REFINITIV STREETEVENTS

EDITED TRANSCRIPT

Q2 2021 Omnicom Group Inc Earnings Call

EVENT DATE/TIME: JULY 20, 2021 / 12:30PM GMT

©2021 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.

CORPORATE PARTICIPANTS

Joanne Trout *Omnicom Group Inc. - Chief Communication Officer*
John D. Wren *Omnicom Group Inc. - Chairman & CEO*
Philip J. Angelastro *Omnicom Group Inc. - Executive VP & CFO*

CONFERENCE CALL PARTICIPANTS

Alexia Skouras Quadrani *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*
Craig Anthony Huber *Huber Research Partners, LLC - CEO, MD & Research Analyst*
Julien Roch *Barclays Bank PLC, Research Division - MD & European Media Analyst*
Timothy Wilson Nollen *Macquarie Research - Senior Media Analyst*

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Omnicom Second Quarter 2021 Earnings Release Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded.

And at this time, I'd like to introduce you to your host for today's conference, Chief Communications Officer, Joanne Trout. Please go ahead.

Joanne Trout ***Omnicom Group Inc. - Chief Communication Officer***

Good morning. Thank you for taking the time to listen to our second quarter 2021 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 that we will review this morning. This call is also being simulcast and will be archived on our website.

Before we 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 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.

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

Thank you, Joanne, and good morning to everyone on the call today. I hope you are staying safe and healthy.

We are pleased to kick off today's call by reporting that we've rounded the corner into positive growth. We had extremely strong results, top and bottom line, and continue to make very good progress on several of our strategic initiatives.

Organic growth for the second quarter was a positive 24.4%. This growth was broad-based across our agencies, geographies, disciplines and client sectors. We experienced a significant increase in spend from existing clients as the effects of the pandemic subsided, and we benefited from strong new business wins.

EBIT was $568 million in the quarter, an increase of 67% versus the second quarter of 2020. Q2 2021 included a gain of $50.5 million from the sale of ICON International in early June. And Q2 2020 EBIT included $278 million of charges related to the repositioning actions.

©2021 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.

Excluding gains and charges, EBIT margin was 14.5% in the quarter compared to 12.2% in Q2 2020. Phil will provide further details on expected impact of the sale of ICON on our results for the balance of the year.

As we stated on our last call, we view 2019 as a reasonable proxy for our ongoing margin expectations. Excluding the sale of ICON, our 6-month 2021 EBIT margin was 14%, which is in line with our EBIT margin of 13.9% for the first 6 months of 2019.

Net income was $348 million in the second quarter, an increase of 75% from the second quarter of 2020. And EPS was $1.60 per share, an increase of 74%. The net impact of the gain on the sale of ICON, which was offset by an interest expense charge related to the early retirement of debt increased EPS in Q2 2021 by $0.14 per share.

Before I provide more comments on our financial performance and progress on our strategic initiatives, I want to acknowledge the work of our leadership team and all of our people for these financial results. Our leaders took difficult and effective actions over the past 1.5 years. At the same time, they remained laser-focused on the health of their teams, servicing our clients, winning new business and managing their cost structures.

Our ability to navigate in this environment and come out the other side with such strong results is a testament to their commitment as well as the dedication and tireless effort of our people around the world. I want to thank them for their outstanding contributions.

Turning now to our performance by geography. Every region had double-digit growth in the quarter. The U.S. was up just shy of 20% in the quarter. All U.S. disciplines had double-digit growth, except for Healthcare, which was up in the low single digits. It was the one discipline that grew in Q2 of 2020.

Other North America was up 37.1%. The U.K. was up 23.8% with all disciplines in double digits. Overall growth in the Euro and non-Euro region was 34.5%. In Asia Pacific, we had 27.9% increase, with all major countries who experienced double-digit growth. Our events business in China had another quarter of strong performance. Latin America was up 20.8%. And the Middle East and Africa increased 42.8%.

By discipline, all areas were up year-over-year as follows: Advertising and Media, 29.8%; CRM Precision Marketing, 25%; CRM Commerce and Brand Consultancy, 15.2%; CRM Experiential, 53%; CRM Execution & Support, 22.7%; PR, 15.1%; and Healthcare, 4.5%.

Looking forward, we expect to continue to see positive organic growth as client spend increases, albeit at a slower pace than we experienced in Q2. Our management teams are continuing to align costs with our revenues as markets reopen around the world.

Many of our companies are hiring staff to service an increase in client spend and the new business wins. And we are seeing some pressure on our staff costs, particularly in the U.S., as the labor markets remain tight.

We're also beginning to see a return of travel and certain other addressable spend as government restrictions have eased. Based on our use of technology during the pandemic, we are developing practices, particularly with respect to travel, that should allow us to continue to retain some of the benefits we achieved in addressable spend. We expect that the increase in addressable spend in the second half of the year will be mitigated in part by the benefits we will achieve from a hybrid and agile workforce.

