



# The Interpublic Group of Companies (IPG)

Updated May 21<sup>st</sup>, 2025 by Nikolaos Sismanis

## Key Metrics

<b>Current Price:</b>	\$25	<b>5 Year CAGR Estimate:</b>	14.7%	<b>Market Cap:</b>	\$9.2 B
<b>Fair Value Price:</b>	\$30	<b>5 Year Growth Estimate:</b>	7.0%	<b>Ex-Dividend Date:</b>	06/04/2025 <sup>1</sup>
<b>% Fair Value:</b>	84%	<b>5 Year Valuation Multiple Estimate:</b>	3.5%	<b>Dividend Payment Date:</b>	06/18/2025
<b>Dividend Yield:</b>	5.2%	<b>5 Year Price Target</b>	\$42	<b>Years Of Dividend Growth:</b>	13
<b>Dividend Risk Score:</b>	C	<b>Sector:</b>	Communication Services	<b>Rating:</b>	Hold

## Overview & Current Events

The Interpublic Group of Companies, Inc. provides advertising and marketing services worldwide. Its operations are well arrayed among consumer advertising, digital marketing, communications planning, media buying, and data management services. The company dates back to 1902. It has massively grown since then, currently generating close to \$11 billion in annual revenues. IPG is headquartered in New York, New York.

On December 9<sup>th</sup>, 2024, Omnicom Group announced plans to merge with Interpublic Group in an all-stock transaction. Under the agreement, Interpublic shareholders will receive 0.344 Omnicom shares for each Interpublic share they own. Post-merger, Omnicom shareholders will hold approximately 60.6% of the combined company, while IPG shareholders will own the remaining 39.4%. The merger is expected to generate annual cost synergies of \$750 million. The transaction is expected to close in the second half of 2025, subject to shareholder and regulatory approvals.

On April 24<sup>th</sup>, 2025, Interpublic posted its Q1 results for the period ending March 31<sup>st</sup>, 2025. For the period, net revenues came in at \$2.00 billion, down 8.5% compared to last year. During the quarter, the effect of foreign currency translation was negative 1.2%, the impact of net dispositions was negative 3.7%, and the resulting organic decrease of net revenue was 3.6%. Adjusted EPS was \$0.33, down from \$0.36 last year.

We forecast FY2025 EPS of \$2.72, though the merger should complete before the year ends.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$1.11	\$1.52	\$1.42	\$1.61	\$1.70	\$0.90	\$2.42	\$2.40	\$2.86	\$1.84	<b>\$2.72</b>	<b>\$3.81</b>
<b>DPS</b>	\$0.48	\$0.60	\$0.72	\$0.84	\$0.94	\$1.02	\$1.08	\$1.16	\$1.24	\$1.32	<b>\$1.32</b>	<b>\$1.81</b>
<b>Shares<sup>2</sup></b>	416	408	397	389	391	389	394	388	381	372	<b>372</b>	<b>350</b>

Over the past decade, IPG's EPS has been volatile over the past decade, but managed to grow. After a slight dip in EPS in 2015 due to FX headwinds, earnings rebounded in 2016, driven by strong North American growth and cost efficiencies. In 2018, IPG made a transformative move with the \$2.3 billion acquisition of Acxiom, which enhanced its data-driven marketing capabilities and fueled EPS growth to \$1.61 in 2018 and \$1.70 in 2019. However, the global pandemic in 2020 caused EPS to fall sharply to \$0.90, as advertisers cut budgets across industries. Despite this setback, IPG bounced back strongly in 2021 to \$2.42, benefiting from the recovery in ad spending, elevated demand for digital services, and its strengthened data capabilities. EPS remained stable in 2022 and reached a decade high of \$2.86 in 2023, driven by ongoing demand for digital and data-led marketing solutions and IPG's ability to maintain client relationships and control costs in a shifting advertising landscape.

To reflect the international segment's strong growth, the ongoing margin expansion, and the ongoing, substantial share buybacks, we retain our EPS growth estimates at 7%. Embedding digital elements across the portfolio and adding a layer

<sup>1</sup> Estimated dividend dates based on past dates.

<sup>2</sup> Share count is in millions.

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of data and tech to its offerings should also contribute positively to earnings. Also, we retain our DPS growth estimates at 6.5% to reflect the company's healthy payout ratio and most recent dividend increase.

IPG's buybacks have resulted in the company retiring more than 10% of its outstanding shares over the past decade, and about 22% of their shares since 2011. Share buybacks should continue to lower the share count moving forward.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	15.0	18.0	14.0	15.3	14.1	12.7	14.2	13.3	11.2	16.8	9.3	11.0
Avg. Yld.	2.3%	2.5%	3.8%	3.8%	4.8%	4.9%	2.9%	3.6%	3.9%	4.3%	5.2%	4.3%

The stock is currently trading at 9.3 times our projected earnings-per-share for FY2025, while the dividend yield of 5.2% hovers modestly higher than its historical average. Despite the rather underwhelming organic growth expectations for FY2025, we believe the current P/E slightly undervalues the stock. This is despite interest rates remaining high and the advertising industry becoming increasingly competitive. We retain our fair P/E of 11, which we believe fairly reflects the risk/reward ratio of IPG's investment case. We note that the upcoming merger makes IPG's valuation less relevant, in terms of swaying the stock.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

