OMC - Omnicom Group Inc.
Q1 2020 Earnings Call
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START OF TRANSCRIPT

NEW SECTION

OPERATOR

[Audio cut off] At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session. To participate, please press 1 then 0. And if you need assistance during the call, please press * then 0. As a reminder, this conference call is being recorded. At this time, I'd like to introduce you to your host for today's conference, Senior Vice President, Investor Relations, Shub Mukherjee. Please go ahead.

SHUB MUKHERJEE – SVP, INVESTOR RELATIONS

Good Morning. Thank you for taking the time to listen to our first quarter 2020 earnings call. On the call with me today is John Wren, our Chairman and Chief Executive Officer and Phil Angelastro, Chief Financial Officer.

We hope everyone has had a chance to review our earnings release. We have posted to www.omnicomgroup.com this morning's press release, along with the presentation covering the information that we will review this morning. This call is also being simulcast and will be archived on our web site.

Before we start, I have been asked to remind everyone to read the Forward-Looking Statements and Other Information that we have included at the end of our investor presentation. And to point out that certain of the statements made today may constitute forward-looking statements and that these statements are our present expectations and that actual events or results may differ materially. I would also like to remind you that during the course of the call we will discuss some non-GAAP measures in talking about Omnicom's performance. You can find the reconciliation of those measures to the nearest comparable GAAP measures in the presentation materials.

We are going to begin this morning's call with an overview of our business from John Wren. Then, Phil Angelastro will review our financial results for the quarter. And, then we will open the line for your questions.

Over to you, John.

JOHN WREN – CHAIRMAN AND CEO

Thank you, Shub. Good morning. I hope everyone on the call is staying safe and healthy. I'm pleased to speak to you this morning about our first quarter results and update you on how we are actively responding to the effects of COVID-19.

First and foremost, I would like to recognize the healthcare workers, first responders and essential personnel around the world who are working 24/7 to help those in need. Their work is heroic and humbling, especially as the human toll continues to grow.

As the impact of COVID-19 continues to evolve around the world, we're focused on three key areas: the safety and well- being of our people, continuing to effectively serve our clients, and preserving the strength of our business. And while we don't know today how this will fully play out, we will be as clear as we can in our remarks and in responding to your questions.

Starting with the safety and well-being of our people, in mid- March, we moved to a global work-at-home policy and implemented our business continuity plans. With few exceptions across our markets, our people – from creatives, to account management, media operations, production, IT, and accounting and back office services, and many others – continue to work from home. This is no small feat and speaks to how well prepared we were as an organization. The transition has been all that I could have asked for.

Our people have stayed well connected to their colleagues and with their clients, and we have not lost a step in supporting them. In fact, our clients have expressed deep appreciation for how seamless the working with our agencies from home has been. Given the vast change in the way we are working and in

our personal lives, the support we are providing is leading to deeper engagements and a tighter bond between our clients and their agency teams.

As a result, Omnicom as a whole is operating very well. This shift would not have been possible without our exceptional people and I want to thank them for their extraordinary efforts. I also want to call out and thank those of you in our businesses that are performing essential services and continue to work outside of your homes.

Before getting into the first quarter, I'd like to explain the actions we've taken to date to improve the strength of our company. Many agency leaders and their staff, as well as Omnicom and our Networks' senior leadership, are taking voluntary pay cuts. We've stopped new hires, frozen salary increases, and eliminated or reduced the number of freelancers we use. We've taken advantage of government wage subsidy programs wherever available and appropriate, in countries such as the U.K., France and Germany, among others, to reduce the number of permanent staff reductions we had to take. We've eliminated discretionary costs and capital expenditures, including participation in all award shows.

We have further enhanced our already strong working capital and cash management practices. In mid-March, we suspended our share repurchase program. In February and March, we completed several financings to enhance our liquidity and balance sheet, increasing our cash and available credit facilities by approximately $1 billion and extending our debt maturities. As of March 31, we had over $2.6 billion in cash and in excess of that balance through the end of last week. We also have $2.9 billion in available revolving credit facilities and our nearest long-term debt is not due until May 2022. We expanded coverage in our U.S. health benefits for those affected by COVID-19 and extended medical benefits to employees that were furloughed or laid off to July 31.

Regrettably, despite these efforts, our companies had to take a number of job actions including reduced work weeks, furloughs and layoffs for many of our colleagues. Our leaders worked tirelessly to limit the number of people impacted and we've helped them find opportunities in areas of our business that are continuing to grow. We are also sharing resources across companies in the group wherever possible.

Given our actions to date, I can tell you with confidence that the underlying fundamentals of our business remain in place, as do our core strategies, and we have the financial resources and financial strength to weather this crisis.

Let me now discuss our first quarter results. I will then come back to more specifically address how we are serving our clients and responding to protect our business in the current environment. While we only felt a partial impact from COVID-19 in the first quarter, it certainly negatively affected our financial performance relative to the expectations we had when we last spoke in February. Certain businesses were impacted much more than others in the first quarter, and March was more affected than January and February. As you would expect, the more highly impacted disciplines for us in the first quarter were events and field marketing which are dependent on social interactions and group gatherings. And as I mentioned on our last call, our events business was all but shut down in China earlier in the year.

As stay-at-home orders and restrictions on travel and large gatherings took effect in March, our events business, as well as several of our field marketing businesses in the affected geographies, were in large part shut down. The postponement of the Olympics as well as every other major sporting event has compounded the challenges. Even though some of our events businesses have done an excellent job of executing virtual events, overall, it has not been enough to make up for the lost revenue.

As a result, first quarter organic growth was 0.3 percent. Our Operating Profit declined by 2.0% to $420 million, and our Operating Margin was 12.3 percent, a 10-basis point decline as compared to the first quarter of 2019. Net income for the quarter was $258 million and EPS was up 1.7 percent year over year, to $1.19 per share. Our free cash flow for the quarter was $362 million and we returned over $140 million in dividends to shareholders. As I've already discussed, our liquidity, balance sheet and credit ratings remain very strong and we have no plans to change our dividend policy. Phil will cover our first quarter performance in more detail during his remarks.

Let me now turn to how our agencies and people have quickly adapted and embraced innovative ways to continue to deliver great work for our clients in the current environment. We've seen firsthand that our people can be just as productive at home as they are in the office. They have been nimble in using technology to make the most of what they have on hand.

