REFINITIV STREETEVENTS

EDITED TRANSCRIPT

OMC.N - Q3 2020 Omnicom Group Inc Earnings Call

EVENT DATE/TIME: OCTOBER 27, 2020 / 12:15PM GMT

OVERVIEW:

Co. reported 3Q20 reported revenue of $3.2b, net income of $313.3m and diluted EPS of $1.45.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

CORPORATE PARTICIPANTS

John D. Wren *Omnicom Group Inc. - Chairman & CEO*

Philip J. Angelastro *Omnicom Group Inc. - Executive VP & CFO*

Shub Mukherjee *Omnicom Group Inc. - VP of IR*

CONFERENCE CALL PARTICIPANTS

Alexia Skouras Quadrani *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Benjamin Daniel Swinburne *Morgan Stanley, Research Division - MD*

John Janedis *Wolfe Research, LLC - MD & Senior Media Analyst*

Julien Roch *Barclays Bank PLC, Research Division - MD & European Media Analyst*

Michael Brian Nathanson *MoffettNathanson LLC - Founding Partner & Senior Research Analyst*

Steven Lee Cahall *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Timothy Wilson Nollen *Macquarie Research - Senior Media Analyst*

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Omnicom Third Quarter 2020 Earnings Release Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

At this time, I'd like to introduce you to your host for today's conference, Senior Vice President of Investor Relations, Shub Mukherjee. Please go ahead.

Shub Mukherjee - *Omnicom Group Inc. - VP of IR*

Good morning. Thank you for taking the time to listen to our third quarter 2020 earnings call. On the call with me today is John Wren, our Chairman and Chief Executive Officer; and Phil Angelastro, our 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 we will review this morning. This call is also being simulcast and will be archived on our website.

Before I start, I've 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 material.

We are now 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.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

John D. Wren - *Omnicom Group Inc. - Chairman & CEO*

Thank you, Shub. Good morning. I'm pleased to speak to you this morning about our third quarter results. I would like first to thank our people for their performance in a complex and volatile environment. We recognize the challenges you are facing personally and professionally. We will continue to support you and to maintain our unwavering commitment to keeping you safe as we continue to effectively service our clients and preserve the strength of our business.

As we expected, the negative impact of COVID-19 on our business peaked in the second quarter, and we experienced significant improvements in the third quarter. Organic growth declined by 11.7% or $424 million, which included a decline in our third-party service costs of $194 million. Sequentially, we saw improvements across all geographic regions in most of our large countries, with the only few exceptions, including Brazil, India, Japan and Singapore.

Similarly, our largest industry sectors had significant sequential growth, with pharma and health as well as technology growing in the third quarter versus the prior year. As anticipated, some of our clients' industries that have been hit the hardest, such as travel and entertainment as well as our events businesses, continue to be challenged.

Our EBIT margin in the third quarter was 15.6% as compared to 13.1% in the third quarter of 2019, driving year-over-year growth in operating profit and net income. The performance can be attributed to a number of factors, including repositioning actions taken in the second quarter; significant reductions in addressable spend; voluntary pay cuts across the group, which will be phased out by the end of the year; and reimbursements and tax credits under government programs in several countries.

As you know, earlier in the year, we took measures to provide additional liquidity during the COVID crisis, and we further enhanced our working capital processes. We also stopped the share repurchase program. We don't expect to restart share repurchases this year, and we'll be reviewing the policy with our Board in December.

I'm pleased to report that our efforts continue to pay off. Year-to-date, we generated $1.1 billion in free cash flow and paid dividends of $423 million. Phil will discuss our liquidity and balance sheet in more detail, which remain very strong. Let me now turn to our strategy and business performance.

It goes without saying this year has been a period of significant change, with COVID-19 causing shifts in consumer behavior, which, in turn, have augmented the services we provide our clients. Across almost every sector, our clients pivoted their operations to accelerate their digital transformation, e-commerce and direct-to-consumer initiatives, further leverage data analytics and insights to drive their marketing and communication programs and seek ways to reinvent and differentiate their brands in an always on environment. These initiatives were already well underway before COVID, but they've taken on a new urgency for our clients with the main purpose of achieving the best outcomes in reaching their customers.

I'm pleased with how our agencies have responded. They've had to reimagine marketing strategies, move quickly to provide our clients with relevant insights into how consumers were thinking, feeling and behaving, and provide counsel on where, when and how brands should show up differently.

In fact, these COVID-19-induced changes in consumer behavior are profound and will have a lasting impact. With the exponential shift to virtual and online activities and its effect on almost every routine, consumers, more than ever, expect effortless interconnected brand experiences that need to be delivered through increasingly dynamic and nonlinear paths to purchase.

Fortunately, we are well positioned to excel in this environment as a result of our long-term growth strategies. For more than a decade, we have invested a substantial amount of time and money in the areas of analytics, insights, precision marketing and digital transformation services. These investments enable our companies to put the consumer at the center with data-driven, digital and personalized offerings.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Omni, our world-class, people-based data and analytics service platform, is being leveraged by our creative, media, precision marketing, CRM, health care, PR and e-commerce agencies across the group. The power of the platform is providing our clients a unique understanding of their audiences as people, not just as consumers, enabling us to develop targeted and coordinated marketing programs across multiple mediums.

Omni is being deployed by our client service teams using process-driven frameworks that can be applied to the specific client situations and for new business opportunities. This combination of our platforms, processes and people allows us to offer flexible programs and solutions that can be customized to meet the rapidly changing demands of today's market.

We also continue to invest heavily in growing our precision marketing, mar-tech and digital transformation businesses through a series of strategic investments and acquisitions. We've realigned several agencies into Omnicom Precision Marketing Group, a practice area we formed several years ago, and we expanded its capabilities through the acquisitions of Credera, Smart Digital and third quarter, DMW. These investments have been instrumental in the relative performance we have achieved in these disciplines over the past few quarters. We expect them to continue to be a key driver of our growth as digital transformation and precision marketing initiatives accelerate.

