05-Mar-2024

Omnicom Group, Inc. (OMC)

Morgan Stanley Technology, Media & Telecom Conference

Copyright © 2001-2024 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

John D. Wren
Chairman & Chief Executive Officer, Omnicom Group, Inc.

Philip J. Angelastro
Executive Vice President & Chief Financial Officer, Omnicom Group, Inc.

OTHER PARTICIPANTS

Cameron McVeigh
Analyst, Morgan Stanley & Co. LLC

MANAGEMENT DISCUSSION SECTION

Cameron McVeigh
Analyst, Morgan Stanley & Co. LLC

Okay. Please note that important disclosures, including my personal holding disclosures and Morgan Stanley disclosures, all appear as a handout available in the registration area and on the Morgan Stanley public website.

So I'd like to welcome John Wren, Chairman and CEO; and Phil Angelastro, EVP and CFO, to the conference. Welcome both.

John D. Wren
Chairman & Chief Executive Officer, Omnicom Group, Inc.

Thank you.

Copyright © 2001-2024 FactSet CallStreet, LLC

QUESTION AND ANSWER SECTION

Q

To start, you've gone through a number of dispositions and acquisitions recently, most notably the disposition of ICON and the recent acquisition of Flywheel. What is the strategy behind this active M&A cycle Omnicom seems to be in and how does it position the company to grow more quickly?

John D. Wren
Chairman & Chief Executive Officer, Omnicom Group, Inc.

A

Sure. Phil and I both are perpetually looking at the portfolio to make sure, in our view, that we're typically looking five years out, looking at the portfolio and saying, are we happy with it? Is it client facing? Are we still getting the same return, do we have the right people, a whole bunch of criteria? And what type of investments do we think we need to make internally or externally for that company to be the proper company for the next 60 months. That is the way we're constantly going about examining the portfolio.

What you've seen recently, and try to answer the exact question, we're probably in an acquisition mode. That doesn't preclude that we might not sell the odd thing if we make a decision about it, but certainly in the acquisition mode. The Flywheel acquisition is terribly important. Flywheel is a company that is – and not making this up, is the only company in the commerce space that is fully integrated and will assist clients in selling and improving their standings and therefore, their performance in a digital store.

And if you look at recent surveys, just look at Americans, they spend about 2.5 hours a day on the computer through either social media or shopping. And we're of a belief that that's an area that's only going to expand and grow quite significantly as we go into the future, and not that brick-and-mortar is going to go away, not by any means, but everything that you saw – you see, it's going to be a disproportionate amount that's built digitally rather than physically. And we are the only ones that now can service clients and their needs in selling in that environment and also in a very measurable way.

It also fits and integrates very well with our Omni Assist and Omni platform, which we've been building for the last 15 years. And it really complements it and doubles the size of data that we have to optimize every day. When, both now, we've completed the deal on January 2, we were ready to go by mid-January of fully integrating the information that's on this platform so they can be used from end-to-end.

What that means is we can use the data that we have in the platform that we've created to not only build your brand and reach who your potential customers are, but we can also evaluate and decide whether we should be investing in a particular area or whether or not you as a client have distribution and supply in that area if we create the demand that you're looking for. And we're the only ones that can do it and it really is a major step in the development of Omnicom.

Now, I'm a pretty old hand. I've been around Omnicom for a very long time. If I look at quarterly calls, I've probably done 116, 117 of them. That's how old I am. But for the fourth quarter, I would have described in those conference calls, Omnicom being an advertising and marketing company. What I did this past fourth quarter in anticipation of closing the deal on January 2 is I started defining Omnicom as it is now, which is a marketing and sales company. So – and in doing that, it's more than just a subtlety of words.

Copyright © 2001-2024 FactSet CallStreet, LLC

Typically, most clients are struggling constantly with their marketing budgets, traditional marketing budgets, and also what used to be expenditures that retailers would require a certain expenditure to get positioning in the store, that has since converted itself to spending money on their media platforms, be it Walmart or whomever. And clients are increasingly looking – those have been separate budgets, separate investments that the client had made and were optimized individually. We're capable now of optimizing the joint budgets and getting the most efficient and effective spend from the clients.

