

# First Quarter 2020 Revenue

## Solid numbers in challenging environment Strong actions to face current global crisis

April 13, 2020

- Q1 reported net revenue up 17.1%, with the contribution of Epsilon
- Organic growth at -2.9%, in line with expectations established prior to the pandemic
- North America coming back to growth; China and Europe already impacted by Covid-19
- Exceptional measures to face the coming recession and preserve solid balance sheet
  - €500M cost reduction plan to adapt to new context and be recovery-ready
  - Proposed dividend to be reduced by 50% to €1.15 per share and to be paid in September
  - 30% reduction in fixed compensation for both Supervisory Board Chairman & Groupe CEO, 20% for the Management Board members
- Taking into account the magnitude, the complexity and the probable length of the crisis, no guidance given

### Q1 2020

2020 Net revenue	€2,481m
2019 Net revenue	€2,118 m
Reported growth	+17.1%
Growth at constant rate	+15.4%
Organic growth	-2.9%

Arthur Sadoun, Chairman and CEO of Publicis Groupe:

*“ It is slightly awkward to share encouraging news at a time when we are preparing ourselves for tougher days. But we actually had a good start to the year, meeting our internal objectives despite the impact of Covid-19, with an organic growth at -2.9%.*

*At the end of February before the pandemic started to spread, we recorded almost flat growth, despite double-digit decline in China, mostly driven by 5% organic growth in the U.S. on our creative and media business. It is worth noting that Epsilon 2.0 was also growing at +5% growth at the end of February.*



*The month of March was seriously affected by the continuous decline in China and the abrupt deterioration in Europe, due to Covid-19 confinement measures. This strong negative impact was largely compensated by North America returning to growth, including Publicis Sapient which is slightly positive in the US. This performance demonstrates that our model is working.*

*But we are now all facing a crisis that will be unparalleled in terms of magnitude, complexity, and probably length. In these uncertain times, we haven't waited to define our three priorities.*

*First and foremost, we have been focusing on protecting our people. We immediately acted to put in place the necessary infrastructure to enable all of our employees to work safely from home. We took a series of measures for their health and well-being, to keep everyone supported. We advanced the launch of our global AI platform Marcel, as it has never been so important to keep our teams across the world connected and fight the effects of isolation.*

*Second, we have worked around the clock to help our clients adapt to this situation. We reviewed their current and future commercial and corporate messages. We realigned their media plans to be much more dynamic, deliver short-term ROI and proposed some outcome-based products we have developed for this new market context. We are also helping them accelerate their digital capabilities to drive growth and efficiencies.*

*Last but not least, we are taking exceptional measures to face the coming recession and preserve a solid balance sheet. We are implementing a 500 million euro cost-reduction plan with full impact in 2020, to adapt and be recovery ready. We are asking our shareholders for solidarity with our company and our people by cutting dividends by 50% and exceptionally delaying payment until the end of September. At the same time, the Groupe's management team has decided to reduce its fixed remuneration.*

*There is no doubt that we are going through an unprecedented health crisis that will lead us to the greatest recession in living memory.*

*It is too early to predict the full impact it will have on our clients and our business, so we will not provide any guidance.*

*All of our countries, all of our activities will be impacted to varying degrees. So our response to this situation needs to be structured, multi-faceted and rigorously executed. Our experience in managing cost and cash in times of crisis, our country model and our strong balance sheet will help us to stand firm in this storm and prepare ourselves for recovery.*

*Let me take a moment to say that our thoughts are with all of those currently suffering with the virus. I would also like to thank our clients for their partnership. And finally, I would like to express my gratitude to our people, who have demonstrated in the last weeks that we have an incredibly diverse and united team, to come out of this crisis even stronger."*



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Publicis Groupe's Management Board and Supervisory Board examined on Friday 10<sup>th</sup> April the following topics: the performance of the first quarter of 2020; the early economic consequences of the Covid-19 pandemic and of government containment measures in several countries or States; the decisions taken by management to face this situation and its possible developments, as well as the 2019 dividend, payable in 2020.

