



The Gross Prophets
Omnicom (OMC)

History

- ▶ 1928: the George Batten Company joined with BDO to form BBDO
- ▶ 1939 –1945: BBDO gained a number of important non-institutional accounts
- ▶ 1959: expand internationally for the first time
- ▶ 1986: Formation of Omnicom
- ▶ 1991: Revenues of \$1.2 B
- ▶ 1997: as *Fortune* magazine's most respected advertising group

Recent News

- ▶ 2014: Ended merger talks with Publicis
- ▶ 2015: Proctor & Gamble switch to Omnicom
- ▶ 2017: 2nd Largest Advertiser in the world
- ▶ Q3 had organic growth of 2.8%

Acquisitions

- ▶ Perceptive
 - leading customer–intelligence agency
- ▶ Verve Search
 - multilingual SEO strategy leader
- ▶ Mobile Strategy
 - focuses on mobile CRM/loyalty, mobile commerce
- ▶ Lucky Generals
 - Creative Agency

Business Overview

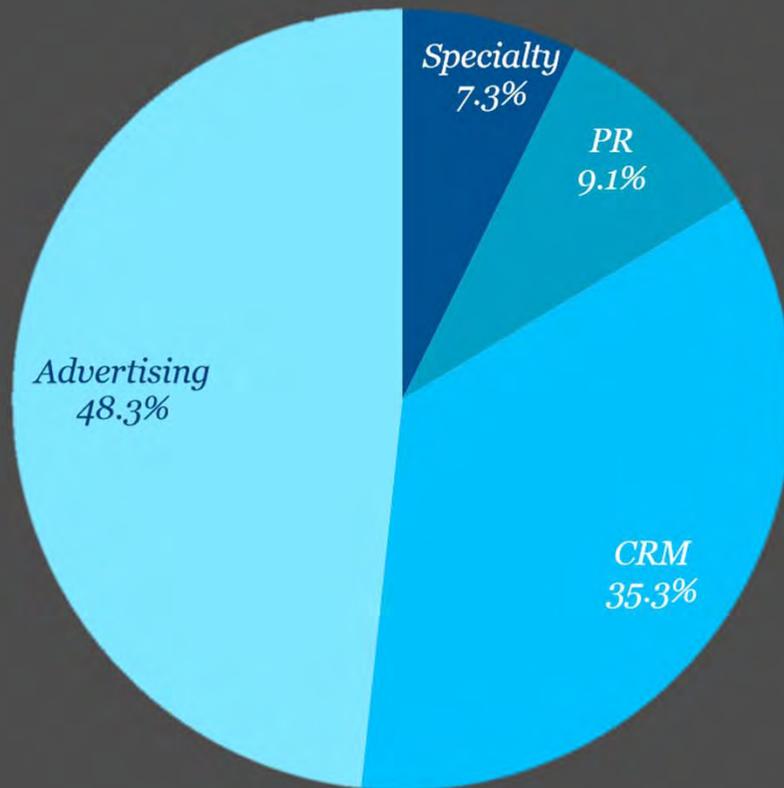
- ▶ Market Cap \$16.3 Billion
- ▶ 74,000 employees
- ▶ 2nd largest ad holding company
- ▶ Over 5,000 clients in more than 100 countries

Business Segments

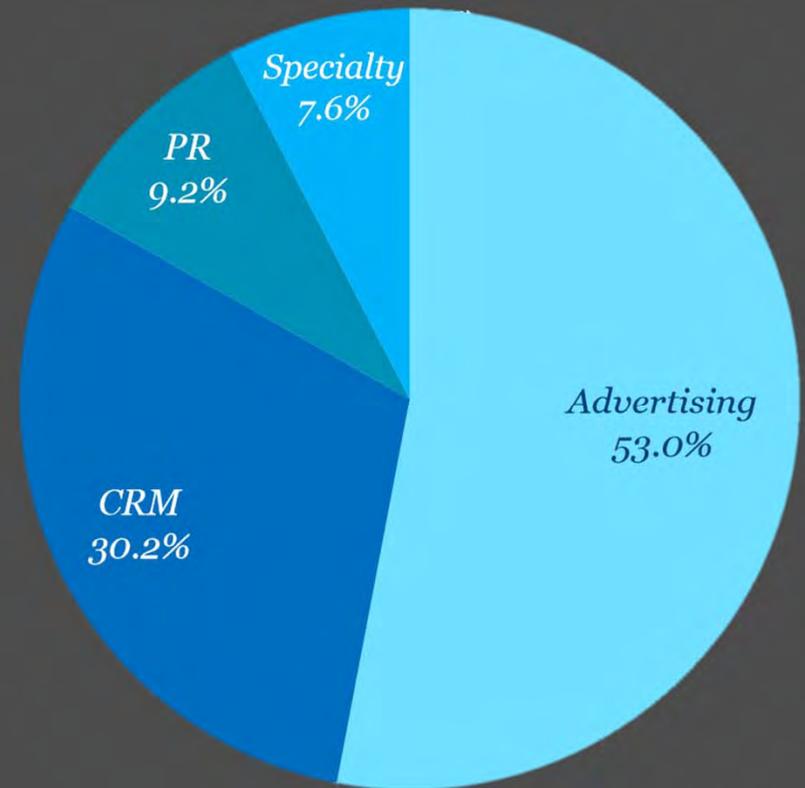
Business Segments

- ▶ Advertising
- ▶ Public Relations
- ▶ Customer Relationship Management
- ▶ Specialty

Revenue by Discipline

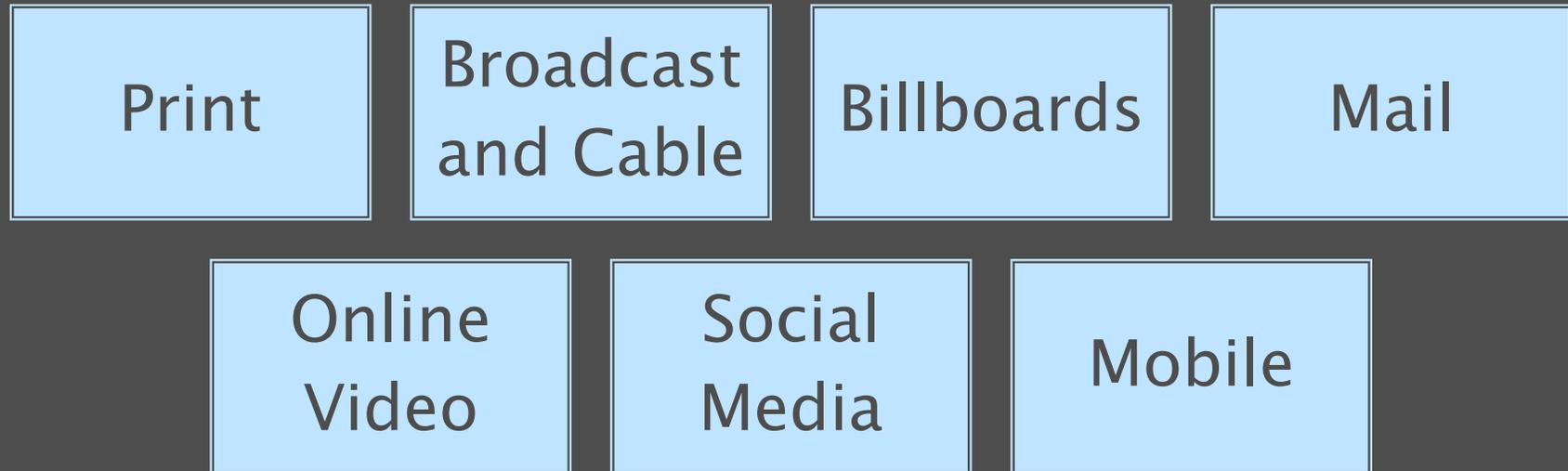


2013



2017

Advertising



Customer Relationship Management

- ▶ Managing relationships with current and potential customers
- ▶ Organizational communications
- ▶ Financial/Corporate business-to-business advertising
- ▶ Recruitment communications

