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**Tues, 31<sup>st</sup> July 2013**  
**12:00 Hrs UK time**  
Chaired by Filippo Lo Franco

**Filippo Lo Franco**

I think we can start now. First of all, welcome to everyone. My name is Filippo Lo Franco. I have the honour of leading the Equity Media Research team here in London and covering Publicis and in the future, as the co-coverage is equal, I will be covering *\*text here – laughter\**... in the United States. Welcome again everyone and particularly I would like to welcome the Publicis and Omnicom management today. From Publicis management we have here Maurice Lévy, Chairman and CEO, and from Omnicom we have John Wren, CEO. We also have here Randall Weisenburger, CFO of Omnicom and we have Jean-Michel Etienne, the CFO of Publicis. I would like to remind you that this presentation is broadcast today in listening mode only, so if you have any questions you can send me an email... [Filippo.p.lofranco@jpmorgan.com](mailto:Filippo.p.lofranco@jpmorgan.com).

I think we can start immediately with what actually is going to be a Q&A, because people should know already the slides. My first idea when the news came on Saturday – I thought finally I'd have a nice weekend for myself and then I started to see Bloomberg... 'oh, I don't believe this' and then, after a while, I started to understand that it was the truth. How did the idea come up? I am really curious.

**Maurice Lévy**

This is for me because I am responsible.

*It's your house!*

First of all, John and my side know that's it's a long while that I always had a great admiration for Omnicom and for John, for what he has achieved. In our industry where there is fierce competition there are two kinds of people – the people who are competing on a fair basis and who are always staying gentlemen, winning or losing, and there is another kind of people I will not mention – you know them!

With John we always had a very good relationship and we were meeting socially, and one day I said why don't you stop by and we'll have a cup of coffee or lunch so we'll know a little bit better each other? He called me and said okay, I will be in Paris; can we have a cup of coffee? We had that cup of coffee which I paid for (*laughter*)... so you see it's not really equal! We had that conversation very nicely. He was visiting our offices and then at a point in time we were visiting the Terrasse and he was seeing the view and he said something which is absolutely true, which is 'it's priceless'. I don't know why I reacted by saying it can be yours but, honestly, I had no idea what I was talking about. The return invitation – like socially you're given a return invitation – and we sat down in New York and we started to play with the ideas of what we could do together.

**John Wren**

Exactly, and each meeting ended with the desire to have another meeting. We traded cities not every weekend (every other) and just tackled questions that might stand in the way of us coming together. To both of our amazement, I think, the planets or stars all aligned and we were able to come to agreement on every single point for how we could do this and what it would mean, satisfying the desires of our clients and offering synergies for our people, and we concluded that we should.

We decided that we would engage bankers and then lawyers, who naturally tried to get in the way, but every time that happened – I think every difficulty we had in the conversations and the way we were able to resolve them only strengthened the bond and proved that we could co-exist, especially through a period of integrations because we're both big companies and the most amazing bit, other than the fact that we were able to come to agreement, was that we were able to actually keep it quiet, the group of people that we engaged from an employee point of view, a very tight group and here we are; again, I could not do this – this would not have been possible with any of the other groups that are in our industry-

**Maurice Lévy**

The same for me-

**John Wren**

-for a lot of reasons. I have great faith that Maurice and I will work very successfully through this and put together something that will define the legacy of both of us in years to come.

*\*Text here – question off-mic in venue\*... and can you give us a couple of the biggest issues that you saw, potentially, and how you managed to overcome any concerns you had?*

I think we started with the hardest, which was that Maurice has been CEO since 1987 and I have been CEO since 1997 and, when you have been around that long and you have that much experience with the clients and that much experience in the way that you've built your company, you are used to taking counsel from very smart people but you know you always hold the deciding vote, so we had to work through role-play, in many ways, a number of issues to make certain that we would commit to each other in a very serious way.

If we commit to each other and sometimes on issues I'll win and sometimes he'll win, but we keep that between the two of us, our organisations will function as they functioned when we were just simply the sole leader of it. We designed a process which will work individually for us, collectively, and we believe our organisation; I would say that is probably what we dealt with first. We already had great admiration and respect for the assets each held and then went from there.

**Maurice Lévy**

We addressed the issue of governance and the first issue we had to address, obviously, was strategically if this is making sense or not. We had no intention, whatsoever, to just do a deal to become bigger; this made no sense for us and it has never been our objective. It is a result of we grow, we are bigger, but the objective was not to do a deal to be bigger. The objective is to drive the key issues of the future of this industry. Strategically we believe we had something which was extremely right and we look at the governance, and we look at the other hardest issue which is conflict.