The Supervisory Board declared : *"We were very impressed by the strong measures implemented by the Management Board to get through the crisis, by the exceptional mobilization of the teams around the world, the demonstration of solidarity and the spirit of collaboration at all levels, and wish to express our warmest thanks to everyone. We want to reiterate our full support to the Chairman of the Management Board and to the Group's management teams, who were able to make the right decisions very early on."*

On Friday, the Supervisory Board endorsed the decision of the Directoire to ask shareholders for solidarity with the company, by cutting the proposed dividend by 50% from 2.30 euros to 1.15 euro, to be paid exceptionally on September 28<sup>th</sup>, and encouraging shareholders to reinvest the dividend in the company by choosing the option of payment in shares. The dividend will be submitted to shareholders' vote at the next AGM on 27 May 2020.

On top of that, individual and voluntary decisions to temporarily reduce remuneration have been proposed. Arthur Sadoun has decided to reduce his fixed remuneration by 30% for the second and third quarter of the year, the members of the Management Board and of the Management Committee have decided to reduce their fixed compensation by 20% for the second and third quarter of 2020. Maurice Lévy has decided to reduce his annual compensation by 30 %.

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## NET REVENUE IN Q1 2020

Publicis Groupe's net revenue in Q1 2020 was 2,481 million euros, up 17.1% from 2,118 million euros in 2019. Exchange rates had a positive impact of 33 million euros. Acquisitions, net of disposals, accounted for an increase in net revenue of 393 million euros, reflecting the contribution from Epsilon, and to a lesser extent Rauxa, partly offset by the disposal of PHS and Proximedia.

Organic growth stood at -2.9%, an encouraging number supported by the performance in the U.S and despite the impact of Covid-19.

### *Breakdown of Q1 2020 Net revenue by region*

<i>EUR million</i>	Net revenue		Reported Growth	Organic Growth
	Q1 2020	Q1 2019		
Europe	578	633	-8.7%	-9.2%
North America	1,555	1,139	+36.5%	+0.5%
Asia Pacific	219	207	+5.8%	-1.9%
Latin America	54	66	-18.2%	-10.9%
Middle East & Africa	75	73	+2.7%	+0.6%
<b>Total</b>	<b>2,481</b>	<b>2,118</b>	<b>+17.1%</b>	<b>-2.9%</b>

Net revenue in Europe was down 8.7% or down 9.2% on an organic basis. Several countries in the region were up against tough comparables from the previous year, and experienced abrupt decline in March as the pandemic spread and lockdowns extended. France and the UK recorded declines in organic net revenue, at 12.9% and 9.6% respectively in the quarter. Italy and Germany were down 6.1% and 7.1% respectively.

North America net revenue was up by 36.5% in Q1 2020, including the contribution of Epsilon. On an organic basis, the performance was +0.5%. This includes a resilient performance in the US, up 0.2%, and good performance in Canada with a 3.1% organic growth. The underlying trend is encouraging, particularly in the first two months of the year, when creative and media operations were up 5% in the US. Beyond this good performance, Publicis Sapient was slightly positive in the US in Q1, driven by the first effects of its repositioning around full digital business transformation. It is worth mentioning that Epsilon 2.0, the core data and tech expertise representing 80% of their revenue, was flat during the quarter, after a solid start to the year at +5% in the first two months.