Turning to our cash flow. We again performed very strongly. For the first half of the year, we generated approximately $800 million in free cash flow.

As we indicated last quarter, in addition to our dividend increase, in May, our Board approved the reinstatement of our share repurchase program. In the second quarter, we repurchased $102 million in shares.

We took further actions to reduce our debt during the quarter. In late April, we issued $800 million of senior notes due in 2031. The proceeds from this issuance, together with cash on hand, were used to repay $1.25 billion of senior notes due in 2022. As a result of these

©2021 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.

actions, our balance sheet and credit ratings remain very strong.

While we are very optimistic about our future prospects, we remain vigilant and are maintaining flexibility and are planning as conditions can quickly change. As we recently experienced in markets like Brazil, India and Japan, the pandemic remains a significant health risk.

Overall, we are extremely pleased with our performance this quarter and proud of how we've navigated through the pandemic. Our results reflect Omnicom's ability to adapt and respond to changes in the market and deliver through down economic cycles.

Let me now turn to the progress on our strategic and operational initiatives. As I mentioned, in early June, we completed the sale of ICON International, our specialty media business. The divestiture was part of our continuing realignment of portfolio of businesses and is consistent with our plan to dispose of companies that are no longer aligned with our long-term strategies and investment priorities.

With the closing of this transaction, we are substantially complete with disposals. We expect our primary focus moving forward will be on pursuing accretive acquisitions in the areas of precision marketing, MarTech and digital transformation, commerce, media and health care. We have ramped up our M&A efforts in these areas, and we're pleased with the opportunities we are seeing. We remain disciplined with respect to our strategic approach and valuation parameters.

Operationally, Omnicom continues to successfully deliver to our clients a comprehensive suite of marketing and communication services, supported by technology and analytic capabilities around the world. The leaders of our practice area, agencies and global clients have used this formula to strengthen our relationships and grow with existing clients as well as pursuing new business.

Importantly, our organization allows our leadership teams to quickly mobilize our efforts to deliver strategic solutions for our clients from across the group. Whether their need is for integrated services across regions or more bespoke individualized solutions in specific countries, we can simplify and organize our services in a manner that meets our clients' needs.

For example, we have a long history of providing integrated services to some of the world's largest brands such as Apple, AT&T, Nissan and State Farm. And we continue to be successful in winning new business. A good example of this is our win with Philips, who named Omnicom as their global integrated service partner for creative media and communications. Over months long and highly competitive pitch, we are able to demonstrate the strength of our agencies and a delivery model that connects creativity, culture and technology to position Philips as a leader in the changing health industry.

Another example of our integrated creative media and communications offerings is our recent win of the baby wipes brand, WaterWipes. We also serve clients and consistently win new business across dedicated service areas and geographies. For example, some of the wins this quarter, in addition to the ones mentioned above, were BBDO being named global lead strategic and creative agency partner for the Facebook app, Discover naming TBWA its brand creative agency of record, JetBlue hiring adam&eve as its new global creative partner, Red Bull awarding PHD in its media business in North America, BBDO being awarded Audi creative duties and social media communications in Singapore and PHD winning Audi media business in China, and Virgin Atlantic selecting Lucky Generals as its lead creative agency.

Our comprehensive suite of services and our ability to simplify how we bring them to our clients will continue to drive our success. Congratulations and thank you to our people for these wins and many more.

In the second half, we expect to see an increase in new business activity across industry sectors, including CPG, luxury, health care, retail and automotive. I'm confident that our exceptional talent, range of services and our ability to organize our offerings to meet the needs of potential clients will allow us to capture more than our fair share of new business.

Our constant innovation and service delivery has also resulted in highly regarded industry awards. At Cannes Lion Live 2021, our agencies were recognized for their excellence in both the creative and media disciplines. Omnicom's global creative networks, BBDO, DDB and TBWA, placed in the top 10 of the network over the festival competition. Taking a highly coveted title, AMV BBDO was named Agency of the Festival. Omnicom media agencies, PHD and OMD, earned first and second place, respectively, in the media network of

©2021 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.

the festival's competition. And overall, more than 160 Omnicom agencies from 45 countries won more than 180 Lions. This impressive showing at Cannes Lion is just one example of how our agencies excelled.

They received a number of other industry awards, which include FleishmanHillard being named Campaign Global PR Agency of the Year and TBWA APAC winning Digital Network of the Year, Goodby Silverstein & Partners making Ad Age's A-Lis,t, and TBWA being made as an agency standout, DDB Worldwide winning 2021 Network of the Year at the 100th anniversary of the ADC Awards hosted by The One Club, and DDB Germany being named Agency of the Year. These awards are a direct reflection of our relentless pursuit of creative excellence.

