Omnicom Group Inc

Omnicom Group Inc presentation delivered at the 53rd Annual Global Technology, Media, and Communications Conference on Wednesday, May 14, 2025 at 10:00 AM

David Karnovsky: OK. We'll get started. Very happy to have back from Omnicom, Phil Angelastro, Executive Vice President and CFO. Phil, thanks for being here.

Philip Angelastro: Good to be here. Thank you for coming.

David: I thought we'd start with IPG. You and John have had around six months to further plan for the upcoming acquisition. How has your level of conviction shifted around the deal? What are you most focused on going into the second-half close?

Philip: Certainly, our conviction is as strong, if not stronger, than when we announced the deal. As we have spent more time with the folks at IPG, we've reinforced our belief that the cultures are very similar and complementary and the businesses were quite complementary as well. Our people certainly have had the same impression.

As we go through this regulatory process, there's certainly a bunch of restrictions in place from our legal folks, that things we can't do. The integration planning has really started to take shape especially over the last, I would say, month, at least with the corporate functions. That cultural similarity has been reinforced, for sure.

We're optimistic about the opportunities that it's going to present to the new Omnicom and to our clients. We're even more excited than we were back in December.

David: Phil, holding companies are obviously people-heavy organizations. What's your level of confidence that how you've been running agencies in Omnicom, the corporate culture you've built, that that's going to translate over to Interpublic and what they're bringing?

Philip: On the last point, I think we're open to the best solution, whether that's the best people or the best platforms. This isn't a situation where we're just going to conclude that that everything Omnicom has is the best possible resolution for the combined company.

We certainly think there's a lot of benefits that's going to come from what we can bring to the IPG table as far as the OmniPlatform, and some of the other assets we have and certainly our practice area structure.

I think certainly, we're excited about that. Our people are excited about that. We're both focused primarily on servicing our clients in the exceptional way that we've been able to do that in the past.

That's where the primary focus of the client-facing people is. As John and Philippe have both said, they want the client-facing people to focus on servicing their clients. We need more of them, not less of them.

I think that's resonated well with those particular groups. There's certainly a key focus in terms of retention and input that we've gotten from those people. IPG has gotten from their people.

Our senior management and their senior management are certainly focused on the best performers in those areas. That's where the primary focus has been. From a retention perspective, we both been focused on it in that aspect. There are going to be some synergies.

Some of those synergies certainly are going to come from the overlapping corporate organization and practice area and regional management organization. There's going to be some inevitable disruption that comes from that when the deal closes.

I think from a client-facing perspective, it is certainly an area that we're both focused on from a retention perspective. I think so far so good in terms of being successful with maintaining the key players in that space.

David: Phil, to follow up on that point, the broad practice area structures you've built around Omnicom advertising group for creativity, media group, I think that'll stay intact, it sounds like on a go-forward basis, and it'll sort of build around that structure.

Philip: The practice area structure we have in place is certainly a big part of how we're going to approach the business and our clients going forward. I think the IPG teams will benefit from that.

Their organization, and the way they run the business, while culturally similar, organizationally probably different, and that McCann has been a group of companies that operate in different disciplines over the years. Some of that has evolved over time but it's still organized in a different way.

As their similar businesses come into Omnicom, they're going to come into the current existing structure that we have as far as practice areas go. Their media business will become part of our

media business. The healthcare business will become part of the healthcare practice area that we have.

The PR business will become part of Omnicom Public Relations Group. Their precision marketing assets will come into Omnicom Precision Marketing Group and those structures, will provide some benefits in terms of definition of management layers, as well as the necessary investments in those verticals, and how to evaluate those investments, how to evaluate new product needs, how to evaluate people, etc., in those particular practice areas.

We're going to bring the IPG businesses into that structure. We're going to be open to the best people are going to be the ones that ultimately are awarded in that structure. I think there's going to be some benefits certainly from a client service perspective.

There's going to be some synergistic benefits that come from that in terms of the management layers and the regional organization within those practice areas. Our intention is to help to efficiently integrate our businesses and IPG businesses through those practice area structures.

David: Even prior to IPG, I think you've largely completed your practice area restructuring. OAG was maybe the last one.

Philip: That's right.

David: Can you say anything on, I think you had moved from some of the smaller agencies, to more a regional reporting structure. How that's going.

Philip: Yeah, I think that's certainly been successful so far. I think it hasn't been extremely disruptive, but it's still an evolution. I would say OAG has come together quite well. Especially outside the US. There's a number of markets that were already standalone markets where we only had one OAG agency in that market. Those markets are now OAG markets officially.

There were a number of markets over the last, frankly, two years where we've combined agencies and merged them to have more efficient structure in place in that marketplace. Rather than having multiple brands and multiple agencies we've gotten the benefits of the efficiency of having one organization in that particular market.

