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Omnicom Group, Inc. (OMC)

Q1 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. My name is Crista and I will be your conference operator today. At this time, I would like to welcome you to the Omnicom's First Quarter 2026 Earnings Conference Call. 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] Thank you.

I would now like to turn the conference over to Greg Lundberg, Investor Relations. Please go ahead.

Gregory Lundberg

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

Thank you for joining our first quarter 2026 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 we'll review today. An archived webcast will be available when today's call concludes.

Before we start, I'd 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. 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 will open the line for your questions.

I'll now hand the call over to John.

John Wren

Chairman and Chief Executive Officer, Omnicom Group, Inc.

Thank you, Greg, and good afternoon, everyone. Thank you for joining us today. I'm pleased to share highlights from our first quarter as the new Omnicom. Since closing The Interpublic acquisition just before the holidays, we've seen momentum and cohesive growth across the organization. Our steady progress is reflected in our strong financial performance in the first quarter.

As you'll recall from our fourth quarter call and Investor Day, we've strategically repositioned our portfolio for growth. As part of the portfolio realignment, we identified planned asset sales and disposition of businesses with approximately $3.2 billion of annual revenue, of which approximately $1 billion was disposed of in the first quarter. Our plan is to sell or exit the remaining assets in the next several quarters.

To clarify our focus on the operations that will drive growth, we've excluded assets held for sale and planned disposition from our core operations. Revenue from Core Operations was $5.6 billion in the first quarter, which increased $345 million when compared to Q1 2025 revenue from Core Operations for the combined Omnicom and Interpublic. Organic revenue growth was 3.9%. We also updated our revenue reporting to reflect our integrated operating model, which is central to driving our growth. Phil will walk through the details of our reporting changes in his remarks.

One point I wanted to discuss was the increase in EBITA performance. Our adjusted EBITA margin increased 240 basis points to 14.8% as compared to the combined operations for Q1 2025. Our non-GAAP adjusted EPS in the quarter, which excludes after-tax costs for repositioning, dispositions and acquisition integration expenses and amortizations of intangibles, was $1.90 per share, an increase of 11.8% versus Q1 2025. Our solid performance for the quarter was the result of us realigning our portfolio for growth and moving decisively on our integration efforts.

By integrating our capabilities upon closing, we merged or sunset more than 20 major agency brands with a long tail of smaller brands. This allowed us to quickly bring together the best talent from across the new Omnicom. Combined with our integrated client leaders and new strategy and growth teams, our efforts have translated into new business wins. In the first quarter, these include IBM, GSK, John Deere, Little Caesars, Acadia Pharmaceuticals and Baileys. We're not just winning new clients, we're expanding our relationships with existing ones.

Our integrated approach is making it easier for clients to access all their marketing and sales needs from a single partner. This model has gained traction across a number of our clients, including Clorox, Dyson, Delta, Exxon, Kroger, Merck, and Unilever. Our growth from integrated services is helping to diversify our revenue streams and deepen our client relationships, underscoring the strength of our offerings.

As we discussed at our Investor Day last month, Omni, our AI-enabled intelligent sales and marketing platform, is connecting our talent, data and services. We've scaled our next-generation of Omni across the entire organization in Q1, putting the latest agentic AI tools in the hands of all of our employees. The new Omni is delivering on multiple fronts, driving stronger media performance, greater addressability and improved measurement, increasing speed to activation and enhancing ROI with Acxiom's Real ID, improving performance across retail and commerce channels, and enabling more effective marketing and client outcomes through deeper integrations with partners like Adobe and Amazon.

We also made significant progress to accelerate collaboration across the group. Throughout the quarter, we continued to move into hub building locations, deploy common HR and IT platforms, and migrate teams to shared workflow systems. As we look ahead, we will continue to work towards the initiatives we've communicated in our prior calls, including $900 million in 2026 cost reduction synergies and $1.5 billion by mid-2028; $5 billion in share repurchases over the next 12 months, including a $2.5 billion accelerated share repurchase program currently being executed. Through the ASR and open market purchases, we repurchased $2.8 billion of shares through the first quarter.

Planned asset sales and dispositions of businesses with approximately $3.2 billion of annual revenue. Dispositions with approximately $1 billion in annual revenue have already been completed. We will continue to evaluate our portfolio to ensure we remain positioned for growth. Overall, I'm pleased with how we've executed in the first quarter. Our results clearly demonstrate the significant benefits of the combination for our people, clients and shareholders.

