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Omnicom Group, Inc. (OMC)

Goldman Sachs Communacopia Technology Conference

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Lisa Yang
Analyst, Goldman Sachs International

MANAGEMENT DISCUSSION SECTION

Lisa Yang

Analyst, Goldman Sachs International

Great. Good morning, and thank you for being with us today. My name is Lisa Yang, and I cover European Media & Internet at Goldman Sachs. It's a pleasure to kick off the third day of our Communacopia + Tech Conference with John Wren, CEO of Omnicom; and Phil Angelastro, CFO. Thanks very much for flying in and being with us today.

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QUESTION AND ANSWER SECTION

Lisa Yang
Analyst, Goldman Sachs International

Q

So maybe just to kick off, John, it's been another eventful year for Omnicom and name all the issues about macro, supply chain, war, inflation. And yet Omnicom continues to perform strongly and beat expectations against this challenging backdrop. So how do you see Omnicom's performance into the rest of the year in 2023 and how you're setting your main strategic priorities in this context?

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

A

Sure. Good morning. Thank you for coming up so early. Appreciate it. Well, first of all, we had a very good 2021 as a base, and the first two quarters of 2022 so far have been very strong. The third quarter and overall from a macro point of view, our clients are still dealing in a very complex environment and we haven't seen any wholesale reductions or cutbacks per se, from any of our clients' internal decisions. There have been people who have trimmed some of their media budgets, but in terms of the services that we're providing, trying to make the complex simple. We haven't seen any reductions yet. So, we are as aware as everyone else is as to the conditions in the world and what's going on. And quite frankly, I would have already expected to see weaknesses especially in Western Europe, but we're not even seeing that quite yet.

Lisa Yang
Analyst, Goldman Sachs International

Q

So, how do you think about your strategic priorities in...

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

A

Sure.

Lisa Yang
Analyst, Goldman Sachs International

Q

... in this volatile environment?

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

A

Sure. Well, we referred to as the advertising sector, but yet pure advertising was less than 50% of our business. And I dare to say like competitors have also been doing well, not as quite as well as we have, but they've been doing well. Advertising is a component of what we are. So kind of historic in the reference to advertising. We're in lot of other businesses that are very, very healthy. We're in pharmaceutical, healthcare, ethical drugs, from patient to the creation of the drugs and the research that goes behind it.

Our CRM business, our Precision Marketing business, which is probably our fastest growing segment. It also includes transformation consulting, which we just simply can't hire fast enough to satisfy the need for the growth that we see in our area. And PR, which oddly enough, I've been doing this job for over two decades and I haven't

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been able to grow PR as consistently as we've been doing it in the last several years. I think we've put the right leadership in place and it continues to grow.

The only segment I would say that is a headwind and we might expect this would be in our Experiential business. We are finding that the shutdowns in China, the rolling shutdowns have impacted some of those budgets and people's willingness to plan and to have conferences the size of this. I think somebody told me there is only 2,000 people here.

Lisa Yang
Analyst, Goldman Sachs International

Q

Only?

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

A

This would be – only – this would be a small conference, typically in China, and because of the uncertainty, we've seen that be a very variable business this year. Other than that, the rest of the areas are growing. They're showing signs so far of continuing to grow into next year. We do expect there will be headwinds. I don't get paid nor have I lasted this long by planning for only great times. But the quality of our earnings, I can assure you we're very focused on.

Lisa Yang
Analyst, Goldman Sachs International

Q

I'd love to take a bit of a step back. Obviously in 2020, you proved out to be a lot more resilient than expected, and you rebounded very strongly in 2021 and into 2022. How do you explain such a strength for Omnicom and I guess the broader agency space? To what extent you're benefiting from these changes in your landscape or due to the own transformation or new business? Can you give a bit more color?

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

A

Well, our case first is somewhat individual. Phil and I, we started on a mission in earnest probably in 2015 and 2016 to reform or transform our own portfolio of services and focus on only those areas, which we felt were going to add to the continued growth of the company and, at that point, we were guessing about five years out and we've continued that process. So, we entered the difficulties where we were very happy with the portfolio of services that we had. We knew exactly where the growth was going to come from. That's where we've focused our internal investments on organic growth and our external investments in terms of M&A.