I know there are some people who are flagging conflict as one of the issues that will create enormous problems. Conflict is something that in our industry we used to deal with in the 70s and the holding company has been created in order to solve the problem of conflict. As I am a little bit shy I will not cover what we do at Publicis and, as we are modest, will not speak about what we do at Omnicom; we will cover, for example, WPP. I don't know if you have heard about WPP. It is a holding company in the UK. They are handling (I will take just one example) an account which is called Colgate-Palmolive - toothpaste and a few other things; Unilever - toothpaste and a few other things; Procter & Gamble - beauty, cosmetics and a few other things; a large piece of Estee Lauder and a large piece of something called Kimberly-Clark. Kimberly-Clark, Unilever and P&G would never accept to coexist within one single holding company only ten years ago.

I can go on speaking about this and we can speak about automotive. We can speak about other aspects. There are lots of areas where conflict exists and this is part of our daily lives. Some conflicts are more difficult than some others because, beyond the rationale and beyond the fact that you are putting some clear firewalls and some strict confidentiality systems, there are some emotional aspects, and we are not dismissing the emotional aspects. We know that we are in that business for a long time and we know our clients, and we know that some clients react negatively to some aspects. We discussed that and we looked at the possibility, and we do believe we will be able to offer a solution to all our clients - all our clients - that is clear.

We looked at something else, obviously the people - for the people it's so full of opportunities that we don't need to insist too much and we looked at when you put the assets together and beyond the strategic aspect what this is going to do for our clients, so Omnicom portfolio of clients and the assets of Publicis, and Publicis portfolio of clients and the assets of Omnicom; whatever we have said to the market, you add 100 basis points minimum of organic growth. You take our combined numbers, you take our combined indication for the future and you add 100 basis points because this is what will happen.

We can elaborate on this but I think we'll give the opportunity to some other people to put questions and probably we will be able to elaborate based on the questions they will be putting.

*\*Text here - question off-mic in venue re acquisitions\*...*

## **John Wren**

When you lay our portfolio and Publicis portfolio over each other, what you will see is there's a great deal of assets that we hold in common. Those assets are already perceived by the outside world as all being world-class and, even internally, people in my traditional

agencies like DDB and B.B.D.&O have tremendous respect for the Saatchis and Leo Burnetts and all the rest – that is part of the portfolio and on Publicis side Maurice and his management have made investments in companies like Razorfish and companies like LBi which have skills that go beyond the traditional skills we're embedding in every one of our companies and he does in his as well, which are technically competent that can operate on campaigns and from a messaging point of view to deeper tech.

We on the other hand have, I think, assets that they do not have; CRM we're the strongest in the world and PR we're deeper into public relations than Publicis is and Health Care – I think the combination of the two will clearly make us the leader. As the world emerges, among the many things that the emerging middle-class needs is health care and they will be willing to invest money; we're the leader, having the greatest people in there, and we have had a long history because we've had lots of determining how to cross-sell and where to cross-sell services across our portfolio. We know how to do that; we have been doing that for years and years, and we'll get now the opportunity to do that with Publicis clients. We'll get to take those assets that we do not have in our portfolio and also spread them across Omnicom's assets.

The upside opportunity is going to outlast both our careers, just because of the strength of what we have. We are also building many of the same things, perfecting them, and investing P&L-type dollars in creating them that we will now get to, in many instances, create once and quicker, faster and more powerfully because we'll make decisions about what areas we want to get. I don't think we are going to have the need, based upon the portfolio, to do large acquisitions for the foreseeable future. There will be acquisitions for a number of areas but it will allow us to continue to generate the best cash flow in the industry and return it appropriately to our shareholders. We will not be limited from a resource point of view from any level.

### **Maurice Lévy**

Just to complete what John has said, if you look at the weaknesses that we had, clearly there are two areas where we had almost no assets; one is on CRM – this is something that we wanted to build and there is an operation which is second to none at Omnicom, and the other one is on the other operations which are marketing... and branding where we have almost no assets. On digital we have very sharp and more technological approaches and capabilities, and what we have done with Digitas LBi, the product we have created, what Razorfish are doing on eCommerce and how we are building the suite of services for a client.

These are capabilities that are exceptional and which are giving us an incredible push in terms of growth, as you have seen the numbers recently, and this is something which, when we will be offering this and putting together the teams of B.B.D.&O and DDB with the teams of Digitas LBi or Razorfish together, looking at the client list it will happen, what is happening today with the Saatchis and Leo Burnetts or Publicis agencies – they will look at the client list and the people will get excited and say yes, I want my client to get this – why? – because they don't want that a third party is coming in the game. They prefer that it is a sibling which is taking care of this part of the business and the same when we will be sitting down with the creative agencies or the media agencies of Publicis, with all the other assets that John has in his portfolio and the reaction will be exactly the

same. That is the reason why you can count for the next few years to add 100 bips in terms of growth, clearly.

