

FOR IMMEDIATE RELEASE
November 14, 2024

Dentsu Group Inc. Q3 FY2024 Consolidated Financial Results

(The third quarter ended September 30, 2024 – reported on an IFRS basis)

- **Dentsu Group Inc. showed continued sequential quarterly improvement in the third quarter, reporting growth of 0.3% organic growth* yoy.**
- **The third quarter was driven by growth in Japan and EMEA. The One dentsu strategy is driving the improvement in client wins as the Group operates as a unified global network, leading to new notable global client wins.**
- **Third quarter operating margin was 12.0% which was a decline of 140bp yoy, due to staff cost of increased headcount in Japan and allowances of trade receivables in the international markets, partially mitigated by cost management initiatives.**
- **The Group revises the FY2024 organic growth* guidance to c.0% and c.14% operating margin* due to slower than expected business performance in CXM (Customer Experience Management) in the international markets.**
- **While the guidance of FY2024 underlying basic EPS has declined to 350.13 yen, the Group reiterates the forecasted annual dividend of 139.50 yen per share.**
- **A new Mid-Term Management Plan will be announced in February 2025, alongside the FY2024 results.**

Japan recorded historical high 9m net revenues with continued recovery in internet advertising which saw double-digit growth. Americas has seen sequential quarterly improvements, yet recovery of the CXM business has been slower than expected with reduced client spend. EMEA saw a significant easing of comparables with stronger than expected Media performance in some local markets. APAC was also challenged with CXM and continues to focus on fundamental recovery within the region.

Q3 FY2024 (July – September) Financial Results Summary

* See page 8 for definitions / ** Statutory results include Russia / *** due to round down of figures

Consolidated Group (bn yen)	Q3 FY2024**	Q3 FY2023**	yoy change, %
Net Revenue*	284.5	279.0	2.0%
Underlying results*			
• operating profit	34.2	37.5	(8.8)%
• operating margin	12.0%	13.5%	(140)bp***
• net profit (attributable to owners of the parent)	17.8	16.6	6.8%
• basic EPS	68.40yen	62.94 yen	8.7%
Statutory results			
• operating profit (loss)	3.2	26.9	(88.2)%
• net profit (loss) (attributable to owners of the parent)	(4.1)	6.6	-

Q3 FY2024 (July – September) Results: Key Financials

Group net revenue JPY 284.5 bn (YoY 2.0%)

- On a constant currency basis Japan reported 2.7% growth in net revenue in the third quarter, the Americas a decline of 4.0%, EMEA an increase of 7.1% and APAC a decline of 11.6%.

Group organic growth 0.3%

- Q3 in Japan, organic growth continued to be solid at 2.8% supported by double-digit growth in Internet media. The Americas reported Q3 organic decline of 3.1%, showing continued quarterly recovery since Q4 FY23. CXM remains challenging with reduced client spend. EMEA reported organic growth of 6.9%, mainly due to one-off negative impact of prior year. APAC reported organic revenue decline of 11.6% particularly as Australia continues to face difficult market conditions.

Group underlying operating profit declined 8.8% yoy to JPY 34.2 bn. Operating margin declined by 140bp to 12.0%.

- The decline in operating profit yoy was due to increased staff costs in Japan and allowances of trade receivables in the international markets, etc. This was partially mitigated by cost management initiatives.

Group underlying net profit (attributable to owners of the parent) increased by 6.8% yoy to JPY 17.8 bn

- While the guidance of FY2024 underlying basic EPS has declined to 350.13 yen, the Group reiterates the forecasted annual dividend of 139.50 yen per share.

Group statutory operating profit and net profit (attributable to owners of the parent) were respectively JPY 3.2 bn and JPY -4.1 bn

- This was mainly due to charges associated with the completion of the Russian disposal recognized in Q3.

