

## PUBLICIS GROUPE TO ACQUIRE EPSILON

- **Epsilon is a unique technology and platforms company with unparalleled data assets built over years.**
- **The addition of Epsilon will propel Publicis as a leader of data-driven personalized experiences at scale.**
- **Compelling transaction terms leading to shareholder value creation:**
  - **Net purchase price of \$3.95 billion after tax step-up, implying an 8.2x 2018 Adjusted EBITDA multiple <sup>(1)</sup>**
  - **Double-digit accretion to both headline EPS and FCF per share <sup>(2)</sup> from 2020.**

**PARIS, April 14 2019 – Publicis Groupe (Euronext Paris: FR0000130577, CAC 40)** today announced it has entered into an agreement with Alliance Data Systems Corporation (NYSE: ADS) under which Publicis Groupe will acquire Alliance Data's Epsilon business for a net purchase price of \$3.95 billion after tax step-up (total cash consideration of \$4.40bn) and build a strategic partnership with Alliance Data remaining business. This acquisition will accelerate the implementation of Publicis' strategy to become the preferred transformation partner for its clients.

The Directoire (Management Board) and the Conseil de Surveillance (Supervisory Board) of Publicis Groupe have unanimously approved this transaction considering it a one-time opportunity to seize, given the evolution of the industry and the implying transformation of marketing solutions.

**Arthur Sadoun**, Chairman and CEO of Publicis Groupe, said:

"Our clients are facing increasing pressure from the rise in consumer expectations, the mainstreaming of direct-to-consumer brands and new data regulations. The only response is to deliver personalized experiences at scale. They have to transform to meet this new market imperative.

With the acquisition of Epsilon, Publicis Groupe is bringing the necessary technology, expertise and the talent to complement our offer in creativity, media and business transformation, and help our clients leapfrog their competition and grow profitably.

In 2018 with an unprecedented run of major New Business wins, we demonstrated that we have the right model to be the preferred partner of our clients in their transformation. This acquisition will accelerate its implementation, turbo-charge our game changers and help us grow faster by offering an even more end-to-end solution to our clients.

1. 2018 reported Epsilon EBITDA adjusted for standalone carve out costs of €21m, share based compensation charge of €30m to align with Publicis' accounting policy, €60m of run rate cost reductions being implemented at Epsilon and before any potential cost synergies derived from this transaction. Conversion from € to \$ at the 2018 average exchange rate of 1.18.
2. Headline EPS and FCF per share on a fully diluted basis.



With this critical move, we are going further, faster and deeper in our own transformation, becoming a leader in this data-led, digital-first world. It's a one-time opportunity, with very compelling financial terms and delivering double-digit accretion of Headline EPS and Free Cash Flow from Year 1 (2020).

We are thrilled to welcome Epsilon's remarkable teams and look forward to working together for our clients and growing our relationship with Alliance Data."

**Edward J. Heffernan**, Alliance Data Systems' President and CEO, said:

"I'm pleased to say today's announcement represents a trifecta win for Alliance Data, Epsilon and Publicis Groupe. The announcement of this transaction represents the culmination of an extensive assessment of strategic options for our Epsilon business. With this transaction, we have found what we believe to be the right home for Epsilon's technology, data assets and associates.

Publicis Groupe will be the ideal cultural and strategic fit for Epsilon and its Conversant business, and will help drive Publicis Groupe's own transformation in today's data-driven digital world.

Furthermore, the unique relationships that have been cultivated between Epsilon and our other Alliance Data businesses will remain intact, and we look forward to working with Publicis Groupe to develop an even broader relationship promoting mutual and sustainable growth going forward."

**Maurice Lévy**, Chairman of the Supervisory Board of Publicis, said:

"The Conseil de Surveillance has thoroughly and carefully reviewed this transaction and has approved it unanimously considering that it would be good for all stakeholders.

For the clients: it will accelerate the transformation of Publicis making it a more relevant and more competitive partner.