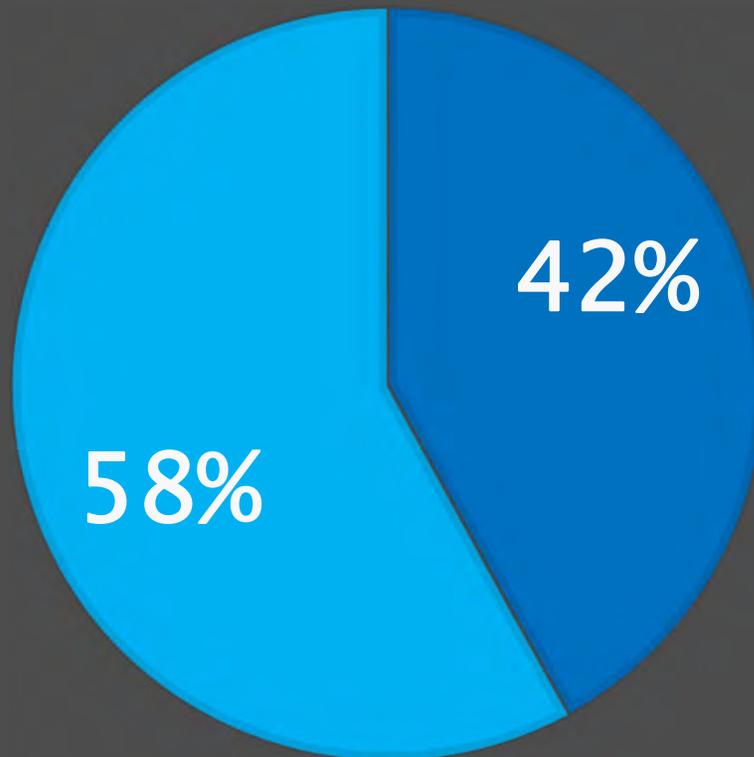


Specialty

- ▶ Instore Design
- ▶ Environmental Design
- ▶ Database Management



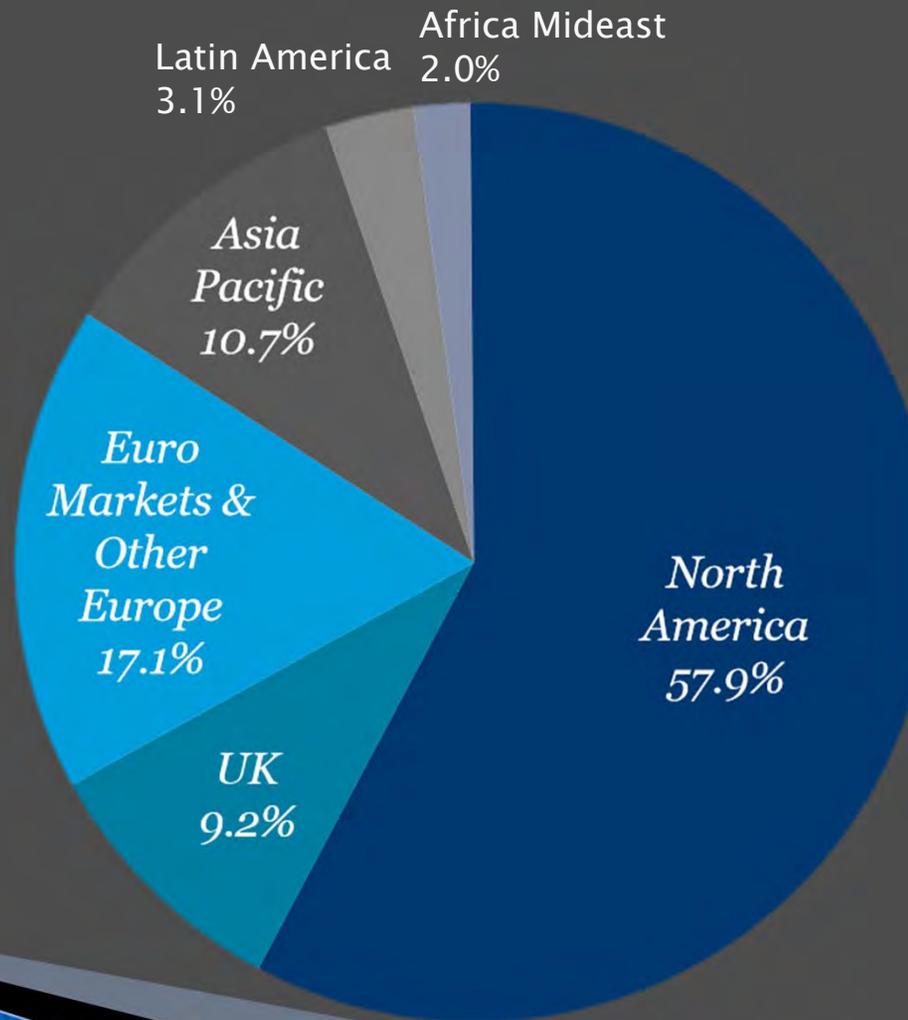
Revenue



■ International

■ United States

Revenue by Region



Subsidiaries

250+ Subsidiaries

- ▶ BBDO Worldwide
- ▶ DDB Worldwide
- ▶ Omnicom Media Group
- ▶ TBWA Worldwide



BBDO Worldwide

- ▶ Most recognized subsidiary
- ▶ Largest agency in Omnicom



BBDO

DDB Worldwide

- ▶ Online Videos
- ▶ Social Media



Omnicom Media Group

- ▶ Media service division
- ▶ Full service media networks
- ▶ Global Advertising



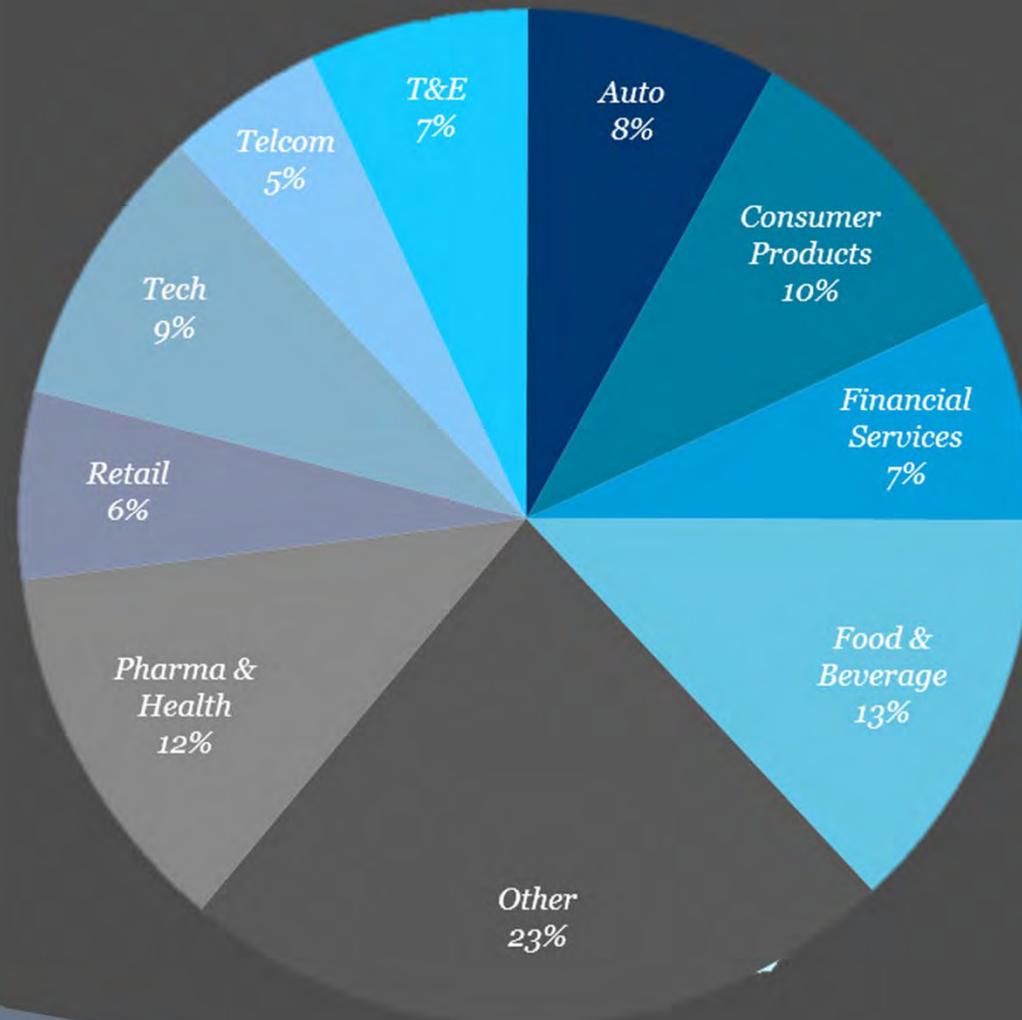
TBWA Worldwide

- ▶ Specializes in
 - Media Solutions
 - Marketing Communications
 - Public/Investor Relations

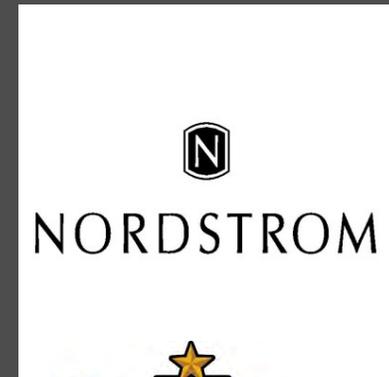
The TBWA logo consists of the letters 'TBWA' in a white, bold, sans-serif font, centered within a solid red square. The square is positioned on a light blue background that is part of a larger graphic design with geometric shapes and gradients.

TBWA

Revenue by Industry



Clients

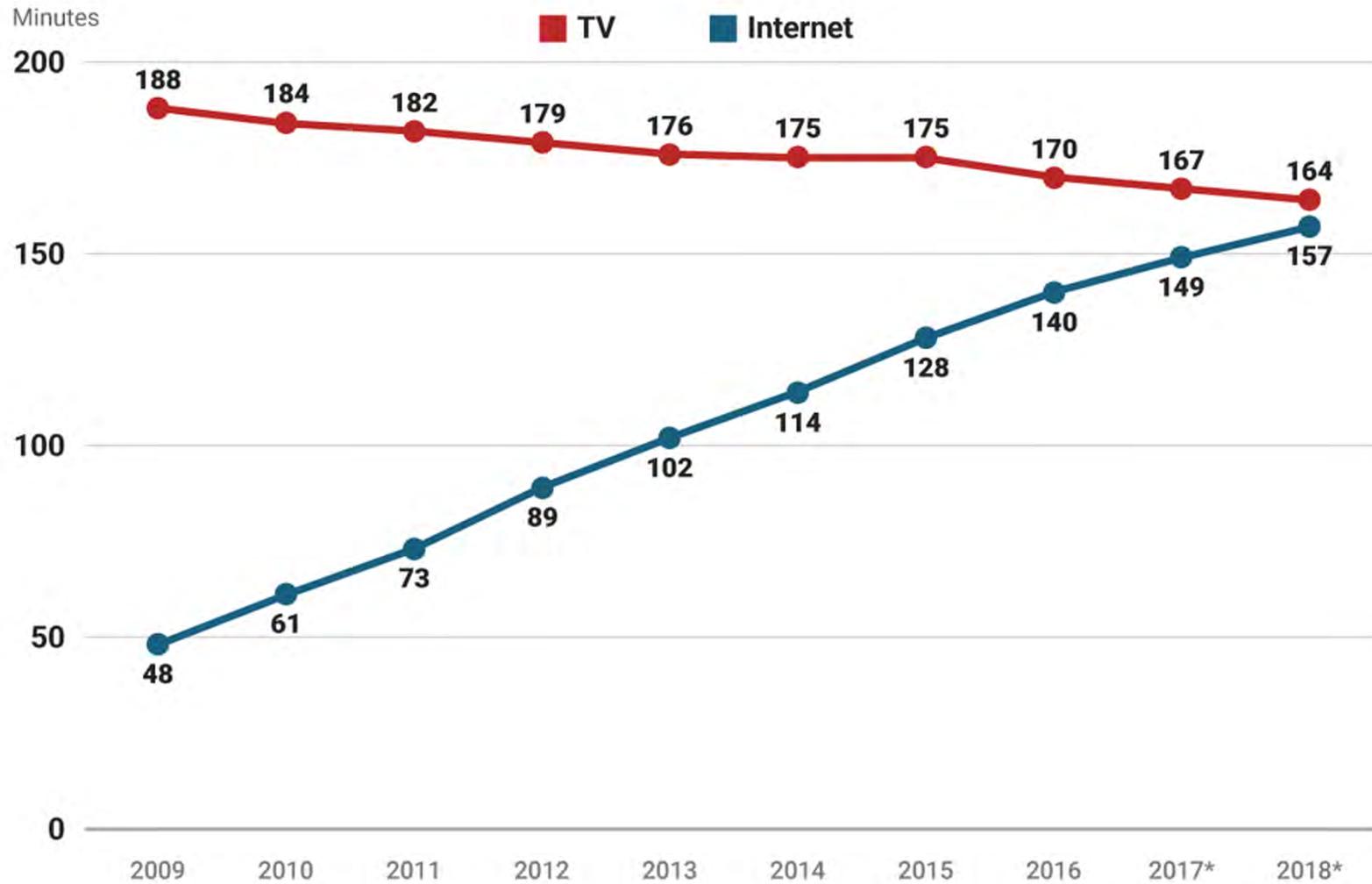


Shift in Advertising

- ▶ More focused on brand than product
- ▶ Cable Cutting
- ▶ Not as many people watching live TV
- ▶ Younger Generations on Internet
- ▶ Cellphones are now computers