As I said earlier, demand for our transformational work cuts across industries, whether it's auto, retail, FMCG or health care. We are helping our clients design and deploy new technology platforms, develop online strategies and personalized digital experiences, optimize content creation and automate content delivery. These consumer-centric engagements deliver measurable outcomes that improve time to market and ROI associated with marketing investments.

Another area fueled exponentially by COVID is e-commerce. For a period of time this year, for many of our clients, e-commerce was the only way to transact with their customers. From CPG to retail, to autos, to education and virtually every other industry, e-commerce adoption accelerated in a period of days and weeks, where in normal times, it would have otherwise taken years.

During the quarter, we strengthened our practice area grounded in e-commerce space. Led by Sophie Daranyi, our newly formed Omnicom Commerce Group is a center of excellence of our commerce and conversion marketing. The group brings together best-in-class creativity and consulting capabilities from several agencies and will partner closely with our media and precision marketing practices to help clients achieve reductions in the gap between awareness and sales, leverage our e-commerce offers across the group and accelerate our speed and agility in connecting our expertise and capabilities for our clients.

Whether in-store or online, brands that are best known and trusted are the ones that people have turned to during the pandemic and will continue to turn to as these shifts in behavior take hold for the long term. Helping to build that familiarity, affection and trust in a brand is at the core of what our creative agencies have done for decades. We have the creativity to think differently to design and create relevant experiences that are resonant, more importantly, rewarding. We know it is what will drive long-term growth for our clients.

While 2020 has been a time of disruption and reinvention, a constant (inaudible) has been the resiliency of our people. Despite the challenges thrown our way, our agencies and our people have continued to step up and display world-class creativity, innovation and ideas. Their performance is demonstrated by our recent new business success.

Peugeot chose Omnicom's O.P.E.N, which is an acronym for Omnicom for Peugeot Engine, as its new agency of record. Creative precision marketing and strategy teams from across 17 different markets put together the winning proposal.

BBDO was selected by AARP as its brand agency of record. Cox Automotive appointed Hearts & Science U.S. media agency of record for its Autotrader and Kelley Blue Book brands, [yesterday] was awarded the multicultural advertising for Frito-Lay brands, Cheetos and Doritos.

And in pharma and health care, our companies continue to outperform with significant wins across our practice areas, including advertising and creative services for key products for Gilead, CSL Plasma and AbbVie; digital innovation services for Novartis across their pharma and oncology business units. And in PR, we had wins with J&J Pharma, UPenn Medical Center and KKI Pharma. The common denominator across these business wins and our work during the quarter is it happened with most of our people working remotely.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Looking ahead, we know when we enter the post-COVID phase, the way we work will be different. With that in mind, we have formed a committee dedicated to helping our agency leaders evaluate how our business should operate post COVID. The objective of the group is to rethink the way we work to best serve each agency's specific services, people, client, space and culture.

We've also accelerated how we use technology and share information well beyond video calls and virtual meetings. For example, we're using technology platforms to deliver more training programs, onboard new talent and clients, collaborate on creative ideas and produce shoots. In fact, the accelerated adoption of technology has improved almost every aspect of our operations, both in servicing our clients and in our back office. I'm certain that we will take away many learnings from the current environment that have allowed us to work more efficiently and effectively. Let me now provide an update on our DE&I initiatives and some key changes.

Over a decade ago, we hired one of the industry's first Chief Diversity Officer, Tiffany R. Warren, who was instrumental in developing our DE&I strategy and framework. Since then, she has helped us build the core of our DE&I programs. As announced earlier this month, Tiffany has decided to join Sony Music, and we're in the process of finding a new diversity leader who will lead us in the next phase of our efforts. I want to thank Tiffany for her many contributions and wish her success in her new role.

As mentioned last quarter, our DE&I strategy aims to create supportive environments and is led by the Omnicom People Engagement Network or OPEN. OPEN provides structuring counsel and visibility to DE&I initiatives and policies throughout our organization.

Our OPEN 2.0 actions focus on 4 key tenets, culture, collaboration, clients and community, and is organized into 8 action items. These include the development and retention of our diverse talent, client, and community involvement, mandatory training and accountability of our leaders.

One of our first action items is the expansion and empowerment of our OPEN leadership team, which is responsible for leading implementation of our framework. To date, through a combination of new hires and promotions, we've expanded the OPEN leadership team from 15 to 25 diversity champions, and we're making good progress on our initiatives. I look forward to sharing more with you on this front in the future.

Before turning it over to Phil, let me provide an update on our expectations for the fourth quarter. While the third quarter trend was positive and we expect to see continuing improvement in several industries and markets, there are a number of challenges and uncertainties as we look to the fourth quarter. First is the trajectory of the virus globally, which will impact the pace of economic recovery in each country we operate in. Next is the outcome of the U.S. election and the potential delays in its results. Third is the timing and effect of government's stimulus programs in the U.S. and around the world. And last, our labor market conditions, especially as stimulus programs end and their effect on the overall rate of economic recovery.

All of these factors create greater uncertainty in our financial forecast and a much lower level of visibility than we've experienced in the past across our businesses. This is especially so in our project-based services as well as in the year-end project spend that we normally expect to see from our clients. As a result, we continue to focus on the things we can control. Our agencies are dedicated to ensuring the safety of their staff, servicing their clients, pursuing new business opportunities, aligning their staffing levels with revenue and aggressively managing their costs. Each of them is being asked to plan for alternative scenarios for accelerated growth as well as potential declines in client spending.

I want to thank our people for their outstanding work and ask everyone to stay safe. While 2020 has been a difficult year in many ways, I'm incredibly pleased with how we've operated and the progress we made in executing our strategies.

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

Philip J. Angelastro - *Omnicom Group Inc. - Executive VP & CFO*

Thanks, John, and good morning. As John said, the negative impact on our business caused by COVID-19 peaked in Q2. And as business conditions improved, our results improved considerably in Q3.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Our performance reflects the benefits from the actions we took to align our cost structure with the current operating environment. And while the decline in revenue was in line with our expectations, our margin improvement exceeded our expectations. I will cover that in more detail later.

