Dentsu Group

Q326 results

Pockets of progress, broader challenges

Media

18 November 2026

Dentsu's Q326 results show progress in restructuring its cost base, but ongoing inconsistent commercial performance. The new management team is simplifying operations and directing investment towards areas where it believes the group can compete more effectively. Americas CXM's return to growth and improved profitability in Asia-Pacific provide some encouragement. However, weaker Media performance in the Americas and EMEA, alongside a softer quarter in Japan against a tough comparative, outweighed these gains. Client losses remain a drag, compounded by more cautious spending and insufficient new business to replace lost revenue. The benefits of restructuring are evident in costs, but a sustained recovery requires broader improvement in client retention and revenue growth.

Year end	Net revenue (¥m)	PBT (¥m)	EPS (¥)	DPS (¥)	P/E (x)	Yield (%)
12/24	1,201,647.0	162,170.0	355.24	139.50	10.7	3.7
12/25	1,197,530.0	155,662.0	360.38	0.00	10.5	N/A
12/26e	1,209,505.3	141,228.6	323.54	0.00	11.7	N/A
12/27e	1,227,647.9	145,895.0	326.34	0.00	11.6	N/A

Note: PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Q326 weaker than management expected

Organic net revenue declined by 3.7% in Q326 and the underlying operating margin fell by 450bp to 10.5%. Media's deterioration in the Americas and EMEA is a little disappointing given its prior relative resilience. Against this, Americas CXM returned to growth for the first time since 2022, although management remains cautious given its project-based revenue. The planned headcount reduction has been completed ahead of schedule, releasing savings to support investment in Media, AI and data capabilities. Expanded client mandates across markets and services suggest some progress with management's emphasis on collaboration. However, management expects major account losses to affect growth into FY27.

Modest reduction to our estimates

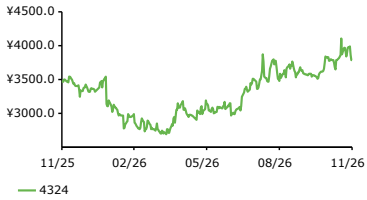
Management reduced FY26 organic net revenue growth guidance to approximately -1%, from 0–1% at Q226, reflecting weaker-than-expected Q3 trading and a more cautious Q4 outlook. The changes are concentrated in the Americas and EMEA. Guidance for Japan and Asia-Pacific ex-Japan are unchanged, although management acknowledged Japan's target has become more challenging. Despite the weaker organic outlook, management's reported net revenue and underlying operating profit guidance remain unchanged. We reduce our previous in-line FY26 revenue and underlying operating profit estimates, taking them to c 2% below guidance. We also factor in lower revenue growth of 1% for FY27 versus 2% previously.

Valuation

Against a broad range of prospective FY27 multiples for the peers, reflecting their different growth profiles, Dentsu is trading at a 23% discount to EV/EBITDA multiples and a 33% premium to P/E multiples.

Price	**¥3,786.00**
Market cap	**¥1,027bn**
Net cash/(debt) at 30 September 2026	¥(167,871.0)m
Shares in issue	265.8m
Code	4324
Primary exchange	TSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	1.1	10.0	14.2
52-week high/low		¥4,110.0	¥2,642.0

Business description

Dentsu Group is a holding company operating in more than 120 countries. It provides a wide range of client-centric integrated communications, media and digital services.

Next events

FY26 results	February 2027

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Q326 results below management's expectations

Dentsu's net revenue fell by 1.8% to c ¥284bn in Q326 and underlying operating profit fell by c 31% to c ¥30bn, an operating margin of 10.5%. There was a notable loss of momentum in net revenue growth in Q326, with an organic decline of 3.7% that was weaker than management anticipated at the time of the H126 results in August. While the quarter faced a slightly tougher comparative, with 1.4% growth in Q325, than the two prior quarters, management was clear that underlying trends have deteriorated in a number of regions due to geopolitical and macroeconomic concerns. The loss of revenue momentum is apparent in eight of its top-20 reported geographic markets reporting weaker trends than in Q226. Relative to those August 2026 expectations, net revenue for three of the regions, Japan, Americas and EMEA, were below expectations, while Asia-Pacific's double-digit growth was in-line. Our weighted average estimate of underlying net revenue decline of 4.4% outside Japan compares with Q126's -2.3% and Q226's -3.7%, indicating overall weakness in the portfolio.