While we remain bullish about the combination for the year ahead, we're also mindful of the broader geopolitical environment. The ongoing conflict in the Middle East, which represents less than 2.5% of our revenue, continues to create uncertainty in the region and across the world. As always, we are prioritizing the safety of our people in the region and monitoring developments closely so we can adapt quickly to changes that impact our business.

Before I close, I want to thank every member of the Omnicom team for their outstanding efforts. None of this progress would have been possible without the exceptional commitment and hard work of our people over these past few months.

With that, I'll turn it over to Phil to walk through our quarterly financial results.

Philip J. Angelastro

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

Thanks, John. This is our first quarterly report as the new Omnicom with Interpublic's operations included for the full 90 days of the quarter. We started the year with strong performance in revenue growth and cost reduction, with a meaningful amount of synergies flowing through to EBITA while we continue to invest for future growth. We're making significant progress integrating Interpublic's operations and positioning our portfolio for growth.

I will start on slide 3. We know that there are a lot of moving pieces right now and we want to make things easy for you to understand. This slide should help. It presents what we call our Core Operations. Our Core Operations are comprised of our operating businesses excluding dispositions and assets held for sale. To ensure it's clear, our main focus in driving the company forward is on our Core Operations.

As we talked about at Investor Day, our Core Operations are the result of our ongoing strategic repositioning of the portfolio for growth and reflect our sharpened focus on the highest-growing, most connected parts of our business. Businesses included in the dispositions and held for sale category will be sold in 2026 and they represented less than 5% of our adjusted operating income in the first quarter, and our only priority regarding these businesses is to complete these disposals in a timely fashion.

This slide also presents operating income and EBITA on a non-GAAP adjusted basis, excluding severance and repositioning costs, loss on dispositions, and acquisition integration costs. For comparison purposes on this slide, we've included 2025 prior-year combined amounts prepared on a similar basis. As you can see, revenue from Core Operations grew 6.7% in total. Adjusted EBITA grew $180 million, or over 27%, and adjusted EBITA margin increased to 14.8% from 12.4%, primarily driven by cost reduction synergies from the acquisition of Interpublic. We're pleased with this strong performance on both revenue and adjusted EBITA and we are on track to achieve our operating plans and targets for the year.

Turning to slide 4, we present our reported results, as we traditionally have, as well as the related non-GAAP adjusted amounts. This slide presents our reported results including all entities: Core Operations, dispositions that occurred during the quarter for the period that they were part of Omnicom, and entities that are classified as held for sale. Since these are reported results, the 2025 presentation reflects the prior-year results of Omnicom and does not include Interpublic.

The center column for each period shows the applicable non-GAAP adjustments. In the first quarter of 2026, we recorded integration-related costs of $59 million which are recorded on the SG&A expense line. We recorded a loss on dispositions of $34 million and we recorded severance and repositioning costs of $4 million. When considering the change in operating income on both a reported and adjusted basis, note that it includes $117 million of amortization expense related to the intangible assets acquired from Interpublic, an increase of $96 million compared to 2025. The change in operating income also reflects a $16 million increase in depreciation expense.

Below operating income, net interest expense increased to $72 million from $29 million in Q1 of 2025, an increase of $43 million, primarily resulting from assuming Interpublic's debt of approximately $3 billion in Q4 2025. Interest expense in Q1 2026 increased by $60 million, primarily from interest expense from Interpublic which added approximately $47 million, of which $3 million is non-cash interest, and higher interest expense resulting from refinancing activity completed during the first quarter of 2026, which resulted in approximately $1 billion of incremental long-term debt. Note, Q1 includes one month of the incremental interest expense from the new debt issuance.

Additionally, interest income increased this quarter by $17 million to $47 million, primarily due to interest income earned on higher average cash balances, including cash acquired with Interpublic. Our adjusted tax rate of 26% was down slightly from 26.7% in 2025. For 2026, we expect our annual tax rate to also be 26%. Income from equity investments and non-controlling interests declined by $4 million in total. Finally, non-GAAP adjusted diluted EPS grew 11.8% to $1.90 from $1.70 last year.

Our fully diluted weighted average shares outstanding for Q1 2026 were 299.2 million. Actual shares outstanding at March 31, 2026 were 285.3 million compared to 313.4 million at year-end December 31, 2025 and compared to 196.1 million shares at March 31, 2025. On a year-over-year basis, our share count increased from last year due to shares issued for The Interpublic acquisition, but they also declined as a result of our share repurchase activity, which I will discuss later.

Now let's review our business in more detail, beginning with the components of our revenue change on slide 5. To assist in understanding the drivers of our underlying business, we've included an analysis of our growth beginning with Core Operations, which excludes businesses that have been disposed of or are classified as held for sale.