Turning to Slide 4 for a summary of our revenue performance for the third quarter. Our organic revenue performance was negative $424 million or 11.7% for the quarter. The decrease was an improvement from the unprecedented decrease of 23% in the second quarter and was in line with our internal expectations throughout the quarter. And while we still experienced declines across all regions and disciplines, except for the continued growth of our specialty health care businesses, those reductions were about half the levels we saw in Q2.

The impact of foreign exchange rates increased our revenue by 0.5% in the quarter versus the slightly negative impact we anticipated. This was due to the moderation of the strengthening of the dollar compared to the prior period. And the impact on revenue from acquisitions, net of dispositions, was relatively flat or a decrease of 0.3%. As a result, reported revenue for the third quarter decreased 11.5% to $3.2 billion when compared to Q3 of 2019. I'll return to discuss the details of the changes in revenue in a few minutes.

Turning back to Slide 1. Our reported operating profit for the quarter was $501 million, up from $473.3 million in Q3 of last year. Our operating profit in the quarter was positively impacted from the cost reductions resulting from the repositioning actions we undertook in the second quarter and good management of our addressable spend cost categories by the leaders of our agencies.

The results for the quarter included the benefit of reductions in salary and related costs, which increased operating profit by $68.7 million, related to reimbursements and tax credits on the government programs in several countries, including the U.S., Canada, the U.K., Germany, France and others.

Operating margin for the quarter increased 250 basis points to 15.6% compared to 13.1% in Q3 of last year. Excluding the benefit of the reductions in salary and related costs from the government reimbursements and tax credits, operating margin for the quarter increased 40 basis points to 13.5%.

EBITDA for the quarter was $522 million, and EBITDA margin was 16.3% compared to 13.6% in Q3 of last year. Excluding the benefit of the reductions in salary and related costs previously referred to, EBITDA margin for the quarter increased 50 basis points to 14.1%.

You will recall, we estimated that the severance and real estate actions taken in the second quarter would generate approximately $230 million in savings over the second half of 2020. We also expected to generate additional savings in excess of $75 million in the second half from reductions in discretionary costs. Through the end of Q3, the reductions in our payroll and real estate costs were in line with those estimates, and we experienced greater cost savings resulting from the active management of our discretionary, addressable spend cost categories, including travel and entertainment, general office expenses, professional fees, personnel fees and other.

On Slide 3 of our investor presentation, we presented the details of our operating expenses. As we previously discussed, we have and will continue to actively manage our costs to ensure they align with our revenue structure. In addition to the overarching structural changes we made during the second quarter, we continue to evaluate ways to improve efficiency throughout the organization, focusing on our real estate portfolio management, back-office services, procurement and IT services.

As for the details, our salary and service costs are variable and fluctuate with revenue. Salary and related service costs declined by $223 million in the quarter, reflecting both the impact of our staffing reductions during the second quarter and the impact of the benefits from government reimbursements and tax credits discussed previously.

Third-party service costs, which include expenses incurred with third-party vendors when we act as a principal when we're performing services for our clients primarily related to our events, field marketing and merchandising and media businesses, decreased by $194 million in the quarter or 20%.

In comparison, the decrease in third-party service costs in the second quarter year-over-year was nearly $400 million or 40%. Occupancy and other costs, which are less linked to changes in revenue, declined by approximately $18 million, again, reflecting the decrease in the cost structure from

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

the actions taken in the second quarter and from our people not being in our offices during the quarter for the most part. And SG&A expenses declined by $7 million in the quarter.

Net interest expense for the quarter was $48.5 million, down $800,000 versus Q3 last year and up $1.3 million compared to Q2 of 2020. When compared to the third quarter of 2019, our gross interest expense was down $8.4 million resulting from debt refinancing actions over the last 12 months. This includes the impact of the additional $600 million of 10-year 4.2% senior notes that we issued as liquidity insurance in early April of this year.

As we've discussed on our previous calls this year, these actions reduced the effective interest rate on our senior debt by 60 basis points when compared to Q3 of 2019. This reduction was offset by a decrease in interest income of $7.6 million versus Q3 of 2019, primarily due to lower interest rates.

When compared to the second quarter of 2020, interest expense increased slightly by $700,000, while interest income was down $600,000. As we enter the final quarter of the year, we expect that our refinancing activity over the past year plus will continue to more than offset the increase in interest expense resulting from the issuance of the 4.2% notes this past April. We believe adding this additional liquidity while maintaining our interest expense levels was a prudent step to take.

We expect net interest expense to increase in Q4 of 2020 by approximately $10 million compared to Q4 of 2019, largely driven by an estimated reduction in interest income.

Our effective tax rate for the quarter was 26.7%, in line with our expectations. For the 9 months ended September 30, 2020, the rate was 28.5%, an increase from 26% for the comparable period in 2019. The increase in the 9-month rate for 2020 was primarily attributable to activity from Q2 related to the nondeductibility of certain repositioning costs in certain jurisdictions and the loss on dispositions.

Excluding the impact of these items, the year-to-date effective rate was 26.3%, which was in line with our expectations. We anticipate that our effective tax rate for the fourth quarter will approximate 27%, excluding the impact of share-based compensation items, which we cannot predict because it is subject to changes in our share price.

Earnings from our affiliates totaled $2.9 million for the quarter, up a bit versus Q3 of last year. And the allocation of earnings to the minority shareholders was $21.6 million during the quarter, relatively flat with the prior year. As a result, net income for the third quarter was $313.3 million, up 8% or $23.1 million when compared to Q3 of 2019.

Our diluted share count for the quarter decreased 1.6% versus Q3 of last year to 215.8 million shares, resulting from share repurchases prior to the suspension of our share repurchase program, which we announced toward the end of March. As a result, our diluted EPS for the third quarter was $1.45, which is an increase of $0.13 or 9.8% when compared to our Q3 EPS for last year.

