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Omnicom Group, Inc. (OMC)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, and welcome everyone to the Omnicom Fourth Quarter and Full Year 2025 Earnings Call. Today's conference is being recorded. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

At this time, I would like to turn the conference over to Greg Lundberg, Senior Vice President, Investor Relations. Please go ahead.

Gregory Lundberg
Senior Vice President-Investor Relations, Omnicom Group, Inc.

Thank you for joining our fourth quarter and full year 2025 earnings call. With me today are John Wren, Chairman and Chief Executive Officer; and Phil Angelastro, Executive Vice President and Chief Financial Officer.

On our website, omc.com, you will find a press release and a presentation covering the information that we'll be reviewing today. An archived webcast will be available when today's call concludes.

Before we start, I would like to remind everyone to read the forward-looking statements and non-GAAP financial and other information that we've included at the end of our investor presentation. Certain of the statements made today may constitute forward-looking statements. These represent our present expectations, and relevant factors that could cause actual results to differ materially are listed in our earnings materials and in our SEC filings including our 2025 Form 10-K, which will be filed shortly.

During the course of today's call, we will also discuss certain non-GAAP measures. You can find the reconciliation of these to the nearest comparable GAAP measures in the presentation materials.

We will begin the call with an overview of our business from John, then Phil will review our financial results. And after our prepared remarks, we'll open the line for your questions.

I'll now hand the call over to John.

John D. Wren

Chairman & Chief Executive Officer, Omnicom Group, Inc.

Thank you, Greg, and good afternoon, everyone. Thank you for joining us today. It's been 11 weeks since we closed the acquisition of Interpublic, creating the world's leading marketing and sales company, and I'm extremely encouraged by the momentum we've seen in such a short period of time.

Today, I'll start with the progress we have made to position the new Omnicom for sustained growth, and Phil will then cover our fourth quarter and full year 2025 results. Throughout our year-long approval process, our integration teams created detailed roadmaps for how we would come together. That preparation allowed us to move more decisively and with strategic clarity on day 1.

We announced our new connected capabilities organization and leadership team bringing together the exceptional capabilities and talent to address our clients' growth priorities. We reinforced our enterprise-level client strategy through a newly formed growth and solutions team to drive new business and expanded our client success leaders group to grow our services to existing clients.

We formed a combined platform organization and launched the next generation of Omni, integrating Acxiom's Real ID, Flywheel's Commerce Cloud and Omni's proprietary data as well as strengthening our talent and industry leadership in data identity and AI. And we began integrating our operations across real estate, IT, shared services and procurement, among others, which will result in significant operational improvements and cost efficiencies. Following the acquisitions close, we began simplifying and realigning our portfolio to position Omnicom for stronger sustainable growth and profitability.

Our core focus is to deliver integrated services, connecting media, creative content, commerce, consulting, data and technology. These connected capabilities, underpinned by Omni, bring together high growth strategic services that drive business outcomes for our clients. As part of our portfolio realignment, we've identified certain smaller markets as well as operations that are not strategic to our business that we plan to sell or exit.

We will move from a majority to a minority-owned position in these smaller markets, which represent approximately $700 million in annual revenue. These markets remain important to many of our clients and through continuous ownership in these agencies, we will provide the same level of service we have in the past.

We identified non-strategic or underperforming operations with approximately $2.5 billion in annual revenue that we plan to sell or exit. We have already sold or exited some of these businesses representing annual revenue exceeding $800 million. We expect to execute the remaining sales and exits over the next 12 months.

Our retained portfolio of businesses generated revenue of $23.1 billion for the 12 months ended September 30, 2025. This portfolio positions Omnicom to drive stronger growth and deliver measurable business outcomes for our clients.

Our integration planning enabled us to identify significantly greater synergies than we had initially communicated at the announcement of the IPG acquisition.

We now expect our annual run rate synergies to double from our initial estimate of $750 million to $1.5 billion over the next 30 months. We expect to achieve $900 million of these savings in 2026. The key areas for these synergies are as follows: $1 billion from reductions in labor costs through the elimination of duplicative corporate, network, and operational functions; streamlining our regional, country and brand structure; and optimizing utilization by shifting to a more unified resourcing model, including accelerating outsourcing and offshoring.

Additionally, across every area of our business, we are evaluating and deploying automation and AI to improve how we service our clients and run our operations. $240 million of synergies related to real estate consolidation and $260 million of synergies from G&A, IT, procurement, and other operational savings.

Finally, as part of our capital allocation strategy, our board of directors authorized a $5 billion share repurchase program and today we are launching a $2.5 billion accelerated share repurchase program. Phil will provide more color on this ASR program during his remarks. We will also continue our historical use of cash for dividends and acquisitions.

In December, we announced an increase to our quarterly dividends to $0.80 per share. Our investments will focus on strategic tuck-in acquisitions and organic growth initiatives to maintain our leading positions in media, content, commerce, consulting, data and AI. As we do this, our capital structure is strong, and our liquidity and balance sheet positions us to maintain our investment-grade credit rating.

