

Omnicom and Interpublic - Capturing Scale Without Losing the Client

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Decision scope: Pre-close integration planning for the proposed combination

Case convention: The assignment and alternatives are author-created. Company disclosures are historical; this case does not describe private deliberations or assert that the transaction was approved or completed.

The decision

On 9 December 2024, Omnicom Group and The Interpublic Group of Companies (IPG) announced a definitive agreement to combine. Eligible IPG shareholders would receive 0.344 Omnicom shares for each IPG share. The companies estimated that, after closing, existing Omnicom shareholders would own 60.6% and existing IPG shareholders 39.4% of the combined company on a fully diluted basis. The companies expected closing in the second half of 2025, subject to shareholder, regulatory and customary approvals. At the information cutoff, those approvals were pending. [S1]

The announcement put a large number beside the integration challenge: management estimated \$750 million in annual cost synergies, with a significant majority expected within 24 months after closing. It also estimated about \$450 million in cash costs to achieve them. Neither figure was an audited savings schedule or realized result. [S2]

For this case, assume you are advising a **hypothetical joint pre-close integration-planning committee**. It must prepare a recommendation for the boards on the operating architecture to use if the transaction closes. Until then, both companies continue operating independently; any planning must remain subject to applicable legal, regulatory and clean-team safeguards. This is a classroom framing, not a claim about an actual committee or private company plans.

Assignment: Recommend an integration architecture that can pursue the announced cost target while protecting client relationships, agency capabilities and talent. Choose among a scale-first integrated platform, a federated agency portfolio, or a selective staged design with client-specific safeguards-or make a clearly specified variation. Identify what should be integrated, what should remain autonomous, what must be measured before each integration step, and which evidence would cause you to change course. Use only information publicly available through 9 December 2024.

Two businesses with different reporting lenses

Omnicom and IPG competed in advertising, media, marketing, communications and related services. Their portfolios included networks and agencies serving clients across disciplines. The transaction announcement presented the combination as a way to join data, technology, identities, service breadth and talent, and to improve client outcomes. These were management's strategic claims, not established post-combination results. [S1]

Their revenue lines do not use identical presentations. Omnicom reported 2023 revenue of \$14.692 billion. IPG reported \$10.889 billion of total revenue, including \$1.489 billion of billable expenses, and \$9.401 billion of revenue before billable expenses. Billable or pass-through expenses largely represent amounts billed to clients for third-party costs; the gross and net presentations complicate simple scale comparisons. [S3, Item 7, p. 9; S6, Item 7, p. 23]

The latest quarterly disclosures also showed different trajectories and denominators. Omnicom reported third-quarter 2024 revenue of \$3.883 billion, organic growth of 6.5%, adjusted EBITA growth of 7.9% and an adjusted EBITA margin of 16.0%. IPG reported third-quarter total revenue of \$2.629 billion, including \$386 million of billable expenses; organic revenue before billable expenses was flat year over year. IPG's adjusted EBITA margin was 17.2% on revenue before billable expenses for the quarter. The companies' measures are issuer-defined and not directly comparable. [S4, pp. 2, 16-20; S5, Ex. 99.1 and Ex. 99.2; S7, p. 3 and pp. 29-30]

Exhibit 1. Announced transaction and management estimates

Item	Information available on 9 December 2024	Classification
Consideration	0.344 Omnicom common shares for each eligible IPG common share	Announced transaction term [S1]
Estimated ownership	60.6% Omnicom / 39.4% IPG on a fully diluted basis	Company estimate [S1]
Expected timing	Second half of 2025, subject to approvals and customary conditions	Company expectation [S1]
Annual cost synergies	\$750 million run-rate; significant majority expected within 24 months after closing	Management estimate [S2]
Cash costs to achieve	Approximately \$450 million	Management estimate [S2]
2023 combined financial profile	Revenue \$25,582 million; adjusted EBITA \$3,860 million; company-defined free cash flow \$3,336 million	Arithmetic sum presented by the companies, not Article 11 pro forma results [S2]
Company-presented leverage	2.1x debt / LTM EBITDA at 30 September 2024, before synergies	Company-presented pro forma ratio; debt excludes Omnicom's \$750 million note repaid in November [S2]

Metric definitions and limits. The investor presentation's combined results are arithmetic sums of standalone 2023 company results, not an audited combined balance sheet or Regulation S-X Article 11 pro forma statement. Adjusted EBITA excludes amortization of acquired intangibles and internally developed strategic-platform assets plus specified adjustments. Company-defined free cash flow is operating cash flow adjusted for operating-capital changes. The 2.1x leverage measure uses LTM EBITDA through 30 September

2024 and company-presented pro forma debt excluding the November note repayment; synergies are excluded. [S2, pp. 14-15, 19, 24, notes 2-6]

Exhibit 2. Scale and recent operating context

USD millions unless noted. The two companies' revenue presentations are not fully comparable.