For the first quarter of 2025, presented on a combined Omnicom-Interpublic basis, revenue for Q1 2026 increased by 2.7% from positive foreign exchange rate changes and by 3.9% from organic growth. 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 by approximately 1%. Relative to our traditional presentation in this table, there's no row for acquisition and disposition revenue because there were no acquisitions during the quarter, and as we have noted, dispositions have been removed from the opening balance of Core Operations revenue.

Turning to slide 6, you can see our Core Operations revenue by discipline. The presentation of our disciplines has been updated from 2025. As we discussed at Investor Day, the strategic reshaping of our portfolio through the Interpublic acquisition will result in a business with more than half of our revenue coming from the faster-growing Integrated Media business. Integrated Media includes our media, commerce, data, CRM and consulting, and content automation businesses.

Revenue from our Core Operations in the first quarter of 2026 for Integrated Media was approximately 52% of our revenues and for Advertising was 17%; Health, 10%; PR, 12%; and Experiential & Other, 10%. Q1 revenue growth of Core Operations was as follows. Integrated Media led the way with very strong growth, in the high single digits. PR and Experiential & Other grew in the quarter mid-single digits. Health had positive growth and Advertising was down in Q1. We're not providing detailed prior-year combined revenue balances or organic growth by discipline or region because our integration process is ongoing and we continue to evaluate the portfolio.

Slide 7 shows our Core Operations revenue by region. As we highlighted when we announced the Interpublic acquisition, the transaction gives us greater relative exposure in the US, which was 61% of revenues this quarter. Together, the UK and Europe were 21%, followed by Asia Pacific at 9%. In Q1, revenue growth in the US was strong and delivered mid-single-digit growth. Europe, Latin America and Asia Pacific were also up low single digits, and the UK and Middle East & Africa declined.

Slide 8 is our revenue weighted by the industry sectors of our clients. Because the first quarter of 2026 reflects a full quarter of Interpublic, there are some changes worth noting relative to the prior-year Omnicom 2025 amounts. The largest changes were the pharma & health and auto categories. There were small changes to our other categories which moved up or down 1 or 2 points, with increases in financial services, retail and services, and decreases in food & beverage, travel & entertainment, and government.

Now, please turn to slide 9 for our year-to-date free cash flow summary. The 70% increase relative to our last year – excuse me, the 70% increase relative to last year was driven by the addition of Interpublic and improved performance in Omnicom's business. Our free cash flow definition excludes changes in operating capital, which is seasonal, with the first quarter generally the largest use of cash during the year. There's a reconciliation in the Appendix that shows the change in operating capital for the quarter was flat compared to the change from the first quarter of last year.

For the three months ended March 31, 2025, our primary uses of free cash flow included $252 million of cash paid for dividends to common shareholders and another $12 million for dividends to non-controlling interest shareholders. Dividend payments increased year-over-year as a result of the shares issued for the Interpublic acquisition and an increase in our quarterly dividend payment. Quarterly dividend payment approximates the combined dividend payments made by Omnicom and Interpublic in Q1 of 2025.

Capital expenditures were $61 million, higher than the prior year due to the Interpublic acquisition but at the same overall level relative to the size of the business. Total contingent purchase price payments and payments for the acquisitions of non-controlling interests were $16 million. Finally, our share repurchase activity for the first quarter was $2.8 billion, excluding proceeds from stock plans of $16 million. The majority of this resulted from our accelerated share repurchase program, which drove a significant reduction in shares outstanding to 285.3 million as of March 31, 2026, a reduction of 28.1 million shares from December 31, 2025.

We have significant remaining capacity under our $5 billion total share repurchase plan and our plan is to complete the $5 billion over the next 12 months or by the end of April 2027. We estimate that relative to our shares outstanding at December 31, 2025 of 313.4 million shares, we will see our share count decline approximately 11% to 12% by December 31, 2026 and that weighted average shares outstanding for the year will decline approximately 8% to 9%.

Slide ten is a summary of our credit, liquidity, and debt maturities. At the end of Q1 2026, our gross long-term debt was $10.2 billion. Since December 31, 2026, our debt is approximately $1 billion higher, reflecting the retirement of our $1.4 billion 3.6% senior notes due April 15, 2026 and the issuance of new senior notes totaling $2.3 billion, including $1.7 billion of US dollar-denominated notes at a weighted average coupon of 4.9% and €600 million of euro-denominated notes at a 3.85% coupon.

