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BUSINESS

Publicis Shares Plunge After Ad Giant Cuts Guidance

French firm says industry upheaval will weigh on growth this year

Publicis, like much of the ad industry, is trying to retool its business to satisfy marketers' demands for more tech-savvy agencies. **PHOTO:** CHARLES PLATIAU/REUTERS

By Stacy Meichtry and Alexandra Bruell

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PARIS—Shares in Publicis Groupe SA PUBGY **1.31%** ▲ plunged Friday after the advertising giant lowered its guidance for the second time in a year, stoking fears about the ad industry's ability to cope with a host of challenges including the increasing dominance of tech giants.

Publicis said it expected organic revenue--a key metric that strips out currency effects and acquisitions--to decline 2.5% this year, a shift from its guidance in July when the company said it expected the figure to remain "broadly stable." Shares in Publicis dropped more than 13% in response to the warning, which also punished other large ad holding companies like WPP PLC, which fell by nearly 4%.

The ad industry is in upheaval as it grapples with challenges like the rise of Facebook Inc., Alphabet Inc. 's Google and other platforms. Advertising firms are struggling to retool their businesses to satisfy marketers' demands for more nimble and tech-savvy agencies that are focused on big data and analytics. They have gone on acquisition sprees, bringing legions of information-technology experts into their ranks, but those moves have not stemmed the bleeding.

Publicis reported a 2.7% fall in organic revenue in the third quarter, blaming cuts from a handful of U.S. advertising clients and softer-than-anticipated performance at its media agencies. Publicis also attributed the decrease partly to an ongoing reorganization at digital agency Publicis Sapient—an effort to take on bigger and broader business projects in the U.S. Those new projects haven't yet compensated for the decline in one-off and project-based digital assignments, the company said in a statement.

"We could have chosen the easy route and taken advantage of the status quo to find small pockets of immediate growth," said Chief Executive Arthur Sadoun. "Instead we are accepting this painful situation in the short-term, to be better prepared for the future."

Publicis has been pursuing a broad reorganization, including an investment in data capabilities and technology. It earlier this year agreed to acquire Alliance Data Systems Corp.'s marketing-services business, Epsilon, for $4.4 billion.

The ad business is facing a flurry of challenges as clients replace long-term agency contracts with short-term projects, cut agency fees and seek new expertise to help them resonate with ad-averse consumers who are spending more time online. Ad holding companies are also competing with consulting firms that are aggressively acquiring ad services capabilities and agencies.

Publicis had already cut its organic revenue growth target in July. For 2020, the company expects its organic revenue growth to come in between minus 2% and positive 1%.

Write to Stacy Meichtry at stacy.meichtry@wsj.com and Alexandra Bruell at alexandra.bruell@wsj.com