On Slide 2, we provide the summary P&L, EPS and other information for the year-to-date period. As a reminder, in response to the pandemic during the second quarter, we undertook a comprehensive review of our operational structure to reflect the current and expected economic realities of the COVID landscape.

The repositioning actions included severance actions to reduce employee headcount, real estate lease impairments, terminations and related fixed asset charges that will allow us additional flexibility to match our additional changes in the need for space based on our headcount as well as the disposition of several small agencies. These repositioning charges totaled $278 million, which reduced our year-to-date net income by $223 million and diluted earnings per share by $1.03. We've detailed the components of these charges in the supplemental slides that accompany the presentation.

Additionally, our results for the 9 months ended September 30 include the benefit of reductions in salary and related costs, which increased operating profit by $117.8 million related to reimbursements and tax credits under the government programs we previously discussed.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Returning to the details of our revenue performance on Slide 4. While the decrease was significantly better than the reductions in client spending we experienced during the second quarter, demand for our services continued to decline compared to last year's levels as marketers continue to manage expenditures due to the economic impact of the pandemic on their businesses.

Our reported revenue for the third quarter was $3.2 billion, down $417 million or 11.5% from Q3 of 2019. As you can see on Slide 8 and 9, and as you'd expect, certain client industry sectors continue to be more negatively affected than others. Our clients in industries such as travel and entertainment and energy as well as nonessential retail are continuing to reduce their marketing communication expenditures to match the declines in those business sectors. However, during the quarter, we continue to see clients in the pharma and health care industries as well as the technology and telecommunications industries fare better.

The disciplines that were most negatively impacted were CRM consumer experience, primarily from our events businesses; and CRM execution and support, primarily due to our field marketing and nonprofit agency businesses. And our advertising discipline, including media, experienced decline similar to our overall organic decline.

A considerable amount of the revenue decline in these businesses resulted from reductions in third-party service costs incurred when providing services for our clients when we act as a principal. These third-party service costs, which fluctuate directly with changes in revenue, declined across all of our disciplines by just under $200 million in Q3 of 2020 versus Q3 of 2019.

Turning to the FX impact. On a year-over-year basis, the strength of the U.S. dollar moderated against our foreign currencies. For the first time since Q2 of 2018, the FX impact increased our reported revenue. The impact of changes in exchange rates increased reported revenue by 0.5% or $18 million in revenue for the quarter. On a reported basis, the dollar's performance was mixed this quarter, weakening against some of our major foreign currencies while strengthening against others. In the quarter, the dollar weakened against the euro, the U.K. pound and the Australian dollar, while the dollar strengthened against the Brazilian real, Russian ruble and the Mexican peso.

Looking forward, if currencies stay where they currently are, we anticipate that the FX impact would slightly increase our reported revenue by approximately 50 basis points in Q4. And for the full year, the FX impact would be negative by about 50 basis points.

The impact of our recent acquisition of DMW in the U.K. that we completed at the beginning of the third quarter, net of our disposition activity, decreased revenue by $11.3 million in the quarter or 0.3%, which was in line with the estimate we made entering the quarter.

Inclusive of the disposition activity through September 30 and not including any acquisitions or dispositions we may complete before the end of the year, we estimate the projected net impact of our acquisition and disposition activity will reduce reported revenue by approximately 50 basis points in the fourth quarter of 2020.

Our organic revenue decreased approximately $424 million or 11.7% in the third quarter when compared to the prior year. As mentioned earlier, our revenue was down in Q2 across all major geographic markets. But the percentage decreases in organic revenue were significantly lower than those we experienced in the second quarter.

Within our service disciplines, our health care agencies saw increased activity across all regions, resulting in organic revenue growth for that discipline, while both of our CRM disciplines, particularly our events and field marketing businesses, continue to face significant disruptions to their businesses due to the impact of COVID-19.

Turning to our mix of business by discipline on Page 5. For the second quarter, the split was 56% for advertising and 44% for marketing services. As for the organic change by discipline, advertising was down 11.7%, with our media businesses seeing a significant improvement organically compared to the second quarter when media activity slowed considerably.

Our global and national advertising agencies also improved their organic performance this quarter compared to the second quarter, although performance by agency was mixed.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

CRM Consumer Experience was down 19.3% for the quarter. The strongest performance in the discipline came from our precision marketing agencies, which were down globally around 5%. Our events businesses in the discipline continue to face significant challenges as they adapt their business models to the new operational realities due to COVID. And our shopper and brand consulting agencies continue to experience COVID-19 headwinds.

CRM Execution & Support was down 19.4% as our field marketing and nonprofit consulting businesses lagged for the quarter. PR, while mixed by market, was down 3.4%. And our health care agencies continued to turn in strong performances across the portfolio, this quarter up organically 3.8% with growth across all geographic regions.

Now turning to the details of our regional mix of business on Page 6. You can see the quarterly split was 55% in the U.S., 3% for the rest of North America, 10% in the U.K., 17% for the rest of Europe, 12% for Asia Pacific, 2% in Latin America and 1% for the Middle East and Africa. The mix in Q3 is fairly consistent with what we saw by region in the first and second quarters of the year.

And reviewing the details of our performance by region on Slide 7. Organic revenue in the second quarter in the U.S. was down $227 million or 11.4%, which is an improvement over the Q2 results when organic revenue fell by over 20% domestically. For the quarter, our events business has again experienced our largest organic decline in the U.S.

Our domestic specialty health care agencies were positive organically, while we again saw decreases in our advertising and media businesses but at decreased levels from Q2. And our domestic PR and precision marketing agencies were just about flat compared to Q3 of 2019. Solid performance considering the overall environment.

Outside the U.S., our other North American agencies were down just under 8% or $8 million. Our U.K. agencies were down $43 million or 12.5%. Positive performance from our precision marketing and health care agencies was offset by reductions from our other businesses. The rest of Europe was down 9.6% organically, a significant improvement over Q2 when organic revenue fell nearly 30%.