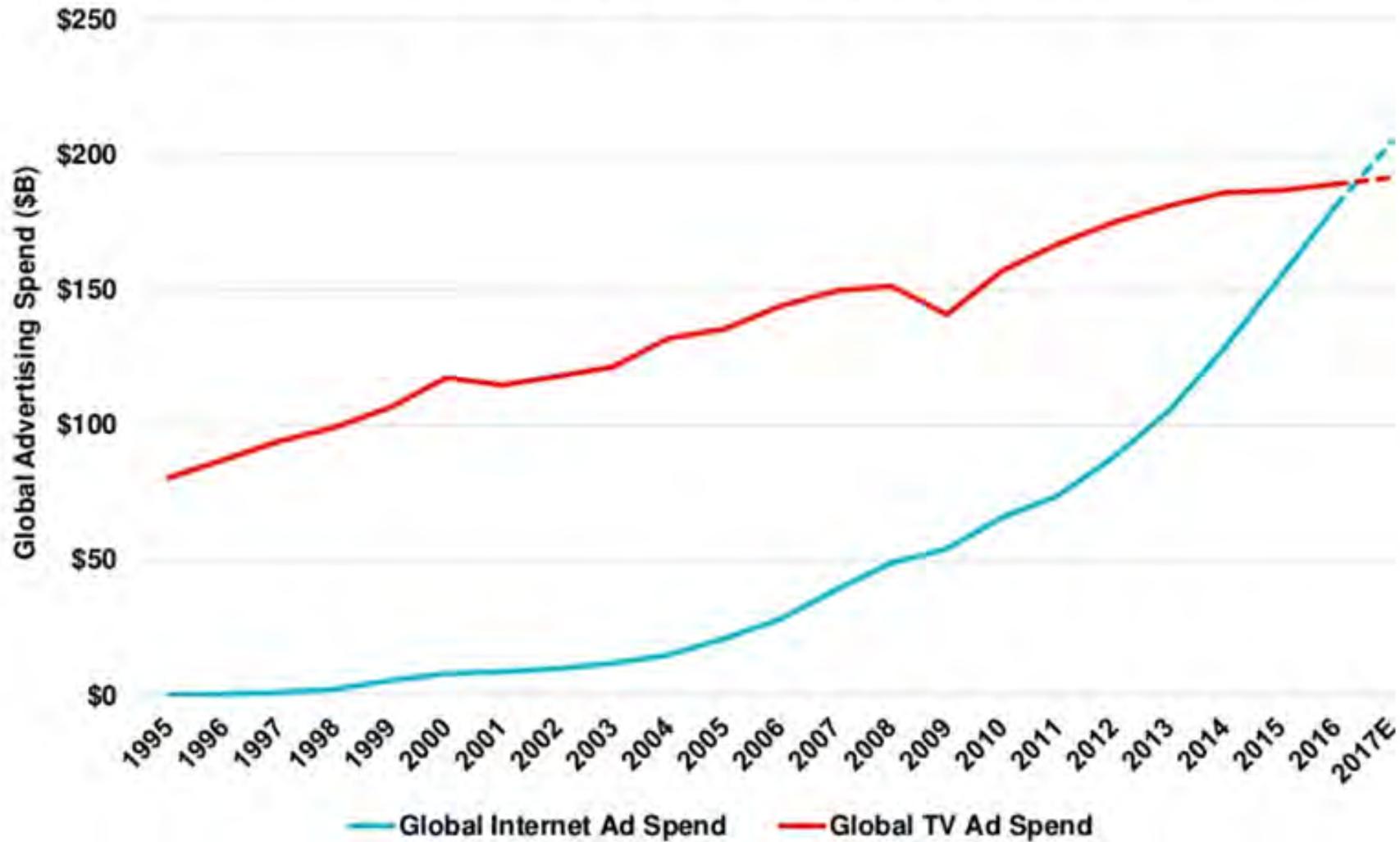
TECH CHART OF THE DAY

AVG DAILY MEDIA CONSUMPTION PER PERSON WORLDWIDE



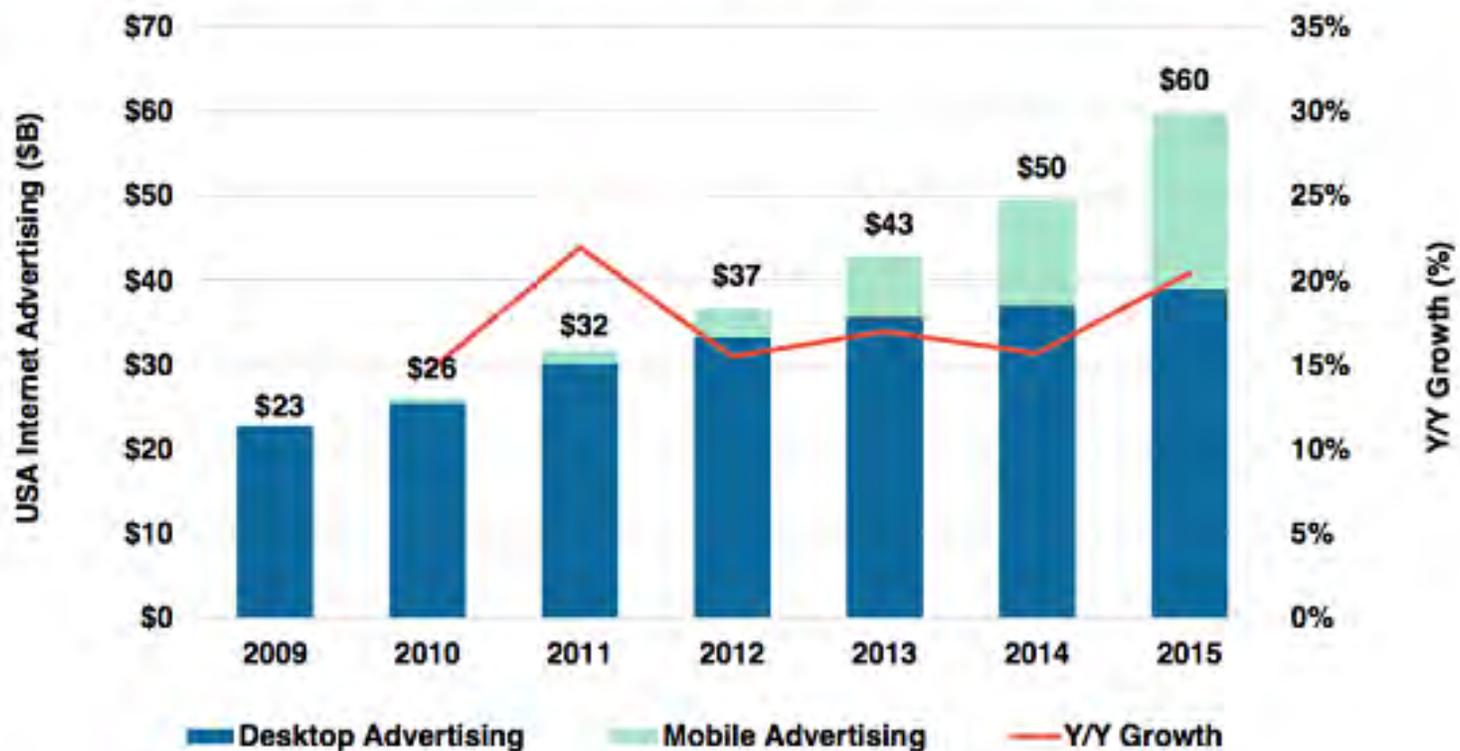
SOURCE: Zenith via Recode *Estimates

Internet vs. TV Ad Spend (\$B), Global, 1995-2017E

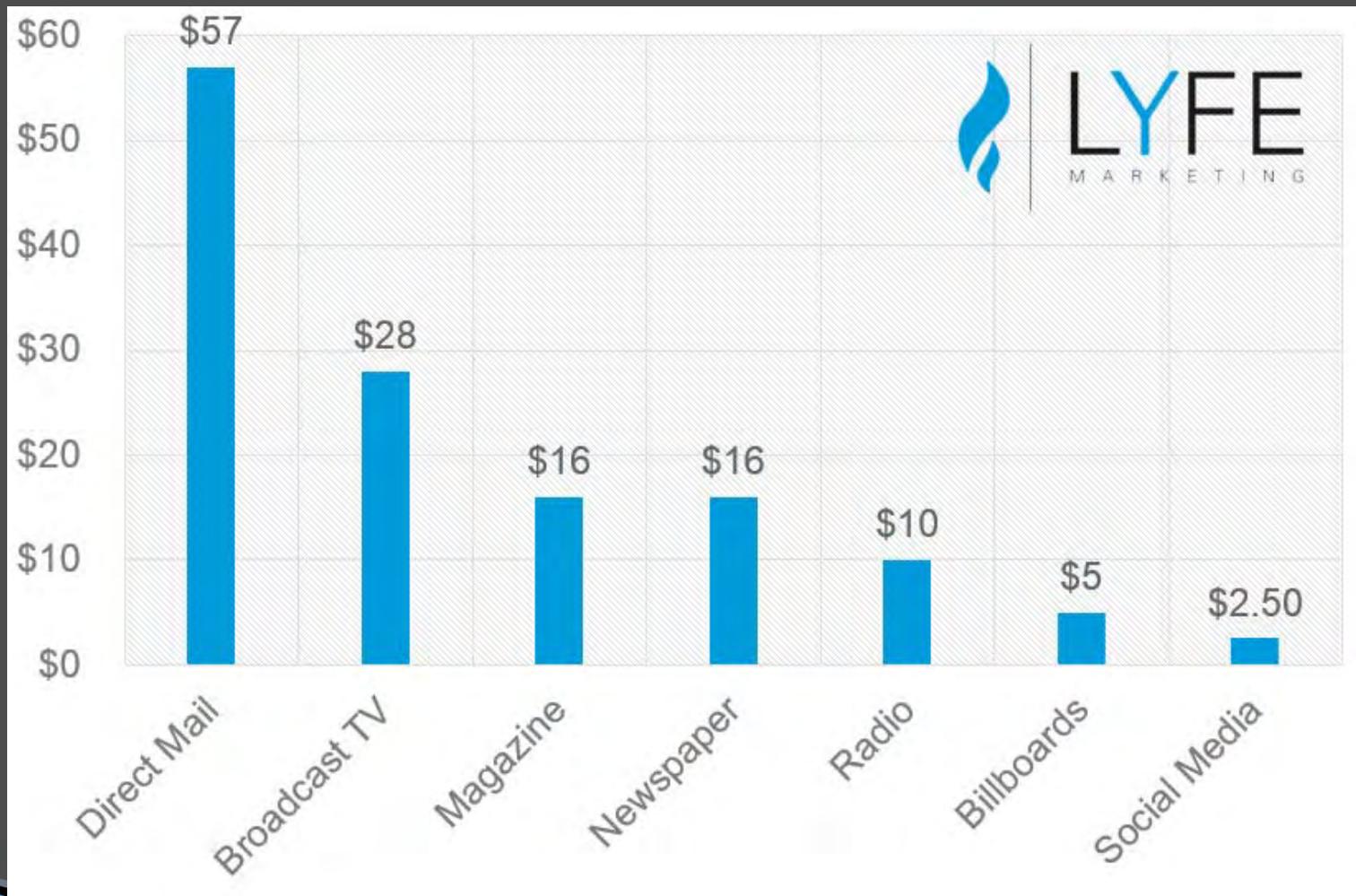


USA Internet Advertising Growth = Accelerating, +20% vs. +16% Y/Y...
 Owing to Mobile (+66%) vs. Desktop (+5%)

USA Internet Advertising, 2009 – 2015



Advertising cost per 1,000 People



Growth

- ▶ Google and Facebook control 76% of internet advertising growth
- ▶ More Efficient by online advertising
- ▶ Can track what you search so it can be specific what to advertise
- ▶ Emerging markets (15% of revenues)

Growth Rates in 2016

- ▶ Organic Growth 3.5%
- ▶ North America 1.6%
- ▶ Europe -1%
- ▶ Latin America 28.4%
- ▶ Asia Pacific 4.1%

Risk

- ▶ Loss of Large Customers
 - 100 Largest Clients account for 52% of Revenue
- ▶ Currency Exchange Rate Fluctuations
 - 44% of Revenues are international; Reduced revenues by 2% in 2016
- ▶ Government Regulation
- ▶ In house advertising