*\*Text here – question off-mic in venue re approach to efficiencies\*...*

### **John Wren**

The biggest difference is in our field marketing operations – we have what I kind of describe as fulfilment operations – they run relatively low margins, certainly on a scale basis, but frankly they have very little cost to capital to invest; you take that on contrast to say media and the media business, at least our media business and I assume Publicis as well has higher margins, but there's certainly some more investment along the areas of trading desks and digital platforms, etc, so frankly you need a higher margin to justify it from a return on capital basis. If we look at our mixes, those media businesses are about 12% of our revenue and it is 18+ - I think it's 18% excluding the digital piece – I don't know the exact number but it is quite a bit larger than ours on a percentage and on a dollar basis too...

### **Maurice Lévy**

... resource of some few tools that we have agreed to use and we discussed the production platforms. We have some production platforms which are exceptionally good. We're building the production platforms in Costa Rica and Colombia and we have, between the two, something like 600 people and we have about the same amount, maybe 800 people, in India.

We have a very strong base in Mauritius and these are highly-skilled people in a low-wage environment that will be accessible now to Omnicom and the same for the shared services; they have done a few. We have much more experience and we will sit down during the transition period and look at the very good things they have done; the ones we have done we will see what has to be the new system and we will implement the shared service in a way which will be satisfactory to everyone and which will generate some interesting savings, which is part of what we have mentioned in the synergies chapters.

When you look at all the various aspects of this transaction you see that, from a strategic point of view, we are creating something which will help us today at the forefront of what will be happening tomorrow and the transformation of what is going on currently in our industry, with the data; with the big players; with the changing landscape and with the blurring of the roles of all players, etc. If you look at the clients, this is something we already tackled and we believe that we will be able to manage all the issues and we will bring to our clients services, agencies and operations which are really the best in class in the industry, with a collaborative spirit, with an integrated approach and with the security in this very complex world that their message will go through despite the numerous ways of communicating with the people.

In terms of margin EPS and all the results, the balance sheet of the company and the financial statement, what you will see is something which will be extremely compelling and which will bring a lot of very good solutions. I think it would be interesting to hear John about talent because this is something where they have done a lot. All of the industry

is really in envy of what they have done and I think it's interesting that you say a few words on that, John.

### **John Wren**

Going on 18 years we've established the real need for training and development of our people, so we started the Omnicon University and we have invested quite a bit in that area in terms of how do you bring somebody new into the business; what do you train them on and how do you develop them – we have that. In terms of succession management we have detailed plans for every office, every significant client around the world and not only who's leading – something in a small office in India to who that individual's successor would be if some accident occurred – if you have 3 years to train and develop somebody, who that individual would be and 5 years out who that individual would be.

There is a lot of white space, as you can imagine, in the system but it is constantly updated by our folks. It helps guide us when we are developing and training people, the type of level of training we want to put them through and the speed in which we want to do it. At the core, what Maurice outlined and what I outlined – the only obstacles to them, truthfully, because our clients are dying to get somebody who can handle all this complexity and make intelligent strategic choices with them and the advice, but our only limitations are time; getting people educated as to what services are where and why these benefit people, and talented people.

We'll be able to deploy those systems and get even greater information, and find subject matter experts that maybe we were lacking that they have and vice-versa, so there's real upside and having the information and having it organised, knowing what you're doing and knowing what expectations you have of your management – that will aid the success and reduce the amount of time that will be needed to achieve our objective.

*\*Text here – question off-mic in venue re free cash flow\*...*

I cannot speak for Publicis (not yet) (*laughter*)... I'll speak about what we can speak about, what I know...

Omnicom, long ago, because it did not feel it had the need because we'd developed DOS to the size and the extent we had and because we had some of these other things, we passed on a number of large acquisitions because it was not necessary. What we have told our shareholders since the dawn of time is that we'd generate a lot of free cash flow and we'd return it to the shareholders through dividends, through acquisitions for which we want to always hold back some cash flow in case we change our mind on a particular asset, and then we'll use the balance to return to shareholders in other ways, with the objective of investing that cash on a regular basis.

I think with Publicis we've already agreed that the dividends of the NewCo will go up and the need for big acquisitions, at least in the near term, neither of us can see the need for that; we'll still probably do acquisitions but not to the size of cash that's been required in the past. The balance of the cash and how it gets disbursed will be up to our Board of Directors, really, with the very strong recommendation from us that it be returned to the shareholders.

## Maurice Lévy

Most of you know this story- we had to build capabilities in order to face the various changes of the world, starting with globalisation and then integration and, finally, digital and the emerging markets. We needed to invest quite heavily and we did it very cautiously and, at the same time, we have been able to generate a formidable cash flow. We are one of the cash machines of the industry as well as Omnicom is, and we promised the market when we met – we did this since slightly more than a year ago – in fact we started to indicate to the market at the end of 2011 that we would increase progressively our dividend payout ratio to 35%. The fact is that we have done most of what we had to do in terms of acquisitions.