In the eurozone, among our major markets, Germany and Italy were down single digits. Ireland, the Netherlands and Spain were down between 10% and 20%, while France continued to lag behind the other markets. Outside the eurozone, our organic growth was flat during the quarter.

Organic revenue growth in Asia Pacific for the quarter was negative 12.8%. Our agencies in Greater China and Australia were down single digits, while in Japan and India, we saw similar decreases in Q3 as we did in Q2.

Latin America was down 22.3% or $22 million organically in the quarter driven by the continuing weakness from our agencies in Brazil. And lastly, the Middle East and Africa was negative again for the quarter.

Turning to Slides 8, 9 and 10, we present our mix of revenue by our clients' industry sector. When comparing the year-to-date revenue for 2020 to 2019, we continue to see a small shift in our mix with increased contribution from our pharma and technology clients, while travel and entertainment and financial services decreased.

Turning to our cash flow performance on Slide 11. You can see that in the first 9 months of 2020, we generated $1.14 billion in free cash flow, excluding changes in working capital, down when compared to the same period in 2019. But the $412 million generated in the third quarter was up a bit versus the $394 million generated during Q3 of 2019.

As for our primary uses of cash on Slide 12, dividends paid to our common shareholders were $423 million, effectively unchanged when compared to last year. Dividends paid to our noncontrolling interest shareholders decreased to $58 million. Capital expenditures in the first 9 months of the year were $50 million, down when compared to last year. As we've talked about on our prior calls, we have limited our capital spending in the near term to only those deemed essential.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Acquisitions, including earnout payments, totaled just under $105 million. And stock repurchases, net of the proceeds received from stock issuances under our employee share plans, totaled just over $216 million, a decrease compared to last year, reflecting the suspension of our share repurchase program in mid-March.

As a result of our continuing efforts to prudently manage the use of our cash, we were able to generate $284 million of free cash flow during the first 9 months of 2020, $141 million of which was generated in the third quarter alone.

Turning to our capital structure as of September 30. Our total debt was a little under $5.8 billion, up $670 million since this time last year. Major components of the change was a retirement of $600 million of dollar-denominated senior notes, which were due earlier this year, replacing those borrowings with $1.2 billion of 10-year senior notes due in 2030, along with the FX impact of converting the EUR 1 billion of euro-denominated borrowings into dollars at the balance sheet date.

Versus December 31, 2019, gross debt at the end of the quarter was up $641 million, primarily as a result of the $600 million issuance of U.S.-denominated senior notes in early April. Our net debt position at the end of the quarter was just over $2.5 billion, up about $1.7 billion compared to year-end December 31, 2019 and an improvement of $166 million for the comparative prior year last 12-month period, reflecting the results of our improved cash management.

The increase in net debt since December 31, 2019, was a result of the use of working capital of about $1.8 billion, plus the impact of FX on our cash and debt balances, which increased net debt by $120 million. Partially offsetting those increases was the free cash flow we generated during the first 9 months of the year of $284 million.

Over the past 12 months, our net debt is down $166 million, primarily driven by our excess free cash flow of approximately $500 million. Offsetting this was the reduction in operating capital during the past 12 months of approximately $230 million and the negative impact of FX, which totaled around $55 million.

As for our debt ratios, our total debt-to-EBITDA ratio was 3.1x, and our net debt-to-EBITDA ratio was 1.4x.

And finally, moving to our historical returns on Page 14. For the last 12 months, our return on invested capital ratio was 17.7%, while our return on equity was 37.7%, both reflecting the decline in operating results driven by the economic effects of the pandemic as well as the impact of repositioning charges we took back in the second quarter.

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

QUESTIONS AND ANSWERS

Operator

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

Alexia Skouras Quadrani - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Understanding your earlier comments, John, about how this unprecedented lack of visibility in Q4, I'm curious if you can share with us, I guess, what color you do have, meaning how maybe the third quarter progressed in terms of the improvements that you saw. Did you see stronger improvements in September versus the start of the quarter? And maybe any color you have in just what you're seeing now in October, just give us a little bit of idea how we can position ourselves or take a look for Q4.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

John D. Wren - *Omnicom Group Inc. - Chairman & CEO*

Sure. Well, Lexi, as you know, if this was a normal year, we'd be talking about the project spend that normally occurs in the fourth quarter, which we generally estimate to be $200 million to $250 million. So COVID or no COVID, that still exists in terms of whether the companies will come up with projects to promote their brands.

More specifically, we don't have October numbers yet, but I expect October to be probably the strongest month in the quarter, unless we do see that project business flow in, in the last 6 weeks of the year. And that will have a lot to do with things that are out of our control. I don't have any clues to how Christmas is going to work out. There's closures that you're starting to see in Western Europe, these partial closures. And at least the United States has stayed open for the most part, but cases are going up. So there's a lot of unknowns far more than we have in typical periods.

You can rest assured that we won't need $1 on the table, and all of our people are out there trying to help their clients because comments that I made earlier in my prepared remarks, brands are even more important than they ever were. I think the one other change that we've seen during this entire period is people are using shopping list for the first time. They're not just browsing around and buying things randomly. They typically know what they want to buy before they go out and buy it. So we're in that kind of period.

I can assure you that every one of our agency leaders is looking at their business every single day. And we have alternative plan, both for growth and for some bumps in the road that we may hit. But we think the second quarter was the worst quarter. We saw improvement in the third, and we're hoping for a similar improvement in the fourth.

I don't know, Phil, do you want to...

Philip J. Angelastro - *Omnicom Group Inc. - Executive VP & CFO*

Yes. In terms of the third quarter or the reference perhaps through a trend as far as months go, we didn't -- yes, I would just say, we didn't really see a trend necessarily that would be meaningful. We typically don't find them because of the way monthly results are different than the quarterly process. So I don't think there's anything we can interpret from the trend in the third quarter that we would project to the fourth quarter.

Alexia Skouras Quadrani - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Okay. And just one follow-up question. John, in your opening comments, you talked about the accelerated shift to e-commerce and digital in general in the crisis and how you guys reacted to that change in spending behavior. I'm curious if you take a step back, is this shift, this accelerated shift, a positive for your business versus the more traditional ways?