Competitive Advantage

- ▶ Intangible Assets
 - Reputation
- ▶ Multilingual
- ▶ Data
- ▶ Switching Cost
- ▶ Consolidation
- ▶ One-stop shop

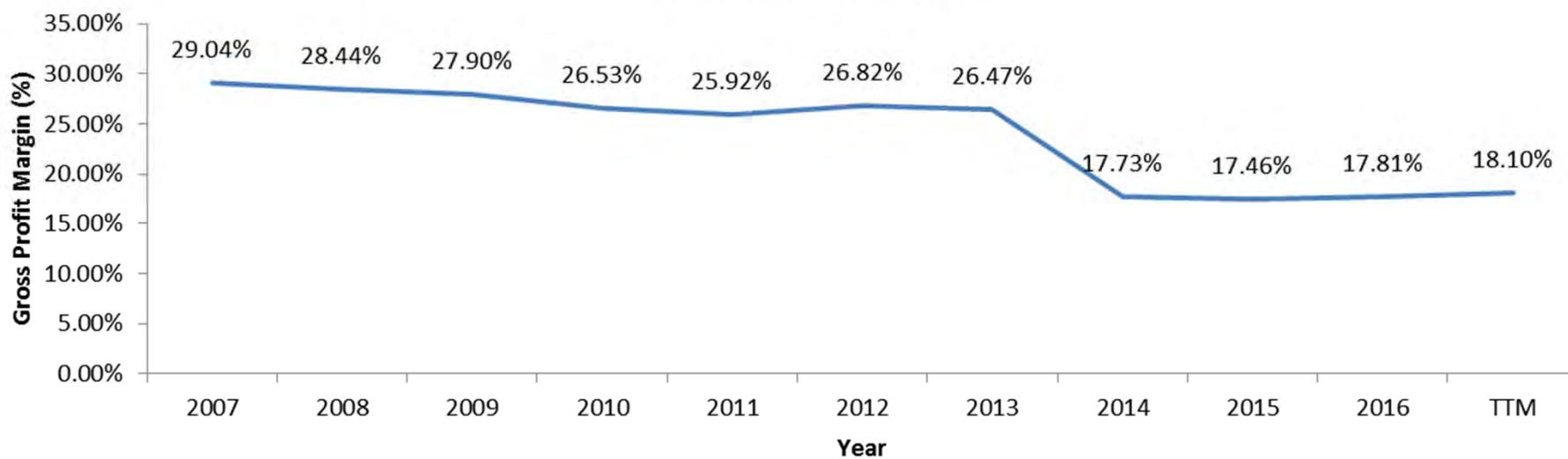
Qualitative Analysis

What type of business is this: commodity or sustained competitive advantage	Sustained Competitive
Can you easily explain what the business does?	Yes
Is it Heavily unionized?	No
Does it require heavy capital infusion?	No
Does it require lots of research and development?	N/A
Can inventory become obsolete?	No
Are there chronic "one time" write offs?	No
Is the company able to raise its prices to offset inflation?	Yes
Will the Company be able to sell more in the future?	Yes
Can you make a competitor with \$1 billion?	Yes

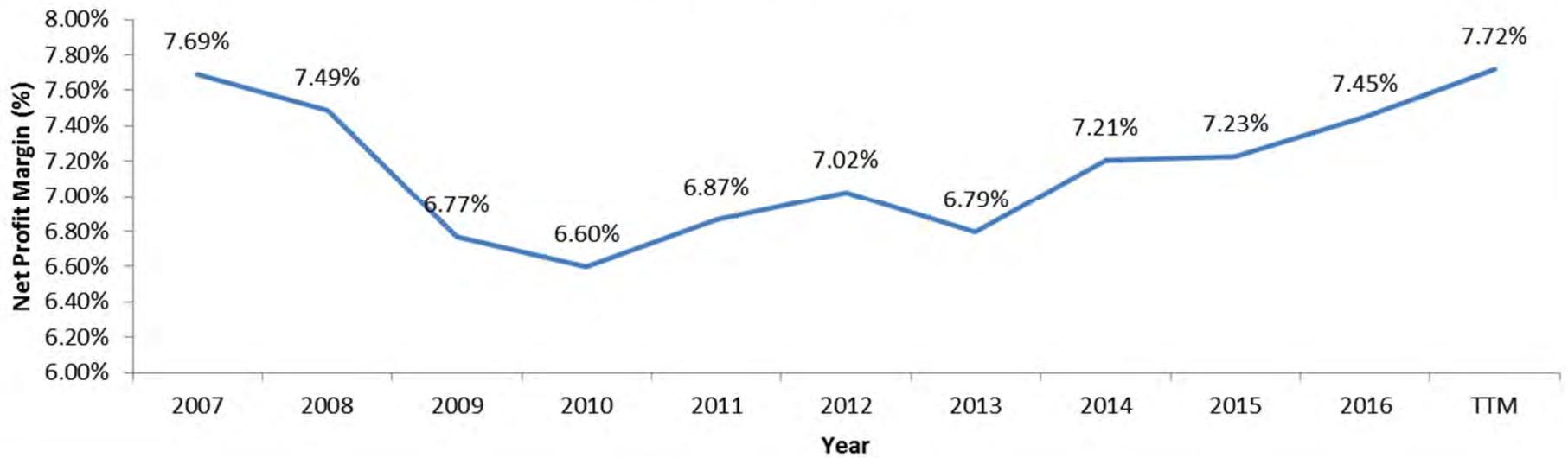
IOFS

<u>TTM</u>	Value	Low Threshold	Pass?
Gross Profit Margin	18.10%	≥ 20%	No
% SGA	16.17%	≤ 80%	Yes
% R&D	N/A	≤ 10%	N/A
% Depreciation	10.27%	≤ 10%	No
Interest % of OP	10.33%	≤ 15%	Yes
Net Profit Margin	7.72%	≥ 10%	No
Current Ratio	4.54	≥ 1	Yes
Obligation Ratio	4.66	< 5 years	Yes
Adj. Debt to Shareholder Equity	4.22	< 0.8	No
Return on Equity	46.93%	≥ 15%	Yes
Return on Capital	15.89%	≥ 15%	Yes
Dividend Payout Ratio	43.83%	≤ 60%	Yes
Preferred Stock	None	None	Yes
Capital Expenditures	14.61%	≤ 25%	Yes
Net Earning Trend	Up	Up	Yes
Retained Earnings Trend	Up	Up	Yes