The lower net revenue growth translated through to a weaker underlying operating profit than management had anticipated in August, with a 350bp decline in margin to 10.5%.

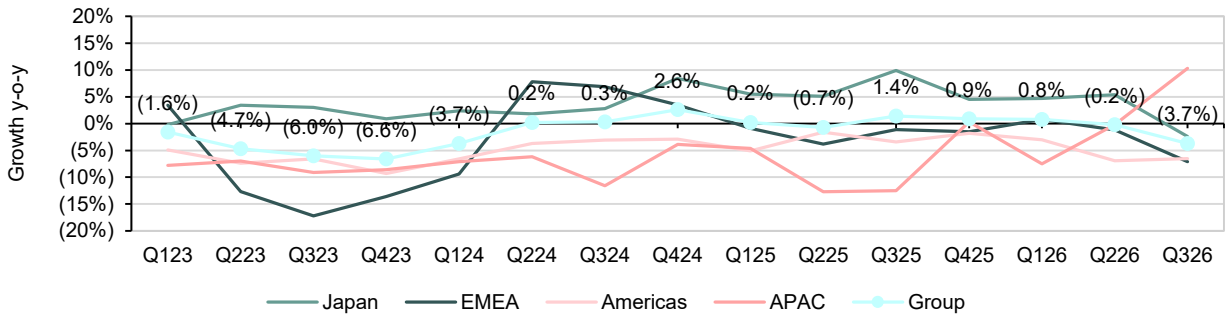
Reflecting the slightly better performance at the H126 stage, which was mainly achieved in Q126, the cumulative underlying operating profit for 9M26, with a margin of 11.8% versus 9M25's 13.0%, is slightly above management's expectations, while net revenue's underlying decline of 1% is a little below.

Exhibit 1: Summary income statement

¥bn	Q125	Q225	H125	Q325	9M25	Q126	Q226	H126	Q326	9M26
Net revenue	**287.3**	**274.7**	**562.0**	**289.3**	**851.3**	**295.1**	**288.0**	**583.1**	**284.1**	**867.2**
Japan	129.7	107.0	236.7	120.8	357.5	128.9	107.1	235.9	111.7	347.7
Americas	76.3	77.6	153.8	76.7	230.6	76.4	79.7	156.1	77.6	233.7
EMEA	57.0	64.3	121.3	67.0	188.3	65.5	72.5	138.0	66.7	204.6
APAC ex-Japan	23.1	24.1	47.2	23.2	70.3	22.8	26.8	49.6	26.7	76.3
Organic net revenue growth y-o-y	**0.2%**	**(0.7%)**	**(0.2%)**	**1.4%**	**0.3%**	**0.8%**	**(0.2%)**	**0.3%**	**(3.7%)**	**(1.0%)**
Japan	5.5%	5.1%	5.3%	9.9%	6.8%	4.7%	5.4%	5.0%	(2.4%)	2.5%
Americas	(5.1%)	(1.6%)	(3.4%)	(3.4%)	(3.4%)	(3.0%)	(6.9%)	(5.0%)	(6.5%)	(5.5%)
EMEA	(0.9%)	(3.8%)	(2.4%)	(1.1%)	(1.9%)	0.8%	(1.2%)	(0.2%)	(7.1%)	(2.6%)
APAC ex-Japan	(4.6%)	(12.7%)	(8.9%)	(12.5%)	(10.1%)	(7.5%)	(0.2%)	(3.8%)	10.3%	0.7%
Underlying operating profit	**33.9**	**33.6**	**67.5**	**43.4**	**111.0**	**37.8**	**34.2**	**72.0**	**30.0**	**101.9**
Japan	37.6	20.7	58.3	29.5	87.8	39.8	20.7	60.4	21.8	82.2
Americas	13.5	19.8	33.3	19.0	52.4	12.3	17.1	29.4	16.3	45.7
EMEA	(1.6)	7.3	5.7	9.2	14.9	2.5	9.6	12.1	6.2	18.3
APAC ex-Japan	(3.2)	(1.0)	(4.2)	(1.5)	(5.7)	(3.2)	(0.0)	(3.2)	1.3	(1.9)
Central costs and eliminations	(12.5)	(13.2)	(25.7)	(12.8)	(38.4)	(13.6)	(13.2)	(26.8)	(15.6)	(42.4)
Underlying operating margin	**11.8%**	**12.2%**	**12.0%**	**15.0%**	**13.0%**	**12.8%**	**11.9%**	**12.3%**	**10.5%**	**11.8%**
Japan	29.0%	19.3%	24.6%	24.4%	24.6%	30.8%	19.3%	25.6%	19.5%	23.6%
Americas	17.7%	25.6%	21.7%	24.8%	22.7%	16.1%	21.5%	18.8%	21.0%	19.6%
EMEA	(2.7%)	11.3%	4.7%	13.7%	7.9%	3.9%	13.2%	8.8%	9.3%	9.0%
APAC ex-Japan	(14.0%)	(4.0%)	(8.9%)	(6.5%)	(8.1%)	(13.9%)	(0.1%)	(6.5%)	4.8%	(2.5%)