Our efforts across these areas are enabling us to move forward as a company with a clear mission: to help our clients drive enterprise growth in this new era of marketing, defined by data-led AI transformation. More than ever, we're seeing brands ask for an enterprise level partner that can orchestrate their marketing investments across platforms and optimize performance across the entire consumer journey from engagement to sales.

The new Omnicom delivers five competitive advantage directly aligned to what our clients are asking for. We have the world's largest media ecosystem with unparalleled market leverage and intelligence; the deepest bench of award-winning creative talent that fuses human imagination with machine computing to deliver superior personalized content at scale; connected commerce that transforms every consumer touch point into a driver of measurable sales growth for our clients; an enterprise transformation consultancy that can reengineer client's marketing operations for speed, intelligence and growth; and a gold standard data and identity solution that gives brands an unparalleled privacy-first understanding of their consumers.

Together, these advantages provide a competitive edge across every dimension of modern marketing and sales, and will deliver strategic solutions that address our clients' most important growth priorities.

As a nod to our strategic advantages, just yesterday, Forrester named Omnicom, a leader in their commerce services wave evaluation. Omnicom showed a significant lead versus the competition, proving that our advantage in connected commerce is differentiated by spanning demand and loyalty across physical stores, online marketplaces, and direct-to-consumer experiences. The evaluation noted that clients praised Omnicom's ability to operate as a single agency, providing them with access to a large pool of highly qualified talent.

Our strategic advantages are translating into client wins, which is the ultimate validation of what we're building. We've secured new business and extended contracts with leading brands such as American Express, Bayer, BBVA, BNY, Clarins, Mercedes and NatWest. These client wins, as well as the significant progress we've made as a new organization in a few short weeks are a direct result of our people's unwavering focus, commitment and exceptional work during this pivotal period. I'm extremely grateful to them for their efforts.

Overall, I'm very pleased with how we've executed as the new Omnicom. This momentum positions us for strong growth in the years ahead. I look forward to sharing more about our organization, strategy and financial performance at our Investor Day on Thursday, March 12.

With that, I will turn it over to Phil to walk through our quarterly and year-end financial results. Phil?

Philip J. Angelastro

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

Thanks, John. Before reviewing our financial results, please note that our fourth quarter and full year 2025 amounts include Interpublic results for only the month of December 2025.

Since John already covered the first few slides, let's now look at an overview of our fourth quarter income statement on slide 7. The IPG acquisition closed just before Thanksgiving on November 26, 2025. Upon closing, and as John referred to, we immediately began the implementation of our strategic plan. We've separated the impact of several parts of the plan on this slide.

We recorded severance and repositioning costs of $1.1 billion related to severance, real estate impairment charges, and contract exits. We recorded a loss on planned dispositions of $543 million related to businesses that we are in the process of disposing that were recorded at their net realizable value. And we recorded acquisition-related costs of $187 million related to transaction and integration costs.

Note that this does not include any potential gains on the sale of certain businesses in this group, because we are not permitted to record gains on Omnicom assets until the transactions are completed. Additionally, any expected gains on the sale of IPG assets were included in the fair value adjustment recorded on the balance sheet at the closing date.

Excluding these amounts, adjusted operating income, or EBIT, in Q4 was $876 million and adjusted EBITA was $929 million and a 16.8% margin, an increase of 10 basis points compared to last year. Net interest expense in the fourth quarter of 2025 increased primarily due to the IPG acquisition and the related exchange of IPG debt into Omnicom debt. Interest income increased slightly in the quarter.

The tax rate on our non-GAAP adjusted Q4 pre-tax income was 25.8%, flat with the prior year non-GAAP adjusted tax rate of 26%. Our effective income tax rate on the reported operating loss was 12.7%, compared to a more typical reported tax rate of 26.4% in the prior year. The lower tax rate this quarter reflects the impacts of the lower tax benefit associated with the charges I just discussed relating to severance, repositioning, the planned dispositions and the IPG acquisition-related costs, some of which are not deductible in certain jurisdictions. For planning purposes, we expect a similar tax rate of 26% for 2026.

Non-GAAP adjusted net income per diluted share of $2.59 was based on weighted average shares outstanding of 233.8 million, which were up from last year due to shares issued for the IPG acquisition. Note, the additional shares issued for the acquisition were outstanding for one month. We closed out the year with 313.1 million shares outstanding as of December 31, 2025.

Let's now move to revenue. Given the size of the acquisition of IPG and the scale of the implementation of our integration strategy across service lines, geographies and our operating platforms, as well as our plans to reposition the business through disposing of certain parts of our portfolio, we have not included our usual organic revenue growth metrics in our slide deck. Had we calculated organic growth consistent with our prior practice, excluding planned dispositions and assets held for sale, organic growth in Q4 2025 would have been approximately 4%.

Slides 8 and 9 show the breakdown of our revenue by discipline and by major markets. The primary driver of year-on-year growth resulted from the addition of IPG effective December 1.