The maturities range from 3 years to 10 years, which you can see in the maturity chart on this page. Our next maturity is not until July of 2027. Net interest expense is expected to increase by approximately $200 million in 2026 compared to 2025. Of this increase, $13 million is non-cash interest. The change is primarily driven by higher interest expense from the inclusion of Interpublic's debt, the refinancing I just described, as well as interest on incremental commercial paper borrowings of approximately $10 million and lower interest income on cash balances of approximately $20 million, primarily due to lower forecasted short-term interest rates on invested cash.

Please note that the total and net leverage ratios on this slide which compares the last 12 months ended March 31, 2026 and 2025 reflect the full assumption of Interpublic's debt but only four months of Omnicom's EBITA results including Interpublic. However, at March 31, 2026, we're in compliance with the leverage ratio covenant in our credit facility, which makes pro forma adjustments for the impact of the acquisition.

The calculation of total debt to pro forma adjusted EBITDA done in accordance with the definition in our credit agreement results in a total leverage ratio of 2.5 times. Our cash equivalents and short-term investments at the end of the quarter were $4.3 billion. Our liquidity also includes an undrawn $3.5 billion revolving credit facility, which backstops our $3 billion commercial paper program.

In closing, we completed our first full quarter as the new Omnicom. Our operations delivered solid top and bottom line growth, we are realizing significant cost reduction synergies while investing for future growth, our balance sheet is strong, and we are deploying capital for the benefit of shareholders in the long run.

I will 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] Your first question comes from Steven Cahall with Wells Fargo. Please go ahead.

Steven Cahall
Analyst, Wells Fargo Securities LLC

Q

Thank you. First, I was wondering if you could talk a little more about some of the revenue by discipline. So was just wondering if we could get some underlying trends or even growth rates, especially of what you're seeing in Integrated Media versus Advertising versus Health to kind of understand the trajectories. You talked a lot about those disciplines at the Investor Day so would love to understand how they're trending.

And then, Phil, I was just wondering if you cared to provide any additional update to the adjusted EPS growth guidance. I think the prior guidance is double-digit. I mean, you said that the share count alone gets you to 8% to 9% this year, so it seems like it's going to be a very, very healthy interpretation of double-digit and we saw some of that in the first quarter results, so was wondering how we can think about maybe some guardrails around where EPS growth can come in for the year. Thank you.

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

A

So on – I'll give some detail and then John can add some color, but as far as the disciplines go, as I said in my prepared remarks, Integrated Media certainly led the way in terms of growing high single digits; PR and Experiential & Other grew mid-single digits; Health was positive for the year, low single digits; and Advertising was down. I think there's an awful lot going on as we integrate all these businesses and we're certainly pleased with our progress to date and the growth to date, but in terms of additional details with specifics, that's about as specific as we're going to get this early in the year in our first full 90-day quarter. In terms of trends, you want to give some comments, John...

John Wren
Chairman and Chief Executive Officer, Omnicom Group, Inc.

A

Yeah. Steven, the only thing I would add to what Phil said was – and I mentioned this in my comments, we remain very healthy in terms of competition, in terms of winning our fair share of new business, and that's great considering we're bringing two big organizations together in such a very short period of time. We're functioning very well. But if there's an underlying trend that's out there, it's really clients, especially with the change in the landscape of the industry.

Clients are becoming more focused on selecting a single provider to take care of most of their needs, and we saw during the quarter that we were able to extend to multiyear contracts quite a number of clients. And that's a focus that we're going to continue to work on as we get further and further into the year. That gives us security and that gives us a better ability to plan as we move forward. And it's our size, it's our influence that is contributing to all this, not to mention the state-of-the-art investments we've made in terms of Omni and Omni AI and the breakthroughs and the contributions we're making there. So that's all I would add to the color that Phil mentioned.

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

A

Yeah, and then I'll answer the EPS question. So certainly, we're pleased in the first quarter. Diluted EPS grew almost 12%. I think as we go through the rest of the quarters for the year, when we talk about double digit, I think at this point, we'd certainly say we expect probably the quarters as they roll out are going to be higher, double digits, than the first quarter performance. I think at this point, we're going to leave it at that, but we're certainly pleased with the quarter and we expect good performance to continue on that front.

Steven Cahall
Analyst, Wells Fargo Securities LLC

Q

Thank you.

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

A

Sure.

Operator: Your next question comes from the line of David Karnovsky with JPMorgan. Please go ahead.