For the talents: in a highly competitive environment for talents, Publicis will be in a position to benefit from a remarkable leadership team, 3 700 data scientists and great technology teams and artificial intelligence experts.

For our shareholders: the transaction, which was not planned, has great merits from a financial point of view. The price is fair, the transaction is headline EPS and Free Cash Flow accretive at double digit level, it gives a stronger profile of growth and a new and better balanced mix of product and revenues. Therefore, it will generate value creation that will greatly benefit our shareholders.

The Conseil de Surveillance has been convinced by the approach of the Directoire and its Chairman and CEO, Arthur Sadoun, on the integration. The plan is reasonable and should lead to a seamless integration with great potential in growth and cost synergies. We are confident that the plan will deliver the expected results on services, growth and synergies."

### **Epsilon: a technology leader maximizing the value of its clients' data at scale**

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2. Headline EPS and FCF on a fully diluted basis.
3. As per Publicis Groupe accounting principles
4. EPS adjusted for stand-alone carve-out costs and the run rate cost reductions being implemented at Epsilon
5. FCF per share reflecting above adjustments, as well as yearly tax step-up effect



Headquartered in the US, Epsilon is a unique technology and platform company focusing on maximizing the value of its clients' data. In 2018, Epsilon generated \$1.9 billion of net revenue<sup>(3)</sup>, 97% in the United States. Epsilon employs approximately 9,000 employees, including 3,700 data scientists and 2,000 Bangalore-based technology delivery experts.

Epsilon's expertise spans across the entire data lifecycle from client's first-party raw data to personalized marketing campaigns, using technology, data and platforms to:

- **Onboard** client first-party data using Epsilon's proprietary software suite (CRM, email and loyalty programs) to create a clean, normalized and organized data set
- **Enrich** client's first-party data with Epsilon proprietary data assets (demographic and contact, behavioral and transactional, online and offline data)
- **Build unique ID** customer profiles based on enriched data and Artificial Intelligence for segmentation and analytics
- **Activate data** to deliver personalized multichannel campaigns at scale with measurement and real-time optimization

Epsilon's success is evidenced by the endorsement of its blue chip clients:

- Epsilon has gained the trust of at least 7 out of the 10 largest US companies across various sectors including Auto, Retail, Financial Services, CPG and Media
- In addition, its top 50 clients have an average tenure of 14 years and have generated an 8% yearly growth on average over the last two years, demonstrating the significant client benefits delivered by Epsilon.

Epsilon has built its assets in technology, data and platforms at an impressive scale. For example, its loyalty software serves 600 million accounts, it has more than 250 million unique consumers identified in the US, and its proprietary platforms *Conversant* handle 1 billion updates every 5 minutes allowing to further improve messaging based on consumer insights on a real time basis.

Epsilon has developed extremely strong artificial intelligence capabilities allowing consumer behavior predictions.

In a world where data privacy is paramount, Epsilon remains at the forefront of consumer privacy, cybersecurity and risk management compliance matters.

**Bryan Kennedy**, CEO of Epsilon, said:

"We are thrilled to join the Publicis Groupe family. During extensive discussions with the Publicis leadership team during the recent review process, we found powerful common ground, including shared values and a strong vision for the future of data-driven, digital-first marketing.

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Our discussions illuminated the unmistakable market opportunity that combining our complementary offerings would represent. I strongly believe that joining Publicis will benefit Epsilon and Conversant's people and bring great value and new opportunity to the clients we serve."

### **An acceleration of Publicis strategy to become the preferred partner to clients in their transformation**

In today's fast changing environment, clients are shifting their investments towards data/technology-driven marketing solutions which allow them to foster customer engagement, support growth and reduce costs.

Publicis has set a clear ambition to combine creativity, data and technology to address its clients' needs and become a leader in marketing and business transformation. This model has been gaining momentum as exemplified by Publicis Groupe's #1 position in New Business ranking in 2018 and the growth of its "Game Changers".