John D. Wren - *Omnicom Group Inc. - Chairman & CEO*

We believe it is. At the core, digital spending has crossed, I think, 50% at this point for media or very close to it. And complexity is actually our friend. The more complex the transaction is we're executing the transaction, the better it is for our businesses and the way we're positioned.

Operator

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

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Michael Brian Nathanson - *MoffettNathanson LLC - Founding Partner & Senior Research Analyst*

I have one for Phil and then one for John. Phil, can you just -- on the improvement in third-party service costs, the improvement was about $200 million versus 2Q. Can you give us a sense of, I guess, what activities helped, I guess, improve whatever revenues retire as third-party service costs? Because I assume events are relatively nonexistent.

And then, John, back to Alexia's second question. I know you've been repositioning the company for several years now to take advantage of these shifts. But given the acceleration you're seeing right now, does this speed up your need to maybe dispose of more assets and maybe go on more of an acquiring spree to kind of get ready? Or do you think you have the assets you have in place now and the house is built the way you thought it would be?

John D. Wren - *Omnicom Group Inc. - Chairman & CEO*

Phil, you want to go first? Go ahead, Phil.

Philip J. Angelastro - *Omnicom Group Inc. - Executive VP & CFO*

I'll go first. So as far as the third-party service costs and improvements versus Q2, one thing to keep in mind, Q2 is a much bigger quarter than Q3. So on top of the impacts of the pandemic here, we're dealing with a much bigger base as well.

So we did see some improvements. I think, certainly, the numbers would be consistent with your assumption that there wasn't a heck of a lot of improvement in the events space. Certainly, there was a similar reduction in third-party service costs in our events businesses. And I think the rest of the businesses feel forced. Certainly, they were down quite a bit, but there was an improvement Q3 versus Q2. The principal media activity that we have, certainly, there was an improvement versus Q2.

And then general out-of-pocket costs, which are required by GAAP to put in our revenue, those are down in a consistent way, travel and entertainment, those types of costs, which are reimbursed, those trends were consistent.

So a little bit of improvement just because of the size of the quarter is smaller in Q3 versus Q2. But I think the trends in some of those businesses continue to be negative, like events; and the trends in others, they did show some improvement as clients and activity and spend improved.

John D. Wren - *Omnicom Group Inc. - Chairman & CEO*

And I'm not trying to be cute, but for those of you who know me, you know that I've never been satisfied, that we're always constantly reviewing our operations and seeing how we can improve them.

But on a serious note, we're very happy with our portfolio. We continue to make investments in key areas, and we continue to search for acquisitions in key areas, not because we think there are gaps. We just think there are things that we have to do to constantly improve our product. You've seen us spend -- focus our attention really in certain media areas, also in precision marketing. Those are the main focuses at the moment in terms of our outside acquisition type of activities and searches. But there's no gaping holes from my perspective in the portfolio.

The event businesses that we have, when events are allowed again, will come back. They're very strong businesses and very well led. So that's just pain that we have to incur for the moment, but there's nothing incredibly difficult there.

The other thing I should add is -- as I think we've been very consistent over the years, is Phil and myself and the management team, whenever we go through the planning process, which is about to really start in earnest, we're constantly looking not only at the immediate or next 12-month performance in a particular business but what we anticipate that business will be contributing 3, 4, 5 years out from when we're looking at it. And those are the businesses that we consider for the most serious change. But there's nothing pressing or on the horizon at the moment. Phil?

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Philip J. Angelastro - *Omnicom Group Inc. - Executive VP & CFO*

I think given some of the uncertainty over the last few months, we've gotten some questions about whether we need to continue to wait before we pursue certain acquisitions, et cetera. But we aren't -- I'd say we aren't constrained in terms of holding back from looking at good candidates, businesses that fit our strategy and we think would add to the growth profile. So we're actively pursuing opportunities, and there's certainly some opportunities that are out there.

And as John said, it's a continual part of our process as we head into the 2021 planning process. We're going to reevaluate the assets in the portfolio as we always do. And if we need to make some changes or take advantage of some opportunities as it relates to dispositions, I think we're going to do that in a prudent way.

Operator

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

Julien Roch - *Barclays Bank PLC, Research Division - MD & European Media Analyst*

I'll [let then] 4, but they're all with quick answers for Phil on numbers. You said that media did improve. A lot of other agencies are now giving us media. IPG said media was positive in Q3. So can you give us more color on media? Maybe a multiple choice question, was it down 10%, 15%, 5% to 10%, 0 to 5% or positive in Q3? That's the first question.

The second one is on costs, down 9.7% or $907 million year-to-date. Guidance for the full year, should we think about an absolute number, so an extra $300 million, $400 million in Q4? Or shall we think about Q4 as margin and then call on margin? That's number two.

And number three, how much of your annual savings will be permanent? Both IPG and WPP gave us a number already.

And the last one is percentage of your revenue coming from consumer experience in e-commerce, preferably 2 separate numbers. But I'd take one run a number because John said that was good growth future, but it's hidden in the company.

Philip J. Angelastro - *Omnicom Group Inc. - Executive VP & CFO*

Sure. If I leave anything out, just feel free to remind me. But as far as improvement in the media business, clearly, improvement versus Q2, no question. I think I would tell you that the performance was better than the overall average, but I would say, not substantially better, but better than the overall average and significantly better than the performance in Q2.

In terms of the cost base, the actions we took, the results that we saw in Q3 and what that means for Q4, I think I would describe our expectations for Q4 similar to where we were on our Q2 call, which is we expect to get back to 2019 margins as kind of a good proxy for Q4. We're going to continue to focus on managing the EBIT dollars and the operating income, which is what we did in Q3. To the extent we do better, we'll do better, that would be great. But I think our expectations are that we will be able to get back to margins in Q4 of 2019 as a good proxy. I think our agencies have done a very good job in realigning the cost base with current revenue position.

