

Publicis Groupe S.A.

The ad-industry share winner: data, identity and AI are converting a holding company into a client operating system

Ticker / reference price	Equity / enterprise value	FY2025 headline EPS	Current income yield
Euronext Paris: PUB / €85.70	€21.3bn / ~€22.5bn	€7.48	4.4% dividend

Reference price from July 2026; operating data through June 30, 2026. Enterprise value uses H1 net debt of €1.2bn and excludes lease liabilities. [1][2][5]

MARKET COMMENTARY | FOR INFORMATIONAL AND EDUCATIONAL PURPOSES ONLY

This material does not describe any First Principles fund or advisory service and is not an offer or solicitation to purchase or sell any security or interest in any investment vehicle. It is not investment, legal, tax or accounting advice. Forecasts and scenarios are hypothetical and do not represent actual First Principles investment results. See Important Disclosures.

5-YEAR TSR REFERENCE CASE: 14.0% = 4.4% + 8.0% + 1.6%			
14.0%	4.4%	8.0%	1.6%
Annualized TSR	Dividend yield	EPS growth	Multiple reversion

Mechanical bridge: €85.70 / roughly €6.58 LTM GAAP EPS = ~13.0x, reverting over five years to a ~14.1x positive-observation decade mean. Headline P/E is lower at 11.5x; the TSR bridge uses GAAP consistently with the history. [2][8]

Thesis

Publicis has spent a decade replacing a federation of agencies with a connected data, identity, media, creative and technology platform. The result is visible in market share: in 2025 Publicis grew organically 5.6% while WPP's like-for-like revenue less pass-through fell 5.4%—an 11-point gap—and Publicis earned an 18.2% margin versus WPP's 13.0%. The Q1 2026 growth gap widened to 11.2 points. Those are not normal cyclical differences; they are evidence that clients are consolidating spend with the better operating system. At 11.5x headline EPS with a 4.4% yield, investors are paying an average-agency multiple for the industry's clear share winner. [1][2][3][4]

Four-question scorecard

Question	Score	Why it is not higher
Business quality	4.5 / 5.0	Client-critical, low-capital and increasingly data-driven; people, procurement and campaign cyclical cap perfection
Price	4.5 / 5.0	11.5x headline EPS and 4.4% yield for industry-leading growth, margins and cash conversion
People / allocation	4.5 / 5.0	Sadoun anticipated identity and AI; LiveRamp price and integration remain the next test
Hidden nugget	4.5 / 5.0	Share gains versus WPP reveal a platform advantage that reported agency categories obscure

2 Business and Industry

Publicis is monetizing the orchestration layer between consumer identity, media inventory, creative content and enterprise technology

Business model in plain English

Publicis helps large companies decide whom to reach, what to say, where to buy media, how to build the customer experience and how to measure the result. Media and creative work remain important, but Epsilon's identity data and Publicis Sapient's technology capabilities let the group connect insight, activation and commerce. The Power of One structure gives clients one accountable team and lets Publicis deploy specialists without forcing the client to coordinate separate agency brands. [1][2]

Capability	What the client buys	Economic role	Moat evidence
Media	Planning, buying and optimization	Scale, data and recurring retainers	Record wins and global inventory access
Epsilon / identity	Known-customer profiles and activation	Proprietary data and measurable ROI	4bn profiles after Lotame; LiveRamp expands interoperability
Creative / production	Ideas, content and personalization	Talent plus AI-enabled throughput	Connects brand work to media and data
Publicis Sapient	Digital business transformation	Higher-value consulting / implementation	Embeds Publicis inside client workflows

Why business quality is 4.5 / 5.0

- Revenue is diversified across more than 100 countries and thousands of clients; the top-client retention rate was 98% in 2025. [2]
- The model is low in physical capital and converted to €2.0bn of pre-working-capital free cash flow in 2025, with €2.2bn expected in 2026. [1][2]
- Identity data improves as more consumer, media and transaction signals are connected. The value is not the raw data alone, but the ability to activate and measure it across channels.
- The Power of One lowers internal friction: a client win can pull through media, creative, commerce and technology rather than remaining trapped inside an agency silo.
- The deduction is human and cyclical. Talent can leave, procurement pressure is continuous, client budgets can pause, AI may commoditize production, and privacy rules can reduce data advantage.

