf of our clients as a result.

Sir Martin Sorrell's article begins on page 99.

Just Because You Can, Doesn't Mean You Should

How 'personalisation' can get altogether too personal for comfort

by Jeremy Bullmore

For years, you've been unable to do something. Then new technology comes along – and suddenly you can. So you do.

It's an entirely human instinct – but not one to be thoughtlessly followed. It's unwise to assume that just because you're now free to do something from which you were previously debarred, it must be in your interest to grab it. It ain't necessarily so.

Read Jeremy Bullmore's essay on pages 111 and 112.

Four strategic priorities

Our goal remains to be the world's most admired, creative and respected communications services advisor to global, multinational, regional and local companies. To that end, we have four core strategic priorities:

- 1** Advance the practice of 'horizontality' (connected know-how) by ensuring our people work together for the maximum benefit of clients: through cross-Group Communities and Practices, Global Client Teams, and Regional, Sub-Regional and Country Managers.
- 2** Increase the combined geographic share of revenues from the faster-growing markets of Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe to 40-45% of revenues.
- 3** Increase the share of revenues from new media to 40-45% of revenues.
- 4** Maintain the share of more measurable advertising and marketing services – such as data investment management and direct, digital and interactive – at 50% of revenues, with a focus on the application of technology, data and content.

Our Strategic report starts on page 26. Our 2016 financial statements are presented in full on pages 177 to 235 and at wpp.com/investor.

How we're doing

Financial summary

2016, our thirty-first year, was another record year, our sixth record year in a row, despite a generally low global growth, or tepid, environment.

Billings*

£55,245m

Reported +16.0%
Constant +5.5%

Revenue

£14,389m

Reported +17.6%
Constant +7.2%

Net sales*

£12,398m

Reported +17.8%
Constant +7.4%

Headline EBITDA*

£2,420m

Reported +20.8%
Constant +8.0%

Headline PBIT*

£2,160m

Reported +21.8%
Constant +8.5%

Net sales margin*

17.4%

Reported +0.5%¹
Constant +0.2%¹

Headline PBT*

£1,986m

Reported +22.4%
Constant +9.1%

Reported profit before tax

£1,891m

Reported +26.7%
Constant +12.5%

Headline diluted EPS*

113.2p

Reported +20.9%
Constant +7.7%

Reported diluted EPS*

108.0p

Reported +22.2%
Constant +8.5%

Dividends per share

56.60p

Reported +26.7%
Constant +26.7%

2016 results

Reported billings were £55.2 billion, up well over 5% in constant currencies, reflecting good overall performance in net new business. Revenue was up well over 17% to £14.4 billion and up over 7% in constant currencies. Net sales were up almost 18% and over 7% in constant currencies. Including 100% of associates and investments, revenue is estimated to total around £19 billion (over \$26 billion). Headline PBIT was up almost 22% to £2.160 billion (over £2 billion for the first time) and up well over 8% in constant currencies. Net sales margins increased by 0.5 margin points to an industry-leading 17.4% and, on a like-for-like basis, were up 0.3 margin points, in line with target, adjusted for the merger with STW Communications Group Limited in Australia.

Reported profit before interest and tax rose almost 26% to £2.113 billion from £1.679 billion, up 12% in constant currencies. Headline EBITDA increased by almost 21% to £2.420 billion, up 8% in constant currencies. Headline profit before tax was up well over 22% to £1.986 billion and reported profit before tax was up almost 27% to £1.891 billion. Diluted headline earnings per share rose by almost 21% to 113.2p (an all-time high) and diluted reported earnings per share were up over 22% to 108.0p, both reflecting like-for-like revenue and net sales growth, margin improvement and the benefit of acquisitions, along with the effect of currency tailwinds.

The value of the Group's non-controlled investments rose to £1.3 billion during the year, from £1.2 billion in 2015, chiefly reflecting the value of its content businesses, primarily VICE and Refinery29, and the Group's investment in leading media measurement company comScore, which merged with Rentrak in the first half of 2016.

With an equity market capitalisation at the time of writing of approximately

(% change from 2015 in reported and constant currency)

* Refer to financial summary on page 23 for additional information.