Foreign exchange changes increased our revenue in the quarter by approximately 2%, and a little less than 1% for the year. We expect FX will continue to be positive in 2026, and assuming recent FX rates stay the same will benefit our reported revenue for the year in excess of 2%.

Regarding revenue by discipline, the Media business performed very well in Q4, as did the Experiential business. On the negative side, during the year, our PR business, excluding the acquisition, experienced negative growth due to the challenging prior year comps from national elections in the US.

Additionally, although small, our Branding and Execution & Support disciplines continue to be challenged in the current environment. As John mentioned, we've moved quickly to integrate the IPG businesses into our connected capability organization through geographic and brand alignments.

Given the scale of these integrations as well as our strategy to reposition the portfolio, we do not plan to include our historical organic growth metrics slide in our 2026 quarterly presentations.

With regards to the planned dispositions, approximately 40% of revenue to be disposed of relates to the Execution & Support and Experiential disciplines, and 25% relates to the advertising group, which is included in the Media & Advertising discipline. The balance of planned dispositions is spread across the rest of our disciplines.

Regarding revenue by region, our businesses in the US had strong growth, led by media, as did our European markets and our businesses in the Middle East. Our businesses in France, the Netherlands and China struggled in Q4 and the Latin America market was strong.

Slide 10 is our revenue weighted by industry sector. Given these numbers only include one month of IPG and our portfolio is very similar, the comparisons to prior periods only show differences of a point or so in a few categories.

Now, please turn to slide 11 for a year-to-date free cash flow summary. The increase relative to last year was driven by the improvement in Omnicom's business over the course of the year, and the addition of IPG in December 2025. Our free cash flow definition excludes changes in operating capital. However, our use of operating capital improved throughout the year, and we were positive for the full year.

You'll note in the reconciliation on slide 18 that the change in operating capital was a positive of approximately $700 million, a significant improvement in the change in operating capital of over $900 million from 2024. Approximately $170 million of that improvement resulted from Omnicom's businesses, excluding IPG. The balance reflected the timing of the IPG closing and positive working capital growth from IPG's businesses in the month of December 2025.

For the year ended 2025, our primary uses of free cash flow included $550 million of cash paid for dividends to common shareholders and another $83 million for dividends to non-controlling interest shareholders. Dividend payments decreased due to an increase in share repurchases during the quarter. This excludes our recent 15% increase in the quarterly dividend to $0.80 per share, which was declared prior to the closing of the acquisition.

Capital expenditures were $150 million, roughly in line with last year. Total net acquisition and disposition payments were actually a source of cash of $914 million. This included $1.1 billion of net cash received from the IPG acquisition, which was partially offset by acquisition-related payments of approximately $186 million, including $117 million in payments for acquisitions of additional non-controlling interests and payments of contingent purchase price obligations on acquisitions completed in prior periods.

Finally, our share repurchase activity for the year was $708 million, excluding proceeds from stock plans of $27 million. As of Q3 2025, we had repurchased $312 million of shares, and during Q4, we repurchased $396 million.

Slide 12 is a summary of our credit, liquidity and debt maturities. At the end of Q4 2025, the book value of our outstanding debt was $9.1 billion. Legacy Omnicom debt was flat with last year, but we assumed approximately $3 billion of IPG debt. As you are aware, our $1.4 billion April 2026 notes are now classified as current on our balance sheet, and we will be addressing that maturity in the near term.

As John mentioned, our board approved a $5 billion share repurchase program, including a $2.5 billion accelerated share repurchase plan, which we initiated earlier today. We also plan to repurchase an additional $500 million to $1 billion of shares during the balance of 2026 as part of the share authorization program.

As a result, we estimate the reduction to our shares outstanding compared to the balance of shares outstanding at December 31, 2025, of 313.1 million shares will decline by approximately 9% to 11% by the end of 2026, with weighted average shares outstanding for the year estimated to be reduced by approximately 7% to 8%.

Net interest expense is expected to increase by approximately $210 million in 2026 compared to 2025. The change is primarily driven by higher interest expense, including approximately $125 million from the addition of IPG's long-term debt, including $14 million of non-cash interest expense resulting from the fair value adjustment to IPG's debt recorded as a result of the acquisition.

We are also estimating an increase of approximately $50 million to $55 million, resulting from the refinancing of our $1.4 billion bond, which has a book effective interest rate of 4.07%, and which is due in mid-April, and incremental commercial paper borrowings related to our share buyback program, including the ASR.

Together, these items are estimated to increase interest expense by approximately $175 million to $180 million. In addition, interest income on net cash balances is expected to decrease by approximately $30 million, primarily due to lower forecasted short-term interest rates on invested cash.

In total, these factors result in a projected increase in net interest expense of approximately $210 million in 2026 compared to Omnicom's prior year 2025 actual amount of $167 million.

Please note that the total and net leverage ratios for 2025 reflect the full assumption of IPG's debt, but only one month of IPG's EBITA. This results in distorted leverage ratios for the period when calculated directly from our reported financials. However, at December 31, 2025, we were in compliance with the leverage ratio covenant in our credit facility, which makes pro forma adjustments for the acquisition. Comparable calculation of our total debt to pro forma adjusted EBITDA would result in a total leverage ratio of 2.4 times for the full year ended December 31, 2025.