Measure	Omnicom	IPG	Period / basis
Reported revenue	14,692.2	10,889.3	FY2023; IPG total includes \$1,488.7m billable expenses [S3; S6]
Revenue before billable expenses	Not presented on the same basis in the cited table	9,400.6	FY2023 [S6]
Operating income	2,104.7	1,482.6	FY2023, issuer-reported [S3; S6]
Adjusted EBITA	-	1,566.6	FY2023; IPG adjusted, non-GAAP, 16.7% of pre-billable revenue [S6]
Q3 2024 reported revenue	3,882.6	2,628.8	IPG includes \$386.1m billable expenses [S4; S7]
Q3 organic measure	+6.5% organic revenue; +7.9% adjusted EBITA	Flat organic revenue before billable expenses; total revenue –1.9%	Company-defined measures; not equivalent [S5; S7]
Q3 adjusted EBITA margin	16.0%	17.2%	Omnicom measure versus IPG margin on pre-billable revenue [S5; S7]

These figures describe different reporting choices and periods. They do not by themselves show which company had better client economics, stronger cash generation or more integration capacity.

Exhibit 3. Scale opportunity in context

Comparisons below use the companies' own fiscal-year 2023 definitions and currencies.

Company presentation	FY2023 measure
Omnicom + IPG	\$25,582m arithmetic-sum revenue; \$3,860m arithmetic-sum adjusted EBITA [S2]
WPP	£14,845m revenue; £11,860m revenue less pass-through costs; £531m statutory operating profit; £1,750m headline operating profit; 14.8% headline margin [S8]

Company presentation	FY2023 measure
Publicis Groupe	€13,099m net revenue; 6.3% organic growth; 18.0% operating-margin rate [S9]

Currencies, gross-versus-net revenue, fiscal periods and adjusted-profit definitions differ. This exhibit is context about the competitive field, not a ranking or a like-for-like margin comparison. Publicis's approximately €1.7 billion adjusted free cash flow is before working-capital change; its reported free cash flow was €1.547 billion and included a €148 million Rosetta settlement cash impact. [S9, pp. 1-2, 7]

What might scale create-and what might it disrupt?

The proposed combination could support a broader service offering, shared data and technology investment, purchasing scale and removal of duplicated corporate or operating costs. It could also combine client portfolios in ways that create conflicts, blur accountability or make clients reconsider assignments. Employees may face uncertainty about roles, systems and agency identities. Those are risks identified in company disclosures, not evidence that a particular client or employee would leave. [S1; S3, Item 1A; S6, Item 1A]

The public record does not show a client-by-client map of competing assignments, contract-specific termination rights, account profitability, client consent requirements or an auditable bridge from cost pools to the \$750 million target. It therefore cannot establish which accounts are exposed, the probability of attrition, how much can be cross-sold, or the timing and net value of savings.

Research offers a framework, not a deal forecast. Silk and Berndt's historical panel of eight global advertising and marketing-services holding companies found modest modeled scope savings; it is not a synergy rate for this transaction. [S10] Rogan's observational study of acquired advertising agencies found that client-overlap effects varied with the change in overlap and the agency/client context. Its selected sample and complete-case limits matter; the reported 4.21 crossing point is a model-specific value on a study measure, not a client-count threshold or prediction for Omnicom and IPG. [S11] Bodner and Capron describe several post-merger integration archetypes, including choices about the extent and pace of integration. Their framework helps structure alternatives but does not identify a winning design for this combination. [S12]

Exhibit 4. Three plausible operating architectures

Alternatives for analysis; these are not reported company plans.

Architecture	What it could do	Strategic upside	Principal exposure / test
1. Scale-first integrated platform	Move rapidly toward common platforms, systems, procurement, shared services and overlapping infrastructure; combine selected capabilities under common leadership	Strongest route to remove duplication and coordinate broad offerings	More disruption and client-conflict exposure; requires evidence that shared capability benefits exceed transition and retention costs

Architecture	What it could do	Strategic upside	Principal exposure / test
2. Federated agency portfolio	Preserve agency brands, client teams and decision rights; integrate only clearly separable corporate services and infrastructure	Greater continuity, local accountability and client familiarity	May leave duplicated costs, fragmented data and slower capability coordination; requires evidence that autonomy preserves more value than it costs
3. Selective, staged integration with client safeguards	Start with separable support functions and opt-in capabilities; map client conflicts and contracts; phase higher-risk integration behind decision gates	Balances a measurable savings path with client continuity and learning	Governance and ring-fencing may add cost and slow savings; needs accountable owners, exception rules and milestones to avoid indefinite delay

The evidence you would want before making each move

The design problem is not simply whether to combine systems. A useful plan would identify which data can be shared, which client teams must remain separate, who can approve exceptions, and how to protect service while changing roles and processes. It would distinguish the announced gross run-rate target from the timing of realized savings, the cash cost of implementation and any revenue or talent effects.