Industry proof: Publicis versus WPP

Metric	Publicis	WPP	Gap / read-through
FY2025 organic / LFL growth	+5.6%	(5.4)%	+11.0 pts: exceptional share transfer
FY2025 headline margin	18.2%	13.0%	+520 bps while Publicis still invests
Q1 2026 organic / LFL growth	+4.5%	(6.7)%	+11.2 pts: gap persisted
2026 posture	Guidance raised after H1	Restructuring / decline	Winner is funding offense from strength

Company-reported definitions differ modestly, but the direction and magnitude are decisive. [1][2][3][4]

CUSTOMER VALUE PROPOSITION One connected partner can identify the consumer, create the message, buy the impression, build the experience and prove the sale—reducing vendor handoffs while increasing marketing accountability.

3 Financials and Business Quality

Industry-leading growth and margins coexist because technology is increasing revenue relevance and operating leverage

Metric	FY2024	FY2025	H1 2026	Underwriting read
Net revenue	€14.0bn	€14.5bn	€7.23bn	H1 organic +4.7%
Organic growth	+5.8%	+5.6%	+4.7%	Seven-year peer outperformance path
Headline operating margin	18.0%	18.2%	17.5%	H1 record; FY26 slight improvement guided
Headline diluted EPS	€7.30	€7.48	€3.52	+5.7% H1 at constant FX
FCF before working capital	€1.84bn	€2.03bn	€0.95bn	FY26 outlook ~€2.2bn
Net debt / (cash)	(€0.78bn)	(€0.55bn)	€1.22bn	Seasonality + acquisition funding

Company-reported headline measures; H1 covers six months. [1][2]

Five-year owner-earnings bridge

Driver	Base assumption	Why it is plausible	Failure test
Organic net revenue	4%-5% CAGR	Share gains, identity and client consolidation	Below market growth for 4 quarters
Margin	18.2% to ~19%	AI productivity and mix fund reinvestment	Savings consumed by price / talent
FCF conversion	>90% of headline NI	Low capex and limited inventory	Working capital / earn-outs persist
Share count	Roughly flat	Buybacks mainly offset employee plans	Stock comp expands diluted count
Headline EPS	~8% CAGR	Growth, modest margin and bolt-ons	Large deals dilute returns

Balance sheet, ratings, maturities and covenants

Position. Publicis ended 2025 with €548m net cash; H1 2026 net debt was €1.215bn, roughly 1x financial leverage, reflecting seasonality and acquisitions. Available liquidity at FY2025 was €6.0bn, including an undrawn €2.0bn revolver extended to July 2030. **Ratings.** Senior unsecured debt is BBB+ / Stable at S&P and Baa1 / Stable at Moody's. **Maturities.** €750m at 1.25% matures in 2028, €600m at 2.875% in 2029, €750m at 1.75% in 2031 and €650m at 3.375% in 2032. **Covenants.** Public bonds are senior unsecured and the revolver contains customary restrictions and default provisions; no publicly highlighted maintenance covenant is near binding. Verify the July 2026 EMTN prospectus before purchase. [5][6]

BALANCE-SHEET JUDGMENT The LiveRamp acquisition uses capacity but does not threaten investment grade. The risk is acquisition return and integration, not a maturity wall or tight covenant.

4 Valuation, Hidden Nugget and LBO

The multiple is ordinary; the share-gain evidence is not

Ten-year P/E context

2016-2025 GAAP year-end P/E	Low	Average	High	Today
Positive observations	11.2x	14.1x	17.0x	~13.0x
Headline earnings lens	n/a	n/a	n/a	11.5x

2016 was loss-making under the source series and excluded from the positive-observation mean. Headline EPS removes acquisition amortization and is the better operating lens, but no like-for-like decade series is available. [8]

Five-year valuation cases

Case	2031 headline EPS	Exit P/E	Dividends	2031 value	5-year CAGR
Bear	€8.26	10x	~€19	€102	3.5%
Base	€10.99	14x	~€22	€176	15.5%
Bull	€12.60	17x	~€24	€238	22.7%

Analyst estimates. Bear/base/bull EPS growth is 2%/8%/11%; the bear exit multiple is explicitly 10x. Dividends are not reinvested.