I think that's going to continue to evolve and the efficiencies are going to continue to come from that. It's not fully completed. There's still more benefits that we see to come from that structure, but I think it's really resonated well with the people in those businesses to have a common

leadership team that can help roll out the appropriate tools, especially in the advent of AI and generative AI.

There will be an awful lot of benefit that comes from that for the people across what used to be some disparately run agency groups that, are now going to be much more effective and efficient in the way they we're organized.

David: In speaking about the IPG acquisition, I think you and John have alluded several times to the advantages of running a media operation that will now be informed by Axiom in addition to Flywheel and Omni. I know there's a lot of detail within that to unpack, but maybe at a high level, for clients, how is this going to result in a better commercial offering?

Philip: I think certainly we're going to have what we believe will be the premium identity and data solution that we can bring to clients.

Going forward when we add the Axiom precision identity data to our already robust data platform powered by Omni, and the behavioral consumer data that we've developed over many years in the Omni platform, combined with the consumer transactional data that came from and was integrated into the Omni platform from Flywheel.

Having those two legs of the stool and then adding Axiom, and the Axiom identity graph is going to be quite compelling. For clients, it's going to be an enhancement of our current platform. I think we're going to be able to drive new product offerings that will resonate with clients for sure.

You've seen most recently, I think probably yesterday, Philippe made comments about how they've finally started to develop some of those products themselves that are resonating with clients. We think that's just going to add to the compelling, we think the acquisition and integration is going to add to the compelling set of products that we can deliver more broadly, especially using the Omni platform.

Clients are going to find that a lot of opportunities that they're going to want to take advantage of when we bring those two together.

David: On the cost synergy side the guidance is for $750 million. You've bucketed that out. We have seen IPG begin their own internal restructuring program ahead of their sale. Based on what they've said, do you have confidence that there's limited overlap there?

Philip: We definitely do. I think, whatever benefits come from the actions that IPG announced

recently and is taking, they're going to come over to the combined company ultimately. That's a positive. We certainly continue to believe in everything we've seen and heard in our discussions with IPG relative to what our expectations were for synergies.

Is that there isn't going to be much, if any, overlap at all in the areas that they've focused on most recently. I think, overall we think it's positive. The sooner the better. We're in the process of continuing our own evaluation of efficiency opportunities, whether that's AI driven, organizational structure driven etc.

We're going to continue down that path to the extent that we can achieve some of these opportunities sooner rather than later. We're going to drive to do that ourselves. Certainly when it comes to the 750, we're very focused and confident that we're going to deliver the 750.

The goal is certainly to deliver more. Most of that is going to come from the overlapping corporate organizations and G&A, as well as we've said in the past, vendor consolidation, shared services, and IT infrastructure and those areas. Those are not areas that really have been addressed in this most recent set of announcements from IPG.

David: Maybe touching on capital allocation as the combined end entity, I think is going to generate over 3 billion in free cash flow. You've commented, you'll continue with dividends in Sherry purchase, with a bigger base of clients, bigger base of revenue there is a change in the calculation on ROI.

Interested how you think now about maybe the pace of deals that you've executed on possibly adjusting.

Philip: Our principle focus, certainly is on integrating IPG. There's quite a lot to do. From the Omnicom corporate organization and the IPG corporate organization, the pace of integration planning has certainly picked up in the last few weeks and month.

I think as it relates to acquisition opportunities, we're still in the market. We're still open to ideas. We still meet with potential acquisition candidates. I think you can expect that we are going to continue to focus on tuck-in acquisitions going forward. We're not going to get distracted by that when it comes to successfully integrating the IPG business.

Once the deal's closed there will definitely be some opportunities. Given the combined cash flow of the two companies, we expect to continue with our consistent capital approach to capital allocation. We're going to continue to pay housing dividend.

We're going to continue to look for accretive tuck in acquisitions, and we're going to continue to look to use the remaining parts of our free cash flow to buy back shares. If anything, we're going to have the financial flexibility to reevaluate each of those areas going forward, because the combined businesses will result in a de-levering of where we are from an Omnicom perspective today.

We've always been conservative about the capital structure. The goal of maintaining our credit rating is the boundaries that we and the board have operated in for many years. We expect that to continue. We will have some flexibility to reevaluate enhancing some of those areas of our capital allocation approach post deal.

Right now we're continued to focus on a successful integration, and then a successful strategy to grow the business going forward. I think we'll have some flexibility to continue to do what we're doing and maybe do it at a bigger scale.

David: Maybe last one on IPG. Can you update us on the regulatory process, including in the US where you're in a second review with the FTC? Is there any framework you've applied to looking at the relevant ad markets that kind of gives you comfort with the process?