For example, one of our agencies produced more than 20 video spots in less than two weeks. With its staff working from home, the agency is solely using in-house production capabilities, including design, animation, photography, as well as tools like FaceTime and Microsoft Teams to develop concepts, direct shoots, and collaborate in a virtual edit bay. Another one of our agencies used drones to maintain social distancing while shooting a commercial. These are just a couple of the thousands of examples of the great work we are seeing from our agencies. While these circumstances have been unusual, they've highlighted the creativity that runs deep in our DNA. Our teams are overcoming obstacles and continuing to deliver to clients.

Our agencies are not only working with existing clients in helping them reposition their brand campaigns in the context of COVID-19, they have also continued to win new business. In mid-March, PHD won Diageo's global media planning and buying account in all of its key markets around the world. Diageo selected PHD due to its standout media talent, strategic thinking and expertise in deploying Omni, our group world-wide data and analytics platform. Other recent wins include: Lindt USA selected PHD as its media agency of record. Clemenger BBDO Sydney was awarded Unilever's Blue Ribbon Ice Cream brand. Energy BBDO won Bayer Digestive Health brands, MiraLAX and Phillips, to add to their current responsibilities in the United States. TBWA\China, while on lock-down, picked up Riot Games, League of Legends World Championship. DDB with TBWA\Australia won Coles Supermarkets. And, Goodby Silverstein, which was recently ranked #2 on AdAge's A-List for the second year in a row, won a roster spot for Panera Bread.

Our agencies are also finding unique ways to leverage their creativity to help stop the spread of coronavirus and serve their local communities. For example, a number of our agencies recently responded to the U.N. and World Health Organization's Global Call Out to Creatives to design work that conveys essential information about COVID-19. Integer, one of our shopper marketing agencies, responded by creating a Social Distancing Retail Tool Kit that helps retailers keep shoppers two carts apart. TBWA also participated by developing the official logo that will go on all of the ideas chosen by the U.N. selection panel. There have also been numerous examples of our agencies creating COVID-19 information campaigns, PSAs and communication tool kits, including. BBDO in the Philippines launched a campaign addressing the lack of personal protective equipment for the people on the front lines. DDB Singapore worked closely with its local government to create an official WhatsApp channel that could

provide daily updates on COVID-19 to its subscribers. And in the U.S., OMD helped drive donations to the American Red Cross.

In another initiative to help our communities, Karen van Bergen, Dean of Omnicom University, is part of the "Task Force Reopen Connecticut". It's a public-private partnership to support Governor Ned Lamont to open up Connecticut's economy in a responsible way, based on health science. An Omnicom team developed an integrated communications plan which has been embraced by the Task Force.

Throughout this crisis, our culture of creativity and the spirit of giving back have remained constant for our organization. Even as our people and agencies continue to deliver great work, COVID-19 is having a profound impact on the economy, on our clients' businesses, and in turn, on ours. Our businesses are being impacted in different ways and across different geographies due to government restrictions that have been put in place in most parts of the world.

As I've already discussed, several of our events and field marketing businesses have been virtually shut down due to the stay at home order and restrictions on events and travel, even as some of their events have been shifted to digital platforms. Our agencies that have a larger share of clients in sectors that have been most vulnerable than others to date – for example, travel & entertainment, oil & gas, automotive, and non-essential retail have clients that have acted quickly to cut costs, including postponing or reducing marketing spend in the second quarter.

On the other hand, certain client sectors, and our agencies that serve them, such as pharma, healthcare, tech and telecom have generally performed better to date. In our healthcare discipline, Omnicom Health Group, which is one of the largest specialized communications groups in the world, has also continued to perform very well to date. And finally, we have seen some bright spots re-emerging in China and other parts of Asia.

I know all of you are interested in our view of the second quarter and the rest of 2020. While we hope for a swift recovery from the pandemic, we are adjusting our operations quickly to the current environment, continuing to deliver outstanding service to our clients and positioning ourselves for when the market rebounds. We will not be providing any specific guidance but let me give you some context of our approach.

Our agencies are developing their financial plans for Q2 and the full year based on four key factors. First and foremost is the health of our people. Like everyone else, we are dependent on when health authorities and governments make decisions to end lockdowns and begin to re-open their economies as safely as possible. Next is the expectation for economic conditions and consumer demand in each of our markets after the lockdowns are gradually lifted. Third, is the type of service each agency offers and when demand ramps up or services can restart, such as in events and field marketing. Lastly, is identifying additional contingency plans now for when conditions change.

We can certainly tell you that we have and will continue to quickly reduce our costs, which are in large part variable, and expect to garner significant savings from the actions I discussed earlier. These cost savings will in part offset the decline in revenue we expect in the second quarter and for the remainder of the year.

We also expect that in the second quarter, we will continue to evaluate our portfolio of agencies to identify businesses that are non-core or underperforming for potential realignment or disposition, and we will review opportunities to reduce our real estate portfolio given the changes in our operations and in the way we are working.

Looking forward, as more governments begin to plan for the end to lockdowns and the re-opening of their economies, we are starting to turn our focus to gradually and safely returning our employees to our offices. We have formed a committee to start planning for the opening of our offices, market by market, once we have the green light to do so. The first priority in preparing this plan is the safety of our people.

The challenges we are facing as the COVID-19 crisis continues to unfold are without precedent. Although, we don't know with certainty how things will look going forward, we do know that we will continue to focus on our people, clients, and the strength of our business. We have managed through crises before and survived to thrive in the future. Our people and our company have shown tremendous grit and resilience, which is a testament to our culture. And that feels stronger than ever.

I will now turn the call over to Phil for a closer look at our results. Phil.

PHILIP ANGELASTRO – EVP, CHIEF FINANCIAL OFFICER

Thanks John and good morning. I also want to take a moment to recognize our people – the people at our agencies that are serving our clients, as well as the people in our support functions around the world - for their tireless efforts over the past several weeks. The swift transition to mobilize and implement our work from home policy was done quickly and successfully. That success would not have been possible without our exceptional people and we are proud of how well they have adapted to this new working environment.

As John said, we are focused on aligning our business model to the realities of the new economic environment impacting us and our clients around the globe. We are continuing our process of reviewing our operations to re-align our cost structures to meet changes in client demand as we manage through the crisis. We've also taken proactive steps to strengthen our liquidity and financial position, both before and after the end of the first quarter.