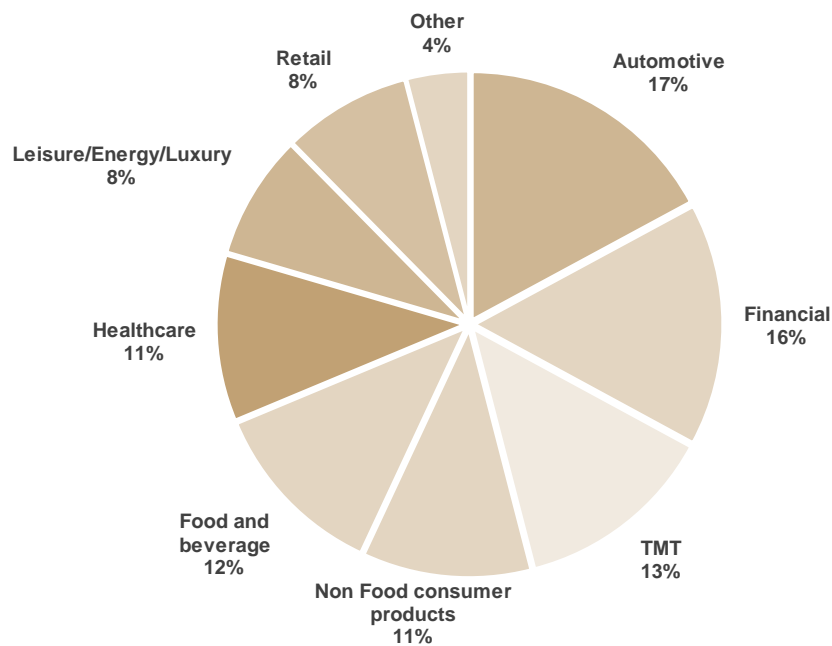
Net revenue for Asia Pacific was up 5.8% on a reported basis, and down 1.9% on an organic basis. China, which was the first country impacted by the Covid-19 pandemic throughout most of Q1, was severely impacted and was down by 15.3%. This negative growth has been compensated by a strong performance in other countries of the region, notably India with +12.7% organic and South East Asia countries as Thailand and Singapore.



Latin America recorded net revenue down 18.2% on a reported basis, and down 10.9% on an organic basis. Most countries in the region were down, but Brazil at -20.5% organic explains the majority of the decline in the region, due to 2019 contract losses, client campaigns that have been delayed and the closure of an agency in H1 2019.

The Middle East & Africa region reported a rise of 2.7% in net revenue, or +0.6% on an organic basis despite the strong comparables in the previous year, notably at Publicis Sapient.

### ***Breakdown of net revenue at March 31, 2020 by sector***



*On the basis of 3,078 clients representing 91% of net revenue*



## **Net debt and liquidity**

Net debt totaled 4,094 million euros at the end of March 2020, compared with 2,713 million euros at year-end 2019 and 885 at the end of March 2019, increase compared to last year is mainly due to the acquisition of Epsilon in July 2019. The Group's average net debt stood at 3,486 million euros in the first quarter 2020, compared to 229 million euros in the first quarter 2019.

The Groupe's liquidity position remains very solid, at 4.7 billion euros, which is a similar level as one year ago, before the acquisition of Epsilon. The Groupe is managing actively its cash and preventively drew its 2 billion euros revolving credit facility, with no impact on the net debt at end-March, to face any potential short-term impact of the global pandemic on its activity.

## **Acquisitions and disposals**

There were no major acquisitions or disposals during the period.

## **Outlook**

The health crisis facing the world will result in a severe recession, the consequences of which are difficult to reliably predict. We could experience rebound situations but also more difficult moments. The Groupe is organized and ready for such events. As already announced, the Groupe will not provide any indication on its guidance, as this would be random and volatile by nature.



## **New business**

During this quarter, Publicis Groupe continued to win significant New Business, such as Bank of America global creative with Leo Burnett, ADNOC in Middle East, US Cellular, Tailored Brands and also Castorama in France. Most recently, Publicis Groupe won the biggest part of the creative and media assignment for FCA in China, which demonstrates the relevance of our model there, at the beginning of the recovery period.

Of course, the overall pitch activity has slowed down in the last weeks, but it has not stopped. Publicis Groupe recorded a series of wins all over the world despite the lockdown, that it largely conducted through videoconference such as Enel creative in Italy.

## **Nominations**

In Q1 of 2020, Publicis Groupe continued to attract key talent and promote a new generation of leaders in strategic positions, across its most iconic brands, within its biggest countries and for its top clients.