Hidden nugget — the share-gain flywheel versus WPP

The hidden asset is not one agency or dataset; it is a system that turns each client win into more data, more cross-sell and a stronger proof loop. WPP's decline provides the control group. In FY2025 Publicis outgrew WPP by 11 points and out-margined it by 520 bps, then repeated an 11.2-point growth gap in Q1 2026. Publicis can invest from a position of strength while a weakened rival cuts cost, reorganizes and defends accounts. New H1 2026 wins alone were expected to add roughly 200 bps to full-year growth. If the platform wins the client relationship rather than a single campaign, share gains can persist longer than consensus agency-cycle models assume. [1][2][3][4]

Flywheel step	Evidence now	What would validate durability
Win global mandate	Coca-Cola, LinkedIn, PayPal, Vodafone	Top-100 retention remains >95%
Connect identity + media	Epsilon, Lotame, pending LiveRamp	Measured client ROI and cross-sell rise
Personalize creative	CoreAI and agentic production investment	Margin expands while talent quality holds
Reinvest excess cash	€14bn decade technology build	Bolt-ons clear cost of capital

Illustrative five-year take-private analysis

Stage	Operating case	Debt / multiple	Sponsor outcome
Entry	20% premium; ~€26.8bn EV	4.5x / ~€14.4bn debt	~€12.4bn equity check
Exit	EBITDA ~€4.5bn; ~€40.5bn EV	9.0x exit; ~€7.0bn debt	~€33.5bn equity value
Return	~7% EBITDA CAGR	No dividend recap	~2.7x MOIC / ~22% IRR

Illustrative analyst model. Client change-of-control reaction, employee retention, working capital and acquisition liabilities reduce practical leverage capacity.

LBO CONCLUSION The cash flows can support sponsor returns, which reinforces downside valuation. A real take-private would be unusually difficult because the productive assets walk out every evening and client consent is economic even when not contractual.

5 CEO and Capital Allocation

Arthur Sadoun anticipated the industry's shift from agency craft to connected data and technology—and has allocated capital accordingly

Arthur Sadoun — founder energy inside a century-old company

Sadoun founded an advertising agency in Chile at age 21 and later sold it to BBDO. He joined TBWA in 1997, became CEO of TBWA/Paris in 2003, then joined Publicis in 2006 to lead Publicis Conseil. He subsequently ran Publicis France, Publicis Worldwide and Publicis Communications before becoming group leader in 2017 and Chairman and CEO in May 2024. He holds an MBA from INSEAD. The sequence matters: he has sold work, run agencies, integrated networks and now reallocates the whole group. [7]

Capital action	Strategic logic	Result / question
Sapient (~\$3.7bn, 2015)	Digital transformation capability	Initially controversial; now embeds client technology work
Epsilon (\$4.4bn, 2019)	Owned identity and personalization	Central to differentiation and growth
Technology / data build	~€14bn over a decade	Publicis says 40% of post-2020 growth came from Sapient / Epsilon
Lotame + LiveRamp	Expand identity reach and data collaboration	Strategic fit is clear; LiveRamp's \$2.2bn price raises hurdle
Dividend	€3.75 / ~50% headline payout	Meaningful cash return with room to invest
Buybacks	Offset employee plans	€175m 2026 program; not the primary use of excess cash

Capital-allocation judgment

- The large acquisitions were strategically coherent rather than empire-building in unrelated adjacencies; Epsilon in particular changed the competitive position.
- Publicis maintained the industry's highest margins while reinvesting, suggesting cost discipline is funding offense rather than cosmetically protecting quarterly EPS.
- The balance sheet was rebuilt after Epsilon and ended 2025 net cash; the company has earned the right to deploy capital, but LiveRamp must prove revenue synergies rather than only strategic vocabulary.
- The current priority order should be integrate LiveRamp, fund CoreAI and talent, pay the dividend, then pursue only targeted bolt-ons. Repurchases should remain anti-dilutive unless the stock is clearly below value.

Rules that would increase conviction

1. Disclose organic growth and client retention for data / identity assets separately enough to test acquisition returns.
2. Keep financial leverage near or below 1.5x through the LiveRamp integration.
3. Convert AI productivity into faster output and better measurement—not merely fewer junior employees.
4. Preserve the Power of One accountability as the organization adds technology products and acquired teams.