As John mentioned, yes, the Q4 visibility is not exactly very good at the moment. And there is always some uncertainty regarding project work and year-end spend. That's certainly the case. This year, we're not -- we're probably not as optimistic that, that will come through as we were at this time last year. So that's how we're thinking about the cost base.

In terms of permanent savings, we probably look a little bit different than others. We've taken quite a bit of action. We believe we've done the right thing to realign the cost base. We think some of that is going to be permanent. We took out 1,000 -- we took out over 1 million square feet in real

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

estate. We think that's going to be permanent. But it's hard to say how much of the other costs are going to be permanent because in reality, when we get back into growth mode, hopefully sooner rather than later, we're going to welcome most of the costs that have come out of the P&L back because most of those costs are variable. The salary and service costs are going to come back because the people are going to come back. Some of the actionable, addressable spend categories are going to come back as well. We're going to manage them very closely.

So I think we're managing the EBITDA as very closely as you saw, based on our Q3 results. There's definitely going to be some portion of those costs that are going to be permanent. But we're not kind of throwing out a bogey of $50 million or $100 million or $150 million and saying, yes, that's the permanent number, because there's too many things that are going to happen between now. And when the business is back to normal or back to growth mode, that could change. And we're going to change our approach to how we manage those costs based on the facts and circumstances.

As far as consumer experience and/or e-commerce, I think what we call precision marketing certainly is a key part of the portfolio, has been, and we continue to invest in it. It's in the range of, say, 7.5% to 10% of the business. Its performance has been very good. It's cycling a couple of client losses. But otherwise, the vast majority of that portfolio has been growing in this environment, and we're pleased with their performance.

Operator

Your next question comes from the line of Ben Swinburne from Morgan Stanley. Okay. We'll move on. We'll go to the line of Tim Nollen from Macquarie.

Timothy Wilson Nollen - *Macquarie Research - Senior Media Analyst*

My question is on account moves. John, you named several. I guess, normally, during a slowdown or a downturn, you don't typically see a whole lot, but it sounds like there's quite a bit going. I was just wondering if you could comment a bit more on account activity, your position, any notable accounts to be aware of that have moved or that could move either to or from you. And also sort of the scope of work that you're offering to them if the demands are rising, I would assume to more of this precision marketing that you've been talking about quite a bit.

John D. Wren - *Omnicom Group Inc. - Chairman & CEO*

Sure. You're absolutely correct. Normally, in periods like this, we'd expect new business activity to be relatively slow. But what we found since the second quarter, there has been quite a bit of activity. And most of it's been pitched remotely, which is, again, if you'd ask me in January if this is possible, I'd probably say no.

There are always going to be accounts that move. It's just the nature of our business. Each one of our competitors is keenly aware of that as we are. But at the moment, I'm not aware of any sizable moves or accounts that are either an opportunity which will change our course or a risk that will change our course.

Timothy Wilson Nollen - *Macquarie Research - Senior Media Analyst*

And in terms of the type of activities that the clients are looking for, is it more broadly based, more of the precision marketing, I think, focused on the other areas?

John D. Wren - *Omnicom Group Inc. - Chairman & CEO*

Yes. I think Phil made the point. We're seeing activity throughout the home marketing funnel. But for certain precision marketing and moving product off-shelves or product through the online distributions that exist, that's where there's been a great deal of focus during this period of time, and that's where we've seen the growth.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

We've also seen significant growth in new business activity in the health care sector, which has been positive, especially when you take out the pass-through costs since the beginning of COVID. And our technology clients are spending more money and offering new products to the marketplace, being very supportive of their products. So the trends are really consistent with what we've talked about industry by industry.

Operator

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

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Is this phone on? Can you hear me?

Philip J. Angelastro - *Omnicom Group Inc. - Executive VP & CFO*

Yes, we can hear you.

John D. Wren - *Omnicom Group Inc. - Chairman & CEO*

Yes, we can hear you. We hear you.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

There you go.

John D. Wren - *Omnicom Group Inc. - Chairman & CEO*

(inaudible) if there is a problem through all the callers.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Right. John, just maybe going back to your answer to Alexia's question. It sounded like you think or hope that fourth quarter improvement versus Q3 would be similar to Q3, to Q2, maybe excluding projects. I just wanted to make sure we heard you right.

And could you guys remind us how big the project business typically is or at least a range for Q4? And should we be seeing that decline, whatever it is, show up in those third-party service costs? I just wanted to better understand the kind of puts and takes around projects for Q4.

John D. Wren - *Omnicom Group Inc. - Chairman & CEO*

Well, typically, and I think we can check the transcripts, I don't expect the improvement -- the sequential improvement that we saw from the second quarter to the third quarter, I don't see it continuing at that pace in the fourth quarter because of all the new uncertainties that are out there.

And our concerns really are based with really what happened. You got hit with this in March. Businesses were starting to open and back up pretty much in most markets by the end of June, beginning of July, and they've stayed open through the third week of October. I don't know and I can't predict what's going to happen or the impact of this sudden explosion of cases that we're seeing just in the last week or 2. I don't think governments are going to close down fully, but I do think there'll be an impact.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Having said that, I'll go back to what I've always said, and this probably in every fourth quarter transcript for the last decade. Typically, the project spend that we've seen in the past is between $200 million, $250 million. That's a rough estimate. In the 25 years that I've been CEO, the only time that I didn't see it come through was after the Great Recession. So we don't know. I don't think anybody can predict what's going to happen with respect to that.

And a lot of our pass-through costs, especially when you get into this period in the fourth quarter, had to do with events and promotions that people are spending between now and the end of the year. So I don't have a clear prediction of what the impact is going to be, but there is going to be an impact.