Source: Dentsu

Exhibit 2: Organic net revenue trends



Source: Dentsu

Japan

Japan's Q326 organic net revenue decline of 2.4% was below management's expectation of modest growth and followed 13 consecutive quarters of growth. The region faced a demanding comparative from Q325's 9.9% increase, but performance also reflected more cautious client spending, particularly in television advertising and digital transformation,

and an asset valuation adjustment in the rights business. The weaker quarter reduced organic growth for the first nine months to 2.5%, from 5.0% in H126.

Internet advertising continued to perform well, with double-digit turnover growth for the 11th consecutive quarter, supported by new business wins and additional work from existing clients. Digital transformation delivered mid-single-digit net revenue growth despite the more cautious spending environment. These trends support management's expectation of a return to growth in Q426, when the Q425 comparative eases a little to 4.5%. However, management acknowledged that achieving its unchanged FY26 organic growth guidance of over 3% has become more challenging.

Japan's underlying operating margin declined by 490bp to 19.5% in Q326. For the first nine months, the margin was 23.6%, 100bp lower than the prior year but slightly ahead of management's expectations. Management attributed the nine-month margin decline to increased investment in future growth.

Americas

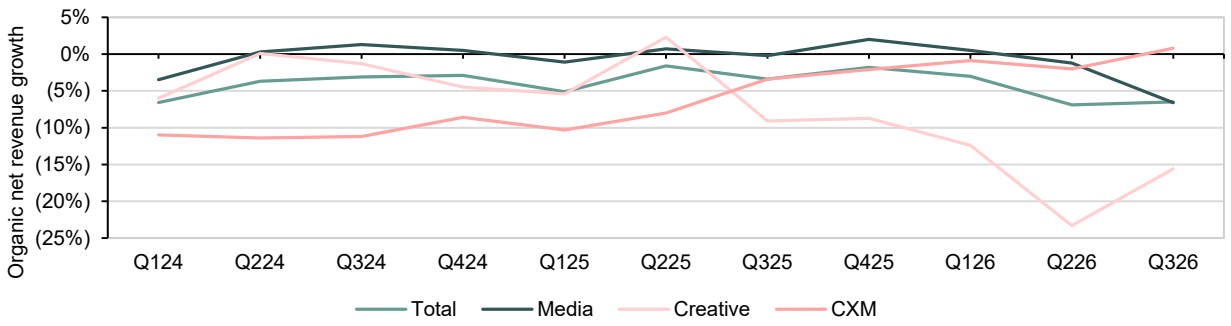
The Americas' organic net revenue decline of 6.5% in Q326 represented only a modest improvement from Q226's 6.9% decline, with weaker Media performance offsetting a recovery in customer experience management (CXM). Media's organic decline increased to 6.6% from 1.2% in Q226 as the previously flagged reduction in business from major clients became more evident. New projects and extensions to existing assignments were insufficient to offset this pressure and fell short of management's expectations.

CXM returned to organic growth for the first time since 2022, increasing by 0.8%, supported by improved client retention and additional work in marketing and AI transformation. This is encouraging after a prolonged period of weakness, although management remains cautious given the largely project-based nature of the business. Creative's organic decline moderated to 15.6% from 23.3% in Q226 as the impact of the prior-year account loss began to annualise. However, lower spending by existing clients and weaker new business wins meant performance remained below expectations.