The next step that we had was on CRM and it happened that with this operation we don't need to do it. The immediate good news is that we will have a payout ratio which will jump immediately to 35% unless the Board decides otherwise, but all the things we are telling you is something which has been approved by both Boards. We are not speculating on what the decision of the Board will be and as soon as next year you will get, on top of the exceptional dividend that our shareholders will be receiving, they will also be receiving a 35% dividend for the 2013 profit.

This is something which has been extremely clear and well-established, and when you look at the combined free cash flow that we are generating, I think we will have the means to keep a very low prudent debt to equity ratio, or debt to EBITDA ratio; this is something we will keep at a very low level. We think we will retain our BBB+ investor grade and we think we'll be able to distribute a fair amount of the profit either through dividends or other means.

*\*Text here – question off-mic in venue\*... The question is have the different strategies been attracting different kinds of shareholders?*

Yes, there are different shareholders and there are lots of overlapping shareholders as well. I don't think our strategies and actions have been expressed differently but I think we are both ultimately aiming towards the same objective which was to be of greatest benefit to our clients and assemble people talent and assets which could solve that, and be paid a very fair price for a very premium service. How it's gotten articulated, because we both started from different levels; that may be different, the story in one market versus the story in another, but the principles and the objectives – what we are doing, who we are doing it for and what we expect for it in return – those things have been common. I cannot speak to the mind of the shareholder, but just what we were trying to do with our organisations...

*\*Text here – question off-mic in venue\*... give us a sense of how much is likely to come from ... actually, behind the question on the different shareholders, it's people looking at it and seeing a lot of risk but more an enormous amount of delta in terms of EPS...*

Sorry, we could not hear – could you repeat it please?

*What is the delta between the upside that will come of the synergies from cost and the one from revenues?*

## Maurice Lévy

As you mentioned Publicis, I would like to be precise on 2 or 3 things because I think some people have written some elements which are not very precise, to say the least.

The first thing I would like to stress is that we started to indicate that we will improve our margin in the Publicis world in February 2012. It is not something that we indicated recently because we knew we would be doing the deal in order to push or bump our stock price as this has been suggested by some analysts. I think the analysts who wrote that were probably not paying attention to what we have been saying since February 2012, consistently, and that we have developed a plan on 23<sup>rd</sup> April when we were not yet clear if we would be doing something or not, so I think it's important for the record.

The second thing I would like to stress is on the risk, and Jean-Michel will cover (maybe with Randy) the synergies. The risk of this operation is extremely low. Many of you know me and many of you know that I have been through numerous transactions. I remember when we did the Saatchi deal, the reaction of many analysts saying wow, this is a broken company – the most broken company on earth and why is Maurice doing this deal, he's absolutely crazy – they will lose everything. At the end of the day it has been fantastic.

When we acquired Bcom3 which was about 80% our size, the reaction was the same – low margin – Bcom3 was delivery 8% margin; a complicated company... 'D'Arcy not a very good agency; they have some good assets but why is he doing this; there is so much risk in this operation that they will lose their soul and they will be distracted'... we had the best organic growth during this period. We solved all the problems. We managed all the issues and we have been able to integrate them swiftly, nicely and we did something which was a first in history, which was to dismantle D'Arcy and to redistribute, reallocate their accounts to Leo Burnett, Publicis or Saatchi and reallocate the people. It has been a tremendous success.

I can go to the acquisition of Digitas or that of Razorfish where people were thinking that Razorfish was a great operation when they were with () and they had lost a lot of traction due to the two years they spent with Microsoft which was actually wrong, but people were saying this. I think you should look at the reality. This transaction is big. It is very big but the risks are very, very low. The distraction will be minimal because we are not planning to merge B.B.D.&O with Leo Burnett; we are not planning to merge OMD with Starcom Mediavest... we are not distracting our people.

The distraction is very minimal but there will be some for a small group of people at corporate level. I have to say that because I think the vision is today obstructed by a lot of communication which has been made by people who feel extremely insecure about what we are doing and who feel extremely anxious – a lot of anxiety and I know that () will be sold at a very high price here – this is generating a lot of challenges in the industry and some will have to look for assets which are highly priced and poorly qualified. This is what may happen for the next step of the consolidation.

The risk associated with this operation which is not an acquisition; it is a merger of equals where you have two grey-haired, experienced (I have more grey hair than John, fortunately) (*laughter*)... that is the reason why I have more grey – this is an operation which will be run swiftly, easily and there will be minimal distraction and minimal risk.