Our best-in-class talent is what defines Omnicom and makes us an award-winning company. With this in mind, we are constantly looking to invest in our people and create opportunities across the enterprise, including at the C-suite level and throughout our senior leadership.

A recent addition to our practice area leadership is Chris Foster, who is appointed CEO of Omnicom's Public Relations Group. Chris will oversee our entire PR portfolio, focusing on talent, innovation and cross-agency collaboration to drive growth. I'm confident that his track record of leading global growth initiatives, counseling executive-level clients and driving business development will lead to the continued success of OPRG. John Doolittle has been elevated to Chairman of OPRG.

Another key leadership position we recently created is focused on our environmental sustainability initiatives. Last week, we appointed Karen van Bergen as Chief Environmental Sustainability Officer. Karen will be responsible for overseeing our climate change initiatives and processes, which includes setting measurable goals, policies and partnerships that will reduce our carbon footprint. This new position will be in addition to Karen's current role as EVP and Dean of Omnicom University.

Environmental sustainability is an area where we are doubling down on our efforts. We established goals 5 years ago to lessen the impact of our operations on the environment, and we are now looking to drive even more progress. We are currently establishing new goals and commitments to reduce the carbon emissions produced by our operations and increase the amount of electricity we derive from renewable sources.

In addition to these internal goals, Omnicom has joined numerous industry initiatives that will serve as catalysts for change. For example, several of our U.K. agencies have joined Ad Net Zero, the industry's initiative to achieve real net zero carbon emissions from the development, production, immediate placement of advertising by the end of 2030.

And we are a founding member of #ChangeTheBrief Alliance, which calls for the agencies and marketers to harness the power of their advertising to promote sustainable consumer choices and behaviors. Karen is just the right leader for driving our initiatives in this critical area, given her long tenure with Omnicom and excellent previous experience working on environmental initiatives at multinational corporations. I have no doubt we will continue to raise the bar on our global operations and our work with organizations and clients to reduce our impact on the environment.

Another critical area we have intensified our efforts over the past 12 months is DE&I. We have doubled the number of DE&I leaders throughout Omnicom over this time, and we have established specific KPIs to measure our progress. The KPIs are focused on hiring, advancement, promotion, retention, training and employee resource groups. This is a key step to ensuring DE&I is embedded across the leadership agenda with a full commitment and accountability of our network and practice areas CEOs.

For Omnicom, DE&I starts at the top with our Board of Directors. Currently, our Board is the most diverse in the S&P 500, with 6 women and 4 African-American members, including our Lead Independent Director. We're also pleased that 3 of our 12 network and practice area CEOs are people of color or female.

While it is still too early to measure our progress, I'm pleased to report that a preliminary review of our employee diversity in the United States shows a meaningful increase in the number of diverse employees as of June 30, 2021, compared to the end of 2020. I look forward to a lot more progress being made in the months ahead.

©2021 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.

Continuing the focus on our people, we are pleased many of them have returned to the office as government restrictions are reduced or eliminated. We are encouraging our people to begin to make plans to return to offices as conditions improve in their local markets.

Overall, we believe a return to an office-centric culture will enable us to invent, collaborate and learn together most effectively. In turn, it will allow us to best serve our clients. The return to office will be grounded in safety and flexibility, and local leaders will determine what combination of office and remote work is most effective for their teams. I personally look forward to reengaging in person with our people and our clients over the coming weeks and months.

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

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

Thanks, John, and good morning. As John discussed in his remarks, while the impact of the pandemic continues to be felt across the globe, that impact has moderated significantly as evidenced by our return to growth in Q2. We expect our return to growth will continue in the second half. However, as long as COVID-19 remains a public health threat, some uncertainty regarding economic conditions will continue, which could impact our clients' spending plans, and the performance of our businesses may vary by geography and discipline.

Organic growth for the quarter was 24.4% or $682 million, which represents a significant increase compared to Q2 of 2020, which reflected the onset of the pandemic when revenue declined by 23% or $855 million. In addition, in early June, we completed the disposition of ICON, our specialty media business, which resulted in a pretax gain of $50.5 million. The sale of ICON was consistent with our strategic plan and investment priorities, and the disposition is not expected to have a material impact on our ongoing operating income for 2021.

Flipping to Slide 4 for a summary of our revenue performance for the second quarter. In addition to our organic revenue growth of 24.4% for the quarter, the impact of foreign exchange rates increased our revenue by 5.4% in the quarter, higher than we anticipated entering the quarter as the dollar continued to weaken against most of our larger currencies compared to the prior year.