Staff cost savings more than offset increased internal investment, keeping operating expenses below the prior-year level. Nevertheless, the underlying operating margin declined by 380bp to 21.0% in Q326, taking the nine-month margin to 19.6%, broadly in line with management's expectations.

Management reduced FY26 organic growth guidance to a decline of 5–6%, from a decline of approximately 4%. Media represents the Americas' largest business and has demonstrated deteriorating revenue trends through FY26. Although net new Media wins returned to positive territory in Q326 management indicated that the revenue gap from major account losses is likely to persist into FY27. The CXM improvement therefore needs to be accompanied by a broader recovery in Media and Creative before the region can return to growth. With the results, management highlighted the expansion of its collaboration with ServiceNow to transform technology operations across the entire group and the extension of its global Media contract until 2030.

Exhibit 3: Dentsu's Americas organic net revenue trends



Source: Dentsu

EMEA

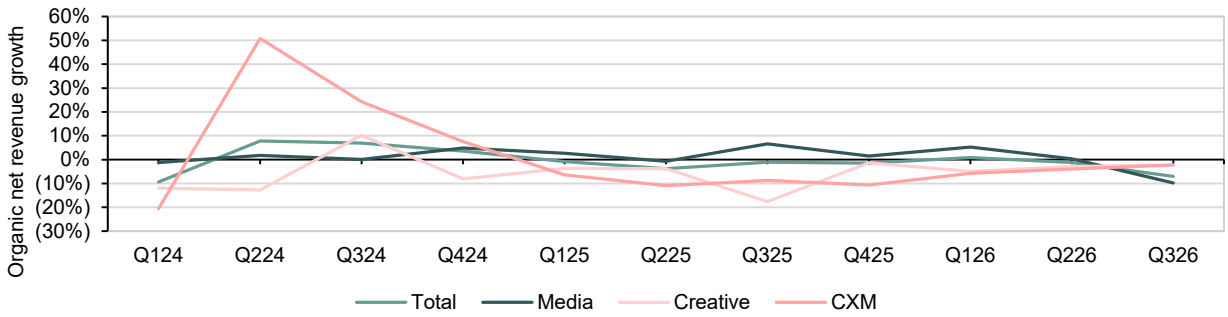
EMEA's organic net revenue decline increased to 7.1% in Q326 from 1.2% in Q226, principally reflecting a reversal in Media. Media declined by 9.8%, following modest growth in Q226, against a strong 6.6% comparative. Management had anticipated a decline given prior-year one-off benefits in the UK, revenue recognised in H126 and client losses. However, reduced or delayed advertising expenditure, particularly in Germany and Italy, led to a weaker outcome than expected.

Management highlighted rising energy prices and geopolitical uncertainty as additional constraints on client spending.

Creative and CXM each declined by 2.2%. Both were slightly below management's expectations, although the rates of decline moderated from Q226. Recent commercial progress includes expanded Media mandates for Netflix and DOUGLAS Group across more than 20 European markets, and an integrated assignment supporting Great Wall Motors' entry into Spain and Italy. These wins provide evidence of demand for Dentsu's broader offering, but have yet to offset the pressure elsewhere in the region.

The weaker revenue performance reduced Q326 underlying operating profit by 32.7%, with the margin falling by 440bp to 9.3%. The stronger H126 performance meant nine-month operating profit remained 23.1% ahead, with a 9.0% margin broadly in line with management's expectations. Management believes the streamlined regional structure is releasing savings for reinvestment in competitiveness. However, the revenue shortfall and more cautious Q4 outlook prompted a reduction in FY26 organic growth guidance to approximately -2%, from approximately +1%.