David Karnovsky
Analyst, JPMorgan Securities LLC

Q

All right. Thank you. John, just with the integration, wanted to see if you could comment a bit more on Healthcare and PR, I think those were two areas you talked in the past about the scale of combining with IPG and the opportunity going forward. So kind of what's been the experience to date and what are you seeing generally across these disciplines?

And then, Phil, I'll revisit the Investor Day. Also, you guys had provided an expectation of 4% constant currency growth for the core businesses. That was well within to the kind of macro volatility we've seen, but just was curious if there was any update there to give.

John Wren
Chairman and Chief Executive Officer, Omnicom Group, Inc.

A

Sure. Sure. The Healthcare business, the combination of both the size that IPG had as a business and we had as a business is extraordinary. We clearly have an incredible amount of talent and representation across the whole pharma business. And what leads that lets us attract the best and smartest people and makes us – every single pharma company has to come and speak to us if they want to do something in terms of their marketing.

In terms of PR, PR is a different type of business. We've been able to continue to grow it. In the past, we've been affected by elections, but any negative news is behind us from 2025 and so we have good comps coming forward. And I think the only real comments I've made is that I'm happy with the performance of those units as we go forward. There's a lot of combination there, too, and there's synergies that are going to come out of probably the PR business more than the Healthcare business. So it's all quite positive. It's a very solid contributor to our overall growth and we expect it to continue that way.

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

A

Regarding a question on organic growth and Investor Day and the 4% reference, certainly, as I said in my prepared remarks, we're on track to achieve our operating plans and targets, and that would include the organic growth reference as well. So, we're not changing that expectation at this point in time, but we're certainly comfortable with what we said at Investor Day.

David Karnovsky
Analyst, JPMorgan Securities LLC

Q

Thanks.

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

A

Sure.

Operator: Your next question comes from the line of Jason Bazinet with Citigroup. Please go ahead.

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.

Q

Thanks. I just had a handful of questions around the disposed businesses and Core Operations. I guess the first one is why did you decide to sort of focus the Street on Core Operations? Why do you think that's the right way to look at the business?

John Wren
Chairman and Chief Executive Officer, Omnicom Group, Inc.

A

Because that...

[indiscernible] (00:32:57)...

John Wren
Chairman and Chief Executive Officer, Omnicom Group, Inc.

A

Yes, I'm sorry. Okay. I'm sorry.

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.

Q

No, go ahead.

John Wren
Chairman and Chief Executive Officer, Omnicom Group, Inc.

A

All right.

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.

Q

Go ahead.

John Wren
Chairman and Chief Executive Officer, Omnicom Group, Inc.

A

No, no, you go right ahead. Go ask your questions, I'll write them down and then I'll try to answer them.

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.

Q

Okay. Yeah. All right, all right. I think, and maybe I'm misremembering, you guys gave a rough benchmark of about 10% EBITA margins for the disposed businesses and I – if I'm looking at the slide three, which is quite helpful, it looks a bit lower than that. And then third, I was just struck by the disposed businesses. If I'm doing the math right, it looks like they shrank, I don't know, 16% or something like that year-over-year, which is far worse than I would have thought any business would be performing even if – even a bad business, to put it that way, that you might be disposing. So, those are my three.

John Wren
Chairman and Chief Executive Officer, Omnicom Group, Inc.

A

I mean – and you can repeat that, the last question, the – you're talking about the performance of the disposed businesses?

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.

Q

Yeah. It's just it's shrinking...

[indiscernible] (00:33:51)

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.

Q

...much more than I would have thought.

John Wren
Chairman and Chief Executive Officer, Omnicom Group, Inc.

A

Oh, well...

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

A

So which numbers are you looking at, Jason, because I think...

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.

Q

I'm looking at...

[indiscernible] (00:34:00)

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

A

...when you look at the year-over-year – yeah, when – go ahead, sorry.

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.

Q

...$748 million versus $627 million.

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

A

Yeah. So some of those businesses that we're disposing of...

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.

Q

Yeah.

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

A

...were actually disposed of. So there was a meaningful – as we said on the year-end call in February, we had closed on the sale of an experiential business, Jack Morton, kind of the day before February 15. So the first quarter in that example has a month and a half of their revenue but it doesn't have the second month and a half in the quarter, so the revenues are down because the business was sold. So it isn't a performance thing...

John Wren
Chairman and Chief Executive Officer, Omnicom Group, Inc.

A

Yeah.

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

A

...it's just a timing...

John Wren
Chairman and Chief Executive Officer, Omnicom Group, Inc.

A

Sure.

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

A

...of when the dispositions occur.