The impact on revenue from acquisitions, net of dispositions, decreased revenue by 2.2% primarily related to the sale of ICON. As a result, our reported revenue in the second quarter increased 27.5% to $3.57 billion from the $2.8 billion we reported for Q2 of 2020. 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 increased to $568 million, including the $50.5 million gain on the sale of ICON. As you remember, our Q2 2020 results included a $278 million COVID-19 repositioning charge, which included severance actions, real estate lease impairments and terminations and related fixed asset charges as well as a loss on the disposition of several small noncore underperforming agencies.

Our operating margin for the quarter was 15.9%, up significantly from Q2 2020 even after excluding the gain on the sale of ICON in the current period and adding back the repositioning charge recorded in Q2 of 2020. We also continued to see operating margin improvement year-over-year resulting from the proactive management of our discretionary addressable spend cost categories, including a reduction in travel and related costs as well as reductions in certain costs of operating our offices given the continued remote work environment as well as benefits from some of the repositioning actions taken back in the second quarter of 2020.

Our reported EBITDA for the quarter was $590 million, and EBITDA margin was 16.5%. Excluding the $50.5 million gain on the ICON disposition, EBITDA margin for Q2 2021 was 15.1%. EBITDA margin in Q2 of 2020, after adding back the $278 million repositioning charge, was 12.9%.

On Slide 3 of our investor presentation, we presented the details of our operating expenses. We've also included a supplemental slide on Page 15 that shows the 2021 amounts presented in constant dollars to exclude the effects of year-on-year FX changes.

As we've discussed previously, we have and will continue to actively manage our costs to ensure they are aligned with our current

©2021 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.

revenues. We also continue to evaluate ways to improve efficiency throughout the organization, focusing on 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. They increased by about $300 million versus Q2 of 2020 or $220 million on a constant dollar basis driven by the increase in our overall business activity. We would also note that the Q2 2020 salary and service cost amounts were reduced by reimbursements received from government programs of $49.2 million.

Third-party service costs increased by $275 million or $242 million on a constant dollar basis. These costs include expenses incurred with third-party vendors when we act as a principal when performing services for our clients.

Occupancy and other costs, which are not directly linked to changes in revenue, increased by $4 million. Excluding the impact of FX, these costs declined by $10 million in the quarter as we continued our efforts to reduce infrastructure costs, and we benefited from a decrease in general office expenses as the majority of our staff continue to work remotely in Q2.

SG&A expenses increased by $21 million or $18 million on a constant dollar basis, again related to the return to more normal activities in the quarter. And finally, depreciation and amortization declined by $3.6 million.

Net interest expense in the second quarter of 2021 increased $26.3 million period-over-period to $73.5 million. Because of our solid working capital and cash flow performance during the pandemic period, in Q2, we determined we no longer needed the liquidity insurance we added in early April 2020 when we issued $600 million in debt and added a $400 million, 364-day revolving credit facility.

In April 2021, the credit facility expired unused. In May, we issued $800 million of 2.6% senior notes due 2031. In June, the proceeds from the issuance of the 2.6% notes plus cash on hand we used to redeem early all of our outstanding $1.25 billion 3.625% notes that were due in May of 2022.

Gross interest expense in the second quarter of 2021 increased $26.6 million, resulting from the loss we recognized on the early redemption of all the outstanding $1.2 billion of 3.625% 2022 senior notes. Additionally, the impact of this refinancing activity reduced our leverage ratio to 2.2x at June 30, 2021, and is expected to result in lower interest expense on our debt in the second half of approximately $6 million as compared to the prior year.

Interest income in the second quarter of 2021 was relatively flat. Our effective tax rate for the second quarter was 24.9%, down a bit from the effective tax rate we estimated for 2021 of between 26.5% to 27% primarily due to nominal taxes recorded on the book gain on sale.

Earnings from our affiliates was marginally negative for the quarter, while the allocation of earnings to minority shareholders in certain of our agencies increased to $23.4 million. As a result, our reported net income for the second quarter was $348.2 million.

While we restarted our share repurchase program during the second quarter, our diluted share count for the quarter increased slightly versus Q2 of last year to 217.1 million shares, resulting from the year-over-year increase in our share price and the increase in common stock equivalents included in our diluted share count. As a result, our diluted EPS for the second quarter was $1.60 versus the loss of $0.11 per share we reported in Q2 of 2020.

The gain on the sale of ICON and the loss on the early redemption of the 2022 senior notes resulted in a net increase of $31 million to net income or $0.14 to EPS. As we previously discussed, the prior year period included the net impact of the repositioning charges, which reduced last year's second quarter net income and EPS by $223.1 million and $1.03, respectively.

On Slide 2, for your reference, we provide the summary P&L, EPS and other information for the year-to-date period.