And from a marketplace point of view, I think that it's only gotten more complex. COVID didn't help nor have any of the other supply chain problems that you've mentioned or other issues. And clients in dealing with the complexity and changes in their own staff with the Great Resignation and all the rest have stopped toying and playing with various areas, and they've increasingly come to people like ourselves and my competitors, and they would like to have somebody who understands their business and is concerned with the whole customer journey, creation to sell. And we've had – that's the portfolio of companies that we have in terms of services, and also in terms of the geographies that we service.

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

A

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I think we've been saying for quite some time that the complexity in the media landscape is certainly a positive for our business and the services we provide to our clients. That complexity continues to accelerate. Quite a lot has changed prior to COVID and maybe even more rapidly during COVID. And I think you're seeing that now and it's reflected in client demand as they realize they need to come to service providers who can help them assess all the many different options they have as well as how to most efficiently and effectively reach the consumers they're trying to reach, and we're positioned well to help them do that.

Lisa Yang
Analyst, Goldman Sachs International

Q

Very helpful. Thank you. Just to follow up on a comment you made, you're not seeing any slowdown, I guess, at the macro level in terms of like new performance for Omnicom. And I think yet your guidance season [indiscernible] (00:08:26) does imply obviously a quite sharp deterioration in H2, I think probably around low-single digits. So, is it [ph] for you (00:08:34) to think Q3 should still be very stronger than you expect quite a negative Q4 to get to that guidance? Or you're being too conservative here?

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

A

I think you covered that last part very well. We're not going to change guidance in the middle of – we tend to talk about that at quarter-end. So, I'm not going to – anything that's going to wake you up or enlighten or change your day. The conservatism, if there is any, is part of what I typically say we really won't even know when we get to the third quarter call what the fourth quarter will actually be.

It's the most difficult for us to project because every year – and fast-checker will go back and look at God knows how many transcripts of third quarter calls I've done – there's always project business. And with 5,000 clients around the world, even little dollars add up quite quickly. And we never quite know nor can we project until we get into November just whether or not that extra $100,000 or $200,000 or $1 million from a client is going to come through or not.

So what we do is we don't plan our business for – we have the service capabilities of taking care the upside as it rolls through. But we're not putting the expense layer and the overhead in and the anticipation of that. And I would say over the course of the last 20 years and Phil, please correct me, I think we've been in the same situation every year. I can think of only two years where that spending didn't come through in a robust fashion. So, I don't know what percentage of that is, but.

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

A

We'll take it.

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

A

We'll take it. So, I would say that we're not expecting any, we haven't see any real deterioration yet. And the quarter looks good to-date and September will probably be just fine from what we know. But that fourth quarter is, is it gives us pause.

Lisa Yang
Analyst, Goldman Sachs International

Q

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And I'm sure you got so many questions around the sensitivity of your business to a potential recession. And I'd love for you to talk maybe a bit more about the cyclicality, like how do you see the security across the different segments? Like how much visibility you really have, like, what's the typical contract length across your different segments? How do you expect them to perform?

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

So again, probably the most volatile sector will be the Experiential sector, but it's not a terribly large part of our business. It'll tweak organic growth a 1% or 2%. The rest of our business remains very, very strong. I've been in this role through three significant I guess recessions. They're all quite different, caused by different things. We have suffered as everyone has a little bit through each. But we've recovered very, very quickly and we've always been able to maintain a high quality of profits during those periods of time because of the flexibility in our cost structure. And as much as we've continually focused on the products and organic and revenue growth, there's a great effort that goes on in controlling our expenses and trying to reinvent the way that we bring our services to our clients. So, if there is anything other than a mild recession, we are perfectly, we are thinking about it already, we're preparing for it and we hope it doesn't happen.

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

Yeah. The only other thing I would add in terms of discipline is our Execution & Support businesses probably did quite well in the first half. But the expectations wouldn't be they would continue as robust in the second half.