The idea that the risk associated with the synergy is not a good balance, sorry to say (we know each other quite well) is not a good one. You will be extremely surprised when we will be doing all the necessary work; it will go fast, integration will happen immediately and when the people see that all this will be generating good growth and it will be generating a lot of positive aspects, I can tell you that this is something that we're extremely positive about in the interest of our clients.

### **John Wren**

They have done bigger acquisitions, integrated, so they have a way about it. I sat at the table when the last big merger of equals occurred, which was in 1986 or 87 when Omnicom was created and I have a lot of experience in what was done exceptionally well, which resulted in what Omnicom is today, and a few things which encumbered it – mistakes that do not need to be repeated and we've made certain we are not going to repeat those so with that you can go to the synergies but, I completely agree, it's just people wanting to see or create ghosts.

### **Jean-Michel Etienne**

I want to clarify a few things about the synergies. You have heard about the \$500 million of synergies but these synergies will be purely the result of combining the two groups. This is something that we did not have when we spoke to you on 23<sup>rd</sup> April and on the Publicis side I must tell you that all the cost initiatives that we have launched (they are ongoing already) will be delivered; we are working on that. This will happen, so we need to be extremely clear on that. The 500 million is purely the result of the combined group.

### **Maurice Lévy**

I have to give some very strong subtitles because everything that we are saying here, we have somebody who is interpreting what we are saying and as I am French my English is very poor but fortunately I have a friend here in London who is speaking for myself. Sometimes, as his French is not very good, I have to correct what he is saying.

*\*Text here – question off-mic in venue re distraction of huge merger\*...*

The train has left the station already, on that issue. You have to understand that all the initiatives that we have taken, they are ongoing. We have not said to the market on 23<sup>rd</sup> April 'here is the plan' and we will start then scratching our heads, saying how are we going to do that? As I said, the train has already left the station. We are already acting in that direction.

*\*Text here – question off-mic in venue\*... for example, the ERP initiative... if you rolled that out across the group that would be a saving that Omnicom were not going to achieve – it's that sort of saving, is it not, or will you find when you leverage off these two that you get more savings?*

*The question is, of the 500 million of synergies, the guidance that has been given by Publicis for their own margin improvements are still there...*

*... the question is where are the synergies coming from?*

Jean-Michel and I sat down and went through basically our cost structure. When you think about it, there's about \$4 billion on a combined basis of non-labour and service-related costs, so we looked at those and looked at the scale opportunities almost line-by-line. We did not go agency-by-agency; we took them at kind of a high-end level and I think we both have a pretty good idea of how scale can help in those costs. We then went through and looked at salary and service and thought about the efficiencies we could get in various operations, various countries around the world where we probably do not need duplicate operations.

We also think about – although we did not think terribly hard about it – there's about \$90 billion worth of spending (90 billion) between our billings number and our revenue number and there are bound to be a number of opportunities, frankly both on the revenue side as well as on the saving side in those numbers, so when we say 500 million I think we're all pretty conservative with those numbers. In combining the ERP systems and other things, based on the conversations we have had to date, I think Publicis does some things that are probably very good (I am sure are very good) and I think we do some things that are very good and when we get together and figure those out on a combined basis there are going to be more opportunities than what's there. They are not built in.

To go back, I wanted to kind of just put a summary on your questions, because we think about risk a lot, so on the revenue side it is the client loss risk which obviously the holding companies are very good at managing, but certainly understand how people could think it is a risk. There is also the upside, though, of all of the things that Maurice and John talked about of bringing the organisations together and being able to introduce new services. They may start to net out quite a bit. We actually think it is revenue positive. Then you get in \$500mn of just straight-up scale savings and there's about \$80mn/year of tax savings, so I think the upside is pretty significant relative to the risks – people want to talk about only the risks but the upsides we're talking about are not high-risk upside...

### **Maurice Lévy**

I think it would be good if John could say also a few words on the soft synergies and soft advantages that we'll be getting.

### **John Wren**

There are all sorts of positives which will create benefits for our clients throughout this entire process and, by the way, just one final word on the synergy; that is how we got to the numbers that we put in the presentation, from a deal that we kept secret from the world and the only reason we kept it secret is because we did not have vast groups already working on it otherwise you would have known about this before my wife did. In any event, what we'll do now in the intervening period between now and working on getting the necessary approvals, is we'll put the subject matter experts from each of our companies together in these little sub-committees and they will go through and start to discover very specifically and on a granular level what we should be doing as soon as we're able to do it, if we're able to act.

I am sure at some point later on, before we get final approval, we'll have a much clearer view of the timing and the amount of synergies we are going to achieve, but it's all upside,

both the way we're viewing it – hard upsides; real upsides and we think we have enough experience to mitigate the risk. We think we'll be in a completely different position for a completely different reason, and that is when you look at – this still was not done, as Maurice said much earlier – per size, but for the benefit (among other things) of our clients; with the amount of media we buy in a particular market, we are not going to hurt – we've never hurt our suppliers.