Lastly, our cash equivalents and short-term investments at the end of the year were $6.9 billion, up $2.5 billion from last year, largely due to the IPG acquisition and the strong performance managing working capital and cash we just discussed. Our liquidity also includes an undrawn $3.5 billion revolving credit facility, which backstops our $3 billion US commercial paper program.

Before I hand this call over to Q&A, I would like to take a moment to address a framework for how we plan to forecast for 2026. In the appendix on slides 22 to 24, we present combined Omnicom and Interpublic income statement data based on each company's reported results for the last 12-month period ended September 30, 2025. These are the last four quarters in which both of us operated independently. We also used this combined methodology when we announced the transaction in December 2024.

For the LTM September 30, 2025 period, combined revenue was $26.3 billion and combined adjusted EBITA was $4.1 billion. These two numbers are very close to published analysts' consensus estimates prior to the IPG closing for fiscal year 2025 on a combined basis. Because the combined presentation doesn't reflect our planned dispositions, we've used the estimated disposition revenue amounts on slide 3 to adjust the combined base, which we plan to use for forecasting 2026. The adjusted total EBITA margin for the businesses we plan to dispose of was approximately 10%.

Given the IPG acquisition recently closed, we have not yet completed our 2026 planning process. As a result, we will provide additional details on our expectations regarding revenue growth and EBITA growth for 2026 at our Investor Day on March 12.

In closing, we've accomplished a lot in the past year to position Omnicom for sustained future growth. As John said, we have great momentum across the company, including revenue initiatives and cost efficiency initiatives and we are deploying these benefits through the share buyback program announced today. We understand that there is a lot of material to digest. We look forward to updating you on these topics and some new ones at our Investor Day on March 12.

I'll now ask the operator to please open the lines up for questions-and-answers. Thank you.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] We'll take our first question from Steven Cahall at Wells Fargo.

Steven Cahall
Analyst, Wells Fargo Securities LLC

Q

Thank you. So, it sounds like you're going to talk more about organic growth at the Investor Day in a few weeks. But John, you've done a ton of work around the operations and bringing the connected capability together. I think a much bigger percentage of the business is now Media, and it sounds like it's performing well.

So, I was wondering if you could give us any sense of what your expectations are in organic growth for the retained business this year? Or if that's a little too specific, maybe you could at least give us a sense of how you would expect the Media business to perform this year, and how big within the overall business that one is?

And then, Phil, thanks for the color on the margins of the businesses that you're divesting. Is the right way to think about margins for this year that we back out those 10% margins that are being disposed of? And then we kind of layer on the synergy targets, net of cost to achieve that you've given. And that's kind of the math that we need to do to think about margins for the next few years? Thank you.

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

A

Thanks for your question, Steve. We'll certainly give you more color on March 12, to the extent that we're done completing our review of the combined companies and the detailed plans. If I was guessing, which I probably shouldn't do, I would think Media going forward will be, I would say, in the mid 50% of our revenue, which is a change. It increases that segment of our organization, but that needs to be finalized, which we're doing in the coming weeks.

Advertising will be, again, same type of caution, but slightly less than 20% of our total revenue. But as I said, we're working through those areas as we speak. We did get some very early profit plans, but we haven't had the time to go through and interrogate them the way we generally can before we have this call. So, that's what we'll be doing in the coming weeks as we prepare for that.

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

A

Just to clarify, Steve, the Media reference, I think includes what we would consider media-related or connected to media. So that percentage probably includes precision as well as commerce, which is in our Precision Marketing category. So, it's the connected media component of the business.

With respect to the second question on margins for 2026, certainly, as I said in my prepared remarks, we'll have some more detail and color on our expectations for 2026 at the Investor Day. But I think your assumption is certainly a good one to start with, and then we'll get an update at the meeting in March.

Steven Cahall
Analyst, Wells Fargo Securities LLC

Q

Thank you.

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

A

Sure.

Operator: We'll go next to David Karnovsky at JPMorgan.

David Karnovsky
Analyst, JPMorgan Securities LLC

Q

Hi. Thank you. John, I know it's early in the integration, but can you speak a bit more to what the reception has been so far to the combined company offering, both from existing clients and recent RFPs?

And then, for Phil, you mentioned a 4% organic figure for the fourth quarter. Can you just clarify what this specifically refers to? And for the assets identified for sale, exit or moving to minority, is this all going to assets held for sale immediately or does it get spaced out? And then, can you say anything about what the kind of organic growth for some of these agents or what these agencies were in aggregate for what's moving? Thanks.

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

A

I'd say in all the major markets that we operate in, there's been a lot of enthusiasm on the part of the groups that we've combined. And just the attitude and the optimism that is shared all the way down through to our employee base about what position Omnicom now is in, what capabilities we have when we join these two groups together, and the resources that we'll have to pivot and change where necessary and making the correct investments to keep us in a leadership position.