And any time I can measure it and prove it to a client, I found that if I can prove to that $1 brings in $2, I found that most clients will actually spend more money with us because we're able to tap those budgets, which here up until now we've had very limited access to. So I'd say in acquisition mode. And so we have a lot to do in – a lot of opportunity in making investments to enhance that existing platform, which nobody else has. And then we have our typical areas that I think we say most calls or we have recently, in precision marketing, we're continuing to make investments and some fill in different area – specialty areas. I don't know, Phil, do you want to add anything?

Philip J. Angelastro
Executive Vice President & Chief Financial Officer, Omnicom Group, Inc.
A

Yeah. The areas we're focused on, as far as acquisitions, are the ones we think have the most growth potential. Clearly, e-commerce and retail media with Flywheel, and Precision Marketing, Healthcare and PR as well. Those would be the areas we're mostly focused on.

Cameron McVeigh
Analyst, Morgan Stanley & Co. LLC
Q

Got it. John, you look great for that many earnings calls.

John D. Wren
Chairman & Chief Executive Officer, Omnicom Group, Inc.
A

I'm sorry. Yeah.

Cameron McVeigh
Analyst, Morgan Stanley & Co. LLC
Q

In the fourth quarter, Omnicom saw a reacceleration of organic growth and guided to a higher-than-expected 3.5% to 5% organic growth rate for 2024. What makes you confident you will be able to achieve this growth and what are your long-term growth expectations?

John D. Wren
Chairman & Chief Executive Officer, Omnicom Group, Inc.
A

Sure. At this point, I'm very confident about achieving those objectives. Two things have occurred within the company. We won quite a bit of new business in the end of the third quarter, the beginning of the fourth quarter. And because of the client notice periods, those revenues will start accruing to us April 1 because of notice periods to the predecessor. So you have that. We have no significant clients that are any threat to us. And it's also an election year, which is very beneficial for a company like ours, and it's an Olympics.

So you add those macro factors, offset by some caution because of the geopolitical situation. And we sit like everybody waiting – not dependent upon it, but the Fed to act at some point. Those are the mitigating factors before you get the client-specific or vertical-specific opportunities or concerns. So we're very comfortable with the

Copyright © 2001-2024 FactSet CallStreet, LLC

forecast and the guidance we've given and we'll probably revisit it when we do our second quarter call next month.

Philip J. Angelastro
Executive Vice President & Chief Financial Officer, Omnicom Group, Inc.
A

We also expect our Precision Marketing group to kind of rebound from its performance in 2023 and have a pretty robust 2024.

Cameron McVeigh
Analyst, Morgan Stanley & Co. LLC
Q

sssss That's great. On that macro point, what sort of macro environment is baked into the guidance?

John D. Wren
Chairman & Chief Executive Officer, Omnicom Group, Inc.
A

Well, everybody is watching the Fed, right? And there's a lot more caution in terms of when people would release budgets and spend this time last year than there is now because no one knows when they're going to act, but they know they're done increasing rates or at least they believe they are. So they're looking at those opportunities differently than they were a year ago for the most part, and this is generalization. So that is a macro trend.

We need some kind of a ceasefire settlement in the Middle East. And even though [ph] there are some returns is there (00:09:59), we're moving in that direction. So that's a macro factor. But that makes us a little bit cautious, not overly cautious. And as a company, we tend to be in moments like this cautiously optimistic. And that's how I would describe the guidance we gave when we were disclosing our year-end numbers.

Cameron McVeigh
Analyst, Morgan Stanley & Co. LLC
Q

That's great. Helpful. We're into March now. How would you say the tone of client conversations have been trending? How are they talking about the next 12 months? And are there any specific vertical ad category trends to call out either positive or negative?