John Wren
Chairman and Chief Executive Officer, Omnicom Group, Inc.

A

And, Jason, I'm glad you asked the question. I really am. What we decided when we were – when we closed the transaction and looking at our businesses is which of the businesses that are going to grow continue to grow and which are contributing a fair margin for the efforts that we're putting in? And the way we developed the initial list of the $3.2 billion of companies that we were going to hold for resale is based upon poor margin performance and media unreliable growth.

And then after we – it went through that filter, the second filter which was the governing filter was, is this necessary for our clients? Is this what our clients are asking for? And we reached the conclusion that that no, they weren't. Now there's a number of businesses in there, some of them – none of them are terribly large, but there's a lot of units because we're spread out throughout the entire world and what we're doing is we're working to dispose of them. And if there was another way to get them out of our financial statements, we would, but there isn't. We have to – until we get rid of them, we have to account for them, and that's why we decided to put them in the columns that are reflected on slide 3.

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.

Q

Understood.

John Wren
Chairman and Chief Executive Officer, Omnicom Group, Inc.

A

And we – maybe we were being a little optimistic or nice at Investor Day when we said the margins for these businesses are 10%. It turns out that the margins of these businesses are probably not 10%, they're probably something less. So the sooner – and because – and what was interesting is coming out of investor Day, you could see that we had not clearly communicated that – this distinction that what we're calling core now are the operations that we're planning to focus on and will contribute to the ongoing growth of Omnicom, and the non-core assets that you see will hopefully disappear as we dispose of them throughout the rest of the year.

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

A

Yeah...

[indiscernible] (00:37:30)

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

A

...which is one other piece of input in terms of the margin. Certainly the margins will likely vary by quarter, so as we get through the year and we get through this process, the historical reference is what we made, the historical reference was about 10% for that group. We'll see how each of the quarters play out, but certainly, it's a focus of ours to move expeditiously to complete those dispositions.

John Wren
Chairman and Chief Executive Officer, Omnicom Group, Inc.

A

Yeah. I can't wait for the day that you never have to ask me that question, but I do appreciate you asking it.

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.

Q

Thank you.

Operator: Your next question comes from the line of Tim Nollen with SSR. Please go ahead.

Tim Nollen
Analyst, SSR LLC

Q

Hi. Thanks for taking my question. I've got a couple actually related to really what a lot of people would think of as your core businesses, which are the media planning and buying businesses and then the creative business. On the media planning, John, you made a brief reference to agentic AI and I wonder if you could talk a little bit more about as these LLMs come more and more to market and enable direct communication amongst the various parties in the value chain, and as Omnicom is doing a lot of principal media buying itself, can you more directly go to publishers yourselves in ways that you have not before?

And then on the creative side, I just want to push again why the Advertising business was down and I'm wondering if there might be something of a trade-off with production, which I think you hold in your Integrated Media business which you said was growing high single digits. Is there maybe a little bit of a trade-off between creative advertising and production?

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

There's a couple of very interesting questions. I'm going to answer some of them, and then I'm going to refer to Paolo, who leads our AI work, which I answered some of it, too, Tim. Yeah, it's interesting the quest right now, and I think every major – there aren't too many major groups, but the major groups that are working on it is looking to have direct – more direct relationships with the publishers. That is an aim and it's an objective, and it's something actually that we're investing in as we sit here today.

When you look at – and I'd be dating myself if I went back to the Internet days of the 1990s, but there's always a messy middle between the client, the advertiser, and what they pay for the media in reaching the consumer and a lot of martech and stuff, which becomes exciting for a moment or two and then fades away. Most of those businesses don't last very long. And there are intermediaries today that stand between us and the publishers and they take a toll, and the toll is paid for by the clients and by the industry itself. So that is something you can continue to ask me about in the future because that is something we're clearly working on.

The second part of your question, as – what happens with the quality, and now I'll throw it to Paolo, of our platform, in addition to being a common way for our people to communicate to both the clients and to look at problems, and the quality of our data gives us more information. Data itself doesn't mean too much unless you use it properly, and we have the – we think the best data at the moment in the industry and it allows our creative and really smart thinkers to come up with some really different ideas and explore different opportunities.

Part of the agentic revolution and what's going on is it reduces the need for what was previously manual work that was – or semi-manual work that was required to put together Excel spreadsheets and to do a lot of other things in the simplest terms and it makes us more productive. And we believe that the contribution that our creative people can make and the contribution that our media clout size and influence can make will maintain and help grow our profits in certain parts of the business, exceeding any declines that come in because of the automation or efficiencies that we go through.