So across the board, it's far better than I fully expected, because I always anticipate that there will be some negativity, but we haven't seen any of that, any particular place in the group. I'll leave the second question to Phil.

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

A

Sure. So I'll start with the businesses that we've identified as disposals and assets held for sale. So as you referred to, a portion of that, and as was referred to in the slide and in John's prepared remarks, a portion of that relates to us intending to move from a majority position to a minority position in certain smaller markets around the world. Those businesses are solid businesses. They service some of our important clients in certain of those markets.

But we're really taking that action more for simplicity of the organization and managing the organization than underperformance, or the businesses are not strategic to where we're headed in the future. We just don't need to be in all markets with subsidiaries that come with a lot of compliance requirements and other things. So the organization, as a result, will become much more efficient, and we'll still be able to provide the quality service that we need to for our important global clients that might have operations in those markets where we go from majority to minority.

The rest of the businesses that we've targeted for disposals and/or sales, essentially, are made up of either non-strategic businesses or underperforming businesses. And as John had referred to, we've completed dispositions with about $800 million of revenue to-date. And certainly, we're committed to completing those transactions during the next 12 months. And we've made some good headway. Recently, an Experiential business within the IPG portfolio, Jack Morton, that sale closed this week. So we've got a good head start on moving forward with the plans as far as assets held for sale go. And we'll give a little more color and a little more update at the Investor Day.

As far as organic goes, what we did and what I referred to in my prepared remarks was we did the calculation, consistent with how we've always done it, with one exception. We excluded the organic growth related to those companies that we intend to dispose of and sell. And as a result of doing that, the calculation yielded a growth rate in the quarter of 4%.

I'd say, certainly, because those businesses are either – the bulk of the businesses are either non-strategic or underperforming, the organic growth rate related to those businesses is likely lower than what we achieved on the businesses that we intend to invest in going forward for the quarter. But the businesses that are – where we see the most opportunity, the growth opportunity and the investment opportunities, that's what yielded the 4%.

David Karnovsky Q
Analyst, JPMorgan Securities LLC

Thank you.

Operator: We'll move next to Thomas Yeh at Morgan Stanley.

Thomas Yeh Q
Analyst, Morgan Stanley & Co. LLC

Thanks so much. Yeah, just – that was very helpful on the 4% organic growth explanation. Just to put a finer point on that; that also excludes the incoming assets in terms of IPG, or is it pro forma for the both of them?

And if you could just add some color on where you're seeing the areas contributing to that acceleration in growth beyond the upward bias that is being seen from the dispositions, that'd be very helpful.

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

If you could just repeat the second part of that, Thomas, that'd be helpful.

Thomas Yeh Q
Analyst, Morgan Stanley & Co. LLC

Yeah. Just in terms of the sequential acceleration beyond what you mentioned as the benefit associated with stripping out the planned dispositions, maybe talking about just particularly areas of strength in terms of Media & Advertising, like maybe talking about specific segments contribution.

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

You want to take that one?

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

Yes. Well, the one month that we owned IPG was included in the calculation. We weren't permitted because we didn't own them in September and October. Otherwise, we'd have 12 months of IPG numbers. So it was 12 months of Omnicom, one month of IPG. So that's in what became the calculation.

The $2.5 billion in companies that have annual revenue were a combination of both Omnicom companies, but they were primarily, believe it or not, in terms of the revenue size, Omnicom companies. And so the calculation basically excluded the pros and the cons, the pluses and the minuses from that group of companies. And it turned out there were many things which would have contributed to a higher organic growth calculation. And a few that would have taken it in the other direction. But it was nothing material in the aggregate. I don't know if you want to add anything, Phil.

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

Yeah. No, I think that's accurate. In terms of the other areas, where we're focused and where we see the business headed, certainly it's in the more strategic areas of media, precision marketing, commerce, data, and the holistic platform organization.

We think there's an awful lot of opportunities for growth in those areas. And certainly incorporating our content solution and creative solution into that is a critical part of that solution. So those are the areas that we're certainly most interested in investing in.

In addition to that, certainly bringing together the healthcare businesses of both portfolios, we think is going to be a very powerful selling opportunity for us going forward and growth opportunity for us going forward.

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

And you shouldn't lose sight of the fact that we didn't do this merger. It was an acquisition, but we treated it as a merger looking at the short-term. We were not looking at the short-term at all. We were looking at strengthening those areas, we think are going to be important to clients well into the future and going to contribute to our income and revenue growth. And so it's all full steam ahead, but nothing was done because we were worried about the calculation of this month or that month in any manner, make, shape or form.

Thomas Yeh Q
Analyst, Morgan Stanley & Co. LLC

Understood. Thank you.

Operator: Jason, please go ahead.

Jason Boisvert Bazinet Q
Analyst, Citigroup Global Markets, Inc.

Okay. Great. I just had one clarifying question on the margins on the disposed businesses. Is that on the $2.5 billion? Or is that on the $3.2 billion?

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

It's – Phil can answer, I can. It's more or less on the $2.5 billion, I think...

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.

Q

Okay.

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

A

Yeah.