We have always been ethical in the way we have treated them and that is going to continue, but you can imagine that if you're the biggest character in a location and let's say you have clients that want special treatment – not special treatment but say the World Cup or the Super Bowl, or the Grammys, etc, etc; I would imagine the media handling that would probably stop at our door before they get to our next biggest competitor, and say 'is there any way we can accommodate you; is there anything you have a special need on or is there any positioning that you have a particular interest in' and that will also help ease the concerns of some of the flares that have been thrown up in terms of when we get an opportunity to go back to our clients and sit down and explain to them that we are not doing this for size and we're not simply doing this for financial reasons; we are doing this to create opportunities and service them better – all sorts of things are soft but really huge derivative benefits when you are perching it through that lens and that is also what we plan to do.

*\*Text here – question off-mic in venue\*... what has changed in terms of the past and now in acquisition strategy?*

There is nothing that's changed and, just to give you a real-life recent example of LBi, the number two bidder for LBi was Omnicom. It wasn't much but we didn't get it and Luke Taylor still remains today a dear friend of mine. He just beat me on that one. I don't send press releases out when I lose...

*... a good idea!*

I know – it's just a habit we picked up somewhere along the way (*laughter*)... but we have always admired and known what those assets are – it's how we prioritise what we're doing. I mean with the tech skills, and I don't want to tear the company apart otherwise we will be here for breakfast tomorrow morning but the capability he has in building certain products which he has and is starting to build platforms to build eCommerce or rebuild eCommerce... those are embedded in many of the acquisitions he did in addition to the things we had prioritised when we were working on it, which was to get everybody in what was called traditional agency digital savvy.

It really had more to do with how did you prioritise it? What were you willing to pay for that priority? We came very close to getting LBi and it was just a greater priority that made it easier for him to get there than me, but it was not that we weren't there, so they are complementary and we do desire them. They were on our list and now my list is more-or-less complete and we have enough raw material to work with here, to build something that is new and special. I don't know if that clarifies it for you?

*\*Text here – question off-mic in venue\*... and how is the combined entity going to be better able to compete against non-traditional agency entities? I think the big concern is*

*that this is also showing that strategically the agencies are a bit worried about the competition from software...*

... it's a very good question.

*The question is how the new entity is going to be able to compete with non-traditional agencies and how they are going to deal with competitors coming from the software world, and is it going to make it stronger or not?*

Pardon?

*I wrote a couple of months ago a big report about the CMO/CIO opportunities and identified 3 trillion (a big number) of potential addressable markets in the future for the agencies, which is not the traditional one; it's not coming from AMP spending – how are you going to address this?*

The first thing you should know is that I worry about everything every day and when I don't have anything to worry about that is what really gets me worried (*laughter*)... and that is why I am sitting here, more than anything else. We are cognisant of what is going on in the market place and how we are interfacing with some of the giants. So far it's really been through partnership and collaboration, for the most part, and I think from the emails that he and I have both gotten from the Google leadership and others, they are excited about this. We are excited about it. It can only deepen our relationship and not divide it.

It is my belief ( and I worry about it) as Accenture hire somebody and the lines start to blur and they come across, I think they will discover that because we not only have the tools but we have to create the ideas and we have to do the execution; they really only have the appetite for a part of that pie and they will not pursue it in any meaningful way. They do exist and we have to be aware of them. They are not a threat today. They are really an opportunity for us to go deeper in what we are great at, because we do it all from ideation down through execution and we have a lot more experience. I think that if the market place opens up we can drift into more of their space than they can drift into more of ours, but we are not doing this to have the resources to build a duplicate of Accenture and compete with them head-on-head. That is not our desire.

### **Maurice Lévy**

We know and we see that Accenture or De Loittes are acquiring some digital agencies. This is something that has not escaped our attention and we know also that they are trying to build some competencies in the field of branding and strategies, and this is also something which is happening from McKinsey and Bain – they are all going in that territory. As John said, not only are we capable of doing very high level reflection on what a brand stands for and what is the definition a brand, what they have to do and how they have to communicate etc, but we execute and the difficulty today – this is where we have an advantage which I believe is second to none – already we as Publicis had a clear advantage in the field of the new world... that is strengthened for two very important reasons.

The first one is scale. We will be in a game of scale. We already mentioned this. This is something that I covered during the presentation of 23<sup>rd</sup> April. This is something we started to mention last summer (I am speaking a year ago) when we were starting to see an evolution which could lead to some issues of scale, and we have to deliver at scale. When you look at how, today, we are delivering a very similar message to a cluster of people, we have crunch zillions of data and that is the paradoxical aspect of this new world – the more we have data and the more we crunch the data, the more fine-tuning we can be when it comes to messaging and to targeting and for that we need to invest more. We need to add more tools and we need to do a lot of things. That is something which is extremely important.