These actions included: In early February, we amended and extended our $2.5 billion revolving credit facility. The facility was extended until February 2025. In mid-March, we suspended our share repurchase program. In February, we issued $600 million of 10-year 2.45% Senior Notes -- and in March we redeemed early - the remaining $600 million of 4.45% Senior Notes that were due in August 2020. In early April, we issued an additional $600 million of 10-year 4.20% Senior Notes. In early April, we also completed a $400 million, 364-day revolving credit facility, which is in addition to our existing $2.5 billion revolving credit facility. We viewed these actions as putting in place additional liquidity insurance during these uncertain times. We should also note that we have no long-term debt maturing until May of 2022.

Turning to the actual results slide for the first quarter: We had organic growth of three tenths of one percent for the full quarter. Our performance through the end of February was positive on a global basis, while in March our results turned negative as the economic impact of the COVID-19 pandemic began to affect the global economy.

FX again produced a headwind, reducing our revenue by 1.4% in the quarter, or approximately 1.0% more negative than we estimated on our February earnings call. And the net impact from dispositions

made during the last 12 months exceeded revenue from acquisitions in the quarter by seven-tenths of one percent. As a result, our reported revenue in the first quarter decreased 1.8%, to $3.4 billion when compared to Q1 of 2019. I will discuss in further detail the components of the changes in revenue in a few minutes.

For the quarter, EBIT was $420 million and our Operating Profit decreased by $8.7 million while our operating margin decreased by 10 basis points to 12.3%. Interest Expense for the quarter was $45.8 million, flat versus Q1 last year and up $7.2 million compared to Q4 of 2019.

As I said previously, in February, we issued $600 million of US-denominated 10-year Senior Notes at 2.45% which will mature in April of 2030. The proceeds of this issuance were used to retire the remaining $600 million of 4.45% 2020 Senior Notes that were due to mature in the third quarter of this year. The impact of the early redemption resulted in a charge to interest expense of approximately $7.7 million in first quarter of 2020. However, when combined with the reduction in our interest expense resulting from refinancing actions we completed in 2019, including the issuance of our Euro Bonds in July of 2019 to fund both (a) the maturity of our $500 million 6.25% 2019 Senior Notes and (b) the early redemption of $400 million of our 4.45% 2020 Senior Notes, our total interest expense decreased $4.5 million dollars when compared to Q1 2019. This reduction was largely offset by a decrease in interest income of $4.3 million dollars versus Q1 of 2019, which resulted from interest rates on our cash deposits that were lower than the prior year rates.

When compared to the fourth quarter of 2019, interest expense increased $6.5 million, driven by the charge to interest expense for the early redemption in March, of the 2020 notes, while interest income was down a little less than $1 million. Prospectively, when we include the additional borrowing of $600 million of the 4.20% Senior Notes that we completed in early April, our long-term debt portfolio going forward will be comprised of $4.6 billion in dollar-denominated debt and €1 billion in Euro-denominated debt. For the remainder of the year, we expect that our refinancing activity in 2019 and 2020 will more than offset the increase in interest expense from the issuance of the 4.20% Notes in April 2020. We believe adding this additional liquidity, while maintaining our interest expense levels, was a prudent step to take at this time. However, we do expect reductions in interest income in 2020, which when compared to the prior year will offset the expected reductions in interest expense for the remainder of 2020.

Our effective tax rate for the first quarter was 26.0%, down a bit from the Q1 2019 tax rate of 26.8% and a little below the range we projected for this year of 26.5% to 27.0%. At this time, we are still forecasting that our effective tax rate will be in that range for the rest of the year.

Earnings from our affiliates included a non-cash after-tax charge of approximately $4.0 million related to the planned disposal of an equity method investment in the Middle East. The allocation of earnings to the minority shareholders in our less than fully owned subsidiaries decreased by about $3 million to $13.6 million. As a result, net income for the first quarter was $258.1 million, down 1.9% percent or $5.1 million when compared to Q1 of 2019.

Now turning to EPS: Our diluted share count for the quarter decreased 3.0% versus Q1 of last year to 217.5 million shares. As a result, our Diluted EPS for the first quarter was $1.19, which is an increase of two cents, or 1.7% when compared to our Q1 EPS from last year.

Returning to the details of our revenue performance in the first quarter: On a year-over-year basis, the US Dollar's continued strength once again created a headwind in our reported revenue. The impact of changes in currency rates decreased reported revenue by 1.4% or $50 million in revenue for the quarter. The strengthening was wide-spread – the Dollar strengthened against practically every one of our major foreign currencies. In the quarter, only the Japanese Yen strengthened against the Dollar. The largest FX movements in the quarter were from the Euro, the UK Pound, the Australian and New Zealand Dollars and the Brazilian Real.

As for a projection of the FX impact for the remainder of year, any assumption on how foreign currency rates will move under normal economic conditions, let alone our current environment, is always a speculative exercise. But looking forward, if currencies stay where they currently are for the balance of 2020 – FX could negatively impact our reported revenues by approximately 2.5% during the second quarter but then moderate somewhat in the second half of the year, resulting in a negative impact of around 2% for full year.

The impact of our recent acquisitions, net of dispositions, decreased revenue by $24 million in the quarter, or seven-tenths of one percent, which was right in line with the estimate we had when we

entered the year. Since we've had relatively few acquisitions or dispositions recently, at this time we estimate that the net impact of the transactions completed as of March 31st will be negligible on our revenue over the remaining three quarters of 2020. However, that estimate does not include the impact of any future acquisitions, or dispositions we may make going forward as we continue to evaluate of our portfolio of businesses.

And finally, our organic growth for the first quarter was 0.3%. For the full quarter, geographically, our Domestic, UK and Asia Pacific regions had positive performances, while the rest of Europe and Latin America were negative.

Within our service disciplines for the quarter, our Healthcare agencies led the way and PR was also positive. While Advertising & Media and CRM Consumer Experience and CRM Execution & Support were each slightly negative due to the downturn that began in March.

Turning to our mix of business by discipline: For the first quarter, the split was 56% for Advertising and 44% Marketing Services.

As for the organic growth by discipline: Our Advertising Discipline was down marginally at .1%. Organically, we saw declines at our global advertising agency networks, but organic revenue from our Media agencies was up a bit for the quarter. CRM Consumer Experience was down 1.3% organically. We continue to see strong growth from our Precision Marketing agencies, and they also had positive results in March while our Events & Shopper Marketing businesses lagged. CRM Execution and Support was down 0.9%, which was an improvement over what we had seen from the discipline recently. PR was up 0.2%. And lastly, Healthcare was up almost double digits at 9.6%. And as has been the case over the past several quarters, the growth continues to be well distributed across the geographic regions they operate in and they also had positive results in.