Highlighting Publicis Groupe's commitment to the strength and breadth of its successful PO1 model for clients, Publicis Groupe UK promoted David Hackworthy to the newly-created CSO position, where he is responsible for helping clients unlock new ways to grow. Further recognising the importance of creative firepower for clients across Publicis Groupe UK, several creative appointments were made this year including Stephen De Wolf, CCO, BBH London; Remco Graham, Creative Director of BBH London ; Rodrigo Castellari, Creative Director of Saatchi & Saatchi London; and Mark Elwood, ECD of Leo Burnett London working closely with CCO Chaka Sobhani. Again to strengthen its country model, Publicis Groupe UK also appointed Marcos Angelides, as Chief Innovation Officer and Head of Strategy, Spark Foundry, responsible for combining the agency's data technology capabilities with designers and creatives.

Publicis Groupe Spain appointed a new CEO for Zenith, Abelardo Ibáñez, who, with strong data-driven and digital expertise, is charged with leading the agency to a new level of personalisation at scale. Gastón Guetmonovitch was promoted to CCO for Leo Burnett Spain and Miguel Esteban promoted to Chief Strategy Officer for the Power of One, responsible for unlocking the growth of agencies and clients by re-engineering their business models and customer experience.

Highlighting the Groupe's focus on providing end-to-end solutions in the country model, Publicis Groupe Italy appointed Massimo Baggi, Chief Commerce Officer, to support clients with driving the critical processes of omnichannel, digital innovation and the presence of their brands across various online sales channels. In Germany, we promoted Olivier Korte and Katja Reis to the respective roles of CEO and COO, Publicis Media Germany.

As we start to see our teams in China fully back at work now, we have prioritised appointing leaders who focus on key products and expertise to support our clients and drive optimum business impact for them in these markets, through cross-team solutions that bring together the power of data, creativity and technology. As a result, Publicis Groupe has appointed Sapna Nemani, to the newly created role of Chief Product & Solution Officer, Publicis Groupe APAC, to lead the product, solution and data-lead intelligence initiatives for clients; Ching Ian, takes on the role of CEO of PMX APAC, and is tasked with expanding our regional media partnerships and investment



practices. Ed Booty, currently Chief Strategy Officer of Publicis Communications APAC, will take on the newly created role of Chief Strategy Officer of Publicis Groupe APAC. In his role he will lead our strategic engagement with clients, bringing together the talents of our strategists from across the Groupe. He will continue to be based in Singapore.

Publicis Groupe has also appointed new country leadership teams in North Asia for Japan and Korea: Nicole Roe, former Managing Director of Leo Burnett Korea has been promoted to CEO Publicis Groupe Korea and Gareth Mulryan has been appointed as CEO, Publicis Groupe Japan and is charged with the acceleration of digital, commerce, data and business transformation consulting solutions for our clients. Publicis Groupe APAC has made further leadership appointments across the region including: Unny Radhakrishnan, CEO, Digitas India, Nick Keenan, CEO, Starcom Australia and Ian Loon, CEO, Publicis Media Singapore.

Publicis Groupe US further grows its creative leadership talents with the appointments of Rafael Rizuto to CCO, BBH NY, and Daniel Lobatón, Chief Creative Officer, Saatchi & Saatchi New York.

Publicis Groupe has further grown its global experience team at Publicis Sapient with Karin Giefer and Quinton Harris appointed to the respective roles of SVP, Experience, and Global Creative Director, Experience. The global experience team blends data, machine learning and creativity to craft customer-centric experiences that deliver value to clients and support their digital transformation efforts.

Additional US creative hires include Nathalie Huni, who previously held creative leadership roles at R/GA London, McCann NY and Huge, joining as EVP, Head of Design, NA, Digitas USA, leading product design, brand experiences and identity and visual narrative as well as Dwayne Koh, previously with Huge, joining as SVP/ECD, West Coast, Digitas USA; and Adriano Matos, formerly with Grey Brazil, appointed EVP/ECD, Leo Burnett Chicago.