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

The only thing I'd add to that, in that area all you have to do is watch TV and look at college football game or look at the events which do occur and continue to occur. And even before restrictions in the West anyway were lifted and COVID that need of people to get together is actually there. So there's nothing wrong with the fundamentals of the business.

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

Right.

Lisa Yang
Analyst, Goldman Sachs International
Q

Right. And I guess thinking more about the more medium- to longer-term, how do you see your very segmented Advertising CRM, et cetera? What sort of organic growth that you think could be achieved? And do you think overall Omnicom could be a go back to being a GDP plus business?

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

That is my objective – not my objective, our objective in life for that to happen consistently over a business cycle. That doesn't mean that those of you that are focused on 90 days or 180 days, that promise will be good for that. But over a business cycle, the industry is well-positioned. Our portfolio is currently well positioned, and we're fully expecting that there's going to be even a further shift as you get into 25 and beyond in terms of the way people purchase and go to market, and we are making those investments internally and externally now.

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

A

Yeah, I think the process of reevaluating the portfolio and reevaluating where we're investing, as John said, both internally and through M&A. It's not a once a year thing. We do it on a regular basis. It's built into our monthly, quarterly cycles. And the time we spent reevaluating the portfolio and kind of transforming it certainly was to put us in a better position to continue over the long run to grow at GDP plus.

Lisa Yang
Analyst, Goldman Sachs International

Q

Very useful. Thank you. Maybe we can switch gears a little bit to margins because that's more for you, Phil. You've obviously raised your organic growth guidance twice this year. Your margin was left unchanged. So, or you think no greater cost pressure anywhere in the business where [indiscernible] (00:15:35) it's probably staff or, yeah, just wondering why is there not more operating leverage?

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

A

Well. First of all, being from Europe, we were used to like competitors. So, typically when you're calculating those margins and comparing to ours, you're taking their net revenue numbers. So they're not comparable numbers. Our margins are by far the strongest, I think in the industry. There's always a balance between the margin performance and the improvement in that, that we want to deliver to the shareholders. The amount of money that we're – we look at an acquisition or investment or an area that we're interested in and we look at the cost of purchasing it versus developing it ourselves oftentimes and quite frankly there's a lot of costs in our P&L where we've decided, rather than waste the shareholders money on something somebody else might call strategic, we've invested in growing that business and that's just part of our philosophy, and it differs from others. And so, you have the shareholders and then you have the employees, you have to keep what people are purchasing from us are the brightest people in the world to solve very complex problems for them. And so, they're expensive and so that's a cost. Offsetting that, we do everything we possibly can to mitigate and to reduce the costs wherever it's possible. And I'm very optimistic about the future because increasingly and we are offshoring more executional type of activities and AI, very first time and can go from automation to AI because we're in various stages of this is going to contribute quite a bit to how we perform those services as we go out to [indiscernible] (00:17:47).

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

A

Yeah, I mean just to add to that is as far as margin expectations and performance, we had 10% growth for the first six months. Margin improvements in the first six months, we're very happy with that performance. There's a lot of uncertainty, as you said, in the market in terms of inflation, et cetera. But we think being prudent right now is the right approach.

We're focused on our annual margins, not obsessive about the quarterly margins per se. And the margin expectations for this year, operating margin of 15.4% on total revenue is a 40 basis point improvement from last year if you remove a gain we had on a transaction. So, we think that's good performance. We're certainly going to be cautious but continue to push when it comes to being more efficient and effective, outsourcing, offshoring, automating. That's something that we're going to continue to do. It's not a short-term thing. So, we're bullish about what we've done for the first six months and what we expect for the year in total.

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

A

Just one overall thing, now that you get the impression that I, nor my management team is never satisfied. We're asking these questions and challenging ourselves way before anybody, investor or anybody else will come and do that. It's just in our nature. So...

Lisa Yang
Analyst, Goldman Sachs International

Q

And maybe any comments on next year, like how are you thinking about budgeting? What are the maybe additional measures you'd be thinking of taking to offset any potential weakness?