And the quarter proves it. We grew 4% in a complicated world with a company that we've just been together for 90 days. I don't know, Paolo, if you want to add anything to...

Paolo Yuvienco
Executive Vice President & Chief Technology Officer, Omnicom Group, Inc.
A

Sure. Tim, I can address the agentic media buying. So, as we mentioned in Investor Day, Omnicom's really leading the charge from our perspective on agentic media and the agentic media ecosystem. We're first to market with things like AdCP, which is a protocol that's being defined and being evolved around agentic media buying. What I also mentioned in Investor Day is that we had already tested the pipes and been able to have money flow through to actually buy inventory available on certain publishers.

Since then, we've actually executed real media buys for several clients using our agent framework, doing agent-to-agent buying, which is all in service to shortening the media supply chain, as John articulated, how do we get – drive higher value for our clients, deliver a greater amount of working media dollars for our clients and, ultimately, making the entire process more efficient and effective?

Tim Nollen
Analyst, SSR LLC

Q

That's very helpful.

[indiscernible] (00:43:48)

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

A

Go ahead, Tim.

Tim Nollen
Analyst, SSR LLC

Q

Yeah.

[indiscernible] (00:43:53)

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

A

If you have a follow-up for Paolo or John on that, go right ahead.

Tim Nollen
Analyst, SSR LLC

Q

Yeah. Can I just ask a follow-up then, which is I wonder – everything you're saying makes sense. I wonder what happens to your pricing models and your ability to price for your services in a world where, as you said, Paolo, the media supply chain is shortening. I mean, are you in a position of strength to leverage to gain better pricing terms for your clients and to – I mean, so far, you seem to be doing well for yourselves as well.

John Wren
Chairman and Chief Executive Officer, Omnicom Group, Inc.

A

Yeah. The whole environment expands, Tim, and we will be rewarded as a result of that. And what we're talking about taking out in effect is the lower cost type of efforts which contribute to our revenue, and increasingly, we're moving towards performance. That's a change that's – it's ongoing. Nothing's overnight. Even though I know everybody likes everything to be overnight and – it's not overnight. And the higher quality people with the higher quality approaches and reaching more customers and selling more product and building better brands, that's where we sit. That's where our clients trust us, that's why they buy our products, and as a result, we will get paid a very fair price for the efforts that we put in because we've made these investments. I don't know if...

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

A

Yeah. In terms – just to close out on the production question, relative to our $23 billion annual base, it's not – it's just not a substantial component in terms of dollar value. The key to the portion of the business that's in Integrated Media is the intelligent content automation business, which is closely integrated with media and our platform. So that's what we were distinguishing at Investor Day.

Tim Nollen
Analyst, SSR LLC

Q

Okay. That's all very, very helpful. Thanks. Thank you, all.

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

A

Sure.

Operator: Your next question comes from the line of Michael Nathanson with MoffettNathanson. Please go ahead.

Michael Brian Nathanson
Analyst, MoffettNathanson LLC

Q

Thanks. I have one for John and Paolo, and one for Phil. John, I've got to date myself. I remember when Interpublic bought Acxiom and I asked you about that strategy of buying Acxiom, and it wasn't the right time for you to buy it. Now is the second bullet point on the momentum of your company. So what have you found four months into owning Acxiom? How has the integration helped you and how does that give you an edge from maybe where the asset was used previously at IPG?

And then for Phil, on page 14, thanks for all the color, but would you ever put out a core and pro forma operating expense details so we can actually build models that work on a pro forma basis, on a core basis, too, on the cost side? Thanks.

John Wren
Chairman and Chief Executive Officer, Omnicom Group, Inc.

A

I can't go back completely to 2018 and remember everything I was thinking, although I'm accused of remembering every number that I see. At Acxiom, I think Interpublic at the time paid $2 million – $2 billion for the company. Five years later, I paid $9 billion for all of Interpublic, so I think my waiting paid off from an economic point of view. But most importantly is the – and this was true then and it's certainly truer now, is the quality and the fidelity of the data that Acxiom gathers has not changed in that five- or seven-year period maybe because they've worked principally for regulated industries, in the finance sector and pharma sector, their data is not as haphazard as consumer data can be and it has to have fidelity because there's a lot of laws and regulations that go around it, and so we're able to ingest and use this to develop our Acxiom customer ID methodology, and I'll let Paolo even comment a little bit on that, and it's been a real contributor to our overall efforts. Now, if I want to be really fair, we probably weren't ready for it in 2018, but we're certainly ready for it when we bought it now...

