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Interpublic Operating Income Increases Despite Headwinds in the U.S.

Latin America, continental Europe and Canada performed better, ad giant says



Interpublic CEO Michael Roth said signing up new clients such as Levi's should help the ad company's U.S. business. PHOTO: RICHARD DREW/ASSOCIATED PRESS

By Nat Ives

Oct. 22, 2019 12:08 pm ET

Interpublic Group of Cos. posted a higher third-quarter profit, even as account losses late last year weighed on sales in the U.S.

The advertising giant said operating income was \$280.3 million in the period, an increase of 7.1% from the equivalent period a year earlier, helped by growth in international markets. Earnings per share of \$0.49 slightly beat analysts' average forecast of \$0.47, according to FactSet.

Total third-quarter revenue was \$2.4 billion, up 6.1%. But in the U.S., organic net revenue—the company's preferred sales measure, which strips out currency effects and acquisitions—fell 0.6%.

• **The Changing Consumer: Demographic Forces at Play**

Digging into data about changing U.S. demographics is fundamental to understanding today's consumer. Deloitte research finds that shifts in diversity, geography, education, and life cycle milestones have led to a more heterogeneous consumer base with a much broader set of needs and shopping habits. *This is the first article in a two-part series exploring the modern consumer.*

Please note: The Wall Street Journal News Department was not involved in the creation of the content above.

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New business wins this year should help restore growth in the U.S., Interpublic's largest market, Chief Executive Michael Roth said during a call to discuss the results with analysts, citing new clients such as Levi Strauss & Co., Humana Inc., TaxAct Holdings Inc., Airbnb Inc. and Slack Technologies Inc.

"The other reality of our business these days is that you don't have these big clients," Mr. Roth said. "It's more, it's a bunch of doubles and singles as opposed to home runs. But we're doing a pretty good job at that, which is why we're net new business positive and a fair amount of that is in the U.S."

Interpublic, which owns agency networks including McCann Worldgroup, MullenLowe Group and IPG Mediabrands, reported an overall 1.4% increase in third-quarter organic net revenue.

International markets delivered organic net revenue growth of 4.5%, driven by Latin America, continental Europe and Canada. Growth slowed in the U.K., Interpublic said.

Shares of Interpublic were up around 2.2% at \$21.25 each in late-morning trade.

Like other ad-agency holding companies, Interpublic is contending with its clients' changing needs. Traditional advertising has become less efficient, while growing fields such as data-driven marketing demand new skill sets and resources.

To help answer those challenges, Interpublic last fall acquired Acxiom Corp.'s Marketing Solutions unit, which specializes in housing and managing consumer data, for \$2.3 billion. Last

month, Interpublic promoted Philippe Krakowsky, an executive closely involved with that deal, to the newly created post of chief operating officer, putting him in line to eventually succeed Mr. Roth.

Analysts are eager to understand just how much the Acxiom deal and other sizable acquisitions are helping big ad companies.



Interpublic Group CEO Michael Roth PHOTO:IPG

Mr. Roth said on the call that Acxiom is meeting its expectations, benefiting growth and margins. “Acxiom has been part of a number of our new business wins and frankly, working with existing clients and adding value to our existing clients,” he said.

Rival company Publicis Groupe bought Alliance Data Systems Corp. ’s Epsilon marketing-services business for a net

purchase price of \$3.95 billion in July.

Publicis recently revised its 2019 guidance downward for the second time, citing cuts from some U.S. advertiser clients, soft performance by its media agencies and a continuing effort to reorganize digital agency Publicis Sapient to better compete for broader business projects.

Interpublic on Tuesday confirmed its full-year target of organic growth at the high end of 2% to 3%.

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