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

A

Well, we are probably going to get our first glimpse at a very early read of the beginning of next year in the coming weeks. It'll be just a glimpse. So far, we're not, I mean, part of what happens in terms of how a company like ours grows is how many accounts do you win, how many accounts do you lose? So the good news is, we have more opportunities in the balance of the year to win new business that we're not defending. And we've had a pretty good success rate so far. So that is kind of a tailwind that's going to help us get through any difficulties that come up.

We're still way too early to have a read where I have any confidence as to what revenues to expect or what clients or companies are going to have difficulties. It's important. That's where the diversification of our portfolio comes in because people are still going to need medicine. The transformation and technology changes, which make companies more productive, not inventing what's new necessarily, but implementing what exists. That's not going to change. And there's a lot of companies that are still in the process of doing that. Public relations has reinvented itself. So it is a communication fit that's associated very tightly with social media, and that's not going to go away. So there are some balancing things on the top line that are already in place.

In terms of costs, we challenge our people to look through their costs and then we give them the tools to evaluate how they might change, how we're going to come back to the office and that's a city-by-city conversation. We haven't made new rules yet, but we will because, ultimately, it's an industry that collaboration is important. But we've been able to save a lot of money there.

And then, as Phil said, we have outsourcing. I mean offshoring, near-shoring, automation, some AI that has been more prevalent in the back office but will come to the front office. So there are a number of initiatives that are ongoing. And then there's the whole area of e-commerce where we've stated it in each call is an area where we feel we can build out our practices even stronger than what it currently is. And you'll be hearing more about that in the coming weeks and months as we do things internally and externally. I don't know, Phil.

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

A

I think it's certainly too early more specifically in terms of margin expectations for 2023. But you can be sure that we're going to be rigorous about planning for 2023. Margin improvement is always our goal. And we're going to – we're going to be pushing pretty hard to make all the necessary assessments from an operating performance perspective as well as what the impact of investments we're going to continue to make will be as we look at the full picture.

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

A

Sure. And last but not least, we don't get to this very easily, but we set targets, we set goals, we agree to them with our operating units and divisions and then incentives are paid only when you achieve those objectives. I wake up on January 1, not worrying about what I'm going to deliver to the shareholders. I'm typically pretty confident about that. I work every day to make sure that I have the incentive pools to keep the best and the brightest on our team.

Lisa Yang
Analyst, Goldman Sachs International

Q

Can I ask a bit about your new business performance? Like, what have been the major sort of wins and losses so far this year? What are the opportunities you see? And also when you look at the overall review activity, feels like it's been quite low for the last two to three years. And obviously in the past decade, we've seen like some years we've like peak levels. Do you think that there could be a risk and as we're heading to a more challenging environment, there could be also pick up in review activity?

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

A

Well, you're correct in assessing that the activity has been more muted than historically over a business cycle. One of the greatest things that's happened to us through COVID and through the period, the difficult period we've been through, is we've been able to secure extended client contracts which reduces that volatility, especially with our biggest clients. They'll still be change, because as companies change management, people don't always want to deal with the last person's supplier or vendor. So there's challenges. Plus, procurement always feels the need to prove to itself that it's getting the best possible deal that's out there, which keeps us very keen and on our toes. We have an excellent, excellent group of talented people who are able to respond to clients' individual needs, but also to respond as a unit, and one throat to choke, and come together and provide the whole customer journey service to the client.

So our batting average historically has been very good. I wouldn't be satisfied if it doesn't stay there or get better. And we're always looking over our shoulder at our competitors and saying, let's get to the root cause analysis of why we didn't win that and they did, and then adjusting our capabilities accordingly.

So never satisfied, but I'm confident. Yeah, I just think you should also keep in mind that there's typically a lot of press and fanfare around the advertising, if you will, including media activity, wins, losses, pitches, but we have a very large piece of our business full of the number of disciplines that we've been talking about this morning.

They don't always come with the same fanfare and we're happy enough to win, do the business and move on without necessarily issuing press release after press release and touting the new business tables wherever the – whatever the source of those might be in our investor presentations, because we know ultimately the result that you're looking for is growth. So, it's going to show up in the numbers or it's not. So we're kind of focused on it in a very different way.