Exhibit 4: Dentsu's EMEA organic net revenue trends



Source: Dentsu

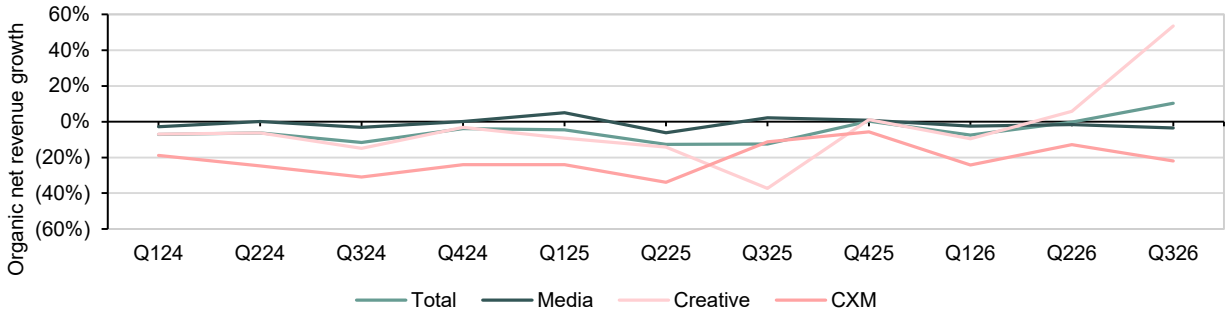
Asia Pacific ex-Japan

Asia Pacific ex-Japan returned to organic net revenue growth of 10.3% in Q326, following a 0.2% decline in Q226. This took growth for the first nine months to 0.7%, in line with management's expectations. The improvement was concentrated in Creative, which grew by 53.5%, largely reflecting the absence of prior-year one-off factors, although increased revenue in India also contributed. Outside Creative, revenue trends remained weak with Media declining by 3.5% and CXM falling by 22.0%.

Higher revenue and lower operating expenses returned the region to an underlying operating profit of ¥1.3bn in Q326, with a 4.8% margin. This reduced the nine-month operating loss to ¥1.9bn, equivalent to a margin of -2.5%, compared with -6.5% in H126. While profitability has improved, its regional margin remains Dentsu's lowest.

Management believes the business has largely stabilised and retained FY26 organic growth guidance of approximately 1%. Recent wins include Air India's global Media business and assignments for Tabcorp in Australia and TSB in New Zealand. These support the recovery, but sustained growth beyond the easier Creative comparative and an improvement in CXM remain important to rebuilding profitability.