John D. Wren
Chairman & Chief Executive Officer, Omnicom Group, Inc.
A

I've seen green shoots in just about every vertical we service. Clients are considering – many of the clients are considering the same things we are. Certain industries have different pains and adjustments that they're making. Clients who are dependent upon China, for instance, for being the largest market to sell their product or the second largest market have shifted their objectives for those markets back to the US for the most part. And that shift is not a terrible thing for our business either because it's more established.

So you look at the auto industry, for instance, China was going to be the place that they sold the most. China has dampened some of those expectations. And if you look at Europe, you look at China, Vietnam, and some other markets, they're trying to flood the European markets with cheap electric cars. So that's just a rebalancing in terms of that vertical.

Tech, I think, has gone through the pain that it suffered last year and is back on its feet again with no real anticipated large cutbacks, and they're making investments now that they've sorted that out. Pharmaceutical, the healthcare industry remains strong and I think will remain strong for the foreseeable future.

Copyright © 2001-2024 FactSet CallStreet, LLC

The other categories and verticals that we are operating in are all – no one is negative, I guess, is the way I put it. So they're either planning to spend what they did or they are planning to increase their investments.

Cameron McVeigh
Analyst, Morgan Stanley & Co. LLC

Q

Is the tech vertical, are they reinvesting in marketing or is that more of a stable...

John D. Wren
Chairman & Chief Executive Officer, Omnicom Group, Inc.

A

Yeah. Well, tech as a category, I guess, got called out by my competitors last year who suffered from it and continue to probably suffer from it. If I look at tech as a percentage of Omnicom, it was 8% of our revenues last year. Every quarter last year, remained about 8% of our revenue. So we never saw the deprecation that some of our competitors did. There is more optimism, I guess, in the tech sector, whether or not my competitors get back and solve the problems that they faced last year or not, this year, or it takes a little longer, that I can't project, but we see a steady state.

And the key to Omnicom also, which I try to sell, but to what effect, I don't know, is you have to take a look at the balance and geographic diversity of our portfolio. Typically, what's happened over our history, certainly of our business cycle, is as one sector suffers, something else grows to compensate for it. And we've intentionally built the portfolio. So we're not overly dependent upon a particular vertical, a particular industry to sustain the overall growth that we promised to shareholders. So it's all – a long way to say, it's all upside for Omnicom.

Cameron McVeigh
Analyst, Morgan Stanley & Co. LLC

Q

Definitely. That's good to hear. Let's focus – let's shift to some of the key areas of your strategic objectives, in particular, you're investing in growth areas in CRM, precision marketing, performance media, commerce, data and analytics, digital transformation, I could go on. First in media...

John D. Wren
Chairman & Chief Executive Officer, Omnicom Group, Inc.

A

Sure.

Q

...how has the acceleration shift to digital during the pandemic years impacted Omnicom's ability to add value to your clients?

John D. Wren
Chairman & Chief Executive Officer, Omnicom Group, Inc.

A

It's a good question. Omnicom, when it comes to media and where we're spending on media, is spending dollars or deploying cleints' dollars is pretty agnostic to the platform that we reach the consumer through. We have an extraordinary amount of data, probably a leading position in the industry, which is hard, which is not even possible for anybody to replicate. And what we're always – what we're constantly doing is using the data that we collect in conjunction with client's first-party data in cleanrooms, for the most part, to target and identify audiences so we can sell clients' products. When we added Flywheel, we doubled the amount of data that we have available to us on a daily basis making us more efficient that way.

Copyright © 2001-2024 FactSet CallStreet, LLC

That and then optimization capabilities that we've built into these platforms to find out whether or not the dollars we're planning and then spending on whichever platform is most effective is – and we're realizing ROI for the client is what we're looking to do. So the amount of data that Omnicom possesses and the platform that we've built is an extraordinary base which leaves us in probably a industry-leading position, and the optimization tools that we've developed and we are continuing to develop get better and better every day. And the objective is to be able to make certain that every dollar is spent, no matter where the media is, results in a positive return on investment and the measurable return on investment.