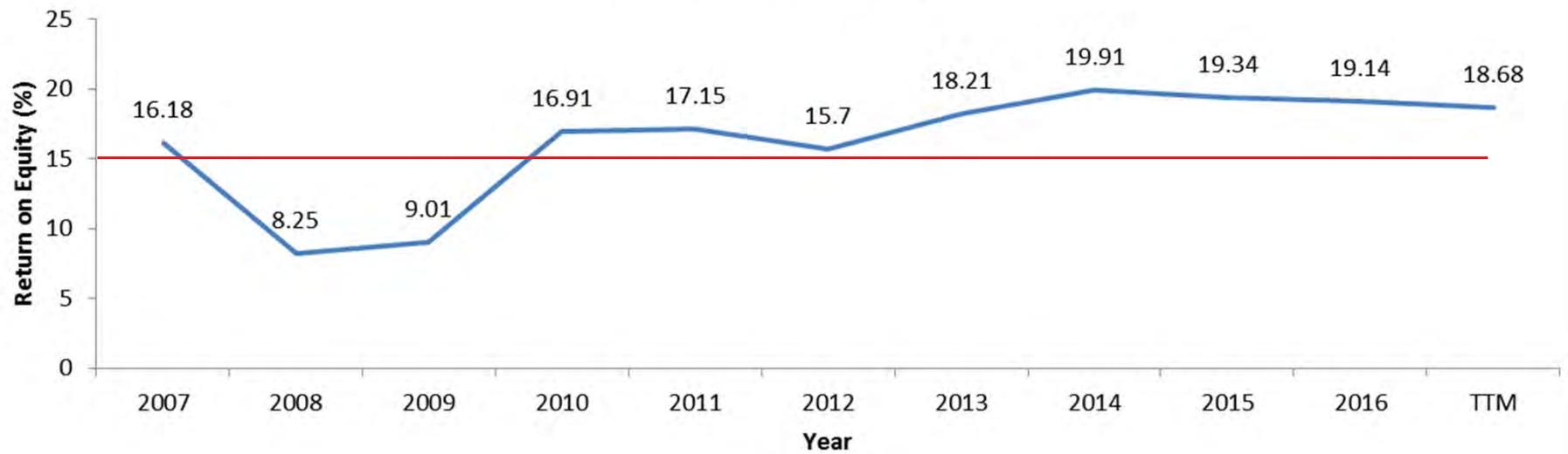
Gross Profit Margin



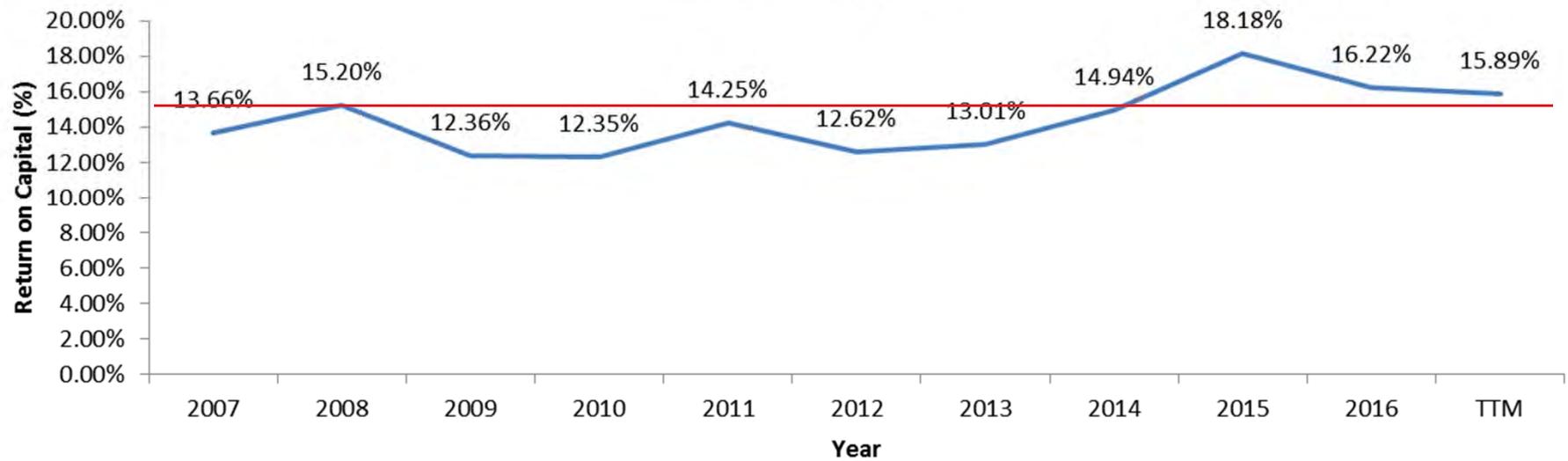
Net Profit Margin



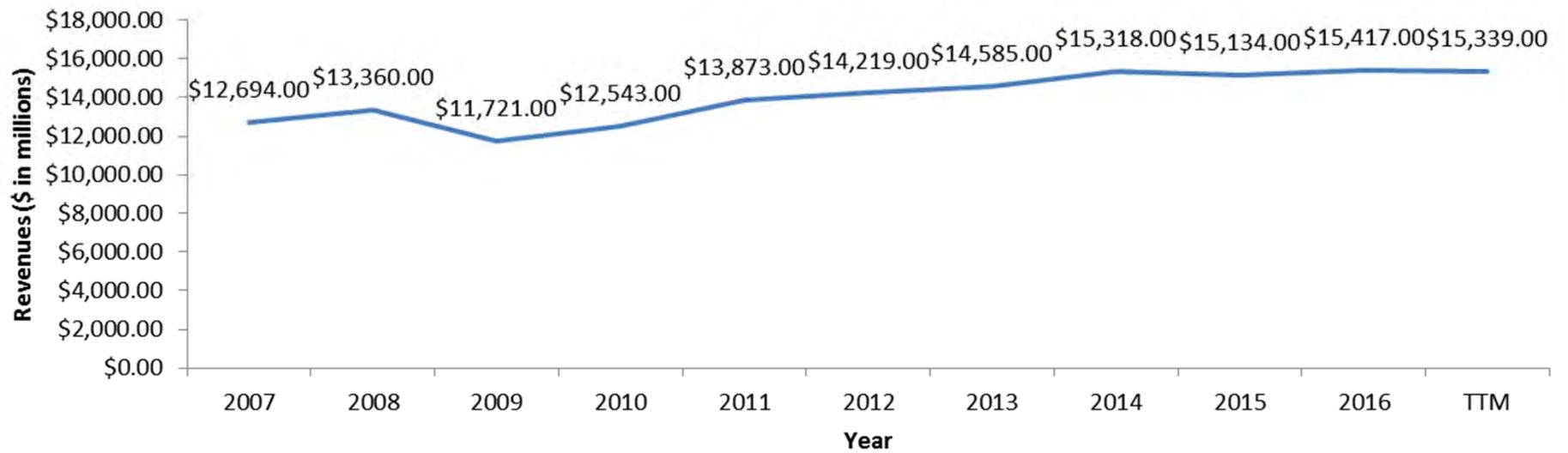
Return on Equity



Return on Capital



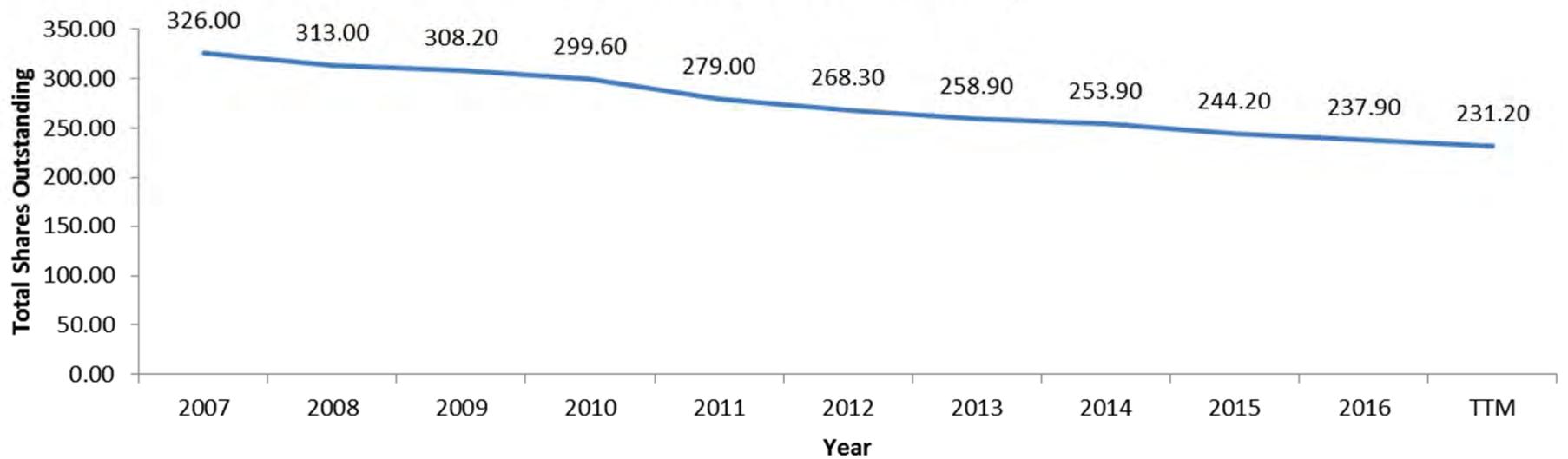
Revenues (10 year)



Net Earnings

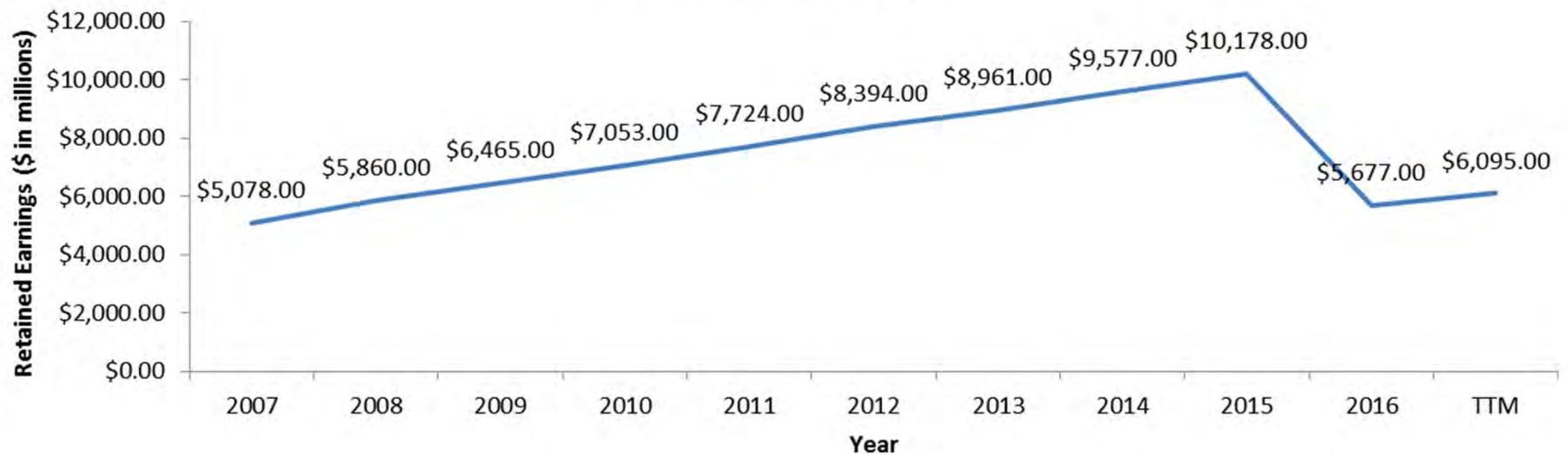


Total Shares Outstanding



Bought back 29% Shares
outstanding

Retained Earnings



Over 50% of Treasury Stock was retired in 2016

Statistical array analysis	
Sales per Share	Increasing
Cashflows per Share	Increasing
Earnings per Share	Increasing
Dividends Declared per Share	Increasing
Capital Spending per Share	Stable
Book value per Share	Consistent
Revenues (sales)	Increasing
Gross Profit Margin	Stable
Operating Profit Margin	Increasing
Net Profit	Increasing
Net Profit Margin	Increasing
Working Capital	Decreasing
Shareholder's equity	Decreasing
Return on Total Capital	Increasing
Return on Shareholder's Equity	Increasing
Common Shares Outstanding	Increasing
Long- Term Debt	Increasing
LT Debt Payable in 5 years	Yes
All Dividends to Net Profit under 60%	Yes

Dupont Historical

OMC	Total Asset Turnover	Net Profit Margin	Financial Leverage Multiplier	Return On Equity
2014	0.71	7.21%	7.52	38.7%
2015	0.68	7.23%	9.02	44.6%
2016	0.67	7.45%	10.71	53.1%
TTM	0.69	7.72%	8.80	46.9%

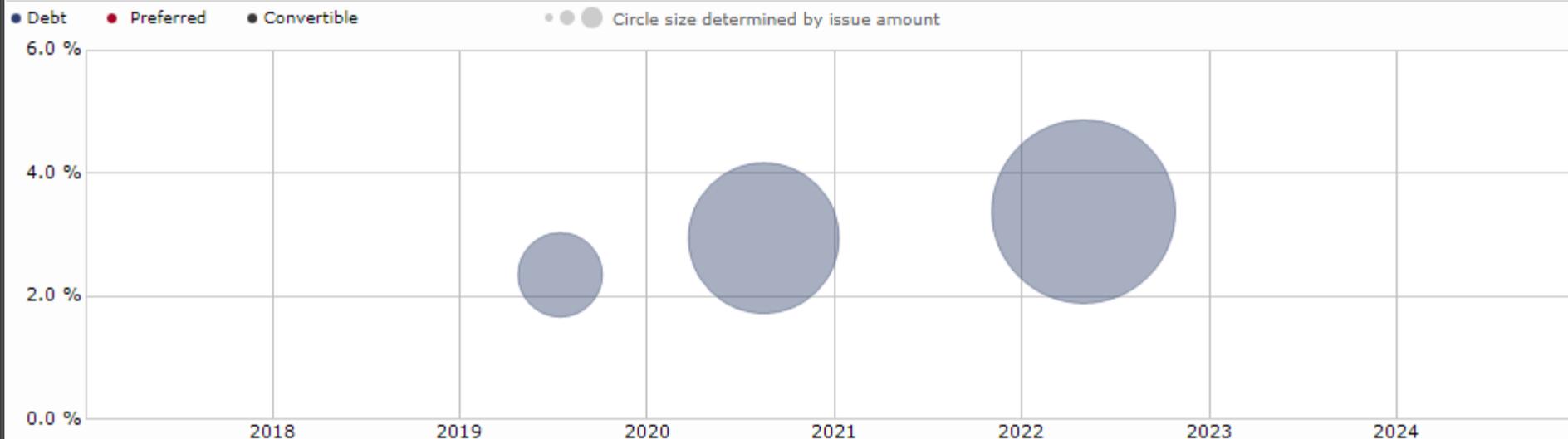
Industry Breakdown

Industry Breakdown	Omnicom	WPP PLC ADR	Facebook	Publicis Groupe SA	Interpublic Group of Companies
Market Cap	16.497B	22.2B	514B	15.02B	7.69B
Revenue	15.339B	19.283B	36.49B	10.7B	7.806B
P/E	14.23	9.51	34.29	N/A	13.73
P/S	1.1	1.16	14.31	1.28	1.02
P/B	6.55	1.85	7.22	2.21	3.93
EV/EBIT	21.65	8.54	27.16	N/A	10.04
ROA	5.33%	5.01%	22.00%	N/A	4.88
ROE	46.9%	18.47	24.29%	N/A	29.24
Operating Margins	13.31%	14.58%	47.73%	0.57%	12.02%
Net Margins	7.72%	11.43	41.75%	N/A	7.43

DuPont Competitors

Company	Total asset turnover	Net Profit Margin	Financial Leverage Multiplier	Return On Equity
OMC	0.69	7.72%	8.8	46.90%
FB	0.46	41.70%	1.11	24.30%
IPG	1.1	8.20%	3.21	29.20%
WPP PLC	0.44	-5.30%	3.95	-9.30%
PUB	4.46	11%	0.36	18.50%