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

A

And the remaining assets, the ones we're planning to go to the minority on, we're still going to collect a very healthy dividend of being a minority owner of those companies, so.

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

A

I think, Jason, the margin is the weighted margin from the entire group, so the $3.2 billion.

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.

Q

Oh, okay.

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

A

I think...

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

A

Yeah.

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

A

...in terms of the pieces, the larger group is probably a little lower than that average margin of 10% and the majority and minority group is probably higher than the average of 10%.

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.

Q

Make sense. Thank you.

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

A

Sure.

Operator: We'll go next to Nicolas Langlet at BNP Paribas.

Nicolas Langlet
Analyst, BNP Paribas SA

Q

Hey, John. Hey, Phil. Two questions for me, please. First, on the Omni platform. So you unveiled the next generation of Omni platform earlier this year. Could you share, first, the key feedback you have received from clients so far? Second, how the platform distinguish itself compared to peers and walled garden solutions? And three, whether the platform is now considered complete or if additional building blocks are still required?

And secondly, on the margin trajectory. So regarding the cost synergies benefits you expect, do you plan to redeploy a portion of the $1.5 billion cost synergies into growth initiatives? Or we should assume the majority will flow directly through the bottom line? Thank you.

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

A

I'll ask Paolo to answer the first question, and then we'll tell you how we're going to reinvest.

Paolo Yuvienco
Chief Technology Officer, Omnicom Group, Inc.

A

Sure. Hi, Nicolas. So with respect to the platform, so far, all of our clients are very excited about the capabilities that is currently available and the new capabilities that we'll be launching, which will incorporate the capabilities across various platforms, including our legacy Omni platform, the legacy IPG Interact platform, Flywheel Commerce Cloud, which has already been part of the legacy Omnicom ecosystem. And then, of course, the really exciting part, which is all of this being underpinned by Acxiom and the Acxiom ID.

So, the response from existing clients and potential new clients has been overwhelming, to be honest. And everyone is very excited to get their hands on the platform when we formally launch it at the end of Q1. But all of the existing capabilities that the combination of those platforms have today have been driving outcomes for our clients, on both sides of the IPG and Omnicom organizations.

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

A

So, the second question, regarding margin trajectory, I think certainly there's going to – we expect a substantial portion of the 2026 benefit to flow through during the calendar year 2026 and we'll provide some additional detail at the Investor Day.

And when we look out to the total for the three years, the expectation of the $1.5 billion of synergies, we're confident that we'll achieve those synergies in terms of achieving the cost reductions associated with them over that period of time.

But three years is a long time, I think that there's certainly a number of initiatives that we're going to continue to pursue, both on the cost front and on the revenue synergy and revenue growth front and we've been pursuing those and planning for those pre-deal and have accelerated that now that the deal is closed.

So, it's hard to say exactly how much of that will be reinvested in the business, but certainly, a lot may change over that three-year period in terms of what's happening in the market, what's happening with technology, what's happening in the industry, what's happening with our clients, and what are they most focused on in the future.

But certainly, we're going to continue to invest in our platforms and our businesses. And we do expect a substantial portion of the 2026 benefit to flow through, and we do also expect to take the costs out in those out years of 2027 and 2028, and we'll talk a little bit more about it at the March 12 meeting.

Nicolas Langlet
Analyst, BNP Paribas SA

Q

Thank you, Phil.

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

A

Sure. Thanks for joining us so late.

Operator: We'll go next to Michael Nathanson at MoffettNathanson.

Michael Brian Nathanson
Analyst, MoffettNathanson LLC

Q

Thanks. I guess I have two quick ones for you Phil. One is, $3.2 billion of disposals, did I get that right that half of the revenues are legacy OMC, half is legacy IPG? Is that the right way to think about it, or did I mishear that?

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

A

I think there's certainly a mix. It's both businesses in our portfolio and in IPG's portfolio. In terms of the size of the revenue, as I indicated, there's about 40% of the businesses relate to the execution and support category. That includes the one Experiential business that was in IPG's portfolio that we've sold. The rest of that component is Omnicom businesses.

And then I mentioned the Advertising businesses that are in that group as well about 25% of the number, that's probably distributed across both Omnicom and IPG. And the rest of the businesses, I think, when you look at them, there's probably – maybe it's an equal amount IPG and an equal amount Omnicom.

I think we weren't necessarily focused on whether there were Omnicom business or IPG businesses, we were focused on the strategy ultimately, where we wanted to invest and what businesses were underperforming and we needed to exit from the portfolio longer term.

So, I think that gives you a little bit of perspective in terms of the numbers and the split. But it certainly wasn't a focus of ours to determine we're going to exit businesses in the IPG portfolio that we inherited or we're going to focus on reshaping the Omnicom portfolio, it's a combined business. And certainly we were focused more on the businesses that we're keeping and the investments we were going to make, and how we were going to provide for strategic growth going forward. That was first and foremost.