Group net debt / underlying EBITDA* (LTM) 1.84x

- The year-end targeted range is 1.0x to 1.5x (non IFRS 16 basis). Progress on balance sheet simplification continues with the sale of security assets. Five further stakes were sold in Q3. In August, the Group completed the JPY 20 bn buyback announced in February during Q3, with 4,890,200 shares purchased. In September, we announced the cancellation of 4,365,354 shares, 1.62% of total issued outstanding shares.

dentsu

Quarterly Organic Revenue Performance *(*Figures reported ex Russia)*

	Dentsu Group		
	2024*	2023*	2022*
Jan - Mar	(3.7)	(1.6)	+9.6
Apr - Jun	+0.2	(4.7)	+8.2
Jul - Sep	+0.3	(6.0)	(3.7)
Oct - Dec	-	(6.6)	+3.5

	Japan			Americas			EMEA*			APAC (ex Japan)		
	2024	2023	2022	2024	2023	2022	2024*	2023*	2022*	2024	2023	2022
Jan - Mar	+2.4	(0.2)	+10.0	(6.6)	(4.9)	+13.4	(9.4)	+3.4	+4.7	(7.1)	(7.8)	+5.2
Apr - Jun	+1.8	+3.4	+7.9	(3.7)	(7.4)	+9.6	+7.8	(12.7)	+8.5	(6.2)	(7.0)	+4.5
Jul - Sep	+2.8	+3.0	(15.1)	(3.1)	(6.6)	+0.7	+6.9	(17.2)	+15.4	(11.6)	(9.1)	(1.1)
Oct - Dec	-	+0.9	+1.7	-	(9.3)	+2.3	-	(13.6)	+9.1	-	(8.6)	+2.1

Hiroshi Igarashi, President and Global CEO, dentsu, said:



In the third quarter, we continued to see sequential quarterly improvement, with the Group reporting organic growth of 0.3% yoy. We have seen notable global new wins in the quarter, higher pitch win rates in Japan and the steady accumulation of net wins in the media business in international markets, which is the result of our continued effort to deliver Integrated Growth Solutions. These are examples that prove the implementation of One dentsu is affecting positive changes

within our organization.

However, business recovery has been slower than expected mainly in CXM where we have seen challenges of reduced client spend, especially in the international markets. Considering the nine months results and forecasts for the fourth quarter, we have revised our full-year guidance of approximately 1% organic growth to broadly flat, and operating margin of c.15% to c.14%.

Over the last nine months, we have made internal investments around data & technology, people & culture and business operations to accelerate our competitiveness. We are confident in our medium-term direction and prospects of the Group, and these internal investments will strengthen our capabilities to deliver Integrated Growth Solutions and restore our competitive advantage to return to organic growth.

We will announce our new Mid-Term Management Plan in February 2025 with focus on strategies around our markets, our clients and our investments.

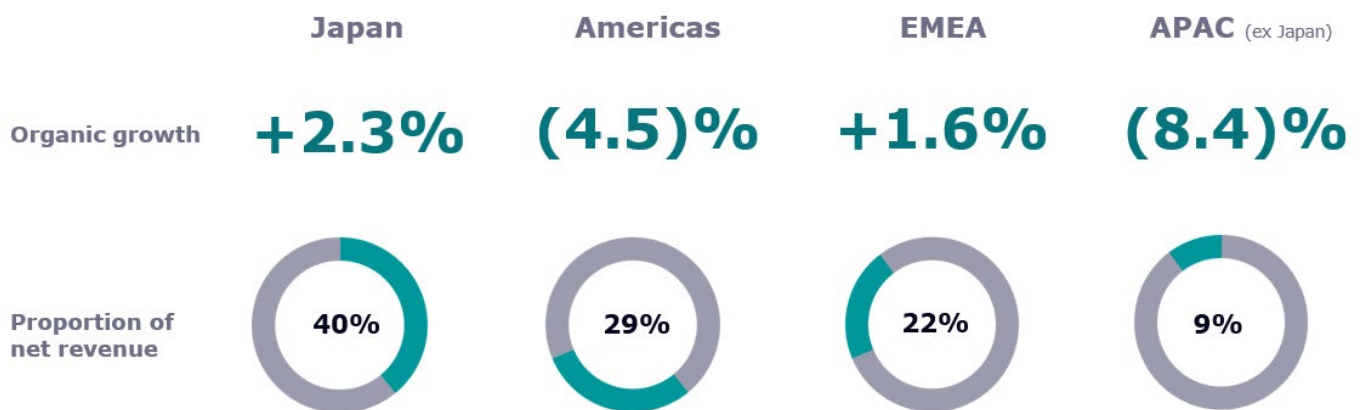
As always, I would like to show my deep appreciation to all our employees across the Group as we continue to grow the value of our Group.