MANAGEMENT JUDGMENT — 4.5 / 5.0 Sadoun's strategic anticipation is now visible in market share, margin and cash flow. The remaining deduction is the price and integration risk of continuing the acquisition-led data build.

6 Risks and Disconfirming Evidence

The thesis fails if share gains are mostly rival disarray, identity assets lose regulatory usefulness or AI commoditizes value faster than Publicis captures it

Risk	Why it matters	Early warning / thesis killer	Response
AI disintermediation	Production and search behavior are changing	Client insourcing; price per deliverable collapses	Lower margin and terminal multiple
WPP rebound / rivalry	Share gains may be reversible	Publicis grows below peers for 4 quarters	Cut organic-growth bridge
Client concentration / pitches	Large mandates move in chunks	Top-client losses or retention <95%	Lower quality score
Privacy / data regulation	Identity is central to differentiation	Consent limits reduce match and measurement	Value Epsilon / LiveRamp more conservatively
LiveRamp integration	Largest recent allocation	Synergies delayed; talent / clients leave	Cap size; reduce EPS growth
Talent and culture	Ideas and relationships remain human	Senior attrition and wage inflation	No margin-credit without retention
Macro / marketing cuts	Budgets are discretionary at the margin	Organic decline despite new wins	Stress FCF and dividend
FX	Large U.S. earnings base	Euro translation masks operating progress	Judge constant currency
Adjusted earnings	Acquisition amortization is recurring economically	Headline / GAAP gap widens indefinitely	Use GAAP P/E and cash EPS

Pre-mortem: it is 2031 and the investment failed

AI agents made basic media planning and content production abundant, while clients kept identity data inside their own clouds. Publicis paid a premium for LiveRamp just before interoperability commoditized. WPP stabilized under new leadership, pitches normalized and Publicis organic growth fell to 1%-2%. Management protected headline EPS with adjustments and restructuring, but GAAP cash earnings stagnated. The market assigned a 10x multiple and the dividend produced only a low-single-digit return.

Disconfirming evidence hierarchy

A soft quarter is not disconfirming if new-business conversion and retention remain strong. Currency translation is not disconfirming. The strongest evidence is four quarters of peer underperformance, top-client retention below 95%, LiveRamp failing to create measurable cross-sell, or headline EPS growing while free cash flow and GAAP earnings do not.

SINGLE MOST IMPORTANT UNKNOWN How much of the WPP gap reflects a durable Publicis platform advantage versus a temporarily impaired competitor?

TWO-QUARTER DASHBOARD Organic growth gap | new-business contribution | top-client retention | headline / GAAP EPS | margin | FCF | leverage | LiveRamp milestones

7 Portfolio Decision and Research Plan

The holding period is always 5-8 years; buy the proven share winner while insisting that data acquisitions earn their cost

Conviction	Score	Reason
Analytical	4.5 / 5	Share, margin and cash evidence are unusually coherent; acquisition returns require monitoring
Portfolio	4.5 / 5	Global, low-capital compounder with a high starting yield and modest leverage
Temporal	4.5 / 5	Five years captures client consolidation, AI adoption and LiveRamp integration

Position-size recommendation

Initiate a 4.0% position near €86. Increase toward 5.5% below €75 with intact client retention and investment-grade ratings, or after LiveRamp closes and Publicis sustains at least a 400-bp growth advantage to peers without margin dilution. The combination of 4.5/5 business quality, 4.4% yield and visible share gains supports core sizing, but acquisition and AI uncertainty argue against immediately exceeding the portfolio's normal full weight.

Action	Price / evidence rule	Rationale
Buy core starter	≤€90	Headline P/E and yield compensate for normal cyclicity
Add	≤€75 or LiveRamp synergy / retention proof	Require more price or integration evidence
Full size	Peer growth gap >400 bps; FCF ≥€2.2bn; leverage <1.5x	Confirms platform advantage
Trim	>18x headline EPS without >8% EPS growth	Multiple outruns owner earnings
Exit	Peer underperformance + client retention <95%	Core share-gain thesis breaks

Next research steps

- Rebuild global new-business wins and losses by client, service and incumbent agency; distinguish WPP weakness from Publicis pull.
- Measure cross-sell and revenue synergies from Epsilon, Lotame and LiveRamp against purchase price and incremental invested capital.
- Interview former clients and senior agency executives on Power of One accountability, pitch quality and retention.
- Reconcile headline EPS to GAAP earnings and owner cash flow through acquisition amortization, restructuring and earn-outs.
- Track AI productivity, price per deliverable, senior talent retention and whether clients bring work in-house.

