

Publicis 2020: Sprint To The Future

⇒ *Organic growth acceleration*

⇒ *Operating margin enhancement*

- **Be the leader of new client needs to win in the future: one-to-one consumer engagement at scale.**
- **A sprint to accelerate the Groupe's transformation.**
- **Deliver 4% organic growth in 2020 and improve operating margin rate by 30 to 50 basis points per year over 2018-2020.**

London , March 20, 2018 — **Publicis Groupe [Euronext Paris: FR0000130577, CAC40]** today holds its first investor day since 2013 to present its strategy and execution plan: *Sprint To The Future*. The Supervisory Board of Publicis Groupe has approved this plan and gives it full support to the strategy.

Through this Investor Day, Publicis Groupe wants to demonstrate its “how” to deliver greater value for its clients, talents and shareholders, at a time when the industry is facing several challenges.

Since 2014 and the acquisition of Sapiient, the Groupe has been implementing a profound transformation. This adaptation to a changing environment is the trademark of Publicis Groupe as it constantly listens to its clients and anticipates their needs. Publicis Groupe has not waited to implement strategic change and is now uniquely positioned thanks to three key differentiation points:

1. The vision: the technology provided by Publicis.Sapiient gives the Groupe the expertise to combine marketing and digital business transformation, connected with data. Thanks to its unparalleled assets, Publicis Groupe is able to engage with both chief marketing officers (CMO) and chief information officers (CIO) to help clients transform marketing and business at scale to face disruptive digital challenges.
2. The model: the Power of One gathers all the capabilities of the Groupe under one roof, putting clients at the core of the organization. It has led to the deployment of global client leaders (GCL) and the implementation of the country model with one leadership and a unified executive team from all the expertise of the Groupe to break down silos and increase efficiency.



3. The governance: the Groupe has successfully completed its management succession and has reinforced its decision-making committees, with a strong focus on executing its strategy.

Publicis Groupe has all the necessary assets to turn industry challenges into opportunities. This new model has started to produce some encouraging results, from new business, talent joining the Groupe, and solid financial results as reflected in 2017 when the Groupe delivered sequential improvement of organic growth quarter over quarter, and margin expansion, at constant restructuring charges.

Today, Publicis Groupe's management team is going one step further, sharing its reality and presenting its strategy and execution plan for the next three years: *Sprint To The Future*.

I. Bring to every client what will make them win in the future: one to one consumer engagement at scale.

Publicis Groupe has taken its clients challenges as the starting point of its transformation. Clients are evolving in a low growth environment; they are facing huge pressures on costs; and they are suffering from a lack of brand trust. New behaviors and disrupted media make it harder than ever for brands to engage with consumers. Major e-commerce activity has become a necessity for large companies, offering them the opportunity to gather first party data. At the same time, successful rising brands are adopting a direct-to-consumer strategy from the start, winning the hearts and minds of consumers, and thereby challenging traditional leaders.

In this context, each of the Groupe's clients will increasingly need to build one-to-one consumer engagement at scale. They have already started to shift their investments to obtain it. And Publicis Groupe delivers it. Interactivity with every consumer at each point of his / her journey has been the "*Holy Grail*" for advertisers for decades. Publicis Groupe is now able to achieve it as marketing and digital business transformation converge to connect data, content and technology in an omni-channel world.

Publicis Groupe has three strategic game changers to bring one-to-one consumer engagement at scale for all of its clients:

- Publicis Groupe knows how to make consumer engagement right, through its data expertise. Its new platform, the Publicis People Cloud, fed by individual IDs built by the Groupe, offers the ability to take better marketing and business decisions.
- Publicis Groupe knows how to make consumer engagement magic, through a new kind of content. Dynamic creativity make it possible to adapt creative content to each individual at every step of the consumer journey. Creative ideas now have the potential to bring personalized content.



- Publicis Groupe knows how to make consumer engagement work through technology and consulting. With its Digital Business Transformation expertise, the Groupe can help transform the business model of its clients to adapt to this new digital world.

Additionally, Publicis Groupe has a unique ability to integrate these strategic game changers through its organization which makes its value proposition unparalleled and truly compelling.

This model is new, fresh and effective. It is generating amazing interest from clients, and has already led to significant new business wins in the last few weeks with Mercedes-Benz, Campbell's and Marriott.

II. A sprint to accelerate the Groupe's transformation

Bringing one-to-one consumer engagement at scale to all clients requires an organizational shift to become a platform. By leveraging the Power of One, Publicis Groupe will accelerate its transformation, as speed is of the essence in this fast-paced environment.

This execution plan is formed of 6 actions to be fulfilled by 2020, and a clear roadmap has been assigned to each workstream.