Now turning to the details of our regional mix of business: You can see during the quarter, the split was 56% in the US, 3% for the rest of North America, 10% in the UK, 17% for the rest of Europe, 11% for Asia Pacific, 2% for Latin America, and the remainder for the Middle East & Africa, our smallest region.

In reviewing the details of our performance by region: Organic revenue growth in the first quarter in the US was 1.7%, led by our CRM Consumer Experience, Healthcare and PR disciplines with our Advertising and CRM Execution & Support groups lagging. Outside the US, our Other North American agencies were up six-tenths of a percent, with growth at our CRM Consumer Experience and CRM Execution & Support offerings more than offsetting a decrease at our Advertising & Media businesses.

Our UK agencies were once again positive, up 3.7%, driven by the continued solid performance of our Advertising and Healthcare agencies. The rest of Europe was down 2.3% organically in the quarter. In the Euro Zone, while there were a few markets with positive performances, such as Ireland, Portugal and Spain, most were negative as business activity slowed as the COVID-19 outbreak spread throughout the continent. Germany was down just over 1% and the Netherlands was down mid-single digits. While our businesses in France, which were already dealing with client losses at a few local CRM Execution & Support businesses before the impact of COVID-19 hit, was down double digits organically.

Our organic growth outside the Euro Zone was positive for the quarter by six-tenths of a percent, with most markets positive except for Russia. Organic growth in Asia Pacific for the quarter was 2.0%. Our Greater China agencies were down about 2.5% in the quarter. Elsewhere in the region, we saw mixed performance by market. Solid performance from our agencies in Australia, India, Indonesia and New Zealand were partially offset by reductions in Japan, Singapore & Thailand. Latin America was down 5.0% organically in the quarter. Brazil once again had a negative performance, as did Colombia, offsetting growth in Chile, while Mexico was down slightly in the quarter. And lastly, the Middle East & Africa was negative for the quarter, primarily resulting from the cancellation of Events activity in the region.

Turning to the presentation our mix of revenue by our client's industry sectors: In comparing the first quarter revenue for 2020 to 2019, you can see there was a small shift in our mix of business. This quarter, we have also added some additional industry categories to our disclosure on this slide to provide more details regarding certain industry categories that were previously included in "other". None of the additional categories represent greater than 2% of the total.

Turning to our cash flow performance: You can see that in the first quarter we generated $362 million of free cash flow, excluding changes in working capital, up about $20 million versus the first quarter last

year. As for our primary uses of cash: Dividends paid to our common shareholders were $142 million, up slightly versus Q1 last year due to the impact of the five cent per share increase in our quarterly dividend payment effective in April of last year, partially offset by reduction in our outstanding common shares due to repurchase activity over the past year. Dividends paid to our non-controlling interest shareholders totaled $10 million. Capital expenditures were $26 million, down slightly year-over-year. And as we stated earlier, we are limiting our capital projects in the near term to only those deemed essential to our on-going operations. Acquisitions, including earn-out payments, totaled just under $10 million, reflecting the reduced recent activity. And, stock repurchases, net of the proceeds received from stock issuances under our employee share plans, totaled just under $200 million – and again we've suspended our share repurchase program. All-in, we outspent our free cash flow by about $25 million in the first quarter.

Turning to our capital structure slide, as of March 31st, keeping in mind this reflects only the transactions completed as of the end of the quarter and does not include the $600 million of additional Senior Note borrowing, which closed during the first week of April. So, as of the end of March, our total debt was $5.10 Billion, which is down almost $400 million from this time last year. As you may remember, the Q1 2019 debt balance included 520 million Euros of short-term, non-interest bearing senior notes in a private placement to an investor outside the United States. We repaid those notes in the third quarter last year. Partially offsetting the repayment is the net impact of our Dollar denominated issuances & repayments over the past year, along with the issuance of our Euro denominated debt last summer.

Versus December 31, 2019 gross debt at the end of the quarter was down about $40 million, primarily due to the FX impact of translating our Euro-denominated debt to the US Dollar value as of March 31st. Our Net Debt position at the end of the quarter was $2.41 billion, up about $1.6 billion compared to year-end December 31, 2019. The increase in net debt was a result of the use of working capital of about $1.3 billion, which is typical of our working capital requirements during the first quarter, as well as timing differences in the latter part of the first quarter. In addition, net debt increased as a result of the impact of exchange rates on our cash and debt balances during the quarter by $180 million and by $25 million related to the use of cash in excess of our free cash flow.

Compared to March 31, 2019, our net debt is up $368 million – the increase was primarily driven by the change in operating capital during the past 12 months of approximately $485 million and the negative

impact of FX on our cash balances which totaled around $185 million. Partially offsetting those increases over the past 12 months was our excess free cash flow of approximately $345 million.

As for our debt ratios, they remain solid: Our Total Debt-to-EBITDA ratio was 2.2 times, and our Net-Debt to EBITDA ratio was 1.0 times, and our Interest Coverage is 10.6 times.

And finally, moving to our historical returns: For the last twelve months our Return on Invested Capital ratio was 25.1% while our Return on Equity was 54.9%.

And, that concludes our prepared remarks. Please note that we have included several other supplemental slides in the presentation materials for your review, but at this point, we are going to ask the operator to open the call for questions. Thank you.

NEW SECTION

OPERATOR

(Operator Instructions) Your first question comes from the line of Alexia Quadrani from JPMorgan.

ALEXIA QUADRANI - JP MORGAN CHASE & CO, RESEARCH DIVISION

Thank you for all that color and hope you guys are doing well. I wanted to sort of dig into some of the commentary you made about the decline you saw in March. Curious if you could share how much March organic revenue growth was down? And sort of how organic revenue growth was trending in April?

PHILIP ANGELASTRO - CFO

Sure. I'll take that. We had approximately 3% organic growth through the end of February. So, March was essentially a similar amount in a negative fashion. So, a little bit less than that in the month of March. And in terms of April, I think that was your second question. We don't have numbers for the month of April. We don't collect weekly revenue numbers by agency and roll them up at the Omnicom level. But the expectation is that year-over-year revenues will be down in the month of April.

ALEXIA QUADRANI - JP MORGAN CHASE & CO, RESEARCH DIVISION

And then if I can follow-up, perhaps John or Phil, you guys both have great perspective having been at Omnicom through the last financial crisis. I guess, how is this different from 2009? And do you think the

declines in revenue will be perhaps a lot worse, but maybe shorter lived? And can you do the same great job you guys did back in '09 in terms of protecting profitability?