People can claim that different ROI models do different things, but we have greater and greater confidence with the additional data and influence that we have for the Flywheel and our ability to measure things now in terms of retail and what's sold on distribution basis. And that added to that is our capabilities and platform and precision marketing. And some of the products that we're developing there, which is more directed towards automation of the creative process, which makes it more efficient. And you can move faster to succeed and double down on the things that are working and sell faster and redeploy those dollars with the ability we have to target and measure.

Cameron McVeigh
Analyst, Morgan Stanley & Co. LLC

Q

Got it. That's helpful. If we think about creative broadly, yeah, it's a large part of the ad agency holding offering. Can that become a growth driver again? Or when we think about that – the deflation in the business, given some of the expensive production infrastructure that's been replaced with lower cost solutions, how are you thinking about your creative offerings?

John D. Wren
Chairman & Chief Executive Officer, Omnicom Group, Inc.

A

Sure. It's a multifaceted question, so I'll deal with it as best I can, and then Phil can add to it. So creative is our IP, all right, and what you call advertising has always been a central part of our ability to service clients. Now, if I went back five years and I looked at a client in the crafts and areas that they focus on in terms of spending, advertising had – general media advertising – general advertising would have been a greater share of wallet. Technology that we've introduced, creative automation that we've introduced has probably shrunk that in terms of the dollars associated with it because we can do things better, faster and cheaper.

Having said that, the creative IP that we have is still the center of most of our larger relationships and will continue to be so. Now, production is an interesting aspect in that we are just about, and there's more to come on this, centralizing for the first time our production capabilities. Now, other competitors have done that in the past and it's already embedded in a large part of what the revenue base is. What we're tapping into with [indiscernible] (00:19:45) going to probably announce in April formally and then focus on is we are centralizing it, which will make it more efficient in terms of the way and the number of people that are required to deliver the produced product. It allows us to predict manpower levels to offshore certain things that we currently can't offshore. And using that money, we can invest in areas that heretofore we really haven't focused on.

And that becomes important because there's a disconnect between what runs through our balance sheet, which is largely the production budgets of the clients, and to a large extent, we administer that expenditures, but it doesn't hit our P&L. So as we make production a central area, gaining the efficiencies to do that, that frees up dollars for us to acquire and to expand the crafts and capabilities that we're heretofore administering how it goes to a third-party, with clients' permission, we'll be able to capture that spend.

Copyright © 2001-2024 FactSet CallStreet, LLC

And it's always been a nagging issue that we've had, always been an opportunity, which we never fully exploited. And one of the side benefits of – there are a lot of reasons for that. Most of them will turn out to be excuses. But COVID, that's one of the blessings that's come from COVID, in that my creative community, which is pretty large and very important to me, we'd got to spend time pre-COVID down in a great client production studio, rubbing elbows with stars and directors that were going to do the shoots. And COVID and stay at home kind of broke that cycle. And I always had the ability to demand that we capture it centrally, but it required changing people's behavior, which was built up over many years.

Now, as they're returning to the office and only doing it a couple of days a week, it's that behavior of wandering into your office and then wandering downtown to some fabulous studio where you can maybe get to meet somebody that you wouldn't otherwise get to meet, that's gone. So not only can I mandate it and then I can operate it more efficiently, I can get much greater buy-in because people now have the alternative of not spending five days a week in the office and the days that they're spending in the office, they need to optimize so they're not sort of hell-bent on floating downtown with their idle time to meet Taylor Swift. They want to do their work and then get back to whatever the hell they were doing when they were working from home.

So we could have done it year ago, never did it efficiently. This is the grand opportunity. And so we're exercising it. So that is going to add to our organic growth for the balance of this year, but increasingly, as we get into next year. And we've acquired a – we get to acquire and integrate those talents that were never part of our portfolio, but part of the dollars we were administering. It's a very long explanation, which I apologize for, but...