¹ Margin points.

£22.2 billion, the total enterprise value of your Company is approximately £27.2 billion, a multiple of 11.3 times 2016 headline EBITDA.

Free cash flow and net debt

Free cash flow amounted to almost £1.6 billion in 2016. This free cash flow was absorbed by £0.7 billion of net cash acquisition payments and investments, £0.4 billion of share buy-backs and £0.6 billion of dividends, a total outflow of £1.7 billion. This resulted in a net cash outflow of £0.1 billion, before any changes in working capital. Average net debt was therefore £4.3 billion in 2016, compared to £4.0 billion in 2015, at 2016 exchange rates, and net debt at 31 December 2016 was £4.1 billion, against £3.2 billion at 31 December 2015, primarily reflecting the weakness of sterling. This trend has continued in the first two months of 2017, with average net debt of £4.2 billion against £3.8 billion for the same period in 2016, at 2017 exchange rates. The average net debt to headline EBITDA ratio in 2016 remains under 1.8 times, which is almost in the middle of the Group's target range of 1.5-2.0 times.

Revenue growth

Our reported revenue growth for the year was 17.6%, and on a constant currency basis, which excludes the impact of currency movements, revenue was up 7.2%. This difference of 10.4% reflects the weakness of the pound sterling against most currencies, particularly in the second half, following the UK vote to exit the European Union.

On a like-for-like basis, which excludes the impact of currency and acquisitions, revenue was up 3.0%, with net sales up 3.1%. In the fourth quarter, like-for-like revenue was up 0.5%, the weakest quarter of the year, following like-for-like growth well over 6% in the final quarter of 2015, which was that

year's strongest quarter. North America and the UK slowed in the fourth quarter, again partly the result of stronger comparatives, with Western Continental Europe and Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe continuing to perform well. Like-for-like net sales growth was stronger than revenue growth, up over 2% in the fourth quarter, also against a strong comparative in 2015, with all regions, except the UK, showing growth.

Geographic performance

North America constant currency revenue was down almost 1% in the final quarter and like-for-like down almost 3%, largely as a result of the particularly strong comparatives in the fourth quarter of 2015, when constant currency revenue grew over 11% and like-for-like revenue was up almost 10%.

Despite the slight slow-down in the rate of revenue growth in the UK, constant currency net sales were up almost 2% in the final quarter, with like-for-like down 0.6%. On a full-year basis, constant currency revenue was up strongly at 5%, with like-for-like up almost 2%, with the second half weaker, perhaps reflecting Brexit uncertainties. Full-year net sales were up well over 5% in constant currency, with like-for-like up over 2%.

For the year, Western Continental Europe revenue grew almost 5% on a like-for-like basis (over 4% in the second half), compared with almost 5% in 2015, with net sales growth of well over 3% like-for-like (almost 3% in the second half), compared to well over 2% in 2015.

In Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe, on a constant currency basis, revenue growth in the fourth quarter remained strong at almost 12%, the same as the first nine months growth, with like-for-like up almost 4%, the strongest quarter of the year, and well ahead of the first nine months growth of over 3%.

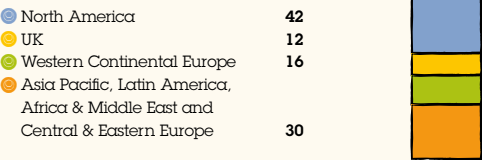
The fast read

How we're doing

2016 revenue by geography %



2016 headline PBIT¹ by geography %



2016 revenue by sector %



2016 headline PBIT¹ by sector %



Sector performance

On a like-for-like basis, Advertising and Media Investment Management was the strongest performing sector, with revenue up almost 5% for the year and up almost 1% in quarter four.

Data Investment Management revenue was down almost 2% on a like-for-like basis in the fourth quarter, but more importantly, net sales were up well over 1% on the same basis. On a full-year basis, constant currency revenue was up 0.4%, but down almost 1% like-for-like, with a weaker second half. Net sales, however, showed stronger growth with constant currency net sales up over 3%, up almost 1% like-for-like.