[indiscernible] (00:49:01)

Paolo Yuvienco
Executive Vice President & Chief Technology Officer, Omnicom Group, Inc.

A

Yeah. I would add to that, Michael, that especially now with kind of the proliferation of artificial intelligence and, more specifically, generative AI and how we've incorporated it into almost every facet of the marketing life cycle, the ability for us to actually drive value from that data is greater now than it's ever been and it is exponentially more powerful for our clients.

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

So, just on the...

Michael Brian Nathanson
Analyst, MoffettNathanson LLC
Q

Thanks.

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

...specific question that you asked, Michael, given the size of the acquisition and not every number or schedule related to the prior-year data is perfectly comparable, that, certainly we understand and we're working towards that. We're happy to take any follow-up questions that you have on the detail certainly offline, no problem.

Michael Brian Nathanson
Analyst, MoffettNathanson LLC
Q

Okay. Thanks, Phil. Thanks, guys.

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

Sure.

Operator: Your next question comes from the line of Adrien de Saint Hilaire with Bank of America. Please go ahead.

Adrien de Saint Hilaire
Analyst, Bank of America Securities
Q

Yes. Good evening from London. Thank you for taking the questions, please, two of them. Do you have any better visibility on how much proceeds you think you're going to get from the planned disposals? I can see you've fetched $152 million in Q1, but interested in your views for the year.

And then maybe for John, in terms of new business, one of your peers seems to have a bit of a revival of late. I'm just wondering if you're seeing a bit of a change in the pricing dynamics. Are you seeing potentially any pricing pressure around those pictures more so than usual? I understand there's always a bit of price pressure around those. Thank you very much.

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

Sure. With respect to your first question, we – restate it for me, please, Adrien, just so I answer it properly. Hello?

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

I think it's visibility on the proceeds...

[indiscernible] (00:51:13)

John Wren
Chairman and Chief Executive Officer, Omnicom Group, Inc.

A

On the pricing, yeah, yeah, no, no. As you saw, if you looked at our cash flow statement, there's money made on the sale of...

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

A

Principally Jack Morton, yeah.

John Wren
Chairman and Chief Executive Officer, Omnicom Group, Inc.

A

...principally Jack Morton, and there's a number of companies that we expect to receive proceeds from the sale of significant number of those units that we're holding in that bucket. There's some that are just disposables, these things that we have to go through the process because they are very low growth. They've been around for a long time, but they happen to be, in some instances, in countries where the exercise of going through and shutting them down or paying out the proper severance and things to people cost us money.

We've accrued for the downside as best we could, and so we're looking to sell and generate positive cash flow. But I don't think it's going to add to net income for the year so much as it is, it will generate additional cash.

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

A

Certainly, we have an expectation, but it's really very difficult to estimate what those proceeds are going to be, and we certainly don't want to give you any inaccurate expectations regarding what they're going to be. And when those deals happen and the proceeds come in, we're certainly going to keep you updated and let you know.

John Wren
Chairman and Chief Executive Officer, Omnicom Group, Inc.

A

Yeah. And, Adrien, yeah, after listening to me for years, I said earlier to a question, I'd love to see these things off of my P&L and not talk about them anymore, but that's not going to make me give them away either. So we're pretty confident that over the next several quarters, we can get through to most of them.

And we have teams doing this and outsiders. We're focused on new business and growing our business and getting the teams that we brought together functioning in a proper way. So that's why we even call them core assets, that's where most of our focus is. There's a bunch of accountants running around trying to sell these things. And there was a second question?

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

A

Pricing.

Adrien de Saint Hilaire
Analyst, Bank of America Securities

Q

Yes, it's on the new business environment....

[indiscernible] (00:53:51)

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

Oh, competitive pricing. Yeah, yeah.

Adrien de Saint Hilaire
Analyst, Bank of America Securities
Q

Yes.

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

Yeah, there's – and I know – as I certainly know the ones you're talking about, there's been two or three. Everyone strikes me as if I've just been defeated because I hate losing. And some of it has to do with competitive pricing, but we win more than our fair share and we'll continue to win more than our fair share. And every loss, there's no such thing as coming in second. Believe me, I do a root cause analysis of why we lost it to try to cure for the next opportunity that we have. So, yes, we lost, but not much and I'm not happy about it.

Adrien de Saint Hilaire
Analyst, Bank of America Securities
Q

Understood. Thank you so much, guys.

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

Thank you.

Operator: And that concludes our question-and-answer session and that does conclude today's call. Thank you, all, for your participation and you may now disconnect.