Philip J. Angelastro
Executive Vice President & Chief Financial Officer, Omnicom Group, Inc.
A

The other thing I would just add is when it comes to creative, as John had said, it's our IP, it's part of our DNA. Without a compelling creative idea, you can have all the technology solutions in the world, but you got to compel the consumer to buy the product. And creative can come in many different forms, not just what we think of as traditional creative, but there's creative in almost all of the disciplines we have, whether that's PR, Healthcare, Media even. So creative is truly part of all of what Omnicom is comprised of.

John D. Wren
Chairman & Chief Executive Officer, Omnicom Group, Inc.
A

With the exception of accounting, there's no creative accounts.

Cameron McVeigh
Analyst, Morgan Stanley & Co. LLC
Q

AI continues to draw a lot of interest, especially at this conference, and I would be remiss to not ask about it. Can you talk about Omnicom's use of artificial intelligence? How you're using it? How it's been used to improve data analytics, but also in terms of financial impacts, both from a top line and margin perspective?

John D. Wren
Chairman & Chief Executive Officer, Omnicom Group, Inc.
A

Sure. Well, AI is something that we've been using probably for the last decade. I think what's new to the theme and offers great opportunities is generative AI. And I – we believe that we're in a pole position, one, because we have that platform that's almost impossible for anybody to replicate as a base for which to further enhance with generative AI enhancements to the product. But you have to go back to a year ago, there were two companies that were invited to partner with and beta with Microsoft, their investment in OpenAI, and it was Disney and us. And we're in the process of doing that.

Copyright © 2001-2024 FactSet CallStreet, LLC

Now every one of my competitors, everybody else is going to claim, well, they have a relationship with them and they probably do. The differentiation is we were first and we have unlimited tokens. So we're a full-time partner in terms of beta-ing these products to see how we can each benefit our clients through the use of them. Others who have relationships with them, have, for the most part, limited tokens, which is a technical way of explaining that. The amount of effort and time that they can spend is limited by Microsoft's limitations of how much time that they can spend developing these products and opportunities.

We're in the process of beta-ing quite a number of areas that I believe will ultimately lead to us becoming more efficient because some of the lower level work that's done currently will become more readily available to our knowledge workers or our creative workers. But even though the tech exists even today, that will improve as time goes on. There's still a question as to the deployment of how we use that enhanced product because of copyright issues and things that haven't been fully addressed.

So if you were an art director and you had an idea today, you want to do the setting of whatever you were about to do say in Tokyo during orange blossom time, at dusk with a beautiful couple. If you were in an ad agency five years ago, it'll take you a while to get that setting set up. With OpenAI and our platform, you can generate that in minutes. That will only get better and better and faster and faster, which will mean fewer people will be required in the mundane work of compiling that basic [ph] plot (00:27:50) or area. But then the knowledge worker, the creative individual, be that a social specialist be that creative excellent social media, whatever it is, they'll have more time and they can test things succeed faster, fail faster than ever before.

And so I think it'll have a huge impact on our business. I think it's just not ready for prime time just yet as many of you saw in the mistakes that were made with Google's Gemini last week. And that's only one problem. The other thing is you don't want to utilize somebody's copyrighted information in the wrong fashion or expose a large client to the misuse of that. So – but we're at the forefront of it. We have been selected by, I think, the tech leaders who are out there developing it in conjunction with how we would utilize it for the benefit of our clients, and we're committed to that.

Cameron McVeigh
Analyst, Morgan Stanley & Co. LLC

Q

That's helpful. Any other – just I guess, to follow up there, any thoughts on the financial impacts just from a – if you think about margins going forward or top line?

John D. Wren
Chairman & Chief Executive Officer, Omnicom Group, Inc.

A

Sure. I mean, we're – the industry has gone through transitions of how we've been paid and what we've been paid for in the past. And fortunately, I was working at that time. So I have very first-hand knowledge. We used to be based on commissions. There's no one way that we're paid, but that transitioned in the 1980s, early 1990s to fee-for-service. Now, when you look at the possibilities four years out, three years out of what generative AI can do, taking out a lot of the more mundane work, you could easily reach a conclusion, oh, that's fewer hours for you to get paid for it.