Now returning to the details of the changes in our revenue performance on Slide 4. Our reported revenue for the second quarter was $3.57 billion, up $771 million or 27.5% from Q2 of 2020.

©2021 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.

Turning to the FX impact. On a year-over-year basis, the impact of foreign exchange rates increased our reported U.S. dollar revenue by 5.4% or $150.8 million, which was above the 3.5% to 4% increase that we estimated entering the quarter. The strengthening of foreign currencies against the dollar was widespread and included most of our largest major foreign currencies.

In the quarter, the largest FX increases were driven by the strengthening of the euro, the British pound, the Chinese yuan and the Australian dollar. In the quarter, the U.S. dollar only strengthened against the Japanese yen and the Russian ruble. In light of the weakening of the U.S. dollar compared to 2020, assuming FX rates continue where they currently stand, our estimate is that FX could increase our reported revenues by approximately 1.5% for the third quarter and 1% for the fourth quarter, resulting in a full year projected increase of approximately 2.5%.

The impact of our acquisition and disposition activities over the past 12 months, primarily reflecting the ICON disposition as well as the recent acquisitions of Archbow and Areteans during the second quarter of 2021 resulted in a net decrease in revenue of $62 million in the quarter or 2.2%. Based on transactions that have been completed through June 30, 2021, our estimate is the net impact of our acquisition and disposition activity for the balance of the year will decrease revenue by between 6% to 7% for the third and fourth quarters, resulting in a full year reduction of approximately 4%.

While we will continue our process of evaluating our portfolio of businesses as part of our strategic planning, as John has said with regard to dispositions, we're substantially complete. Our organic growth of $682 million or 24.4% in the second quarter reflects strong performance across all of our major geographic markets and across all of our service disciplines.

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 up nearly 30% primarily on the growth of our media businesses, reflecting a strong recovery of activity within the media space.

Our global and national advertising agencies achieved strong growth this quarter, although the pace of growth by agency remains somewhat mixed. CRM Precision Marketing increased 25%. Through the strength of their service offerings, the agencies within this discipline have delivered solid revenue performance throughout the pandemic, and they continue to perform well.

CRM Commerce and Brand Consulting was up 15.2%, but the performance within this discipline was mixed as our shopper marketing agencies cycled through the effects of recent client losses. While organic revenue for CRM Experiential was up over 50%, it should be noted that events were virtually shut down as lockdowns took effect in March and April of 2020. While government restrictions on events have been eased recently in certain markets, these businesses still face challenges regarding when they will return to pre-pandemic levels.

CRM Execution & Support was up 22.7%, reflecting a recovery in client spend compared to Q2 of 2020 in our field marketing and merchandising point-of-sale businesses, while our non-for-profit businesses continue to lag. PR was up 15.1% coming off pandemic lows in 2020.

And finally, our Healthcare discipline was up 4.5% organically. Healthcare was the only one of our service disciplines that had positive organic growth in Q2 of 2020. The performance of these agencies remain solid across the group.

Now turning to the details of our regional mix of businesses on Page 6. You can see the quarterly split was 51.5% in the U.S., 3.3% for the rest of North America, 10.6% in the U.K., 18.6% for the rest of Europe, 12.5% for Asia Pacific, 2% for Latin America and 1% for the Middle East and Africa.

In reviewing the details of our performance by region on Page 7, organic revenue in the second quarter in the U.S. was up nearly 20% or $316 million. Our Advertising discipline was positive for the quarter. Our media agencies excelled in the quarter as did our CRM Precision Marketing agencies and our PR agencies and our Commerce and Brand Consulting category rebounded to growth in the quarter, while our Healthcare agencies were flat versus last year when organic growth was 3.7% in the quarter.

©2021 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.

Our other CRM domestic disciplines, Experiential and Execution & Support, also performed well organically versus Q2 of 2020. We expect it will take a bit longer for them to return to 2019 revenue levels as social distancing restrictions and pandemic concerns subside.

Outside the U.S., our Other North American agencies were up 37% driven by the strength of our media and precision marketing agencies in Canada. Our U.K. agencies were up 23.8% organically led by the performance of our CRM Precision Marketing, Advertising and Healthcare agencies. The rest of Europe was up 34.5% organically.

In the Eurozone, among our major markets, France, Germany, Italy and the Netherlands were up greater than 30% organically, while Spain was up in the mid-single digits. Outside the Eurozone, our organic growth was up around 35% during the quarter.

Organic revenue performance in Asia Pacific for the quarter was up 27.9% with our performance from our agencies in Australia, Greater China, India and New Zealand leading the way. Latin America was up 20.8% organically in the quarter, with our agencies in Mexico and Colombia growing more than 20%, and Brazil was up almost 17%. And lastly, the Middle East and Africa was up over 40% for the quarter.