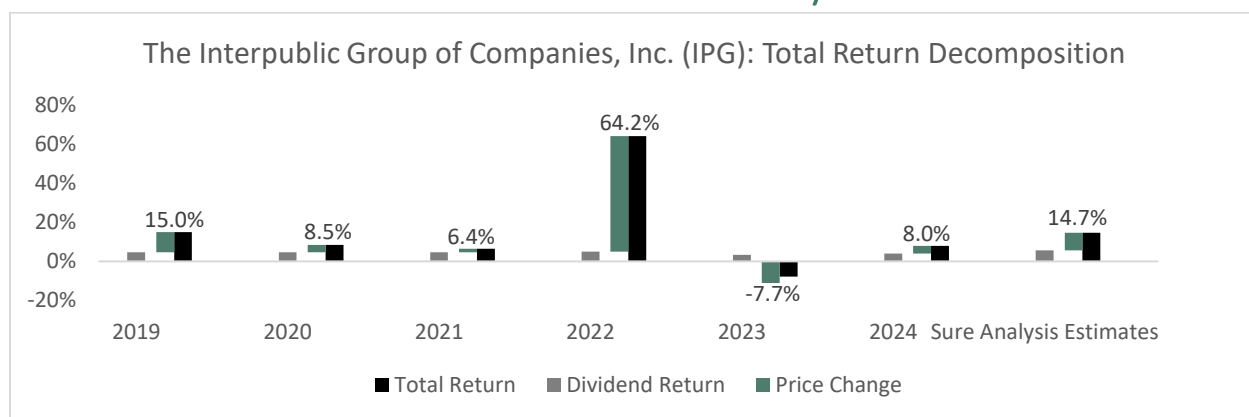
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	43%	39%	51%	52%	55%	113%	45%	48%	43%	72%	49%	47%

The company's payout ratio has increased over the past decade as DPS growth has outpaced earnings growth. The dividend remains well-covered, nonetheless – especially following the latest hike. Still, several concerns should be considered, which could adversely impact what it looks like today as a safe yield. First, the media and advertising sectors are evolving rapidly, causing the big advertising conglomerates to fall behind smaller, more innovative, and efficient firms that can pivot faster than their "slow-moving" peers. This concern is especially important in the current economic environment, which has further compressed capital expenditures in the advertising industry. Finally, IPG's net income margins remain quite low, in the single digits, displaying the sector's steep competition.

## Final Thoughts & Recommendation

Interpublic has delivered satisfactory returns over the years, evident in its gradual earnings and dividend growth. We see potential for annualized returns of 14.7% over the medium term, based on our growth estimate, the stock's 5.2% yield, and a possible valuation tailwind ahead. However, until the merger with Omnicom is finalized, the stock will continue to trade according to the existing exchange ratio set in the merger terms. We rate shares as a hold.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	7614	9056	9048	9714	10221	9061	10240	10930	10890	10690
Gross Profit	2759	1235	1214	1378	1492	1352	1853	1845	1814	1820
Gross Margin	36.2%	13.6%	13.4%	14.2%	14.6%	14.9%	18.1%	16.9%	16.7%	17.1%
SG&A Exp.	1884	139	119	167	94	59	122	87	67	131
D&A Exp.	157	160	157	203	279	291	284	274	264	259
Operating Profit	875	936	938	1009	1120	1002	1447	1484	1483	1430
Operating Margin	11.5%	10.3%	10.4%	10.4%	11.0%	11.1%	14.1%	13.6%	13.6%	13.4%
Net Profit	455	605	554	619	656	351	953	938	1098	690
Net Margin	6.0%	6.7%	6.1%	6.4%	6.4%	3.9%	9.3%	8.6%	10.1%	6.5%
Free Cash Flow	527	312	726	388	1331	1680	1880	431	375	913
Income Tax	283	197	271	199	205	8	252	318	291	334

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	12585	12485	12705	15620	17752	18040	19910	18840	19270	18330
Cash & Equivalents	1503	1098	791	673	1192	2509	3270	2545	2386	2187
Accounts Receivable	4361	4390	4585	5127	5209	4646	7525	7339	7998	7738
Goodwill & Int. Ass.	3757	3823	3961	5971	5909	5879	5756	5869	5824	5349
Total Liabilities	10583	10429	10458	13188	14926	15100	16300	15100	15220	14420
Accounts Payable	6689	6304	6420	6698	7205	7270	8960	8235	8355	8286
Long-Term Debt	1745	1690	1373	3734	3326	3466	2957	2916	3202	2961
Shareholder's Equity	1966	2017	2212	2393	2776	2895	3526	3648	3943	3797
LTD/E Ratio	0.89	0.84	0.62	1.56	1.20	1.20	0.84	0.80	0.81	0.78

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.6%	4.8%	4.4%	4.4%	3.9%	2.0%	5.0%	4.8%	5.8%	3.7%
Return on Equity	22.3%	30.4%	26.2%	26.9%	25.4%	12.4%	29.7%	26.2%	28.3%	17.3%
ROIC	11.9%	16.1%	15.1%	12.6%	10.7%	5.6%	14.6%	14.2%	15.8%	9.8%
Shares Out.	415.7	408.0	397.3	389.0	391.2	393.2	398.4	395.1	385.9	377.7
Revenue/Share	18.32	22.20	22.77	24.97	26.13	23.04	25.70	27.66	28.22	28.31
FCF/Share	1.27	0.77	1.83	1.00	3.40	4.27	4.72	1.09	0.97	2.42

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

### Disclaimer

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