JOHN WREN - CEO

This situation is quite different than past situations because 2008, 2009, it started off as a financial sector issue. This sector -- this time around, it's affecting the companies or the areas more specifically that we referred to in our remarks because of the total shutdown. The good news is if they do it intelligently, countries around the world are starting to bring people back in one capacity or another, which I think will be very, very positive. It may take us another couple of months but will be very positive.

The actions that we've taken so far, simply because this is different than anything we've faced in the past, have been, I guess, appropriate -- well, they've been at an appropriate level to reflect what we think is going to happen to our revenues in the second quarter and then we're always, every day, reevaluating what we think is going to happen beyond the second quarter. So, the actions that we've put in place so far exceed those that we took in 2009, 2010, but we feel they're appropriate and related to the revenue that we expect from the downfall (inaudible) revenue that we expect in the second quarter.

PHILIP ANGELASTRO - CFO

Yes. I think based on the data we have from our agencies to date, and the forecast process is certainly an iterative process. We spent a lot of time with our senior managers at our networks and practice areas over the last month, regular time with them. And we're in the process of reforecasting the numbers for Q2 and the rest of the year yet again over the next few weeks. But I think we expect the initial impact to be a little deeper than it was back in '08, '09, initially. And we, like everybody else, are -- don't have enough information yet to really know what to expect in terms of when the businesses will come back, but we're certainly focused on making the decisions that we need to make now and preparing the businesses for when the economies open up and the opportunities that are going to be there for us to take advantage of.

JOHN WREN - CEO

The only thing I might add, Alexia, is it's not all doom and gloom. If you look at our Healthcare sector, it's probably up. If you look at the Healthcare sector within the public relations practice area we have, that's

very, very solid. So, there are areas of our business despite all the difficulty that's out there, that are, in fact, growing.

ALEXIA QUADRANI - JP MORGAN CHASE & CO, RESEARCH DIVISION

And I would assume that you get some incremental benefit to that point, John, of some of your clients wanting to re-message their creative work to make it more appropriate for this environment. Is that continuing? Or is that really largely a March event?

JOHN WREN - CEO

No. I mean -- I suspect almost every one of our clients. You can see it in some of the major clients in their advertising. The Pepsi, AT&T and some others, that they're still actively engaged in trying to address themselves to their employees and to the public with messages of support of this. And our guys, ladies, are doing this basically from home at this point. That's the most fascinating and enlightening thing that I've seen through this whole process is just how well and how quickly we transition from working in the office with all the facilities and office would offer to working at home. And our people have been just amazing. It's really been incredible. And thankfully, so.

OPERATOR

Your next question comes from the line of Craig Huber from Huber Research Partners.

CRAIG HUBER - HUBER RESEARCH PARTNERS, LLC

A few questions, and it sounds like you guys are all safe. Phil, can you give us a sense at the individual advertising agency level what percent of cost would you say are variable that you can really attack, hold back cost there? First question.

PHILIP ANGELASTRO - CFO

I think as an overall matter, we're certainly going to -- we're going to consider and address any and all cost components in the business. But we do have a significant portion of variable costs. I think if you look at the salary and service cost line, a significant portion of those costs, which are about 70 -- a little under 75% of the cost structure of the business -- certainly, we're going to look at any and all of those costs. I don't think there's a way to say all of the 75% are actionable. And this situation is not as dire as that. But a significant portion of our costs are valuable as incentive comp in those numbers. Some of the service cost component of that cost line certainly is tied directly to revenue. And we're looking at all those things. But we also are keeping in mind, we do have a business that continues to provide services

to our clients and innovative creative ideas to our clients. So, there's a significant component of that cost that will continue and support the revenue streams going forward. But I think if you look at that variable cost -- the (inaudible) and service line, a significant component of that is, in fact, variable.

CRAIG HUBER - HUBER RESEARCH PARTNERS, LLC

My second question, Phil, when you sort of -- I know it's hard to know this, of course, but you guys obviously do an awful lot of long-term work for your clients. Is there anything that you're thinking that the third quarter, the year-over-year percent decline in the organic revenue could be down worse than what you may be thinking about the second quarter could be? I know it's hard to know for sure, but how do you sort of think about that? What quarter you guys think it could be the worst? Is it the second quarter?

PHILIP ANGELASTRO - CFO

I'll give you my opinion, and then John can add to it. I think we just don't know with any certainty, but all the discussions we've had with our businesses to date would lead us to conclude that the second quarter will bear the [brunt] of the decline in marketing spend by our clients as they pull back because of the shutdowns, global shutdowns. And I think as the economy slowly comes back, both in the U.S. and overseas, clients will want to grow again and they want to invest again. And we don't expect the second half in terms of percentage decline to be as significant in the second quarter right now.

JOHN WREN - CEO

Yes, there's not much I can add to that. That's -- in the preliminary forecast that we've looked at – and they are preliminary, we have to go back and dig deeper into them— the second quarter was the most traumatic. And there was an assumption that many sectors would at least gradually reopen at some point during the third quarter. That seems to be playing out based upon what we're hearing from the governments around the world. So, the second quarter, at this point, is going to be I think the worst.

From a cost point of view, though, we've taken a different view. We've taken -- the reality of what we think the second quarter is going to be. Plus, we've projected that a little bit more severely into the third quarter then our revenue expectations are. Just to assure ourselves that the actions that we're taking are rightsized, and we'd rather be in a position later in the year where we're reinstituting people as behind the revenue coming in as opposed to chasing a revenue decline for the full year.

CRAIG HUBER - HUBER RESEARCH PARTNERS, LLC

And my last question, if I could. Maybe help quantify for us how you sort of think about your employee headcount in terms of the percent of employees that have been furloughed or unfortunately laid off in this environment? Is it like a 15% number? Can you give us a sense ballpark, please?

JOHN WREN - CEO

I'm not sure I want to give you a number at the moment because it's so fluid. You do recognize that the systems, where you are in the world are, in fact, different. If you take places like France and Germany, which are big markets for us, their governments look to support the population by keeping the employee attached to the company, which will make it very easy for us to recover when those markets, in fact, recover.

In the U.S.—not a political statement for better or worse—the U.S. requires you to make people redundant in order to get the benefits associated with what the government's offering. We view the actions that we've taken, and we continue to analyze this as permanent for companies that we do not think will come back to spending during this calendar year. And furlough, even though they're treated the same, they're put on unemployment. And those people are the first -- those people will be the first priority in terms of us bringing them back as soon as client revenues restored. So, I don't know if that helps you or (inaudible).