Michael Brian Nathanson
Analyst, MoffettNathanson LLC

Q

Okay. And the second one is just a housekeeping one. I appreciate chart number four in the deck, which give us all the revenues and disposals. Could you try to help us just to give us a range of what the last 12 months would be if it ended 12/31/25, so $23.1 billion is where you ended September, but could you – knowing what you know, give us a sense of what the range would be, what the base would look like exiting 2025, so we could help model 2026?

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

A

Yeah, that approximates what the base would be if we had full year numbers for both IPG and Omnicom. And as I indicated in my prepared remarks, it's actually pretty close both in terms of revenue and EBIT and EBITA, when you look at the consensus analyst estimates for calendar year 2025.

So even though there is no published set of numbers for Omnicom only for 2025 and IPG for only 2025, those LTM numbers are very close to what analyst estimates were, and to what the numbers we believe would have been, except they just haven't been published that way.

I think there'll be a pro forma done in accordance with the pro forma rules in the 10-K. But the pro forma rules are pretty specific in particular, and you need to show or make an estimate of what the acquisition would have been, or what the impact would have been on our numbers, had the acquisition been completed as of January 1, 2024. But any and all of those ways, the numbers aren't very different than the combined numbers we've included in the back of this deck.

And for our own internal planning purposes and forecasting purposes, that's the baseline that we believe is the most appropriate to use. And that's, ultimately, how we're going to be looking at the business.

Michael Brian Nathanson
Analyst, MoffettNathanson LLC

Q

Okay. Thanks, Phil. It's really helpful.

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

A

Sure. Thank you.

Operator: And we'll take our next question from Tom Nolan (sic) [Tim Nollen] at SSR.

Tim Nollen
Analyst, SSR LLC

Q

Hi. I'm interested in the new corporate operating structure. If you could give a bit more color, please, around the decision to create the new divisions that you announced back at the close of the deal. So consolidating some of the creative agencies, keeping, I think, all the media agencies separate; separate production unit, PR unit, et cetera. Just maybe a little discussion around why you organize things that way?

And then, the connected capability that you're talking about, maybe talk a bit, please, about what that encompasses. I get that it takes the Omni capabilities, feeds it through the media planning, buying operations, but does that also go into all the other Omnicom divisions that you've now laid out? Thanks.

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

A

Sure. The structure that we concluded on, largely, was reflective of Omnicom structure prior to the transaction. The media companies, and I don't – maybe you need to clarify for me, whether you're talking about the crafts or you're talking about the number of brands that we wound up with?

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

A

Yeah. Let me just try and clarify one thing for you, Steve (sic) [Tim], based on the terminology. So the connected capability reference is, essentially, in the – by the way, I know they called you Tom, but sorry about that. I just didn't – I didn't want to forget. But anyway, the connected capability reference is really what we used to refer to as our practice areas and networks.

So the IPG businesses were brought in and integrated into our Omnicom existing structure, as John had said. The connected capability terminology is what was new. We introduced that in the press release upon the closing of the deal. So certainly, the Media business and businesses were integrated into Omnicom Media Group; and Omnicom Media Group runs their operation as one global group with multiple brands. The brands still exist, but they run the operations as one combined coordinated integrated operation.

And we brought the IPG businesses into those connected capabilities across each of our major disciplines, so Media, Omnicom Advertising, Precision Marketing, PR, Healthcare, et cetera. I'm not sure if that clarifies the structure for you, but that is how we kind of looked at it. I don't know if you want to add to that, John.

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

A

No, that's largely correct. I mean, just using Media as an example, where there were six brands before the deal, there remain six brands. The operations and investments that we make and the type of deals we can accomplish on behalf of our clients, those are done as one group. And then, culturally, as you go across the different groups or six brands, you'll find differences, which allow us to attract the best and brightest talent into the groups where they'll best fit and be in the best position to service our clients.

So the other area where there's probably the largest amount of change was in the Advertising business, where we went in with five global network brands and we decided that we would be best served by going forward with three brands. And there was name changes and some other changes in terms of management, but any brand that was contributing revenue prior to the deal and still contributing revenue is still working for us, they are just – their business card says something different. I don't know if that helps clarify it or not.

Tim Nollen
Analyst, SSR LLC

Q

That helps. Both the explanations you gave – both you gave is great. Thanks very much.

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

A

Thanks, Tim.

Operator: And we'll move next to Craig Huber at Huber Research Partners.

Craig Huber
Analyst, Huber Research Partners LLC

Q

Great. Thank you. I've got a few questions. I'll just do them one at a time to make it easier. I'm looking at your slide 5 here, where you've talked about you going from $750 million to $1.5 billion of synergies over 30 months or so. The $1 billion number that are labor-related, can you touch on, with AI out there, is that capability partly allowing you to take out more heads than you originally were planning? Maybe you can also touch on – is any of this labor-related stuff, the $1 billion that you're taking out, is it people that are of any significance, people are directly related to the revenues of your company or are they all back office stuff? Because in the past, you've said it wasn't going to be related to revenue-generating folks. That's my first question.

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

A

Yes. Go ahead.