Debt

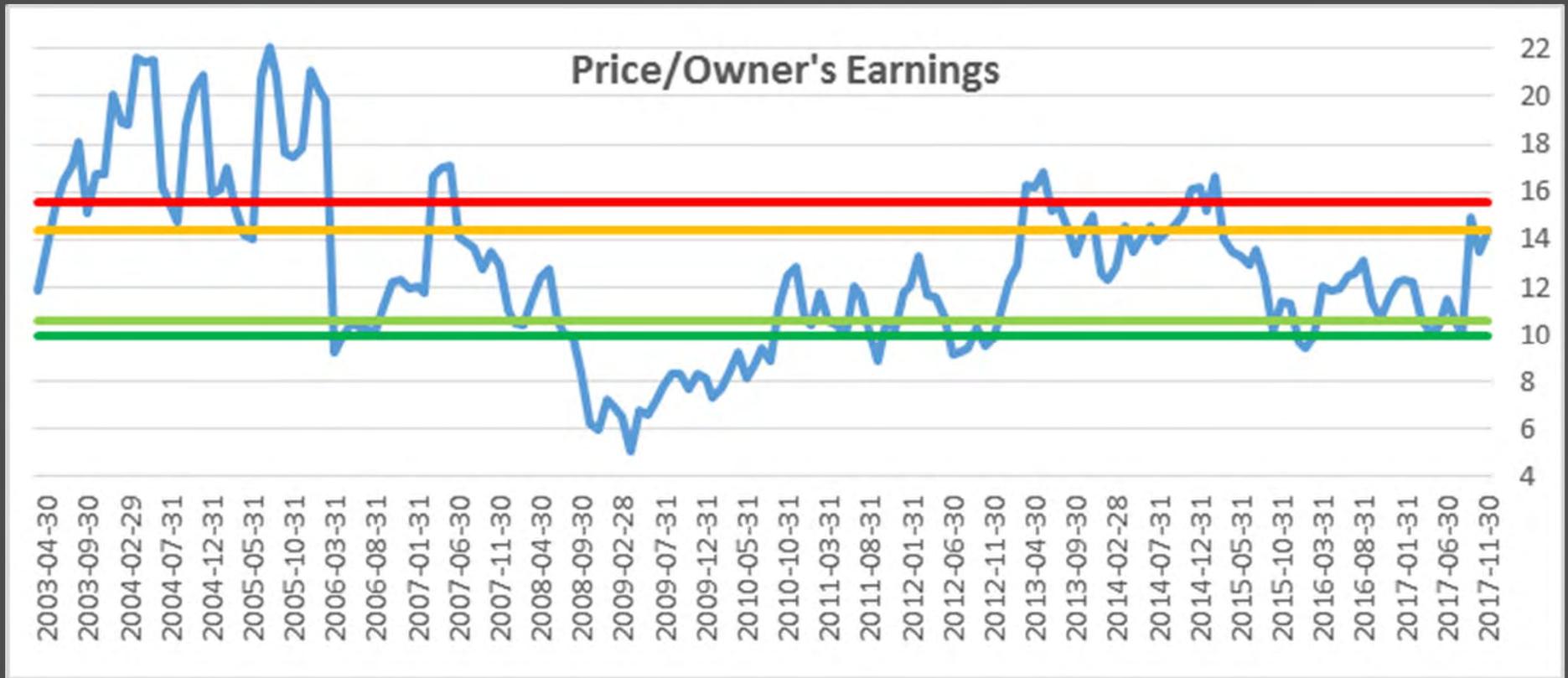


Name	Maturity Date	Amount \$(Mil)	Credit Quality	Price	Coupon %	Coupon Type (Fixed/Floating)	Callable	Rule 144A	Yield to Maturity %
Omnicom Grp 6.25%	07/15/2019	500.0	Middle	117.3	6.250	Fixed	Yes	No	2.35
Omnicom Grp 4.45%	08/15/2020	1,000.0	Middle	107.9	4.450	Fixed	Yes	No	2.94
Omnicom Grp 3.625%	05/01/2022	1,250.0	Middle	101.6	3.625	Fixed	Yes	No	3.37
Omnicom Grp Cv	02/07/2031	850.0	High	---	0.000	Zero	Yes	No	---
Omnicom Grp 144A Cv	02/07/2031	850.0	Middle	---	0.000	Zero	Yes	Yes	---
Omnicom Grp 144A Cv	02/07/2031	850.0	High	---	0.000	Zero	Yes	Yes	---
Omnicom Grp	02/07/2031	1.000	---	---	0.000	Zero	---	No	---
Omnicom Grp Cv	02/07/2031	0.100	High	---	0.000	Zero	Yes	No	---
Omnicom Grp 144A	02/07/2031	---	---	---	0.000	Zero	---	Yes	---
Omnicom Grp 144A Cv	07/31/2032	900.0	Middle	---	0.000	Zero	Yes	Yes	---