Well, what we will increasingly get paid for is that platform that I've indicated that we have and it's in place and it's functioning today, which rather than spending our time on how we're going to create the platform or get access to the platform, we are not focused on that, because it exists and it's already integrated, but how can we use generative AI to enhance the value of that platform, charging clients for the efficiencies that we can generate,

Copyright © 2001-2024 FactSet CallStreet, LLC

charging a premium for our knowledge workers who are able to act quickly and very efficiently and the algorithms that we can use to measure whether or not we're selling the clients products or not.

And through all of that, what all of that means rather than going through in deep is the industry is moving where I think the next way as these things get deployed and utilized by people is we're going to be focused on getting paid more on outcomes than we are today. And that's the transition which will occur over time. And there'll be winners and losers in that battle. And I'm already worried enough about it and we're taking the actions that we need to take, I believe, that we're certainly going to be one of the winners. So...

Philip J. Angelastro A
Executive Vice President & Chief Financial Officer, Omnicom Group, Inc.

Yeah. If you look at the Flywheel acquisition as well, it's a perfect example. I mean, Flywheel essentially gets paid on outcomes.

John D. Wren A
Chairman & Chief Executive Officer, Omnicom Group, Inc.

Right.

Philip J. Angelastro A
Executive Vice President & Chief Financial Officer, Omnicom Group, Inc.

It's not a fee-for-service business. That platform is a good example for us going forward for how we transition the business.

Cameron McVeigh Q
Analyst, Morgan Stanley & Co. LLC

Got it. I'd like to go back to Omni...

John D. Wren A
Chairman & Chief Executive Officer, Omnicom Group, Inc.

Sure.

Cameron McVeigh Q
Analyst, Morgan Stanley & Co. LLC

...and the insights orchestration platform rather than a data management business that doesn't own data. I'm curious how you two are thinking about ownership versus renting of data when it comes to AI and training internal models? What are the advantages or disadvantages to either approach?

John D. Wren A
Chairman & Chief Executive Officer, Omnicom Group, Inc.

I think our approach is the best one. So it's pretty simple. But it's not true to say that we don't own data. Through Flywheel, I think we have an enormous amount of transactional retail data, which is not PII, it is first party and it enhances the information that exists in our Omni platform. So even though we'll use different language of Commerce Cloud platform and Omni platform, it's really now all integrated and it's one. That's one thing.

We do have proprietary data in Omni. But for the most part, it's third-party data. And the way we've approached the marketplace and the way we've built our products, especially in a cookieless world is through the utilization of

Copyright © 2001-2024 FactSet CallStreet, LLC

clean rooms where we will take our third-party data, our Flywheel data and the client's data and put it in a clean room and enhance the client's data with the information that we have on behavior and actions and then help use that data, which the client owns. We don't claim ownership of utilizing the client's data. We use companies like Infosum and others, which we have a minority interest in to ensure that those things are executed properly. So we're enhancing the clients' data, which the client owns and will continue to own, and then targeting and doing all the things that we can vis-à-vis our platform and our optimization tools and capabilities.

And one thing to be clear about, as we peer into this scary generative AI environment. If you just look at the example of – someday I'll be able to say I want to spend $10 million in the New York metropolitan area and I want to achieve these six KPIs and build me a media platform. Right now, that takes a lot of work and effort to do. Someday, somebody doesn't even know how to type in the computer will be able to ask generative AI to build that, and they will. But you won't be in a better position than you are today if you have competitors selling that product. That takes, what, knowledge workers and the insights that we can develop to enhance that to differentiate how you execute that plan or – and how you measure the success and failure of that plan, that's what we'll get paid for in the future. Our ability to measure that, to add insights, to differentiate the information that in the old days now, there's a long time to just get to ground zero and create. And in this future state, hopefully, in the next – certainly before 2030, but in that future state, when you do all that stuff, which used to take a lot of hours, just by querying a computer, you still have to now differentiate yourself because all that's done is get you to ground zero. And we're positioning Omnicom for that day where we can depend upon proving to our clients that we can improve their outcomes, and we should be paid differently for it. So that's the mission and we're on the path already.