Today, the acquisition of Epsilon is a one-time opportunity to accelerate the implementation of Publicis' strategy to deliver personalized experience at scale.

With Epsilon at the core, Publicis will become the first player to offer a unique end-to-end services to its clients. It will result in enhanced growth of its existing businesses while opening up new opportunities in an enlarged \$1.5 trillion industry.

Epsilon will fuel the entire Publicis organization, complementing its existing Solutions and boosting its Game Changers:

- On the creative side, Epsilon assets will bring customer insights to improve ideation and build more relevant campaigns. By powering the Dynamic Creative Engine, Publicis will go one step further to adapt to real time context of customers (who they are, what they do, what they buy)
- On the media side, the connection between Epsilon's data sets and Publicis Media's billions of touchpoints will provide superior intelligence to build consumer IDs, segment audiences and maximize media buying ROI by accurately measuring and optimizing campaigns in real time
- On the Digital Business Transformation side, Epsilon will allow Publicis to deliver deep proprietary customer insights to further optimize clients' business model

Conversely, Epsilon's potential will be fully unlocked within Publicis Groupe, thanks to well identified value creation levers. In particular, Epsilon will benefit from Publicis' client portfolio and global reach to expand further in the U.S. and overseas. Publicis also intends to replicate the success of Epsilon's unique Auto platform to other verticals (such as Health, Financial Services, Telecommunications, Retail).

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### **Compelling transaction terms with attractive shareholder value creation**

Under the terms of the agreed transaction, Publicis Groupe will acquire Epsilon for a cash consideration of \$4.40 billion, representing a net purchase price of \$3.95 billion after deducting the benefit of acquisition-related tax step-up. This implies an 8.2x multiple, based on a 2018 Adjusted EBITDA <sup>(1)</sup> of \$485m.

The transaction will be double digit accretive to Publicis' headline EPS and Free Cash Flow per share <sup>(2)</sup> from year one (2020). As an illustration, based on 2018 Pro-Forma figures, headline EPS accretion would equal +12.5% <sup>(4)</sup> and FCF accretion +16.5% <sup>(5)</sup>, excluding any transaction-related synergies.

Publicis remains committed to its 45% dividend payout ratio and will put on hold its share repurchase program in the context of this acquisition.

The transaction will be fully financed with debt and cash on hand, maintaining a financial profile in line with current BBB+ / Baa2 ratings, with full deleveraging four years after completion of the transaction.

The transaction remains subject to customary approvals and is expected to close in Q3 2019.

### **Advisors**

Allen & Company LLC, BNP Paribas, Citi and J.P. Morgan acted as financial advisors and Wachtell, Lipton, Rosen & Katz is serving as legal advisor to Publicis Groupe.

### **Conference calls**

On Monday, April 15, 2019, at 8:00 AM CET/2:00 AM ET and at 2:00 PM CET/8:00 AM ET, Publicis Groupe and Epsilon will host webcast presentations to discuss the transaction. Links to the webcast and accompanying documents will be available on Publicis Groupe's Investor Relations website.

*This press release contains inside information within the meaning of Article 7 of Regulation (EU) N° 596/2014*

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## About Publicis Groupe - The Power of One

Publicis Groupe [Euronext Paris FR0000130577, CAC 40] is a global leader in marketing, communication, and digital transformation, driven through the alchemy of creativity and technology. Publicis Groupe offers its clients seamless access to its tools and expertise through modular offering. Publicis Groupe is organized across four Solutions hubs: Publicis Communications (Publicis Worldwide, Saatchi & Saatchi, Leo Burnett, BBH, Marcel, Fallon, MSL, Prodigious), Publicis Media (Starcom, Zenith, Spark Foundry, Blue 449, Performics, Digitas), Publicis Sapient and Publicis Health. Present in over 100 countries, Publicis Groupe employs nearly 75,000 professionals.

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