dentsu

9m FY2024 (January - September) Business Updates

- Total net revenue from CT&T (Customer Transformation and Technology) is reported at 29% of Group net revenues in 9m FY2024 vs 32% in FY2023.
- This is mainly due to the review of the net revenue realignment for CT&T in line with organizational simplification, continued reduced client spend in the international markets, together with strong performance in Media business in Japan.

Regional proportion of net revenues and organic growth for 9m 2024



dentsu

- **Japan, Q3 organic revenue +2.8%, 9m organic revenue +2.3%**

Japan continues to show steady growth, with 9m net revenue reaching a record high.

CT&T was largely flat, with the BX (Business Transformation) business maintaining double-digit growth led by robust client demand.

In the advertising business, in addition to strong performance in TV advertising, internet media also achieved double-digit growth continuing its strong performance in the first half. This has been driven by increased client spend from existing clients and new client wins.

Performance in Japan is generally in line with the initial full year forecast, and we expect continued solid growth in Q4.

- **Americas Q3 organic revenue -3.1%, 9m organic revenue -4.5%**

In Americas, we have seen sequential quarterly improvements since Q4 FY23 .

However, we are facing slower than expected recovery due to continued challenges in the CXM business. There has been reduced client spend in the US, as previously reported.

Meanwhile, Media has remained relatively stable, with organic growth rates improving from Q2. Creative won a significant global pitch in Q3 where we were able to demonstrate synergies with Tag, especially on creativity and efficiency.

We are expecting an organic decline in Q4, given the slow recovery in CXM and the overall volatility in the market.

- **EMEA Q3 organic revenue +6.9%, 9m organic revenue +1.6%**

EMEA returned to positive organic growth rate in 9m. However, this was partly due to the low comparative due to the one-off financial impact in the DACH cluster last year. Excluding this one-off impact, organic decline in 9m in EMEA would have been 3.4%.

CXM continues to be impacted by slower recovery across the region, especially in UK, which have a larger proportion of CXM revenues compared to other markets. On the other hand, Spain, where we acquired Omega (CXM business) last year, have achieved double digit organic growth rate in Q3.

Media continues to remain stable ahead of expectations and Creative returned to positive organic growth in Q3.

In Q4, we expect continued positive momentum in Media and Creative. However, we reduced our expectation for the full year due to continued challenges in CXM.

- **APAC Q3 organic revenue -11.6%, 9m organic revenue -8.4%**

In APAC, the organic growth rate for 9m remained negative, mainly as CXM continues to face challenging conditions, especially in Australia, where we see decrease in local client spend.

There is continued softness in Media, but there have been some positive contributions from our major clients. Creative continues to be impacted by the reduction of client spends.

Improved business performance is expected in Q4, in line with earlier forecasts.

dentsu

Forecast of Consolidated Financial Results for FY2024 (IFRS)

Dentsu Group Inc. downgrades guidance issued in February 2024 for Group organic growth forecast from c.1% to c.0% and operating margin from c.15% to c.14% for FY2024.

The Board reiterates a minimum dividend of 139.50 yen per share, flat yoy.