Cameron McVeigh
Analyst, Morgan Stanley & Co. LLC
Q

Sounds great. Phil, I had a question for you on the guidance.

Philip J. Angelastro
Executive Vice President & Chief Financial Officer, Omnicom Group, Inc.
A

Sure.

Cameron McVeigh
Analyst, Morgan Stanley & Co. LLC
Q

You expect adjusted EBITDA margins to be close to flat with last year. Just curious what close means to you. And then if you could just walk through an update of the current puts and takes of the margin guide for 2024?

Philip J. Angelastro
Executive Vice President & Chief Financial Officer, Omnicom Group, Inc.
A

Sure. I think my definition of close and yours are probably similar. So for the year, we expect margins, they might be slightly higher, they might be slightly lower than last year's margins, but not meaningfully higher or meaningfully lower in any direction.

So there's a couple things going on. Flywheel, we have integration costs of bringing them into the Omnicom family. We also have some synergies, though, from bringing Flywheel in, both on the cost side and the revenue side. We're working through that. We expect, as we said in our guidance, that our EBITA, adding back the amortization related to the Flywheel business and acquisition, we expect EBITA to be positive for Flywheel and Omnicom or Flywheel will be equal to or better than Omnicom's EBITA margin – average EBITDA margin by the fourth quarter. And we expect same thing with diluted EPS. So adjusted diluted EPS, we expect, will be accretive

Copyright © 2001-2024 FactSet CallStreet, LLC

by the fourth quarter of 2024. And then beyond that, certainly, strategically, we're very comfortable and confident and optimistic about what Flywheel is going to allow us to do in the future. But we expect it to be a positive contributor from there on, no question.

Cameron McVeigh
Analyst, Morgan Stanley & Co. LLC

Q

Got it. That's helpful. And just I had another on – you reduced your share buyback level this year in 2024 compared to 2023. With a healthy balance sheet and over $4 billion in cash and equivalents, why lower your buyback, especially given how accretive it is to buy back shares here?

Philip J. Angelastro
Executive Vice President & Chief Financial Officer, Omnicom Group, Inc.

A

Well, I think we're going to be flexible as we always are as we look out at how the year is going to transpire with respect to how we use our free cash flow. Flywheel deal closed in early January. It was a significant expenditure. We used cash on hand, about $845 million to pay for the deal in early January. Last week, and it will close tomorrow, we raised €600 million at 3.7% to essentially do what we said we were going to do, which is finance about two-thirds of the purchase price from the Flywheel deal. That'll give us more flexibility to deal with both the refinancing of a bond that's coming due in November. We'll have the flexibility to see how things evolve with the rate environment and whether we do and when we need to refinance that debt. But we'll reevaluate what we're going to do with our free cash flow and whether we're going to buy back more shares or not. I think from a conservative perspective, we indicated we were going to reduce the amount of buybacks for 2024 and that's still our current intention. But as the year goes by, if there are opportunities to increase those numbers, we'll certainly consider doing that.

Cameron McVeigh
Analyst, Morgan Stanley & Co. LLC

Great. I think we are out of time.

John D. Wren
Chairman & Chief Executive Officer, Omnicom Group, Inc.

Yeah.

Cameron McVeigh
Analyst, Morgan Stanley & Co. LLC

Thank you both, Phil and John. Good to have you guys.

John D. Wren
Chairman & Chief Executive Officer, Omnicom Group, Inc.

Thank you.

Philip J. Angelastro
Executive Vice President & Chief Financial Officer, Omnicom Group, Inc.

Thank you.

Copyright © 2001-2024 FactSet CallStreet, LLC

Disclaimer
The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2024 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.