PHILIP ANGELASTRO - CFO

So, you certainly may be familiar with us already. But what John is referring to is there's a number of countries in Europe, especially, but also in other parts of the world, Canada and certain Asian countries, where employees remain on our payroll and the government subsidizes that employee's pay rather than have the employee terminated because our clients have indicated that they're going to reduce their spending near term. So, whereas we might in a typical quarter, client reduces their spending, if we had to take action at an agency and actually reduce our headcount, we would do that. In this environment, in some countries, that isn't permitted during a short period of time. So, those employees will stay on the payroll and will get reimbursed, a significant portion of their salaries, 70% or 80% in some cases. So those furloughs are what's occurring in a number of the European countries, which hopefully, client spend comes back and those employees will be -- they won't need to be reinstated, they'll continue on with the company in the same fashion as from before. If the business doesn't come back, we're going to have to reevaluate our decision.

In the U.S., because the U.S. doesn't have a similar approach in terms of furloughs -- formal furloughs, we've taken a little bit of a different approach, but we have indicated to those people that we believe -- we're hopeful that we're going to bring them back, but -- that we do, in fact, want to bring them back as soon as client spend comes back. But we have had to take the action of severing them from the payroll so that they could take advantage of the government programs to help them in the near term.

JOHN WREN - CEO

The other thing I want to add, which kind of blows me away, and I'm very, very pleased with this, is the number of people in the United States, but across the world, who have taken a voluntary salary reduction. That's -- I mean, you have to be in my position, but it's wonderful when you see what people are doing and what people are willing to offer up to help reduce the number of actions that we have to take and reflect the fact that this, unlike any other crisis in the past, is a shared experience.

OPERATOR

Your next question comes from the line of Michael Nathanson from MoffettNathanson.

MICHAEL NATHANSON - MOFFETTNATHANSON LLC

I guess I have two for you. I'll be quick. So John, I wonder, just given what you guys both said about furloughing people. Omnicom has been known for having the best talent. Do you worry about maybe creating a bunch of free agents for some of your more challenged companies, competitors in Europe maybe swoop in and take some of the talent. So how do you guard against losing all the people who are on furlough down the road to maybe competitors? And then Phil, you mentioned the working capital outflow. It was bigger than we've seen before. I realize that we're in the midst of a global pandemic, but any color on what happened maybe in March? You referenced in your comments. And kind of the sustainability of the working capital outflow as the year goes on?

JOHN WREN - CEO

Well, let me take the first question. People are free to do as they want to, and they've always been that way. I'm not -- well, I'm not any more concerned than I would be prior to the crisis about our staff choosing to work for Omnicom as opposed to one of our competitors. And we've been very careful and thoughtful, I think. And unlike in past crises, communicating with our employee base and letting them know what are our priorities and what are our concerns and what to expect our actions to be. And, I find that when you do communicate with your employees that way, it creates a dialogue at a trust level that is terribly important to get us through this crisis. So, I mean I will be shocked if there’s any depletion in

the talent at Omnicom. I quite expect to be able to do just the opposite of what you're suggesting and probably hire people that we think are terribly talented at some of our competitors after this or as this settles down.

PHILIP ANGELASTRO - CFO

Yes. The only thing I would add is this isn't a situation where there have been or will be indiscriminate reductions in the overall talent that we have at our agencies. So, there are client situations where they've reduced their spend, and we need to take actions at that agency. The answer isn't simply whoever is servicing that client is unfortunately going to be part of the furloughs or terminations that need to be made so that the overall agency can thrive in the future. There's an evaluation that's being made of who are our best people and do we have any underperformers that will be first on that list of either terminations or furloughs if that action has to be taken. So, we are certainly working through this and doing everything we can to keep those who we think are best.

JOHN WREN - CEO

And one thing I want to point out is even to the level of leadership. We entered 2020, or DDB did, with a difficult situation. We've lost several large clients, thankfully, to other parts of Omnicom. And we were a bit shocked and put off when Wendy Clark decided that she was going to move on in the middle of a crisis. But we were able to recover with no interruption at all because Chuck Brymer, who had previously been the CEO and the Chairman of the company, was with us and ready to step back in and has done a magnificent job irrespective of whatever the behavior of his predecessor was. So, I feel not only are we in fabulous situation when it comes to our employees, we've done a terribly good job of making certain that we can replace every single one of us, and it's truly a team effort.

PHILIP ANGELASTRO - CFO

So, to the second question, Michael, as far as working capital, a number of factors impacted us at March 31 at the end of the quarter. So, one thing to start, as John had said in his prepared remarks, our cash balances as of yesterday are still in excess of the balance and cash that we had at 3/31/20, the $2.7 billion in cash we had at 3/31/2020. The cash we have on hand today is in excess of that number. And is right around that number, if you back out the $600 million in additional financing we raised, which closed on April 1. So, our performance in terms of working capital management and cash in the month of April has been very good. And essentially, what happened in the last week of March were a few things. Clients -- a number of clients who have India-based AP processing centers. If you remember,

India was in disarray, the last basically week of March. And a number of their outsourced service providers were kind of caught in the middle of trying to transition their operations to work from home, which in India is very challenging, and a number of those service providers were not well prepared for that transition. And as a result, the cash payments from those clients that we expected in the last week of March came in April as opposed to as of the day, March 31.

And I think the other things that contributed were similar. Certainly, a lot of our clients were in transition or were working from home. And a matter of a delay of 2 or 3 days at the end of the quarter doesn't make a difference overall to our working capital management, but it does make a difference in terms of the cash balance that's on the balance sheet at March 31 and the working capital disclosures and our statement of cash flow. So -- and I think there's probably a bit of certain clients holding on to their cash a little bit longer at the end of the quarter as they were sorting through what COVID-19 was really going to mean and what kind of an impact it was going to have on their business. So, I think those are the primary factors that drove the $600 million of decline in working capital performance in the quarter as of March 31. And I think otherwise, the performance in April has been excellent, and we've certainly stepped up our interaction with our agencies on a daily and weekly level in terms of cash forecasting. And we're very pleased with our performance in these first 3-plus weeks of April. So we don't have any concerns just from this snapshot as of March 31.

OPERATOR

Your next question comes from the line of Julien Roch from Barclays.