Consolidated Group (million yen)	FY2024** November Forecasts (A)	FY2024** August Forecasts (B)	Variance (A-B)	Variance (%)
Revenue	1,400,100	1,356,700	+43,400	+3.2
Net Revenue	1,195,700	1,189,300	+6,400	+0.5
Underlying operating profit	167,700	180,000	(12,300)	(6.8)
Operating margin	c.14%	15.1%	c.(110)bp	—
Underlying net profit*	91,600	101,000	(9,400)	(9.3)
Underlying basic EPS (Yen)*	350.13	381.96	(31.8)	(8.3)
Operating profit (loss)	92,000	107,100	(15,100)	(14.1)
Net profit (loss)*	23,500	36,700	(13,200)	(36.0)
Basic EPS (Yen)*	89.83	140.20	(50.4)	(35.9)

*Attributable to owners of the parent

**Statutory results include Russia.

Currency	Av. Jan-Oct. 2024	Av. Jan-Jul. 2024		
JPY/USD	151.0	153.0	(2.0)	(1.3)
JPY/GBP	193.2	194.0	(0.8)	(0.4)

For further details please see the presentation on Dentsu Group Inc. website.

URL: <https://www.group.dentsu.com/en/ir/>

The accounts are, in line with usual practice, unaudited and subject to final audit.

– End –

dentsu

Definitions

- **Net revenue:** The metric by which the Group's organic growth is measured. Organic growth and organic revenue decline represent the constant currency year-on-year growth/decline after adjusting for the effect of businesses acquired or disposed of since the beginning of the previous year.
- **Underlying operating profit:** KPI to measure recurring business performance which is calculated as operating profit added with M&A related items and one-off items.
 - M&A related items: amortization of purchased intangible assets, acquisition costs, share-based compensation expenses related to acquired companies, share-based compensation expense issued following the acquisition of 100% ownership of a subsidiary.
 - One-off items: items such as impairment loss and gain/loss on sales of non-current assets.
- **Operating margin:** Underlying operating profit divided by net revenue.
- **Underlying net profit (attributable to owners of the parent):** KPI to measure recurring net profit attributable to owners of the parent which is calculated as net profit added with adjustment items related to operating profit, gain/loss on sales of shares of associates, revaluation of earnout liabilities / M&A related put-option liabilities, tax-related, NCI profit-related and other one-off items.
- **Underlying basic EPS:** EPS based on underlying net profit (attributable to owners of the parent).
- **Underlying EBITDA:** Underlying operating profit before depreciation and amortization (excluding depreciation adjustments under IFRS 16).

Forward-Looking Statements

This material contains statements about Dentsu Group Inc. (Tokyo: 4324; ISIN: JP3551520004) that are or may be forward-looking statements. All statements other than statements of historical facts included in this presentation may be forward-looking statements. Without limitation, any statements preceded or followed by or that include the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "estimates", "projects" or, words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements include statements relating to the following: information on future capital expenditures, expenses, revenues, earnings, synergies, economic performance, and future prospects.

Such forward-looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward-looking statements. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof.

About dentsu

Dentsu is an integrated growth and transformation partner to the world's leading organizations. Founded in 1901 in Tokyo, Japan, and now present in approximately 120 countries, it has a proven track record of nurturing and developing innovations, combining the talents of its global network of leadership brands to develop impactful and Integrated Growth Solutions for clients. Dentsu delivers end-to-end experience transformation (EX) by integrating its services across Media, CXM and Creative, while its business transformation (BX) mindset pushes the boundaries of transformation and sustainable growth for brands, people and society.

Dentsu, Innovating to Impact.

Find out more:

www.dentsu.com

www.group.dentsu.com

For additional inquiries

MEDIA

Please contact
Corporate
Communications

INVESTORS & ANALYSTS

Please contact
Investor Relations

TOKYO

Jumpei Kojima:

+81 3 6217 6602
kojima.jumpei@dc1.dentsu.co.jp

Yoshihisa Okamoto:

+81 3 6217 6613
yoshihisa.okamoto@dentsu-
group.com

LONDON

Matt Cross:

+44 7446 798 723
matt.cross@dentsu.com

Sayako Fujimura:

+44 7974 514 580
sayako.fujimura@dentsu-
group.com

NEW YORK

Jeremy Miller:

+1 917 710 1285
jeremy@dentsu.com