FINAL DECISION BUY A 4% CORE POSITION. Business quality, people and hidden nugget are each 4.5/5.0. The share-gain evidence versus WPP is too large and persistent to dismiss as ordinary agency cyclicity.

Source notes

[1] [Publicis H1 2026 results](#)

[2] [Publicis FY2025 results](#)

[3] [WPP FY2025 preliminary results](#)

[4] [WPP Q1 2026 trading update](#)

[5] [Publicis debt and credit ratings](#)

[6] [Publicis 2025 URD — financial position](#)

[7] [Publicis governance — Arthur Sadoun biography](#)

[8] [Publicis historical P/E series](#)

[9] [LiveRamp transaction report](#)

Framework source: Chapter 4 and Appendix E of Investing Book July 34(1). Facts are drawn primarily from company materials. Current-price references are late-July 2026 snapshots. Valuation, normalized P/E, scenarios, LBO returns and position sizing are analyst estimates, not company guidance.



Important Disclosures

Regulatory status. First Principles Global Capital, LLC ("First Principles") is not registered with the U.S. Securities and Exchange Commission as an investment adviser. First Principles has filed reports with the SEC as an exempt reporting adviser. Exempt reporting status does not imply approval, endorsement or review by the SEC or any other regulator.

Purpose; no offer. This material is general market commentary provided solely for informational and educational purposes. It does not constitute an offer to sell or a solicitation of an offer to purchase any security, investment product or interest in a private fund. It does not describe the terms of any First Principles investment vehicle, and First Principles does not accept investment subscriptions through its website. Public availability of this commentary is not intended to constitute general solicitation or general advertising for any First Principles fund. Any offering would be made only through definitive private-placement and subscription documents, only to eligible investors, and only in compliance with applicable law.

No individualized advice. Nothing in this material constitutes individualized investment, legal, tax or accounting advice. The material does not consider any person's investment objectives, financial circumstances, risk tolerance or liquidity needs. Receipt of this material does not create an advisory, fiduciary, client or other professional relationship with First Principles.

Opinions and security references. The views expressed are those of First Principles as of the date shown and are subject to change without notice. They may differ from views reflected in an account or investment vehicle managed by First Principles. References to securities, companies, sectors or asset classes do not constitute recommendations and should not be interpreted as indications of current or future portfolio holdings or trading activity.

Forecasts and scenarios. The return forecasts, valuation assumptions and bull, base and bear scenarios are hypothetical, forward-looking estimates. They are not actual results achieved by First Principles or any investment vehicle and should not be interpreted as promises, targets or probability-weighted outcomes. The estimates depend materially on assumptions regarding valuation, earnings growth, inflation, interest rates, distributions and mean reversion. Actual outcomes may differ materially. Unless expressly stated otherwise, projected returns do not reflect management fees, performance allocations, fund expenses, transaction costs or taxes.

Historical data and investment risk. Historical results do not guarantee future results. Index results are unmanaged, include reinvested dividends where indicated, do not reflect investment-management fees or expenses and are not directly investable. Treasury yields assume the relevant securities are held to maturity; market values may fluctuate before maturity. Cash and money-market yields are not fixed and may decline. All investments involve risk, including possible loss of principal.

Sources and limitations. Information has been obtained from sources believed to be reliable, but First Principles makes no representation or warranty concerning its accuracy, completeness or timeliness. Estimates, forecasts and third-party data may be revised without notice.

Potential conflicts. First Principles and its personnel may own, purchase or sell securities or instruments discussed in this material, potentially without further notice. Readers should consult their own professional advisers before making any financial or investment decision.

Jurisdiction. This material is not directed to any person in a jurisdiction where its distribution or use would be unlawful or would subject First Principles to an additional registration or licensing requirement.