I would like to add something which I believe is also extremely important, which is the second point; already today we have with VivaKi, with what we are doing with the platform, we have been the very first to have agreements with Google, with Facebook and with all these people and now, with the combined entity, we will be the go-to person when they have a new idea, an innovation, or when there is a newcomer. They will knock at the door. If there is a door that they have to know the address it is ours. They may be lost because we will be partly in Paris and partly in NY, but at least this is helping them because the people in the US will knock immediately at one door in Madison Avenue and the people in Europe will knock immediately at another door which is on Champs-élysée with a priceless view, which is leading us where we are today.

When you look at all these aspects you see again – I am sorry to repeat it but I think I need to repeat it – taking all the elements of this merger of equals including governance because people say ‘governance, complicated, the French on the one hand and American on the other’ (*laughter*)... this is probably true in the minds of some people and it could have been true with the two of us ten years ago. Ten years ago I would certainly not have accepted for one second to share anything. I had an appetite to build Publicis. I wanted to do it. I had a mission. I was on a mission. Today I am an old man, completely tired, 71 years old and I am thinking about going fishing and skiing a little bit without breaking my legs and, honestly, I know the edge I have. I know what the future is.

I have a deep respect for John and for the person he is; for the values he is sharing and for the attitude he is having with the clients and the people; the respect he has for the competition and the fact that he has been always extremely respectful of Publicis Groupe and what we are doing. We are sharing clients and never has a client said ‘you know, John came to see me, blah-blah’ – NEVER – I would say the same from the competitors and I know that with this operation we will build something which will be second to none and which will result in a lot of value for our clients, for our people and for our shareholders.

### **John Wren**

As I said, I would not have even contemplated this with anyone else, each of us, other than Maurice because of the respect I have for him and the governance issues which we went through the pain of negotiating all those prior to getting to signing – the actual documents themselves are very thoughtful and look not only at the present but into the future to keep the balance, where it is necessary, alive. It will explain a lot to people who have decided to rub their noses over their skiis on what they’re speculating about at the moment – we looked at it and neither of us really were compelled to do this - our Boards and our

employees would have supported and endorsed us while we were on the journey in whatever fashion we wanted. The only thing that motivated us to do it was the possibility of what it would create.

After looking at the risks, knowing that by doing it we were both taking very strong solid legacies (him for 40 years and me for 30 years) and putting them on the table that this transaction, not for financial purposes personally - neither of us are going to get a lot wealthier as a result of it – it's to create something that we've dedicated our lives to creating anyway. We are going to do everything in our power to mitigate risk. We are going to do everything in our power. We are not going to change our behaviours because of this and we are going to govern the company in the same respectful and thoughtful way and I think separately it's all been thought out a lot further than some of our competitors would like you to believe.

I have got half my business in America and the other half of my business is around the world. He has a percentage of his business in France and a percentage of his business everywhere else. The people that work for us are covering the globe constantly. We are not dug in with manufacturing plants in one country or the other and it's going to be winners and losers; we have had to nurture and develop cultures that are absolutely global for a long time.

*\*Text here – question off-mic in venue\*... The question is about the future of Maurice Lévy and potential succession, and the second one about the CFO.*

### **Maurice Lévy**

We have set up something which is quite clear. There is a first period of 60 months (5 years) which is split into two different periods. The first one we are co-CEOs and this normally should help us to solve all the issues of the transition. Then John will be the sole CEO and I will be the Chairman. You have 5 years of tranquillity, if I may, and you can buy the stock and you can sleep; we will be taking care of your interests.

### **John Wren**

After the 5 years, whenever I step down and I am succeeded, I then become the Chairman...

### **Maurice Lévy**

... exactly – that was, we can say now, the plan and Jean-Yves deserves it. He knows that there is something which is major which is happening now, so he is aware. He has been part of the team and he knows that's the first step, because during the first step it was only John and myself and I was reporting to Elisabeth Badinter. She had to say yes or no immediately and if said no I would not have done it. I have always dealt with all the issues in a harmonious way with her. I hope Jean-Yves will be happy with what we will be working on after the transition period. The transition period is something where we will have a team working on the transition 50/50 of the team; we are doing everything equally and we decided from day one it's equal or nothing. If it is not equal it does not work. I have to lose a few pounds to be equal and I have accepted to do that. Everything has to be equal.

We will have that committee and we will have sub-committees which will also be on an equal basis for each discipline; the media, the advertising agencies, the digital CRM and all the other disciplines to see how we can best take maximum advantage of what we have and obviously this will be the major task of the CFOs – all the aspects of shared service, of synergies and of procurement because Randy said it – this is something that people have an idea; we will have something like 4 billion of third party. I don't see why our clients are putting some pressure on us and we should not put some pressure on our suppliers, nicely, because we are nice people...