1. Publicis Groupe has already appointed 35 global client leaders, to steer the relationship with its top clients through a single P&L per client and seamless access to the Groupe's capabilities. Today this represents 1/3 of the Groupe's revenue. This client-centric organisation proves every day its strengths both towards clients and the Groupe. It will be further developed by achieving 100 clients leaders appointed, representing more than 50% of the Groupe's revenue by 2020.
2. The country model is the right organisation to best serve clients by breaking silos, to focus on delivery and be efficient on resource management. The first results of this country model, which today represents 36% of Groupe revenue, are very promising. Within the next three years, this model will be expanded to all the geographies where the Groupe operates.
3. Publicis Groupe has the assets to provide marketing transformation and digital business transformation at scale. These assets will be enhanced and further deployed through 3 initiatives:
 - bringing all Groupe data capabilities on to the same platform,
 - creating six centres of excellence in Dynamic Creativity,
 - creating industry practices around digital business transformation.

Today, data, dynamic creativity and digital business transformation represent 16% of revenue with Publicis Groupe's top 100 clients. In 2020, they should represent 30% with a 70% share of the Groupe's total growth.



4. Publicis Groupe has implemented a best-in-class delivery model by gathering execution and production capabilities in India, Colombia, Costa-Rica and Mauritius. This organization will be developed further by increasing the headcount of these delivery centers from 8,700 to 13,000 by 2020, and reorganising expertise to deliver data, analytics, technology, content, digital production in a seamless way to all of the Groupe's agencies.
5. Publicis Groupe has already announced the creation of Marcel, a platform that will re-invent the way talents works in the future, by connecting all of its 80,000 employees. This platform is much more than a tool. It is a new way to work, to share, to learn and to create at the service of the Groupe's clients and talent. By 2020, 90% of the Groupe's employees will be connected.
6. Last but not least, to increase the power of its new model, Publicis Groupe is investing in its strategic expertise. The Groupe's talent will be the priority with hiring, training, development and re-skilling for an amount of 300 million euros over 2018-2020. Dedicated capex for Marcel, Publicis People Cloud and automation will represent 100 million euros over the next 3 years, and bolt-on acquisitions in the fields of data, dynamic creativity and digital business transformation should reach 300 to 500 million euros per year between 2018-2020.

Publicis is implementing a platform for growth that will benefit:

- its clients with unparalleled capabilities covering all of their needs through a tailor-made relationships,
- its talent to increase their potential,
- and the Groupe as a whole, a unique ability to cross-sell and manage resources.

III. Deliver greater shareholder value while transforming through accelerated organic growth and operating margin rate expansion

The Groupe aims to deliver greater value to shareholders through accelerated Headline diluted EPS growth over 2018-2020 resulting from three levers:

- accelerated organic growth,
- margin expansion,
- bolt-on acquisitions.

Stronger financial performance will position Publicis Groupe as the market leader in marketing and digital business transformation.

The objective is to post an accelerated organic growth rate over 2018-2020 with the aim to reach +4% in 2020, representing an incremental 900 million euros revenue over the next three years. This



acceleration is expected to come from 1) direct revenue generated by the three strategic game changers for 650 million euros with the Top 100 clients and 2) revenue resulting from cross-selling with existing clients and new business with new clients for 600 million euros. Both should largely override the 350 million euros attrition of more mature business.

Publicis Groupe is also targeting to expand its operating margin rate by 30 to 50 basis points every year until 2020. This includes a 450 million euros cost saving plan, fully aligned with the Groupe's strategy. These savings are rigorously assigned to identified areas of the cost base: 1) rightsizing of the mature businesses, 2) capacity and planning, 3) shared services, 4) country support functions, 5) real estate, 6) external spend. A dedicated execution plan for this program has been set up, with a governance team, one leader for each workstream and one sponsor from the Groupe's Executive Committee.

The cost saving plan is aimed at financing a 300 million euros operational investment plan over 2018-2020 that will support the growth coming from the game changers. Those investments will be dedicated to the Groupe's talent through hiring, training, development and re-skilling.

In the context of the Groupe's own transformation, Publicis Groupe needs to expand its capabilities in data, dynamic creativity and digital business transformation. The Groupe may also add some acquisitions to complete its geographical footprint. Publicis Groupe therefore anticipates the investment dedicated to a bolt-on acquisition plan could amount to 300 to 500 million euros per year over 2018-2020. Over the years, Publicis Groupe has demonstrated its financial discipline on acquisitions, and, the Groupe expects the incremental profit from those acquisitions to contribute to enhance Headline diluted EPS growth over the period. The Groupe would sustain shareholder value creation through the implementation of a share buyback program, should the amount spent in acquisitions be at the lower end of the plan.

Publicis Groupe aims to deliver an accelerated 5% to 10% Headline diluted EPS growth per annum over the next 3 years, at constant currencies, thanks to continuous organic growth improvement, margin expansion and contribution of acquisitions to earnings.

Free cash flow generation is expected to remain strong and Publicis Groupe's balance sheet will remain solid. With a dividend pay-out of circa 45%, dividend growth is due to accelerate over the next 3 years.