On Slide 8, we present our revenue by industry information on a year-to-date basis. We've seen an improvement in performance across most industries with the overall mix of revenue by industry remaining relatively stable. The travel and entertainment sector was boosted in Q2 of 2021 by increased activity related to spend by clients in the entertainment category, which mitigated continued reduced spend levels for many of our travel and lodging clients.

Turning to our cash flow performance. On Slide 9, you can see that the first 6 months of the year, we generated nearly $800 million of free cash flow, excluding changes in working capital, up over $70 million versus the first half of last year.

As for our primary uses of cash on Slide 10, dividends paid to our common shareholders were $292 million, up about $10 million when compared to last year due to the $0.05 per share increase in the quarterly payment, effective with dividend payment we made in April. Dividends paid to our noncontrolling interest shareholders totaled $39 million.

Capital expenditures in the first half of 2021 were $23 million. Acquisitions, which include our recently completed transactions as well as earnout payments, totaled $36 million. And stock repurchases were $95 million, net of the proceeds from our stock plans, reflecting the resumption of our share repurchases during the second quarter of this year. As a result of our continuing efforts to prudently manage the use of our cash, we were able to generate $311 million of free cash flow during the first half of the year.

Regarding our capital structure at the end of the quarter as detailed on Slide 11, our total debt is $5.31 billion, down about $410 million since this time last year and down just over $500 million compared to year-end 2020. Both changes reflect the early retirement in Q2 of 2021 of $1.25 billion of 3.65% senior notes which were due in 2022, partially replaced with the issuance of $800 million of 2.6% 10-year notes due in 2031.

In addition to the net reduction in debt of $450 million from the refinancing, the only other meaningful change to the net balance for the LTM period was an increase of approximately $65 million, resulting from the FX impact of converting our EUR 1 billion denominated borrowings into U.S. dollars at the balance sheet date. Our net debt position as of June 30 was $922 million, up about $710 million from last year-end, but down $1.5 billion when compared to where we stood 12 months ago. The increase in net debt since year-end was a result of the typical uses of working capital that occur over the first half of the year totaling just under $1.1 billion, which was partially offset by the $311 million we generated in free cash flow in the first half of the year. Over the past 12 months, the improvement in net debt is primarily due to our positive free cash flow of $790 million, positive changes in operating capital of $525 million and the impact of FX on our cash and debt balances, which decreased our net debt position by $154 million.

As for our debt ratios, as a result of our overall operating improvement versus Q2 of 2020 on our recent refinancing activity, we've reduced our total debt-to-EBITDA ratio to 2.2x and our net debt-to-EBITDA ratio to 0.4x. As a result of our overall operating improvement versus Q2 of 2020 and our recent refinancing activity, we've reduced our total debt-to-EBITDA ratio to 2.2x and our net debt-to-EBITDA ratio to 0.4x.

©2021 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.

And finally, moving to our historical returns on Page 12. In the last 12 months, our return on invested capital ratio was 25.9%, while our return on equity was 46.8%, both significantly better than our returns from 12 months ago.

And that concludes our prepared remarks. Please note that we have included several of the supplemental slides in our 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) Our first question comes from the line of Alexia Quadrani with JPMorgan.

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

Just a couple of questions if I may. The first one, really, I guess, on ICON and the disposition there. I think you mentioned it won't have too much of an impact on the business going forward, but it sounds like it's a pretty sizable revenue contributor, given the fact that it is impacting the disposition going forward.

So I'm wondering it must be -- is it much more of a low-margin business, so maybe a positive for profitability longer term now that you're no longer involved in that business? And then maybe just if you can comment on margins in general, how we should think about them longer term? I think you mentioned this year more of a baseline looking like 2019, but given the efficiencies that some of them might be permanent on the real estate side, should we think of maybe slightly higher margins longer term?

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

Sure. Actually, let me first talk about ICON. ICON was a very low-margin business, for sure. And it was a very large business. We had purchased ICON in 2000, and it grew rather nicely for the first 10 or 15 years. And then for the last several years, it's actually -- it hasn't declined, but it hasn't grown.

And you take a large number with no growth, it mutes the growth of the rest of the organization. And the margins were such that we more than make it up for in our pursuit of more profit and EBIT, and we've taken all that into consideration. Took quite a long time to take a decision, but we finally did.

And the most important aspect, because we can cover the profits, it was a low-margin business, is that we're substantially complete with the exercise that we started 3, 4 years ago of scrutinizing the portfolio and ridding ourselves of legacy companies that weren't going to contribute to our long-term growth. So we're very happy with the decision and [that's for that] spend. I'll do a quick thing on margins, and Phil can add to both of my comments.