Philip J. Angelastro - *Omnicom Group Inc. - Executive VP & CFO*

One clarifying point, though, Ben, when we talk about year-end project spend or project work that we've historically seen, it's project work across the board. It's across all of our disciplines. All of our agencies are out there working with their clients to ensure that they get what they need from a service perspective through the end of the year or through the end of the holiday season. It isn't simply project work in the context of events in the event business or field marketing and people out in the stores. It's all disciplines in all agencies.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Got it. Makes sense. And John, can I just follow up on an unrelated topic. I'm sure you've been impressed with the company's performance during this period, everyone's got to work remote. When you think longer term, what do you think the company gains from the flexibility that comes from a remote workforce? And are there any things you think you lose or there's risk around this working in this way in a business that obviously culture is really important to your success. I'm just wondering how you're thinking about that now that we're 6, 7 months into this.

John D. Wren - *Omnicom Group Inc. - Chairman & CEO*

Sure. Well, I fundamentally believe that we will come back to the office. And we're in constant communications with our employees as to when it's safe to do that and where it's safe to do that. Places like China, we're already 100% back, other markets in Asia, more so than Western Europe, which was on the rise but is slowing down again, and the United States. So that's number one.

Number two, what I believe is going to occur post COVID is we've learned that things that we didn't think we could do remotely, we actually can. So as you look forward, and we're studying it right now at the workforce, you don't know -- I don't believe I need every single function that I have, say, in New York City, in New York City. Some of those can be moved to lower-cost areas as we move forward, but there's no immediate plans to accomplish that.

The other thing that I am afraid of and we take a lot of times talking about that is people's mental health as you have had to stay out of the office because it hasn't been safe naturally to come back. It puts different people in different positions have -- deal with stress differently. And so we're constantly asking our human resource people, you come up with programs and ways that we can help and assist our employee base to guide them through the situation that we're currently in. The culture, I think, because we will come back to the office, I think we haven't really lost much there as of yet.

And finally, and circling back a little bit here, even though they come back to the offices that they were formerly in, may not have to come back 5 days a week. You may have a far more agile and flexible workforce as we go forward into the future. I don't know if that covers all the points that you raised.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

That's helpful.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Operator

Your next question comes from the line of John Janedis from Wolfe Research.

John Janedis - *Wolfe Research, LLC - MD & Senior Media Analyst*

I had a quick follow-up and a housekeeping. Just going back to M&A, is this the type of environment where assets are more available actually? Or do you think sellers are looking to wait for the recovery? And then on the cost side, Phil, as we think out to next year, can you call out the size of the wages being restored at the end of this year? And can you also remind us on the size of the field marketing business?

John D. Wren - *Omnicom Group Inc. - Chairman & CEO*

In terms of acquisitions, there will be opportunities because people find themselves in different positions in terms of liquidity and, therefore, have to take different actions. So we're constantly looking in the areas that we remain focused in.

We're also willing to make investments as we have in the past in terms of starting things to support platforms that we care the most about. The good news for us is, and I think Phil mentioned it earlier, we've focused very early on in terms of our liquidity and our ability to conduct our business in a way that we wanted to as uninterrupted as possible. So if a good acquisition comes up, we're ready to execute on it.

Philip J. Angelastro - *Omnicom Group Inc. - Executive VP & CFO*

Yes. In terms of your other questions, I'll start with the last one first. So field marketing for us is -- probably averages around 2% to less than 3% of our revenue in terms of the size of that business or those businesses. And if you could just repeat the kind of the middle question.

John Janedis - *Wolfe Research, LLC - MD & Senior Media Analyst*

Yes. Okay. I think you had said that the wage -- or the voluntary wage reductions were going to be restored at the end of the year. And so as I'm thinking out to next year, I was hoping you could just size the -- sort of the amount of that, the wages that come back.

Philip J. Angelastro - *Omnicom Group Inc. - Executive VP & CFO*

Sure. So there's a few wage reductions in terms of voluntary salary reductions, I assume, is what you're focused on. The size of any potential benefit of that in the fourth quarter is minimal in terms of what's in the forecast for now. Most have been -- most of those reductions have been restored as of September 30. There are still some that will go through the end of the year as of now, including a small number of senior management at Omnicom. And I think in terms of the numbers, it's just not very meaningful and won't have a meaningful contribution on Q4. That hopefully is responsive to your ask.

I think we might have time for one more question, operator, as the market is about to open.

Operator

Okay. That question comes from the line of Steven Cahall from Wells Fargo.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Steven Lee Cahall - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Maybe first, Phil, I was wondering if you could quantify the value of the 1 million square foot of real estate savings that you've got. And then, John, you talked about the Board maybe taking up the buyback issue at its next meeting in December. You're Chairman of the Board, so I was just wondering kind of what you're thinking in terms of the health of the balance sheet and what you need to see in the marketplace before you might return to the market.

John D. Wren - *Omnicom Group Inc. - Chairman & CEO*

You want to go first, Phil?

Philip J. Angelastro - *Omnicom Group Inc. - Executive VP & CFO*

Sure. Yes. I mean in terms of the real estate, I think the way we think about it is it's -- the actions we took were in a number of places, covered a number of different markets. If you want to estimate 40 to 50 feet -- $40 to $50 a foot, that's probably a decent estimate. I don't think we've got a more precise number than that, but I think that's a meaningful and good guide.

And then in terms of balance sheet and buybacks, John, over to you.

John D. Wren - *Omnicom Group Inc. - Chairman & CEO*

Yes. Our #1 focus when looking at all of this is maintaining our investment-grade rating. So that will govern a lot of the conversation in terms of when we restart our share repurchase program. Also, dividends are our main focus. Acquisitions, where they're possible, is the second place we allocate capital. And finally, we'd use excess cash, if we determine to have excess cash, to start repurchasing shares again.

So it's a complex conversation. But as I said, dividends are #1, acquisitions will be 2 and share repurchases will be the last. So we -- the good news is we're putting it on the agenda to at least start the conversation.

Philip J. Angelastro - *Omnicom Group Inc. - Executive VP & CFO*

Yes, with the Board meeting we have coming up in December.

Okay. Thank you all for taking the time to join us today. Thank you, operator.

John D. Wren - *Omnicom Group Inc. - Chairman & CEO*

Thanks.

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.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2020, Refinitiv. All Rights Reserved.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