Other US C-suite appointments through elevations include Ronnie Dickerson Stewart, prior SVP of Career Advancement & Inclusion at Digitas USA, appointed Chief Diversity Officer, Publicis Groupe US, and Susan Manber, previously Chief Strategy Officer at Digitas Health, appointed Chief Patient Officer, Publicis Health North America. In addition, Jodi Robinson elevated to CEO, Digitas USA and Jonathan Tatlow to Chief Strategy Officer, Digitas USA; Loch Rose, to Chief Analytics Officer, Conversant USA; Chad Peplinski to Chief Media Officer, Epsilon USA; and Maureen Glure to Chief Client Officer, Starcom USA.

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## Disclaimer

Certain information contained in this document, other than historical information, may constitute forward-looking statements or unaudited financial forecasts. These forward-looking statements and forecasts are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These forward-looking statements and forecasts are presented as at the date of this document and, other than as required by applicable law, Publicis Groupe does not assume any obligation to update them to reflect new information or events or for any other reason. Publicis Groupe urges you carefully to consider the risk factors that may affect its business, as set out in the Registration Documents filed with the French Autorité des Marchés Financiers (AMF) and which is available on the website of Publicis Groupe ([www.publicisgroupe.com](http://www.publicisgroupe.com)), including an unfavorable economic climate, an extremely competitive market sector, the possibility that our clients could seek to terminate their contracts with us at short notice, the fact that a substantial part of the Group's revenue is derived from certain key clients, conflicts of interest between advertisers active in the same sector, the Group's dependence on its directors and employees, laws and regulations which apply to the Group's business, legal action brought against the Group based on allegations that certain of the Group's commercials are deceptive or misleading or that the products of certain clients are defective, the strategy of growing through acquisitions, the depreciation of goodwill and assets listed on the Group's balance sheet, the Group's presence in emerging markets, exposure to liquidity risk, a drop in the Group's credit rating and exposure to the risks of financial markets.

*This press release contains inside information as per the definition of article 7 of Regulation n°596/2014*

### About Publicis Groupe - The Power of One

Publicis Groupe [Euronext Paris FR0000130577, CAC 40] is a global leader in communication. The Groupe is positioned at every step of the value chain, from consulting to execution, combining marketing transformation and digital business transformation. Publicis Groupe is a privileged partner in its clients' transformation to enhance personalization at scale. The Groupe relies on ten expertise concentrated within four main activities: Communication, Media, Data and Technology. Through an unified and fluid organization, its clients have a facilitated access to all its expertise in every market. Present in over 100 countries, Publicis Groupe employs around 83,000 professionals.

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# Appendices

## Net revenue: organic growth calculation

<i>(million euro)</i>	<b>Q1</b>	<b>Impact of currency at end March 2020 (million euro)</b>	
<b>2019 net revenue</b>	<b>2,118</b>	GBP <sup>(2)</sup>	3
Currency impact <sup>(2)</sup>	33	USD <sup>(2)</sup>	33
2019 net revenue <sup>(1)</sup> at 2020 exchange rates (a)	2,151	Others	(3)
2019 net revenue before acquisition impact (b)	2,088	<b>Total</b>	<b>33</b>
Net revenue from acquisitions <sup>(1)</sup>	393		
<b>2020 net revenue</b>	<b>2,481</b>		
<b>Organic growth (b/a)</b>	<b>-2.9%</b>		

(1) Acquisitions (Digitas AffinityID, Soft Computing, Rauxa, E2 Media, Epsilon, RDL, SearchForce, McCready Bale Media, Sapient7, Third horizon), net of disposals

(2) EUR = USD 1.102 on average in Q1 2020 vs. USD 1.136 on average in Q1 2019  
EUR = GBP 0.861 on average in Q1 2020 vs. GBP 0.872 on average in Q1 2019



## Definitions

**Net revenue or Revenue less pass-through costs:** Pass-through costs mainly concern production and media activities, as well as various expenses incumbent on clients. These items that can be re-billed to clients do not come within the scope of assessment of operations, net revenue is a more relevant indicator to measure the operational performance of the Groupe's activities.

**Organic growth:** Change in net revenue excluding the impact of acquisitions, disposals and currencies.

**Net Debt (or financial net debt):** Sum of long and short financial debt and associated derivatives, net of treasury and cash equivalents.

**Average net debt:** Average of monthly net debt at end of month.