

WPP PLC

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WPP whipped as transformation fails to prevent year-end slump

WPP PLC (LON:WPP) reported flat sales and lower profits after the first year of the advertising behemoth's three-year turnaround plan under chief executive Mark Reid, not helped by an alarming slump in the fourth quarter.

Reid, who took over the sprawling multinational in the wake of longtime boss Martin Sorrell's ignominious exit in 2018, has looked to conduct what he called a "radical evolution", slimming down a business that had become "too unwieldy" and focusing more on technology and creativity as he tried to put the FTSE 100 group back on a growth footing.

READ: WPP maintains expectations of full-year decline despite returning to growth in Q3

For last year, Read said the second half of 2019 was stronger than the first, with performance improving globally and in the group's largest market, the US.

"Our new offer of creativity powered by technology has resonated with clients, as we've seen in good retention rates and important wins," said Read, pointing to new creative assignments with Instagram, Mondelez, AXA, eBay and Hasbro.

However, while revenues of £13.2bn for 2019 were up 1.4% on the previous year, this was mostly from currency swings, and annual growth was held back as the fourth quarter saw organic net sales turn negative again, falling 1.6% overall, with the US and UK down 4.5% and 3.7%, the Rest of the World down 0.2% and Western Europe up 1.3%.

Underlying profits (EBITDA) for the year fell 5.3% to £1.8bn and reported profit before tax slumped 22% to £982m, including £153m of restructuring and transformation costs, £48m of goodwill writedowns and was against two major exceptional gains the previous year.

The slimming down of WPP, while it has included the £3.2bn sale of a 60% stake in market research group Kantar and a £743m reduction in average net debt fell to £4.3bn, has actually seen the staff headcount grow 1% to a still unwieldy looking 106,786, even though Read has merged 100 offices, closed 80 business and made roughly 3,500 planned redundancies.

For 2020, he kept the medium-term financial targets in place, for flat like-for-like revenue and headline operating margin on a constant currency basis.

Read said it was too early to predict the full potential impact from the coronavirus outbreak, but that an update will be provided at the first-quarter trading update.

WPP shares fell 15% to 777.5p on Thursday morning.

Price: 611.6

Market Cap: £7.49 billion

1 Year Share Price Graph



Share Information

Code: WPP

Listing: LSE

52 week High Low
1085.5 450

Sector: Media

Website: www.wpp.com

Company Synopsis:

WPP is one of the world's largest communications services groups. We are made up of leading companies in: Advertising; Media Investment Management; Information, Insight & Consultancy; Public Relations & Public Affairs; Branding & Identity; Healthcare Communications; Direct, Promotion & Relationship Marketing; Specialist Communications.

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"After a year of consolidation and modest progress, 2020 was supposed to be the year when CEO Mark Read really started to deliver, joined by newly appointed finance chief John Rogers," said Russ Mould at AJ Bell.

"Read will hope he's afforded more time to turn things around with his plan likely to involve more simplification of a fragmented business, investment in technology and innovation, further cost savings, reductions in debt and potentially selling off more non-core assets in the wake of the sale of a majority stake in the Kantar market research business.

"The fear will be that this is insufficient to keep up with changes in a dynamic market which is increasingly digital. More businesses are bringing online marketing expertise in-house and consultancy firms are also muscling in on the traditional advertising agencies' turf."

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