JULIEN ROCH - BARCLAYS BANK PLC, RESEARCH DIVISION

Thank you for taking my questions. I'll have a couple. I'll ask them one by one, if that's okay with you. You gave no indications of Q2 trading. I understand it's really difficult. Things are changing every day. But I guess investors' expectations are, I believe, for an organic decline of 25% to 30% for agencies in Q2. How does that sound? Likely outcome, potentially worse, potentially better?

JOHN WREN - CEO

Well, this is going to be a very short answer compared to the answers we were giving your previous question. Certainly, we're looking at a Q2 downfall, which could be -- well, certainly will be double digits. We're not prepared to discuss – I'm not prepared to discuss – beyond that. In the year, it will depend on how quickly businesses reopen, from car dealerships to food franchises to all sources of activity. We can take a pretty good estimate that some of our events businesses will be affected for a longer period of

time. But oddly enough, we're going to get into a situation where people are going to start to get extremely creative, because I think sports in one form or another are going to come back, maybe not attendance at stadiums or people viewing it. But our event people are not -- which are clearly the most affected through this whole thing – are coming up with incredible ways that I, as an individual, could have never even imagine that we would be able to do. So we're taking this -- the first thing that we did in this crisis is we went out and we increased, without sacrificing our credit rating, our liquidity to make sure and make certain that versus every single one of our competitors, we have far more resources than they do, because some of them-- because of the acquisitions they've made in the past or recent past. So that, from my experience in prior crises, is the key, the fundamental, to making sure that your company prospers and recovers from the situation.

Then what we've done is we've gone out very thoughtfully in taking advantage of every single government program that's out there. And then finally, as a result, we've had to adjust our payrolls in anticipation of what our clients -- we think our client is going to spend and when they're going to come back. I don't think it's going to be rosy, but we do fully expect to bring many of those people back as we get later and later into the year. So, I'm not prepared to give you numbers yet, but I can assure you that the actions that we've taken have been thoughtful and with a view, a very strong view, that when a recovery starts, we'll be well resourced to recover quickly. I don't know if Phil wants to add anything to that?

PHILIP ANGELASTRO - CFO

Yes. I think it's hard, Julien, for us to give a -- an insightful and meaningful number, if you will, as to what we expect in Q3.

JULIEN ROCH - BARCLAYS BANK PLC, RESEARCH DIVISION

Sorry my question was just for Q2. Just Q2.

PHILIP ANGELASTRO - CFO

So, in Q2, I think just to add to John's comments, to give you a sense for some size. Certainly, the Events businesses and the field marketing businesses we have were and will be most affected most quickly. And those businesses are -- the Events business is probably roughly 4% of our revenue, and the field marketing business is less than 3% in the first quarter, as an example. And some of the businesses within events and field marketing, we found, interestingly, in the last few weeks and month, as some of those clients while they certainly have reduced their spend pretty quickly, they do want to keep our talented

people around and are willing to work out some solutions with us to keep them on the payroll and keep them working on virtual programs and things like that for their brands. So, it isn't all doom and gloom, even within those disciplines. But I think John's assessment of directional guidance of double digits for the second quarter is probably about as much as we're willing to say at the moment, given the uncertainty still.

JULIEN ROCH - BARCLAYS BANK PLC, RESEARCH DIVISION

Okay. Sure. The second question, I have three. You said that you were up roughly 3 in the first 2 months and down 3 in March. But I guess the second half of March is quite different because that's when the lockdown started in many countries. Can we have organic trends in the last 2 weeks of March? And I guess, some countries are different, either you give us a global number or by countries, but some color on the last 2 weeks of March, please?

JOHN WREN - CEO

Julien, I wish we were that good. Let me tell you what I think because I haven't wasted a single moment of my time analyzing what happened in the last 2 weeks of March. But we knew -- I mean some of our events businesses, for instance, are very -- have been very profitable, and we expect them to be, again, especially in China and other markets around the world. They were canceled. I think we even mentioned that in our year-end call, which we talked about in early February. We saw the impact of those cancellations and certainly, in March, to the extent they were scheduled in March. We've also seen them since. So, I'm pretty proud actually and pretty delighted that we came out of the first quarter with 0.3% organic growth. I mean, because we were doing just fine. So -- but in terms of doing an analysis of what happened in the last 2 weeks of March—I have to tell you, with everything else that's going on, that has not been one of my areas of focus. I don't know if Phil wants to add anything?

PHILIP ANGELASTRO - CFO

Yes. I mean, just to be clear, we actually don't have access to that data. We don't close our books weekly. It's a different -- in the professional services business, it's a different type of business than a retail example or a business like that, where they do have a process in place where they are tracking sales daily or weekly. The numbers just don't come together in that way. But I think certainly, the discussions we had and have had with our businesses, as John referred to, there was a much greater sense near the end of March of the impact this was going to have, and we've been dealing with it in real-time ever since.

JULIEN ROCH - BARCLAYS BANK PLC, RESEARCH DIVISION

Okay. Very good. Last question, you've given no indication of cost, but WPP has highlighted 700 million pounds of cost savings and Publicis EUR 500 million. I don't know, can you give us an indication of cost savings? Or if you can't do that, maybe operational gearing, each 2 points of organic decline is impacting operating profit margin by x basis points. I mean, some numerical colors on cost would be welcome.

JOHN WREN - CEO

I've never spoken about this publicly anyway. In 2013, when we were going through the proposed merger of Omnicom and Publicis, the magic number for synergies was always $500 million. Just humorous to see it again in 2020. The cost cuts we've taken and the annual impact of them have been appropriate to the level of revenue expectation that we have. We'll be in a much, much better position later in the quarter to tell you what those actions were and what they weren't. We're not setting an object, a goal that we're willing to announce in public as to the amount of savings that we're about to -- that we're going to achieve by decimating parts of our staff. What we're doing is thoughtfully looking at it client by client, office by office and taking the appropriate actions to make certain that we restore our profitability as quickly as possible. So, I cannot join my colleagues in giving you a number to cheer about or to put down so we can measure ourselves about did we get to it or not.

PHILIP ANGELASTRO - CFO

Yes. I think the only thing I would add to John's comments is that the approach that we're taking is one that's going to be agency by agency, region -- market by market, region-by-region, business-by-business. And the approach is going to have to be different based on all those factors. And it really is about – the process is about – trying to realign our cost structure at the lowest level, the agency level, with the revenues at that level. And when you add up all the numbers, they're going to add up to a big number if our revenues come down – by a big number, relative to our past history is what I'm referring to in terms of “big”. So that number is going to change from what it was a week ago and what it will be a week from now because it's an iterative process. And we're going to try and do the right thing, the right thing for our people and the right thing for long-term sustainability of our business. And we'll have a number, certainly when we talk to you next.