Philip: Yeah, we continue to progress, I think we're more optimistic than ever that we will complete the antitrust process, certainly in the second half of the year. Most recently we've heard from Japan and we've completed the process in Japan. We got approval in Japan just in the last few days here. That's the most recent announcement.

We don't see and certainly we've got a lot of antitrust attorneys globally involved in the various markets that we're still working on. We don't see any data points that would cause any issues or create any true antitrust concerns from a numbers perspective in any of the markets that we operate in, any of the markets that we filed in.

Most of those markets don't have fixed deadlines in terms of any guarantee around you'll either get approval or you won't by a certain date. That isn't the case. Certainly, we're working very intensively on being responsive to any data requests, and certainly, being timely in our responses to any Q&A that we receive. We continue to push that process forward as rapidly as we can.

As far as the US process, that continues. The second review process is quite a bit of data that we've been gathering that we have to provide to the FTC. We don't have any reason other than to be optimistic about the process and reaching a successful conclusion.

Again, from a numbers perspective, we don't believe there's any issues in any of these markets that we should be concerned with. In fact, on your last point, if you look at the marketplace, it's quite a competitive marketplace. It goes beyond just the traditional, large holding companies and/or medium-sized holding companies.

We compete on a day-to-day basis in broader aspects with the big tech companies, Accenture, and many others. If you look at the market from a broader perspective, competition concerns, we just don't believe they're going to get in the way of the approval of the deal.

David: Let's shift gears a bit. You recently updated your full-year organic growth guidance, reducing the low end of the range to 2.5 percent and maintaining the high end of 4.5 percent.

This stands in contrast to other holding companies that did hold their outlooks. Wanted to see if you could expand a bit on what you're seeing in the market and maybe what informed the more conservative view.

Philip: Certainly, when we released back in early- to mid-April, there was a lot of uncertainty, and there continues to be a lot of uncertainty. We didn't think it was prudent at that point in time to continue with a forecast for the full year that didn't reflect a conservative view with respect to that uncertainty that's out there.

Quite a bit of it has dissipated, but there's still a lot of uncertainty around when tariffs are going to get resolved, how they're going to get resolved, what industries they're going to impact, how they're going to impact our clients and our business.

I don't think anything has changed in terms of us believing that was the prudent and conservative, certainly, approach to take as we looked out at the year. We don't have a great deal of sight into what's going to come in the fourth quarter.

We haven't seen anything in the business in the first month of the second quarter that would lead us to conclude that it's been an overly bad month, it'll be an overly bad quarter, or it's going to be a great quarter if you look at just the specifics of the current second quarter outlook.

Things have settled down a bit in terms of some of the more recent tariff announcements and the discussions with China and the UK, but I don't think any of our clients believe there's certainty on what the impact of tariffs are going to be.

Certainly, we've got a lot of auto clients that are still trying to figure out how tariffs are going to impact them and what changes they need to make to their business. In discussions we've had with them, this is proved out.

We believe there have been some lessons learned coming out of COVID, even with the zero-based budgeters in some of the consumer industries. Clients need to continue to invest in their brands. Clients need to continue to communicate with their best customers.

They need to be top of mind in those interactions with consumers. They've got a lot more options on how to do that than they ever did before. They need us to help them do that, and we're happy to help them through that period of uncertainty.

We haven't seen any drastic changes in either direction just yet, but we think the level of uncertainty is certainly not an overall favorable in terms of full growth mode. Time will tell. We're pretty optimistic, but we're still conservative and prudent about the guidance.

David: Those comments on the zero-based budgeters, I think you're referring to CPG and some of the companies that had taken that approach maybe pre-pandemic and more recently. It sounds like there's a greater commitment, I think, to marketing investment.

Philip: I think it depends on how things play out, but, yes, that was what I was referring to. I think they've spoken about it publicly, and have for some time, and I think that's instructive of what you may see playing out here, at least in the short term.

David: Healthcare. This is a vertical or discipline, I should say, that has dragged Omnicom a little bit over the prior year. There's a specific account loss associated with that, that I think you'll cycle soon. Maybe can you speak to the outlook to the vertical, on an underlying basis?

We've heard some television advertisers at least speak to an accelerated pipeline. Anything good you're seeing there? I'll ask a way too early question about what Trump announced this week and whether you have any early feedback there.

Philip: Certainly. To start with that, it is way too early to understand and to evaluate what the most recent executive order is really going to mean for the industry. I think you saw the market over the last couple days, I think, calm down about what it may mean and how it's going to impact the pharma clients.