Exhibit 5: Dentsu's Asia-Pacific ex-Japan organic net revenue trends



Source: Dentsu

Exhibit 6: Financial summary

¥'m	2023	2024	2025	2026e	2027e	2028e
Year end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT						
Revenue	1,304,552	1,410,961	1,435,246	1,466,067	1,488,058	1,532,700
Cost of Sales	(159,733)	(209,314)	(237,716)	(256,562)	(260,410)	(268,222)
Net revenue	**1,144,819**	**1,201,647**	**1,197,530**	**1,209,505**	**1,227,648**	**1,264,477**
EBITDA	211,543	228,347	221,887	222,083	230,671	254,794
Operating profit (before amortisation and exceptionals)	163,515	176,234	172,536	163,283	171,871	195,994
Amortisation of acquired intangibles	(30,691)	(29,336)	(25,258)	(23,000)	(23,000)	(23,000)
Exceptionals	(87,510)	(271,890)	(436,490)	9,771	0	0
Share-based payments	0	0	0	0	0	0
Reported operating profit	45,314	(124,992)	(289,212)	150,054	148,871	172,994
Net Interest	(15,810)	(17,073)	(20,742)	(26,000)	(30,000)	(38,000)
Joint ventures & associates (post tax)	3,654	3,009	3,868	3,945	4,024	4,105
Exceptionals	(52)	(701)	(703)	0	0	0
Profit Before Tax (normalised)	151,359	162,170	155,662	141,229	145,895	162,099
Profit Before Tax (reported)	33,106	(139,757)	(306,789)	128,000	122,895	139,099
Reported tax	(38,572)	(43,605)	(12,150)	(50,560)	(44,242)	(50,076)
Profit After Tax (normalised)	95,310	101,738	102,209	92,646	93,373	103,743
Profit After Tax (reported)	(5,466)	(183,362)	(318,939)	77,440	78,653	89,023
Minority interests	(5,245)	(8,808)	(8,661)	(8,661)	(8,661)	(8,661)
Net income (normalised)	89,849	92,930	93,548	83,985	84,712	95,082
Net income (reported)	(10,711)	(192,185)	(327,600)	68,779	69,992	80,362
Average Number of Shares Outstanding (m)	264.4	261.6	259.6	259.6	259.6	259.6
EPS - normalised (¥)	339.8	355.2	360.4	323.5	326.3	366.3
EPS - normalised FD (¥)	339.8	355.2	360.4	323.5	326.3	366.3
EPS - basic reported (¥)	(40.5)	(734.6)	(1,262.0)	265.0	269.6	309.6
Dividend (¥)	139.5	139.5	0.0	0.0	0.0	139.5
Net revenue growth (%)	2.3	5.0	(0.3)	1.0	1.5	3.0
EBITDA margin to net revenue (%)	18.5	19.0	18.5	18.4	18.8	20.2
Normalised op. margin to net revenue (%)	14.3	14.7	14.4	13.5	14.0	15.5
BALANCE SHEET						
Fixed Assets	1,494,840	1,329,901	905,380	870,580	836,780	802,980
Intangible Assets	1,069,854	900,744	498,321	470,521	442,721	414,921
Tangible Assets	29,430	26,159	22,967	22,967	22,967	22,967
Investments & other	395,556	402,998	384,092	377,092	371,092	365,092
Current Assets	2,139,555	2,177,354	2,301,403	2,374,057	2,498,602	2,640,567
Stocks	6,396	6,095	9,495	7,471	7,583	7,810
Debtors	1,524,289	1,678,146	1,818,316	1,743,687	1,769,842	1,822,937
Cash & cash equivalents	390,677	371,988	295,183	444,491	542,768	631,410
Other	218,193	121,126	178,409	178,409	178,409	178,409
Current Liabilities	(1,939,910)	(2,067,395)	(2,145,241)	(2,117,986)	(2,142,408)	(2,191,986)
Creditors	(1,527,612)	(1,566,979)	(1,655,434)	(1,628,179)	(1,652,601)	(1,702,179)
Tax and social security	(28,088)	(27,172)	(37,271)	(37,271)	(37,271)	(37,271)
Short-term borrowings	(39,213)	(173,646)	(122,067)	(122,067)	(122,067)	(122,067)
Other	(344,997)	(299,598)	(330,469)	(330,469)	(330,469)	(330,469)
Long-term liabilities	(781,735)	(670,828)	(613,590)	(605,590)	(597,590)	(589,590)
Long-term borrowings	(455,232)	(373,627)	(346,174)	(338,174)	(330,174)	(322,174)
Other long-term liabilities	(326,503)	(297,201)	(267,416)	(267,416)	(267,416)	(267,416)
Net Assets	912,750	769,032	447,952	521,061	595,384	661,970
Minority interests	(71,104)	(72,197)	(73,105)	(77,435)	(81,765)	(86,096)
Shareholders' equity	841,646	696,835	374,847	443,627	513,619	575,875
CASH FLOW						
Operating Cash Flow	111,825	(58,308)	(232,179)	209,800	204,695	220,899
Working capital	(60,338)	(114,899)	(28,649)	49,398	(1,845)	(3,745)
Exceptional & other	85,635	278,214	441,401	26,000	30,000	35,000
Tax	(47,301)	(25,651)	(45,347)	(50,560)	(44,242)	(50,076)
Net operating cash flow	89,821	79,356	135,226	234,638	188,608	202,078
Capex	(27,623)	(25,564)	(26,886)	(26,000)	(26,000)	(26,000)
Acquisitions/disposals	(149,688)	(34,761)	(6,370)	0	0	0
Net interest	(20,583)	(22,088)	(20,854)	(26,000)	(30,000)	(35,000)
Equity financing	(4)	(20,006)	(2)	0	0	0
Net dividends	(42,009)	(35,847)	(21,222)	2,670	1,670	(16,437)
Other	21,725	16,100	29,524	0	0	0
Net cash flow	(128,361)	(42,810)	89,416	185,308	134,278	124,642
Opening net debt/(cash)	(71,311)	103,768	175,285	173,058	15,750	(90,527)
FX	11,117	17,114	6,099	0	0	0
Other non-cash movements	(57,835)	(45,821)	(93,288)	(28,000)	(28,000)	(28,000)
Closing net debt/(cash)	103,768	175,285	173,058	15,750	(90,527)	(187,169)

Source: Dentsu, Edison Investment Research.

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