ValueBands



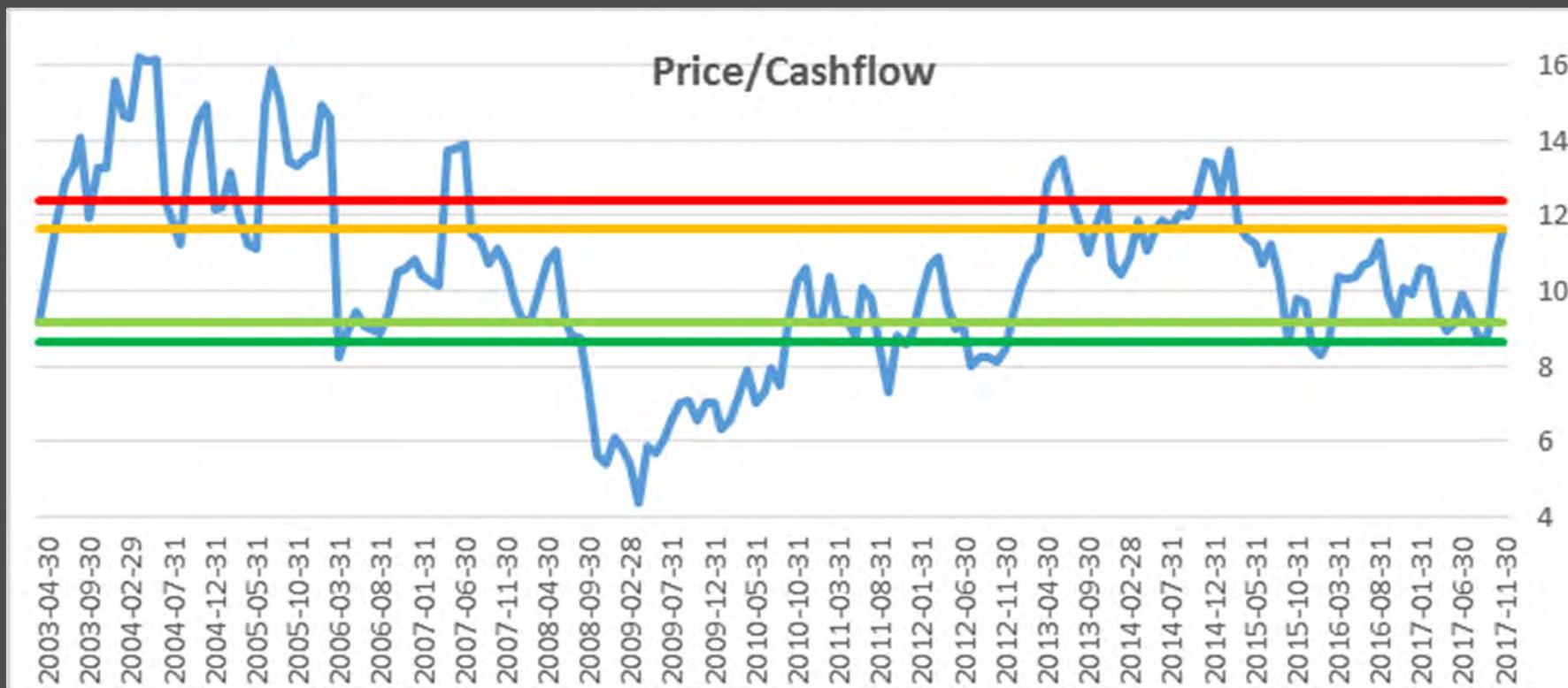


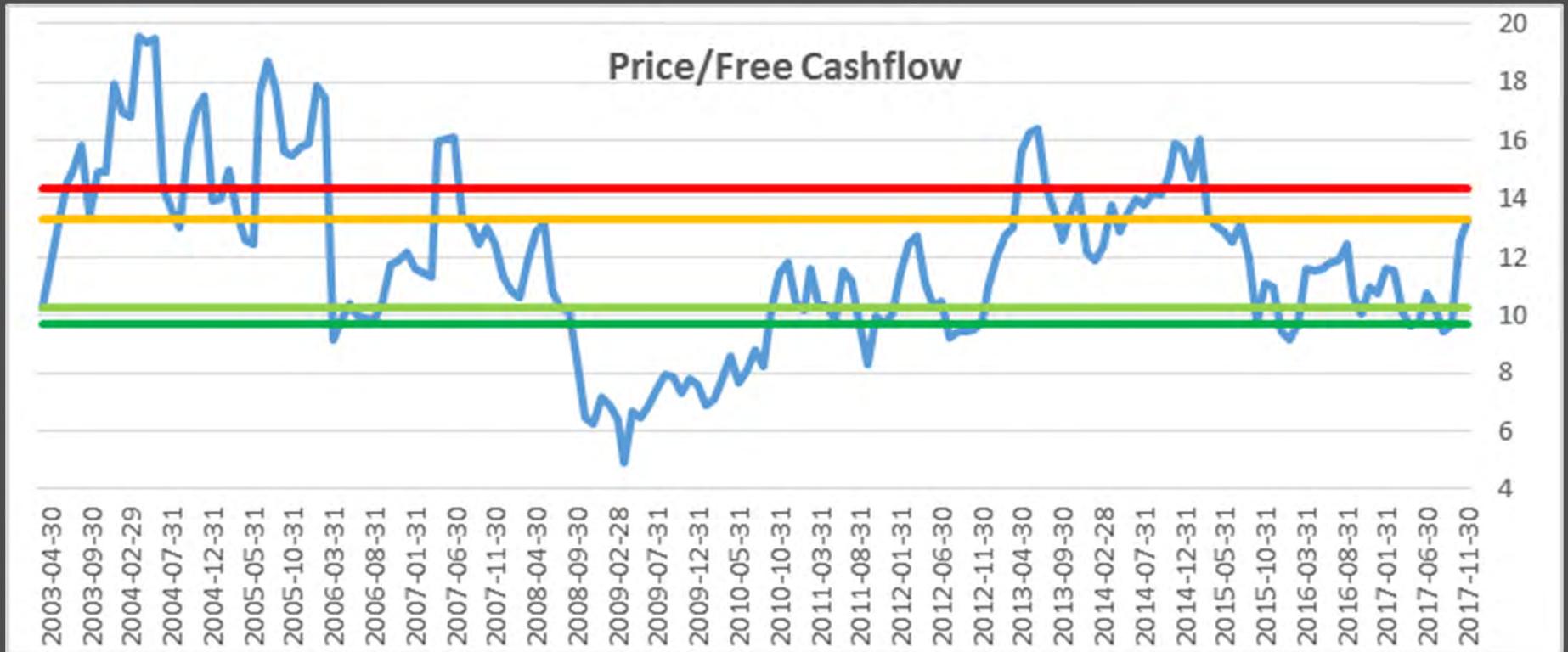


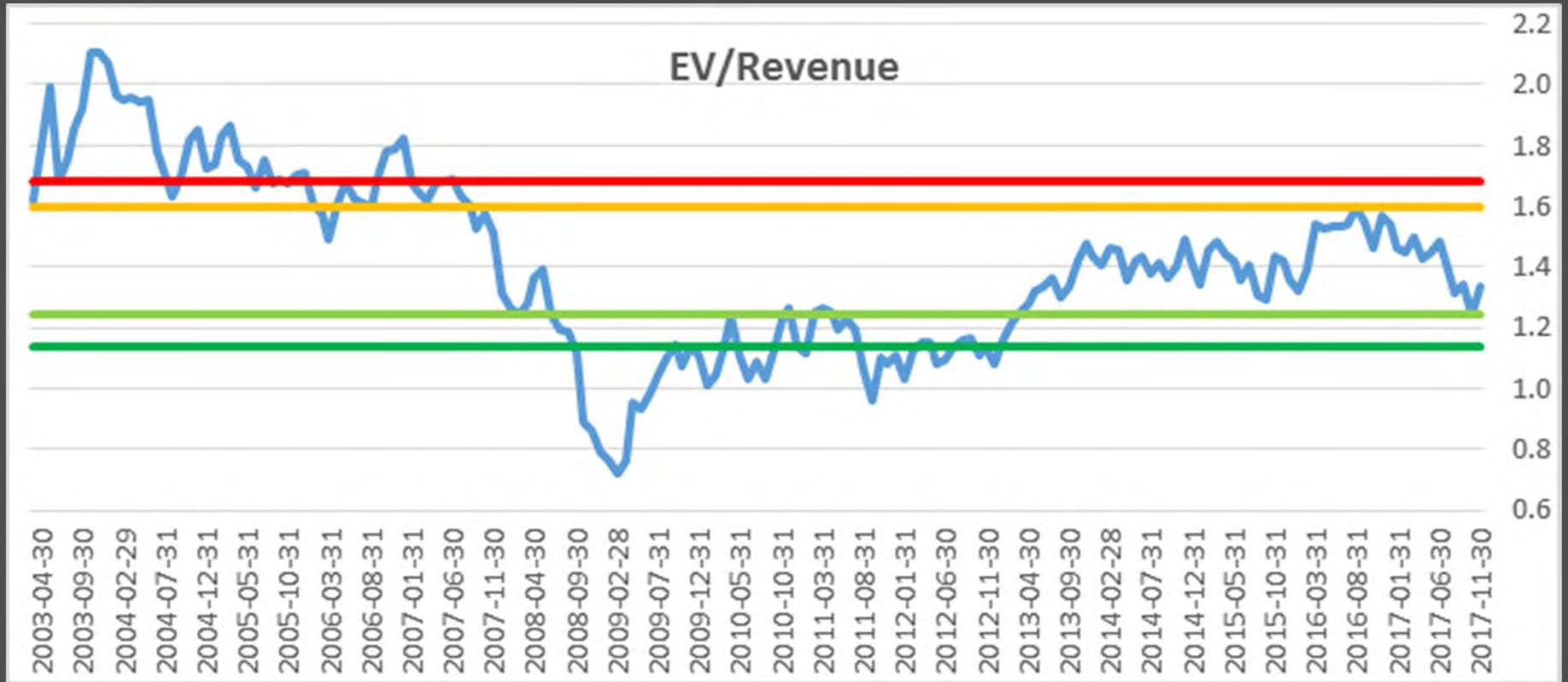


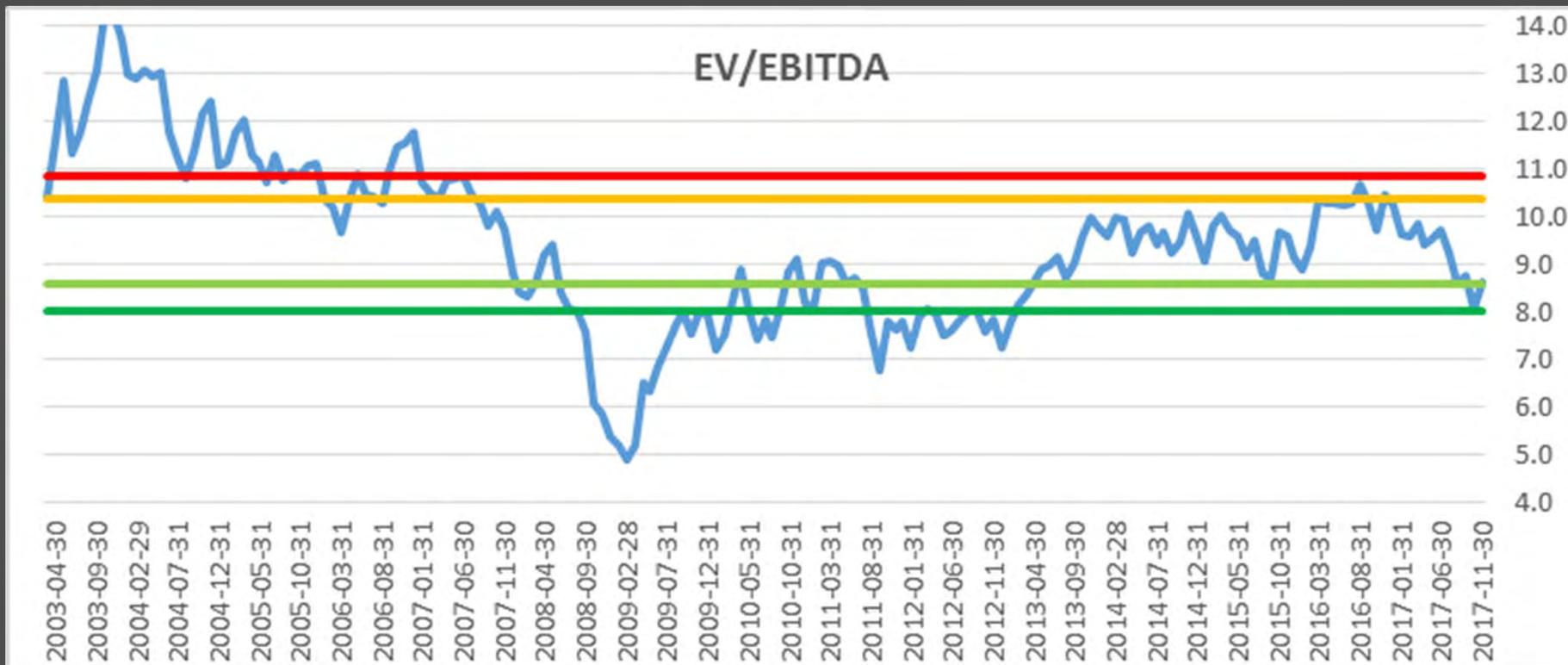


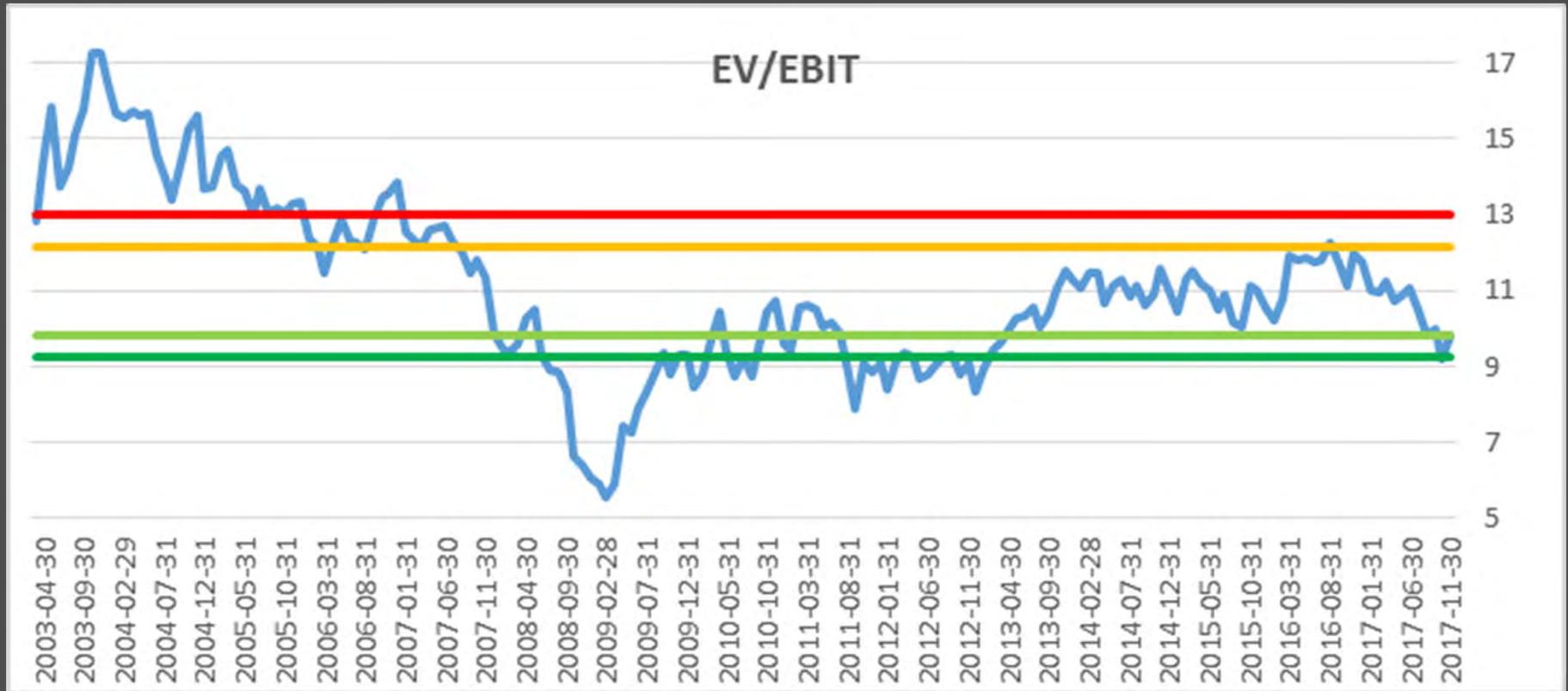












Discounted Cashflow



DCF – Default

User Defined DCF: Default

Earnings Per Share [?]: \$ 5.02

Growth Rate In the Next [?]: 10 Years: 6.4 %

Terminal Growth Rate [?]: 4 %

Years of Terminal Growth [?]: 10

Discount Rate [?]: 12 %

Business Predictability [?]: ★★★★★ [?]