JOHN WREN - CEO

And the only thing I might add is, I'm not offended by the question at all. I think it's the foolishness of my competitors to have thrown out a number to you when they don't even know what is going to be

required to right-size their business. Unless they were holding on to adjustments that they couldn't justify to you in the past and throw them out and using COVID-19 as an excuse. So, some of it's experience probably, but it's all nonsense at this point. We'll let you know as soon as we do, when we do.

OPERATOR

Your next question comes from the line of Benjamin Swinburne from Morgan Stanley.

BENJAMIN SWINBURNE - MORGAN STANLEY, RESEARCH DIVISION

I have 2 questions for John. First, we've sort of seen this kind of gradual increase in sort of trade barriers and protectionists, at least rhetoric around the world. And it does seem like COVID-19 is increasing some of those trends. And as a company who deals with multinationals, and global trade is important to the overall business, I'm just wondering, when you look at this crisis, John, if you think about that having a long-term impact on the business? Or maybe you think we're overreacting and it's, again, mostly political rhetoric? But you guys are sort of uniquely positioned in sort of media to think about these things and what they might mean. So, I would love to get your thought on that question.

And secondly, you guys have been disposing assets over the last couple of years. I'm wondering under the sort of umbrella of structural long-term changes as a result of COVID-19 to the agency business. If you think this may prove to be an accelerant in either further asset sales or maybe actually even consolidation? Just given some of the weaker competitors of yours out there who have declining revenues heading into this situation. So, two kind of bigger questions. I'd love to get your thoughts on.

JOHN WREN - CEO

Sure. In terms of globalization and the impacts of this. It is going to have, I think, a profound impact on what companies do moving forward. Our consumer-facing clients are going to want to continue to expand into those markets because of a population and the potential growth there. Where I've heard the most concern, I guess, or reevaluation is companies where their supply chain has been put in place, principally because of the basis of where the lowest cost provider was. And people seeing that in this type of an environment that free type of access to every single market in the world without consideration to any pandemic or other type of pandemic interruption is something that we're going to have to rethink as we come out of this. But our clients in China are spending because China is basically back open again. People are actually going to car dealerships in China, where they're not allowed to go to car dealerships that are closed in the United States. So, there's going to be very, very thoughtful and

long considerations about, not so much once you get pass where the consumer is, some of the ways that companies have operated up until now and will have to reevaluate. Your second question was?

BENJAMIN SWINBURNE - MORGAN STANLEY, RESEARCH DIVISION

Dispositions or consolidation in the industry. Is this a catalyst for either of those in your mind?

JOHN WREN - CEO

Certainly, not a catalyst. I mean we've been at this for close to 3 years, yes? And I'm not going anywhere, but I did have a secret book I was going to leave through my successor as to what I thought should happen. But I can assure you, I'm not going anywhere during this. So, we're going to be looking at markets. We're going to be looking -- I don't think we're going to be exiting markets, but we're going to look to see how we should present ourselves in those markets and how we should service our international clients in those markets and what the local market potential is for the brands that we have represented there. So yes, in a funny way, we're going to use this event to properly size our business and to take whatever adjustments we need to take to make it that is absolutely stronger coming out of this than it was going into this. And we're in pretty good shape going into it.

PHILIP ANGELASTRO - CFO

Sure. I think given the market is going to open shortly, I think we have time for one more question, operator.

OPERATOR

Okay. That question comes from the line of Tim Nollen from Macquarie.

TIMOTHY NOLLEN - MACQUARIE RESEARCH

Let me -- if I can just kind of tie a few things together here. So, it sounds like the Q2 revenue impact is probably going to be worse than we've ever seen. At least in our memories. But you're taking as aggressive a cost action as probably you certainly did versus 2009. When I looked back at my numbers and you were down 120 basis points peak to trough '07 to '09 full year. Looks like you're on track to do perhaps even better than that now. I guess the question then is, are there permanent changes that might come out of this on the cost side? John, you mentioned real estate. You've talked a lot about the use of technology. We'll see what happens with staffing levels, et cetera, and people come back after furloughs. But are there permanent, margin, positive impacts that could come out of this?

JOHN WREN - CEO

Well, the good news is the same management, unfortunately, that was here in 2009 and took all those actions are still here now. So, we are taking, I think, what the appropriate actions are. Yes, I think every aspect of our business is going to change. What -- in addition to all of the actions and all the immediate day-to-day things that we've been engaged with during the last 5 weeks, especially. During that same period of time, I established 3 separate committees – one to look at the media business, one to look at the advertising business, another to look at the Public Relations business—to go away, forget the day-to-day of what's happening and to -- in a blue sky type of way, with a clean sheet of paper, tell me how those services should be performed in the future without any consideration of costs and adjustments, but just to give me a very clear sight as to the things we should be looking towards as we emerge from this. And I'm expecting some dramatic answers and goals and objectives that we can look to accomplish. So yes, I do think that the business is going to change. I think once we get through all the restructuring costs and everything else that people are going to have to take, it will be positive.

And you are correct. I mean, fixed costs, for instance, like real estate, we have absolutely proven that people can work from home. We believed that at the corporate level going into this and had resistance from maybe some of our operating people who weren't so quick to accept that kind of point of view, but they've all learned and they've been fascinated and amazed at the resilience of their staff in the way that they've been able to do that. So that's only one aspect. We've also gotten without having to go through the rhetoric or the procedure of having production houses and postproduction houses and those capabilities, which delay the moment from when the idea is created, and a brief is created, to the execution of that. It's been fascinating to see how the people who have traditionally thought in those terms have changed the way that they think, and when the difference between getting a brief and having an executed super idea to put out has really collapsed in a very positive way. So, I think the organization that will emerge from this will be incredibly strong and it will be -- and it will have adjusted to the environment that we're going to be working in going forward. So, despite all the actions that we have to take and all this other stuff, I'm incredibly optimistic about the business as we move in -- out of this period and into the future.

PHILIP ANGELASTRO - CFO

Thank you all for joining us on the call. We appreciate it. Take care.

OPERATOR

Ladies and gentlemen, that does conclude your conference for today. Thank you for your participation and for using AT&T teleconference. You may now disconnect.