Lisa Yang
Analyst, Goldman Sachs International

Q

So for a very long time, I think creativity has been clearly key trend that you continue to obviously win a lot of creative awards at the Cannes, et cetera. How important you think is creative today, especially in this changing

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sort of landscape? And where do you see the other areas of trend for Omnicom today, how would you differentiate versus peers appreciating you doing those pitches?

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

We're also about to be named the most by the Effie's the most efficient agency for 2021 that press release come out. So creativity without effectiveness is not creativity. That word, we are – we were founded with creativity. It meant something different when we were founded in 1986 than it does today in 2022-2023. I have to say, you can use that word, but translate it into being able to attract the best and the brightest and the most appropriate for whatever the medium is that is going to help our clients reach their customers and sell products.

And in that, I think we stand alone, and in that it, differentiates us from our competitors. And that's not going to change because you can't – you can bolt technology onto creativity. You can't bolt creativity onto technology. It just doesn't work that way. It doesn't gel. It doesn't stick. And that philosophy has always been a part of our DNA, will continue to be part of our DNA. And it can be in the media area, it can be in the digital transformation area, it can be in the precision marketing area. It's certainly in public relations and the other areas that we touch.

So I guess the great differentiator is many of our competitors are selling the commodities that they've purchased or things that will easily become commodities, whereas we've taken more of an open source approach and that's proved to be very positive for us. And we're more of the power of choice in that we can assemble a team that's not only the most creative but the most appropriate for what the client's requirements are and the client's personalities in terms of how they want to accomplish it. We have that depth of bench and again that distinguishes us from some of the other one line throwaway sentences that others use.

Lisa Yang
Analyst, Goldman Sachs International
Q

Great. I mean, before I turn to the audience for questions, just curious to hear your thoughts on the overall sort of media landscape. Obviously, a lot more players are talking about tapping into advertising dollars with Disney+ or Netflix or the rise of retail media. Do you think the market can absorb all that additional sort of inventory and obviously short-form video as well? And where are they just basically are going to come from? Who do you say are the major winners and losers over the next couple of years?

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

Well, again, we're media-agnostic.

Lisa Yang
Analyst, Goldman Sachs International
Q

Yeah.

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

So the more sources of media of how I reach you at the time and method that you would like to be reached is what we do. The more competition there is, the cheaper the product is for our clients. So it's more efficient for our client. So all these changes, this proliferation that you see where everybody is getting into the game is a positive thing from our point of view. And I think there are more coming, and I don't know who the winners and losers are going to be. I think you can look.

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It's not my job to know. It's my job to be with the person that's providing the most access to the consumer. The people who have the greatest war chest, I think, are going to be the ones that survive. But there is going to be first an all-out war. It's already started and then there'll be consolidation but on their side. So I'll be very interested, we speak first this morning. I know you have some others who are directly involved in those wars speaking later today. It'll be interesting to hear how they answer those questions.

Lisa Yang
Analyst, Goldman Sachs International

Q

Great. Any questions from the audience? Maybe to actually follow up on that point, can you maybe talk about what you're seeing currently in terms of inflation on media prices and how that is actually changing the ROI of your clients? Is that a concern? What does that mean for the media allocations?

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

A

That process of how to achieve the highest ROI is – I have the best and brightest that can create those algorithms and do that work every day. Thank God they work for me rather than me work for them because I'm not quite sure that I could be. But you see, I mean, one of the more publicized, I guess, shifts in spending that you've seen is from Snap to TikTok, right?

First of all, six weeks ago, everybody thought the world was going to come to an end when Snap missed its numbers. Well, that had nothing to do with the rest of the media landscape because those dollars have been redirected effectively to TikTok because that's where the eyeballs were. That's where the consumer was, and they were shifting away. That's something that happens constantly.

There's a very long tail of how you would reach those consumers. And our people are exploring and doing deals not only with the names that come to your mind but to that whole long tail. And we have the capabilities to develop the insights of how we might reach those people. And it's all done in order to sell product at the end of the day and at the most efficient media cost possible. And we have thousands and thousands of people between developed countries, but in India who are changing this as we speak. So, I don't know, Phil. Do you want to...