**John Wren**

We can help them build their businesses!

**Maurice Lévy**

Yes, he was laughing when I said I was nice (*laughter*)...

**John Wren**

If you look across the tasks and the speed at which we want to deliver them and the talented people who are on our individual teams, we have more tasks than we have people, so there will be important jobs for anybody who is there who wants one. We said we'd balance it out and we'd make sure it looked and acted that way, so that is as much as we want to get granular on that because we have a lot of work to do *\*text here – interruption off-mic in venue\**... When it is appropriate we will make that decision and that is when we will tell you, but you need not worry about any of it.

*\*Text here – question off-mic in venue\*... are there any regulatory issues or hurdles...*

We have taken advice throughout this whole process from very competent attorneys.

**Maurice Lévy**

And very expensive also!

**John Wren**

Very true, yes.

**Randall Weisenburger**

It's a complex structure from a regulatory standpoint so we are going to have to do filings both in Europe and the US and it is certainly going to take us some time to do those filings. On a go-forward basis we are going to have to report in US GAAP and IFRs so we've got to get the systems and things to do that. From an Antitrust perspective there's a number of filings. I think it's 13 jurisdictions that cover about 41 or 43 markets. As John pointed out, we have had a lot of advice at this point from Antitrust attorneys and economists.

To break it down into talking points a little bit, they kind of divide our industry up into two sections through the services side of our business and the media buying side of our business. On the services side there really has never been a concern historically in deals about concentration or Antitrust because of the nature of those businesses. On the buying side there's been a focus – there has never been a deal stopped or an ultimate issue and, putting it in balance with the companies, on a combined basis that's about 15% of our revenue is media buying and planning and historically they've looked at this market by market and country by country, not jurisdiction by jurisdiction.

There are some 40 jurisdictions that you're going to divide that 15% of our revenue by and we have multiple brands in each so whether there is an issue or is not – we don't believe there will be an issue – no one piece is a material component of the deal that would really hinder it in any way. I don't think there is any completion risk. There is going to be a lot of work, a lot of filing and a lot of information, and Jean-Michel and my job of collecting that data will be quite challenging...

### **Jean-Michel Etienne**

... and none of like really easy to get stupid information which is not true should be used in making any analyses; those are (1) not correct – they're correct as to trend but not as to accuracy and (2) they don't take in what we actually do and when we file these papers will be included in defining the market...

### **John Wren**

... we also believe they are going to look forward, as opposed to trailing, so with the new media and new communication channels that are out there it's just a very different world than looking backwards...

### **Maurice Lévy**

I think we have time maybe for a last question, if there is any ... over there? *\*Text here – question off-mic in venue\**... I don't know for the S&P but what I can tell you is I spoke personally with the two important bodies who are responsible for that on Saturday, just prior to the announcement, and again on Sunday at the time of the announcement, because we wanted also to spend the trading of our shares in order to start at the same time and when I asked about KaK40 the answer was it will be a first and it is always good to have a first. I don't know when the committees will be meeting if this will work or not but the feeling we have is that it will work. It is in their interest – when you look at the position that we will have in the S&P and the position we will have in KaK40 – it will be in both their interest to keep it – sorry, Randy?

### **Randall Weisenburger**

S&P is more technical, so the way the company is structured I don't think there's a possibility of not being in the S&P.

### **Maurice Lévy**

Yes, this is clear, and as we will be number 12 or 13 market cap in KaK40 I doubt they will say we don't want you in KaK40 (*laughter*)... I really doubt it.

Before we close, I think it is important that maybe we say just one word in closing which is strategically this operation is really built for the future and it is something which is welcomed by the platform and welcomed by most of the clients - because you have not asked about the reaction of the clients, I am telling you that on both sides we had numerous emails from the clients saying this is great for us, because they see what they can get out of it. It is great for our talent and it is great for you and for our shareholders; 35% payout as soon as next year and, on the synergies, I think we have been quite clear. Our commitment is also quite clear.

We have something else in common which you will hardly see in the industry – take the last 13 years – if you start at 2000 and you look at the indication, the guidance which has been given by John... he doesn't? (*laughter*)... you'll see that they have been delivering exactly like a clock; boom, boom, boom on a regular basis. If you look at Publicis, we always delivered on our promises, and if you look now at the statistics during these last 13 years, you will see that on organic growth – I am speaking organic growth – you will have always either Omnicom or Publicis as number one and that was knowing – sometimes we are number two, sometimes they are number two and we decided by doing Publicis Omnicom Groupe, we will always be number one (*laughter*)...

Thank you very much.

### **Closing comments**

Thank you everyone. This is the end of the conference call. Thank you very much.