The idea that drug prices are going to come down dramatically based on an executive order is not

exactly the case, or there's an awful lot of things that have to happen before that comes to fruition. That's certainly something that the new administration is focused on, but how it plays out is certainly way too early.

Certainly, it'll add some complexity to our clients in the industry, in terms of how they evaluate what it means for their business and what it means to their investment in marketing, and the impact on our businesses.

I think both IPG and Omnicom have strong healthcare businesses. Those are businesses that are highly technical and high-science-based in manyinstances. The people, they're different. They have a different level of expertise than people in our broader brand marketing type businesses.

We help clients deal with that complexity in a variety of different ways, and we think those clients are certainly going to need us and our agencies to help them through uncertain times like this and complex decisions, as they go through trying to understand how this is really going to impact their business. We think, to a certain extent, it'll be favorable.

Are we going to be immune? In the extreme case, that there's a significant amount of revenue that's just ripped out of the pharma supply, the pharma industry, because drug prices are going to be driven down dramatically. We wouldn't be immune to that, but that reality is a long way from happening, I would expect. It's going to be a much more complicated equation as it relates to that.

We think the business is going to be a strong one for us, prospectively, and we think combining with IPG, certainly in our healthcare businesses, is going to be an even more compelling option for our clients to evaluate what we can do to help them in these uncertain times.

David: Precision marketing is your second largest discipline. Maybe can you unpack a bit what you're seeing there at the moment, in separating out Flywheel maybe from some of the more traditional operations like Credera?

Philip: Sure. That's a business and a space that we've been quite successful in over the last few years. We made some investments and changed the service offering over the last, probably, five years, and it's been quite a good growth business. We invested in Credera, which it's a different business than what we had traditionally been in when it comes to CRM and precision marketing.

It's a consulting business. It has a focus on, in particular, clients' marketing stacks. It's open to and has skills in a variety of those different spaces, whether it's Adobe, or Salesforce, and Pega,

and some other platforms that our clients use in their marketing stack. That business has done quite well.

More recently, there has been a little bit of disruption and dislocation in that space, but they are back in growth mode. Probably not as robust as several years ago, but that business is doing quite well.

The other businesses that we have in that space, Critical Mass and RAPP, which are focused on consumer experience and a more technical CRM, have been extremely successful. We expect that to continue. RAPP, in particular, has grown recently in winning some new business on both GM and BMW.

It's a very technical business, and it helps clients interact with their best customers in a very precise, targeted, measured way. Generally, in our business, more and more client marketing investment is measurable, especially in the precision marketing space. The more measurable that spending is, the better it's going to be for us longer-term.

If you read one of the recent Forrester reports, probably the most recent Forrester report, it reflects quite positively on our business in that space, and what we can do to help clients in that space. We expect that to continue to be a growth area for us going forward. The addition of Flywheel certainly has been quite positive.

We expect that business to continue to grow. We expect the benefits that we've gotten by combining their commerce Cloud data with the Omni platform are going to continue to resonate and help us grow in other ways prospectively. We're pretty positive and bullish about our precision marketing group and how it's going to continue to perform going forward.

David: You recently spoke to creative at less than 20 percent of your revenue now, though, as always noted, the business is your core IP and highly strategic. Can you talk about how creative continues to adapt to changes in tech, and what are you assuming on your creative lines and organic for the rest of the year?

Philip: The creative business certainly continues to be a key component of our IP. It really is core to what we do, and it's not limited to what we think of as creative advertising agencies.

All of our businesses have creative components, and they've got people that add creativity to the solutions, whether that's our PR group, whether that's our healthcare group, whether that's our media company specifically. We've got creativity as a core part of the business in each and

everything we do.

The creative agencies themselves have evolved quite a bit over our history, frankly, but especially in the last three-five years. They continue to enhance and change out the skills of the people we have in those businesses. They continue to approach the market in different ways.

They are at the forefront, along with our media business and our precision marketing business, when it comes to AI, and generative AI, and developing new product solutions and ways of working, certainly, that are going to continue to change those businesses. They are a core part of what we do, and it is evolving quite rapidly. No question.

It'll always be a core part of what we do. As far as the business themselves, their performance, as far as organic growth, has been OK. They've been flat to up a bit over the last year, year and a half.

We don't expect that to change too much in the very near future in terms of the rest of '25, but creativity is certainly going to continue to be a core part of what we're about.

Because you can use all the technology to create new ways to find the consumer in a very personal way and a very precise way that our clients, the consumer that our clients are trying to reach, but you need a compelling reason, a compelling creative hook to get the to buy something or to get them to interact with a brand. So creativity is always going to be a key component of our business.

David: OK. We're about out of time. I think that's a good note to end on. Thank you, Phil.

Philip: OK. Thank you all for coming.

[applause]