Save Parameters



DCF Reverse DCF ^{NEW}

Fair Value [?]: 58.72

Tangible Book Value [?]: \$ -31.19
 Add to Fair Value

Growth Value [?]: 38.27

Terminal Value [?]: 20.45

Stock Price: \$ 70.65

Margin Of Safety: **-20%**

Financial Data of Omnicom Group Inc

Annual Rates (per share)	10 yrs	5 yrs	12 months ^R
Revenue Growth (%)	6.90	5.60	2.30
EBITDA Growth (%)	6.90	6.50	4.90
Operating Income Growth (%)	7.00	6.90	5.30
EPS without NRI Growth (%)	6.40	7.50	7.50
Free Cash Flow Growth (%)	5.90	14.00	-32.60
Book Value Growth (%)	-1.70	-7.20	11.10

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '14-'16 to '20-'22
Revenues	8.0%	7.5%	5.0%
"Cash Flow"	8.0%	8.5%	6.5%
Earnings	7.5%	9.5%	7.5%
Dividends	15.5%	21.0%	9.5%
Book Value	-1.0%	-4.5%	3.5%

DCF

Earnings Per Share ? : \$

Growth Rate In the Next ? : Years: %

Terminal Growth Rate ? : %

Years of Terminal Growth ? :

Discount Rate ? : %

Business Predictability ? : 

DCF Reverse DCF NEW

Fair Value ? : 74.02

Tangible Book Value ? : \$
 Add to Fair Value

Growth Value ? : 44.33

Terminal Value ? : 29.68

Stock Price: \$

Margin Of Safety: **3%**

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	6.90	5.60	2.30
EBITDA Growth (%)	6.90	6.50	4.90
Operating Income Growth (%)	7.00	6.90	5.30
EPS without NRI Growth (%)	6.40	7.50	7.50
Free Cash Flow Growth (%)	5.90	14.00	-32.60
Book Value Growth (%)	-1.70	-7.20	11.10

DCF

Earnings Per Share ? :	\$ 5.02	DCF	Reverse DCF ^{NEW}
Growth Rate In the Next ? :	10 Years: 9.5 %	Fair Value ? :	84.65
Terminal Growth Rate ? :	4 %	Tangible Book Value ? :	\$ -31.19
Years of Terminal Growth ? :	10	<input type="checkbox"/> Add to Fair Value	
Discount Rate ? :	10 %	Growth Value ? :	48.96
Business Predictability ? :	★★★★★	Terminal Value ? :	35.69
<input type="button" value="Save Parameters"/>		Stock Price:	\$ 71.44
		Margin Of Safety:	16%

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	6.90	5.60	2.30
EBITDA Growth (%)	6.90	6.50	4.90
Operating Income Growth (%)	7.00	6.90	5.30
EPS without NRI Growth (%)	6.40	7.50	7.50
Free Cash Flow Growth (%)	5.90	14.00	-32.60
Book Value Growth (%)	-1.70	-7.20	11.10

Conscious Investor



Conscious Investor – 10 Year

	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	12/16	EPSttm	Years
EPS (\$)	2.950	3.170	2.530	2.700	3.330	3.610	3.710	4.240	4.410	4.780	\$4.950	10
SPS (\$)	39.595	42.986	38.005	43.932	50.741	54.273	56.617	62.091	63.139	65.688		10

HGROWTH	STAEGR®
6.43%	89.87%
6.53%	95.22%

Conscious Investor – 6 Year

	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	12/16	EPSttm	Years
EPS (\$)	2.950	3.170	2.530	2.700	3.330	3.610	3.710	4.240	4.410	4.780	\$4.950	6
SPS (\$)	39.595	42.986	38.005	43.932	50.741	54.273	56.617	62.091	63.139	65.688		6

HGROWTH	STAEGR [®]
7.49%	98.89%
5.38%	99.14%

Conscious Investor – 3 Year

	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	12/16	EPSttm	Years
EPS (\$)	2.950	3.170	2.530	2.700	3.330	3.610	3.710	4.240	4.410	4.780	\$4.950	3
SPS (\$)	39.595	42.986	38.005	43.932	50.741	54.273	56.617	62.091	63.139	65.688		3

HGROWTH	STAEGR®
6.18%	99.43%
2.86%	99.72%

Conscious Investor – Default Safety 6 Year

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRETD [®]
Default	72.93	\$4.950	17.60	7.49%	44.6%	12.19%
Safety	72.93	\$4.950	12.77	3.86%	16.8%	3.73%

Cut P/E by 27%

Cut Growth by 48%

Cut Payout by 62%

Conscious Investor – Kill it

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRETD [®]
Default	72.93	\$4.950	17.60	6.43%	44.6%	11.08%
Safety	72.93	\$4.950	12.77	4.28%	16.8%	4.15%
2017-12-01	72.93	\$4.950	11.50	3.50%	12.0%	2.02%

Cut P/E by 35%

Cut Growth by 46%

Cut Payout by 73%

Conscious Investor – Kill it Again

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRETD®
Default	72.93	\$4.950	17.60	6.43%	44.6%	11.08%
Safety	72.93	\$4.950	12.77	4.28%	16.8%	4.15%
2017-12-01	72.93	\$4.950	10.50	2.50%	10.0%	0.03%

Cut P/E by 40%

Cut Growth by 61%

Cut Payout by 78%

Intraportfolio



Price / Earnings

Symbol	PE Ratio
AIG	0.00
MCK	7.13
IBM	12.94
OMC	14.54
CNI	19.53
DG	19.94
TSCO	20.23
ORCL	21.62
UNP	22.02
UHAL	22.56
PEP	24.12
NKE	25.63
BRK.B	25.72
CHRW	25.72
NSRGY	28.38
MSFT	28.47
PII	39.64
QCOM	39.67

Price / Sales

Symbol	PS Ratio
AIG	1.15
MCK	0.16
OMC	1.10
UHAL	2.04
TSCO	1.22
DG	1.09
ORCL	5.43
IBM	1.85
UNP	4.89
CNI	5.81
BRK.B	1.98
CHRW	0.87
PEP	2.65
NKE	2.97
MSFT	6.99
NSRGY	2.92
QCOM	4.43
PII	1.54

Price / Free Cashflow

Symbol	Price-to-Free-Cash-Flow
UHAL	0.00
AIG	0.00
MCK	12.26
IBM	13.16
OMC	13.43
BRK.B	14.43
ORCL	16.56
PII	17.69
TSCO	18.28
MSFT	20.34
NSRGY	23.95
CNI	24.50
UNP	24.55
DG	24.59
QCOM	24.71
PEP	25.06
CHRW	40.39
NKE	43.74

Enterprise Value / EBIT

Symbol	EV-to-EBIT
AIG	-43.65
MCK	5.77
OMC	9.67
UHAL	12.17
TSCO	12.98
DG	13.23
ORCL	14.09
IBM	14.11
UNP	14.19
CNI	14.73
BRK.B	15.17
CHRW	17.48
PEP	17.81
NKE	20.93
MSFT	21.31
NSRGY	21.54
QCOM	23.46
PII	27.58

Return On Equity

Symbol	ROE %
IBM	61.71
PEP	56.96
OMC	51.62
MCK	44.70
CHRW	36.31
NKE	31.98
MSFT	31.12
TSCO	30.95
CNI	25.95
PII	23.24
UNP	23.19
DG	22.33
ORCL	18.95
NSRGY	15.37
UHAL	12.01
QCOM	7.88
BRK.B	6.42
AIG	-3.20

Return on Invested Capital

Symbol	ROIC %
IBM	22.45
PEP	23.47
OMC	25.34
MCK	31.62
CHRW	21.05
NKE	39.21
MSFT	82.29
TSCO	24.57
CNI	16.37
PII	24.25
UNP	14.30
DG	15.34
ORCL	25.05
NSRGY	11.48
UHAL	13.13
QCOM	7.81
BRK.B	6.08
AIG	-1.95

Conclusion

- ▶ Intangible Assets
- ▶ Switching Cost
- ▶ Consolidation
- ▶ One-stop shop
- ▶ Undervalued

Doing business without advertising
is like 'winking' at a girl in the dark.
You know what
you are doing,
but no one
else does.



your  cards
someecards.com

Recommendation

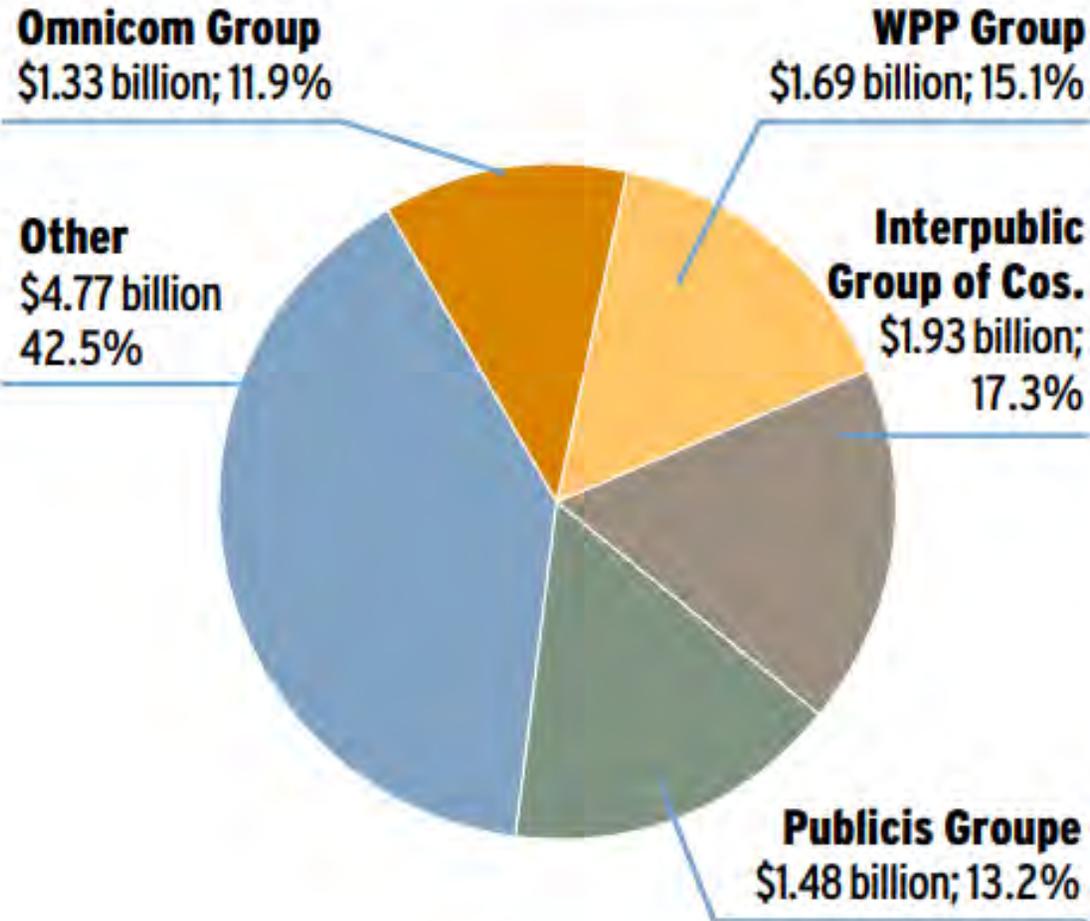
- ▶ Market order
 - Current Price \$72.26

Questions?

Why OMC vs. WPP

- ▶ WPP lower ROE/ROC
- ▶ Don't buy back shares
 - Stock Options
- ▶ No organic Growth
- ▶ FX and lower taxes, which is why Net Margin looks better

U.S. ADVERTISING AND MEDIA TOTALS FOR THE WORLD'S BIG FOUR



Figures based on \$11.20 billion U.S. revenue from core media and advertising activities.
 Disciplines such as marketing services and healthcare are excluded.
 Source: *Ad Age* estimates.