With respect to margins, we've said all along that we think 2019 is really the benchmark that we're going to look at and then start to plan some growth from. Last year, you had the disruption of COVID in every single office of Omnicom. You had the restructuring charges we had to take, and you had government subsidies in certain instances, but they certainly didn't cover the cost that we've incurred. We will get efficiencies for certain out of the real estate actions that we took and the agile workforce and hybrid workforce that will be impacted as we come back to work.

But against that, what you have is you have some inflation in terms of wages. And net of -- and the resurgence of some of the addressable spend that when people weren't permitted to get on the airplanes and visit offices, they will be and hopefully, in the near term. I know I've been able to travel, but principally because of my position, I've been able to go wherever I want. But most people can't do that. So Phil, you might want to add on both parts.

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

I would echo what John said. I think as far as margins, certainly, going forward, we think '19 is the right baseline. We do expect, and we did expect that the first half certainly of '20 would be a little easier, given the remote workforce impact on both the addressable spend

©2021 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.

that John just touched on. And not having as many people back in the office reduces some of the operating costs associated with running those offices when people are back.

Some of that's going to come back. We're going to welcome a bunch of costs back. When we're in growth mode like we are now, the challenge is going to be continuing to be disciplined about controlling those costs. So I think the goal is certainly to do a bit better than '19, but '19 is really the baseline for the business going forward and then striving to do better than it.

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

And my final comment on this is, yes, obviously, there are challenges as you reopen, but there's a renewed energy, which I think is going to contribute to both the top line and consistently to the bottom line.

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

And John, just a follow-up if I may on the overall environment. I think you've been -- I think most of you can characterize it, while uneven and volatile, it's been a robust advertising recovery. Are you getting the sense you've got such great perspective of your relationship with advertisers? Are you getting the sense that there's some beginning of hesitancy on the recovery or the spend, given the Delta variant or not at all? It's still -- while uneven, it still seems to be pretty robust?

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

I think the Delta variant is because of the headlines, it's somewhat unknown, and we can't predict illness. One of the things that gives me some comfort is that when you get past the headlines and you read the people that have been impacted, it's people who haven't been vaccinated. They received only 1 shot of a 2-shot protocol and/or already have an existing health problem of one form or another and had put themselves in a risky situation.

We're starting to bring back the vaccinated people that we have in earnest after Labor Day. And I think people are encouraged to come back to the office. So yes, there's hesitancy on the part of everyone because we don't know, we can't predict the future. But we do know that we have lived through a hell of a past, and we've done it successfully. So that gives us confidence.

And the other thing, which will be temporary, I think, is there's going to be certain industries where we're already seeing some concern about the adjustments that have had to be made to certain clients' supply lines and certain components, but they need a delay in receiving them. But we see that as a temporary issue, as do most of our clients, at least ones that I've been speaking to.

Operator

And we do have a question from the line of Tim Nollen with Macquarie.

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

Even coming into COVID -- before COVID, you guys were talking about returning to GDP-type of growth levels, which typically was your norm, up until a few years ago. I wonder if you could give us an update now given the divestitures, given the state of the market? I know it's very much in flux right now, but just where do you see your longer-term growth rate settling out once we move through these COVID impacts?

And on the acquisition side, maybe a tack-on question. You mentioned kind of getting back on the acquisition trail. We've seen in the technology space some very high valuations. Just wondering if you could comment on pricing in the market. And also noting your leverage is quite low right now, if there might be any appetite to raise leverage to do more acquisitions?

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

There's a couple of questions, is that right?

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

Yes. It sounds like -- go ahead.

©2021 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.

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

In terms of the first one, not changing my tune. 25 years later, it's GDP plus, all right? And without the burden of a non-growth large entity makes it more achievable than it was the last time I said it.

Doesn't mean it's going to happen next week, but we do know the quality of our businesses and the quality of our portfolio. We have the benefit of having always protected the creative product, which is our ISP. And whilst we have the technology and all the other systems, we can service a client, like in the case of Philips, as if we're one company Omnicom. Or if a client has individual needs, our brands are more than happy and excellent and excel at taking care of them. So that's all going to benefit that.

In terms of acquisition pricing, you're absolutely right. There's an insane amount of money chasing things that are out there. We've always looked for people who wanted to be partners on a longer term, and we've always looked to do accretive acquisitions. And when we have been able to find accretive acquisitions, we've borne the expense of taking -- of starting up companies and doing things ourselves.

I think as we have -- I know, I don't think, as we go forward, there's 1 or 2 areas which I'm not going to tell you -- speak about it on the phone, that I'm probably -- I'd be willing to break even on if I had to pay the price to get the reputation to use as a basis from which spend to grow organically. But none of that at this point is going to result in the increase in our leverage. And our capital program, which I typically have in my script and I didn't bother to mention this time is exactly the same.

It's first to pay our dividends; second, to do accretive acquisitions; and last but not least, the share buybacks. Again, Phil, you want to?