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

A

I think the bulk of the labor-related synergies really relates to a number of things. AI is not necessarily the primary driver of how we looked at this. There were certainly some duplication of roles when you bring together two public companies first off, a number of corporate roles, both at Omnicom and IPG. Unfortunately, we had to make some difficult decisions because you couldn't keep two of everything. So there were certainly some head count reductions related to that.

There's also some regional organizations and corporate organizations within the practice areas of connected capabilities that were also duplicate roles, which were certainly part of it. Going into the deal, we expected there would be those areas to focus on, but really we didn't have a lot of data to do the due diligence on.

And as we planned for the transaction and executed it post-close, senior management of both IPG and Omnicom were involved in making the decisions, as John has referred to several times, the goal was to select the best player for the role, not necessarily to have a bias towards only selecting Omnicom folks. And we think we've been successful in achieving that.

But there are a number of other areas where we expect that labor synergies to come from which are areas around nearshoring, offshoring, outsourcing the areas of facility management, shared services, technology, et cetera. There are a lot of opportunities, certainly for efficiencies that we expect to achieve. We started on a number of these paths prior to the deal, but certainly coming together with IPG, we're accelerating those efforts in all those areas. And we've accomplished quite a bit to-date. And we expect to continue to make progress in those areas over 2026 and beyond.

Craig Huber
Analyst, Huber Research Partners LLC

Q

Thank you for that. And my second question on AI, John. In the past, you've talked about, if your clients end up being able to get services from you guys, but less time involved because you're using AI out there to save time and money. In the past, you've thought that clients most likely would take those savings and plow it back into marketing through your company, so the net-net you would not be a loser at your company with AI out there, is that still your position?

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

A

Yeah. My position evolves every day as generative AI is evolving constantly. The initial, and I'll ask Paolo to comment on this as well. What we're seeing today are efforts that we're testing with our clients, we're starting to utilize with certain other clients, that are creating tools for our people, which enhances their ability to do their job. That's one category of people.

There are other categories that we believe there are technologies or we're investing in them, which will allow us to eliminate certain positions that are done kind of manually today, but can be done in an automated fashion with generative AI. And as we build out agentic capabilities and are able to connect the processes with how we interface with clients' agentic databases and everything, that will result in further savings. And those are all things we're exploring at the moment. Paolo is living this day-to-day, so I'll ask him to add to my comments and what he's seeing.

Paolo Yuvienco
Chief Technology Officer, Omnicom Group, Inc.

A

Sure. Hi, Craig. So look, I know the narrative is always about how do we do the same with less, but the reality is, is that what AI and generative AI is allowing us to do is to do more than we've ever been able to do. And more importantly, it's allowing us to do things that we haven't been able to do in the past. So just to give you some specifics around this, historically, creative teams would typically put two to three different concepts in front of our clients for a specific campaign.

The reason is because it takes time, and it takes a lot of effort to actually bring those concepts to life. Today, with the use of the tools that John is talking about, with the agentic capabilities that we put in place, our teams can now test 20 concepts, can test 50 concepts. More importantly is that they can test them synthetically so that we can understand what the impact and value of that work could be, we can predict that before we even spend a single dollar on media.

So we have a good sense and confidence level of what the outcome will be with the things that we're putting in front of consumers. So I think the ability to do more and the ability to do more with a higher degree of confidence is really what's driving kind of the whole generative AI institution around us. It's not necessarily about how do we reduce the number of people around this. It's really about increasing the impact and output that we're driving for our clients.

Craig Huber
Analyst, Huber Research Partners LLC

Q

Understood.

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

A

And the other thing I'd add to that, is we're embracing this. For every employee, every group within the companies, we're not looking at this as a threat to our jobs, but embracing it as how we're going to be able to create a better product.

Craig Huber
Analyst, Huber Research Partners LLC

Q

But John, is it too early to know if you do things more efficiently for the benefit of the client here, those dollar savings here, is your position still you think your clients will plow that money back into marketing, et cetera, services through your company, so you won't be a net loser. That's what I'm trying to get to here.

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

A

Yeah. No, I can understand that is a conclusion where you can see that is happening. There'll be other clients that were able to negotiate with as to performance goals and the methodology in which our work gets judged and rewarded will change. And if our ideas generate lots of money, we'll be expecting to get paid for that as well. With all the hype and everything that's out there, and it will continue for a good long time, but you give everybody in the world the same tools. What differentiates one group from another group? It's that intellectual creative capability and the ability to source on a global basis those most likely to be influenced to buy your product, right. And what is going to motivate them to buy? We have all those tools and we have them at such a scale that it's going to be very difficult for many competitors to catch-up at this point for a good long while. So, just think about it. Everybody's doing their job and everybody you listened to on this phone call today and what's going to differentiate one of you from the next one of you. And that's why we're embracing it because we know how good we are and we know how deep our capabilities and skills go, and that's why I think we'll be a winner in all of this.

Craig Huber
Analyst, Huber Research Partners LLC

Q

Great. Great. Thank you both.

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

A

Thank you.

Operator: And that concludes today's question-and-answer session and today's conference call. Thank you for your participation. You may now disconnect.