In a challenged market characterized by low growth and cost pressure, Publicis Groupe wants to show its progress at every step of the journey with a new set of indicators that can be followed both internally and externally.



The go-to-market strategy bringing together data, content and technology is aligned with clients' needs and will benefit from the three game changers. Three KPIs are introduced to demonstrate the strength of the strategic game changers and the scale achieved with top clients: 1) the revenue they generate, 2) the share they represent with the top 100 clients, and 3) their share in the Groupe's growth.

To execute on this new model and better manage resources, there will be an acceleration of the Groupe's transformation as a platform. Indicators will therefore be 1) the number of global client leaders to strengthen top clients relationship, 2) the percentage of revenue coming from country model, and 3) the headcounts working for delivery platforms. The improvements this new organisation will bring to resource management should be tracked through six levers of the efficiency plan.

In terms of investment, the priority is to bring on board the people and capabilities to deliver the expected growth. As a result, the implementation of the investment plan to scale the game changers will be closely monitored. This will reflect the Groupe's ability to attract new profiles but also to enable its talents to evolve with the new strategic game changers.

With these KPIs, Publicis Groupe will be able to improve its performance and better manage its resources. These indicators will be communicated every six months until the end of 2020. And they will be used internally on a day-to-day basis as levers for further improvement, in every area.

All the energy of the Groupe is mobilized to execute its strategy and to deliver greater value to its clients, its people and its shareholders. A dedicated incentive plan, fully aligned with the objectives presented during the investor day, will be implemented for the group of executives in charge of the execution of the plan.

Arthur Sadoun, CEO and Chairman of Publicis Groupe said :

"We are approaching this first investor day for Publicis Groupe since 2013 knowing that both our industry and our clients are being challenged.

For us it is a unique opportunity to show our reality and demonstrate our confidence in the future.

Thanks to the vision of Maurice Levy, we have not waited to change. Today, we have the assets, with a huge competitive advantage in technology, the vision, the organization thanks to the Power of One, and a future-facing management team to deliver greater shareholder value through accelerated organic growth and operating margin enhancement.



We can now bring to our clients what will make them win in the future: one-to-one consumer engagement at scale thanks to our three connected strategic game-changers in data, content and technology and consulting.

This give us a unique position on the market as no one else can deliver this range of expertise at scale in a connected way, with the necessary credibility with CMOs and CIOs. Thanks to our offer and our teams, we are seeing some promising results, with unprecedented new business momentum such as Mercedes-Benz, Marriott and Campbell's.

We are now on a sprint to transform Publicis Groupe from a holding company to a platform through concrete actions, in order to deliver our offer at scale and gain in efficiencies.

We expect bumps in the road but we are committed to follow our plan, Sprint To The Future. We will monitor our progress through dedicated indicators and share them with our talent, our clients and our shareholders every semester.

No doubt, the present is complex. But the future will be bright for those who can help their clients accelerate their sales, reduce their costs and win the battle with new competition. And the only way to do that is to deliver marketing and business transformation, connected by data. This is where we are today and how we will lead our industry tomorrow.

I would like to thank our clients for their continued trust and outstanding partnership in this journey. A special 'merci' for those clients who have lent their voices to ours today in London to share their experience of our joint transformation journey.

I want also to thank everyone within our group for all of their efforts over the past few years, which make these latest steps in our transformation possible. And I want to say a big 'merci' to all of them for everything they will do during this Sprint to the Future to take Publicis Groupe to new heights"

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Disclaimer

All the financial information and projections in this presentation have been prepared excluding the application of IFRS 15 as of January 1, 2018, the application IFRS 16 as of January 1, 2019, and the impact of currency movements. Publicis Groupe does not anticipate those three items to impact organic revenue growth by 2020 and improvement in operating margin rate over 2018-2020. However currency movements may affect financial indicators in value, including revenue, operating margin, Headline diluted EPS, dividends and free cash flow.

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About Publicis Groupe - The Power of One

Publicis Groupe [Euronext Paris FR0000130577, CAC 40] is a global leader in marketing, communication, and digital transformation, driven through the alchemy of creativity and technology. Publicis Groupe offers its clients seamless access to its tools and expertise through modular offering. Publicis Groupe is organized across four Solutions hubs: **Publicis Communications** (Publicis Worldwide, Saatchi & Saatchi, Leo Burnett, BBH, Marcel, Fallon, MSL, Prodigious), **Publicis Media** (Starcom, Zenith, Spark Foundry, Blue 449, Performics, Digitas), **Publicis.Sapient** (SapientRazorfish & Sapient Consulting) and **Publicis Health**. These 4 Solution hubs operate across principal markets, and are carried across all others by **Publicis One**, a fully integrated service offering bringing together the Groupe's expertise under one roof. Present in over 100 countries, Publicis Groupe employs nearly 80,000 professionals.

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