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

A

I think some of the examples certainly what's going on in streaming and ad supported is – more ad supported is streaming coming and the retail media networks, those are concrete examples of what we've been saying for quite some time and what John was just reiterating. The more alternatives there are for our clients puts pressure on media prices or traditional and even digital media prices. Ultimately, the clients will work with us, we'll work with the clients and make those changes in how to best allocate those dollars, so they can get the ROI that they're looking for, that those are just more examples of complexity, which we're in a very good position to help our clients execute on.

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

A

And, typically, the things you read, not what we pay. I mean, the simplest example would be the cost of the spot in the Super Bowl. When you read that big number, everybody goes, oh, my God. That's not what a company with our clout actually pays on behalf of our clients for those types of spots. It is interesting though, one final point, when you see Netflix coming out with its product and thinking that it's going to demand premium pricing for all of

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its media, I have some doubts. We'll see God bless them if they can, but I think the competition is going to be more severe than that.

Lisa Yang
Analyst, Goldman Sachs International

Q

And in terms of how clients are thinking now about investing in brand building versus performance marketing, [ph] are you (00:36:28) going to see any major changes, major shifts happening already?

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

A

No, I'm quite – quite honestly, I'm encouraging our people to get on their front foot and to bring aspects of performance marketing to our clients who aren't yet asking for it. Because I think we're capable of doing it today under certain circumstances where we can clearly agree to the KPIs that the client wants to accomplish. And I think it will differentiate us in the marketplace if we can get more and more of that out there. It's quite possible because there is so much media that is willing and knowledgeable about the fact that that future marketplace type of content is going to be part of the mix as we go forward.

Lisa Yang
Analyst, Goldman Sachs International

Q

Great. And I'd love to conclude, I guess, with your capital allocation for those parties, I feel I love your competitors have been stepping up, I think their – the acquisitions so far this year, many bolt-ons M&A. Do you see any sort of areas that could be interesting for you where you could potentially also step up your M&A spending and what are those areas? And I think also you mentioned, I think earlier in this call like how the portfolio, the shape of portfolio have been changing and do you see any other opportunities for further disposals as well?

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

A

Disposals were more or less through. I mean, there's always going to be something but at this point, it would be an odds-and-ends type of thing. I think we outlined pretty much on our conference calls every quarter those areas that we're interested in and that's digital transformation geographically and also extending our product lines and capabilities in certain areas. Healthcare, pharmaceutical, reaching out to patients, especially as demographically the world gets older and the products that we have and where we think we can extend those services.

E-commerce, digital commerce, what however you might want to refer to it is something we're keen to both develop internally and externally. Many of the nascent earlier starters have over focused I think on the tech side of it. That's something we're investing in building because we don't think there's any revenue associated with that. I think it's table stakes. But in terms of the consultative side of how do you inform a retailer or somebody selling the product where to be, when to be there and where they're positioned versus their customer. We are always on the outlook for those type of companies in terms of making acquisitions. Beefing up our capabilities which already exist and, as I said, that's something you'll read about more than anything else coming from us.

In terms of the Epsilon's and the Acxiom's and that stuff, those are data factories is all they are. They have to run and maintain their own businesses and the environment, which is changing with especially in the area of privatization, is going to impact those bets that have been made. We've stayed very flexible and we can pivot to whoever is the most appropriate supplier of that information as we go forward.

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Philip J. Angelastro

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

A

Just one last point on capital allocation. I think while we're certainly actively evaluating investing, any acquisitions that might strengthen the portfolio, and we'll consider anything if it's in the best interest of the business and the shareholders, you can expect we're going to continue to be consistent about paying a healthy dividend using the rest of our free cash flow to either do acquisitions that make strategic and financial sense or use the balance of that free cash for buying back shares. I think we've been consistent about that. We say it consistently, we do it consistently, and that would be the expectation going forward.

Lisa Yang

Analyst, Goldman Sachs International

Fantastic. Thank you so much for your time.

John D. Wren

Chairman & Chief Executive Officer, Omnicom Group, Inc.

Thank you for having us.

Philip J. Angelastro

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

Thank you.

John D. Wren

Chairman & Chief Executive Officer, Omnicom Group, Inc.

Thanks.

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