Before closing, the planning committee can specify hypotheses and request appropriately aggregated or clean-team-reviewed information. It cannot assume unrestricted access to competitively sensitive client details or direct either company's operations. The public sources do not supply the required confidential data; students should state what they would request and how access would be governed.

Potential measures include client retention and renewal by service line, scope changes, service quality, key-person retention, conflict exceptions, platform adoption, savings by cost pool, one-time cash cost, and implementation milestones. No baseline values for these measures are supplied in this case.

Your recommendation

Submit a concise board memo that:

1. Selects and defines an operating architecture, including what should be integrated first and what should remain independent.
2. Explains how the approach could capture value while limiting client, talent and execution risks.
3. Separates company estimates, reported historical facts, calculations and your own assumptions.
4. Identifies the information, decision gates and early-warning measures needed before deeper integration.
5. States the strongest argument against your recommendation and what evidence would cause you to change it.

Discussion questions

1. Which part of the announced value-creation thesis is most plausible, and which is least supported by evidence?
2. What is the strongest case against the architecture you selected?
3. Which new evidence would most likely change your recommendation?

Sources and conventions

S1. Omnicom and IPG, “Omnicom to Acquire Interpublic Group to Create Premier Marketing and Sales Company,” 9 Dec. 2024, transaction-details paragraphs. Definitive agreement signed 8 Dec. 2024; deal terms, ownership estimate, management rationale and expected timing.

S2. Omnicom and IPG, joint investor presentation, 9 Dec. 2024, physical PDF pp. 10-11, 14-15, 19, 24 notes 2-6. Management estimates, arithmetic-sum results, definitions and leverage basis.

S3. Omnicom, 2023 Form 10-K, Item 7, “Summary of Results of Operations,” printed p. 9; Item 1 Business, pp. 1-3; Item 1A risk factors.

S4. Omnicom, Q3 2024 Form 10-Q, consolidated income statement, printed p. 2, and MD&A, pp. 16-20; quarter ended 30 Sept. 2024.

S5. Omnicom, Q3 2024 Form 8-K, Ex. 99.1 earnings release and Ex. 99.2 investor presentation, filed 15 Oct. 2024; opening results, non-GAAP reconciliation, summary and revenue-by-discipline slides.

S6. IPG, 2023 Form 10-K, Item 7, summary table, printed p. 23; Item 1A risk factors.

S7. IPG, Q3 2024 Form 10-Q, consolidated statements, printed p. 3, and Item 2 MD&A, pp. 29-30; quarter ended 30 Sept. 2024.

S8. WPP, 2023 Preliminary Results, 22 Feb. 2024, “Key figures.” Company-reported £m revenue, revenue less pass-through costs, statutory and headline operating profit.

S9. Publicis Groupe, Full Year 2023 Results, 8 Feb. 2024, pp. 1-2 and 7; company-reported EUR net revenue, organic growth, operating-margin rate and FCF definitions.

S10. Silk, Alvin J. & Berndt, Ernst R. (2004), “Holding Company Cost Economies in the Global Advertising and Marketing Services Business,” *Review of Marketing Science* 2, Article 5, pp. 1-51, especially Table 5, pp. 35-36. Historical panel of eight holding companies, 1989-2001; modeled scope savings are not a deal-specific forecast. Bibliographic and access details are in the research source register.

S11. Rogan, Michelle (2014), “Too Close for Comfort? The Effect of Embeddedness and Competitive Overlap on Client Relationship Retention Following an Acquisition,” *Organization Science* 25(1), 185-203, DOI 10.1287/orsc.2013.0833. Sample, methods, Models 1-4, Table 3 and Figure 2; observational and selected sample. Details and limitations are in the research source register.

S12. Bodner, Jens & Capron, Laurence (2018), “Post-merger integration,” *Journal of Organization Design* 7, Article 3, DOI 10.1186/s41469-018-0027-4, printed pp. 2-3 and Fig. 1. Organizational-design framework, not a causal test of this transaction.

All monetary amounts are USD unless marked otherwise. Company-defined non-GAAP measures retain their issuer labels. Derived ratios and classroom assumptions are identified in the teaching note; no post-cutoff transaction outcome is included in this student manuscript.