Despite the slower growth in the final quarter, like-for-like net sales in the Group's specialist Public Relations & Public Affairs businesses were up almost 7% for the year.

At the Group's Branding & Identity, Healthcare and Specialist Communications businesses (including direct, digital and interactive), constant currency revenue grew strongly at 8% in quarter four, the strongest performing sector, with like-for-like revenue up well over 1%.

Industry recognition

For the sixth successive year, WPP was named Creative Holding Company of the Year at the Cannes International Festival of Creativity, in recognition of your Company's collective creative excellence; for the fifth consecutive year, WPP was ranked Most Effective Holding Company in the Effie Global Effectiveness Index; and, for the third year in a row, WPP was named the World's Top Holding Company by Warc.

¹ The calculation of headline PBIT is set out in note 31 of the financial statements.

Who runs WPP

Non-executive chairman

Roberto Quarta

Chairman of the Nomination and Governance Committee
Member of the Compensation Committee

Executive Directors

Sir Martin Sorrell

Chief executive

Paul Richardson

Finance director
Chairman of the Sustainability Committee

Non-executive directors

Jacques Aigrain

Chairman of the Audit Committee
Member of the Compensation Committee

Charlene Begley

Member of the Audit Committee and Nomination and Governance Committee

Tarek Farahat

Member of the Audit Committee

Sir John Hood

Chairman of the Compensation Committee

Ruigang Li

Member of the Nomination and Governance Committee

Daniela Riccardi

Member of the Nomination and Governance Committee

Nicole Seligman

Senior independent director

Hugo Shong

Member of the Nomination and Governance Committee

Timothy Shriver

Member of the Compensation Committee

Sally Susman

Member of the Nomination and Governance Committee

Sol Trujillo

Member of the Audit Committee

Members of the Advisory Board

Jeremy Bullmore

John Jackson

Bud Morten

John Quelch

Richard Rivers

Cuneyd Zapsu

Company Secretary

Marie Capes

Directors' biographies appear on pages 116 to 119.

How we behave and how we're rewarded

Governance

The Board of Directors is committed to achieving compliance with the principles of corporate governance set out in the UK Corporate Governance Code and to comply with relevant laws, regulations, and guidelines such as the US Sarbanes-Oxley Act 2002, the NASDAQ rules and, where practicable, with the guidelines issued by institutional investors and their representative bodies.

WPP operates a system of internal control, which is maintained and reviewed in accordance with the UK Corporate Governance Code, COSO and the FRC guidance on risk management and internal control.

Further details on corporate governance, and how we comply, can be found on pages 169 to 173.

Compensation

Directors' Compensation Policy is set by WPP's Compensation Committee and is governed by three guiding principles:

- Performance
- Competitiveness
- Alignment with share owner interest

The full report from WPP's Compensation Committee can be found on pages 128 to 158.

Sustainability

Leading companies – our clients – are prioritising sustainability, looking to integrate improved social and environmental performance into their

products, communications and operations. Our commitment to sustainability helps us to align with the interests of our clients and to respond to the growing number of client procurement processes that include sustainability criteria. It makes the Group a more attractive employer, enables us to improve efficiency, to be prepared for changes in regulation and to maintain positive relationships with our stakeholders.

Clients

■ Clients who engaged with us on sustainability represented over £1.6 billion in revenues to the Group in 2016, equivalent to over 11% of the total.

People

■ We invested £45.1 million on training in 2016 and offered over 6,400 paid internships and apprenticeships.

■ At year-end 2016, women comprised 29% of the WPP Board, 33% of non-executive directors, 34% of directors and executive leaders in our operating companies, and 54% of total employees.

Environment

■ We have cut our carbon footprint per employee to 1.86 tonnes of CO₂e, a 45% reduction from 2006.

Social contribution

■ In 2016, our social investment was worth £19.5 million, equivalent to over 1% of reported profit before tax.

■ In addition, WPP media agencies negotiated free media space worth £22.8 million on behalf of pro bono clients, representing over another 1% of reported profit before tax.

Read a summary of our performance and activities in 2016 on pages 161 to 167.