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

Yes. I don't think there's much to add. I think certainly from a capital allocation strategy perspective, we don't expect to change anything other than our goal is to spend more of our free cash flow on acquisitions in the areas that we think the opportunities for growth are the highest. And we're going to be a little more active as we've indicated in the last few calls in pursuing those potential deals.

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

Just having said that, kind of on a humorous note, prior to getting on the call this morning, we saw the treasuries today were [1.16]. And Phil and I were just ruminating, damn it, we didn't need any more money because it's so cheap.

Operator

And we do have a question from the line of Craig Huber with Huber Research Partners.

Craig Anthony Huber ***Huber Research Partners, LLC - CEO, MD & Research Analyst***

I have 2 questions. On your revenue by industry chart here, what areas, maybe the 2 areas, John, are you the most optimistic about as you think out here over the next year?

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

Well, there's a couple of areas that I'm very optimistic about. I'm optimistic about our Precision Marketing Group. I'm very optimistic about our media operations and some of the changes we've made there. I am optimistic that our Experiential business, which has suffered dearly during COVID but has returned in places like China, will come back. And when it does, it will contribute to our growth significantly.

And Healthcare continues. And I think, especially coming out of things like COVID and especially people who have issues being more exposed than otherwise healthy people, I think is a commitment that every person on the planet is going to be over -- is going to be really focused on. So I think we're in some great places.

And with all the confusion and noise and various medias that you can reach out to, I cannot understate our creativity. I can't understate how it's in every component of our business and it's always been since the foundation by 2 creative leaders of Omnicom 30 years ago. And it's not something that you can add to a technology-based company or add to an account service type of company.

©2021 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.

It's creative as a philosophy. It's not an individual. So I think, yes, I'm very bullish across the board about the things that we're able to do.

Craig Anthony Huber ***Huber Research Partners, LLC - CEO, MD & Research Analyst***

And then, Phil, if I could ask, on share buyback, I mean, obviously, your balance sheet is very strong here, 0.4 net debt ratio. It's good as it's been in many, many years. When should we start to expect share buyback sort of kick in, in a meaningful way so we can see the fully diluted share count number go -- actually start going down?

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

I don't think you should expect much different in the second half of 2021 relative to what we've done in prior second halves, Q3, Q4. I don't think we expect anything to dramatically change. But I think if things progress as we expect and the business continues to grow, and we don't have any setbacks from the outside that we can't control in terms of these COVID variants, which we don't expect currently, certainly 2022, I would expect that we'll be back to more normalized levels from a buyback perspective. And again, if we can do more, find more and close more acquisitions, we will adjust the share buyback number accordingly.

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

Yes. And this last part I can't overstate for you enough. I mean, in the month of July, since I was the one who could travel internationally most freely, I completed 2 transactions myself, which haven't yet closed, but will close in the coming weeks or months. And our M&A groups have really beefed up, and we're looking at quite a number.

It's almost back to the early 2000s in terms of the number of companies we're actually looking at. So share buybacks will come back for certain, but I have some immediate needs in the next 90 days for Phil to fulfill.

Operator

We have a question coming from the line of Julien Roch with Barclays.

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

Yes. Coming back on Alexla's question on ICON. It looks like disposition are up 6, 7 percentage points from Phil's previous guidance. So ICON should have been $900 million of revenues in 2020? And if you assume being media it fell a bit more than the overall business in 2020, say, 25%, looks like it was about $1.2 billion in 2019. I mean, are those in the right ballpark?

And then, John, when you said ICON was low margin, what do you mean? Less than 5% or even less than that?

And then last question is on media. What can you tell us about media performance in Q2? Historically, you didn't want to give us a number of an advance to give media every quarter for international [WP] every quarter for the group and to be every quarter for the U.S. So anything -- any color on media, which you say was very good, would be appreciated.

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

Sure. In terms of ICON, I think your ballpark for 2020 is certainly within the range in terms of size. I don't have a '19 number.

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

I think we hit that higher than '19.

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

We know. Yes. '19 is really kind of irrelevant at this point. And as far as margins go, I think that's probably somewhat in the same neighborhood as well.

And when it comes to media, we've been through this before. We don't break out media because it's integrated within all our businesses and all our disciplines. So we don't intend to break out the specific number because that's not how we look at it.

Okay, thank you all for joining the call.

©2021 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.

Operator

And ladies and gentlemen, that does conclude your conference for today. Thank you for your participation and for using AT&T conferencing service. You may now disconnect.

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 Briefs 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 BRIEFS REFLECTS REFINITIV'S SUBJECTIVE CONDENSED PARAPHRASE OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND 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 BRIEF. 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.

©2021 Refinitiv. All Rights Reserved.

©2021 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.