

Dentsu Group

Record year in FY22

FY22 results

Media

14 February 2023

Price **¥4,215**
Market cap **¥1,137bn**

Net cash (¥bn) at 31 December 2022	71.3
Shares in issue	264.38m
Free float	75.8%
Code	DENN
Primary exchange	TSE
Secondary exchange	N/A

Share price performance



Business description

Dentsu Group is a holding company, operating in over 145 countries. It provides a wide range of client-centric integrated communications, media and digital services.

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Dentsu reported record full-year headline results in FY22, which were bolstered by a final quarter in which the company delivered organic net revenue growth of 3.5%. Good progress continues to be made in Customer Transformation and Technology (CT&T), which grew 17.5% y-o-y and constituted 32% of revenues in the year. Management forecasts 4% organic revenue growth for FY23, reflecting the tougher macroeconomic environment. Guidance on the underlying operating margin in FY23 is for a retrenchment to 17.5% as investment is made to drive CT&T and support the [One dentsu](#) initiative. This is set to rebound to 18.0% in FY24 as the benefits start to flow through. Year-end net cash of ¥71.3bn and an appetite for leverage of 1.0–1.5x provides ample resource for both capex and M&A. Our FY23 estimates are under review.

Year end	Net revenue (¥bn)	PBT* (¥bn)	EPS* (¥)	DPS (¥)	P/E (x)	Yield (%)
12/20	835.0	123.5	250	71	16.9	1.7
12/21	976.6	146.0	392	118	10.8	2.8
12/22e	1,117.0**	172.6	485**	155**	8.7	3.7
12/23e	1,115.0	183.7	460	153	9.2	3.6

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

Dentsu's FY22 net revenue came in just ahead of our expectations and management guidance at ¥1,117bn (Edison: ¥1,098bn, FY21: ¥977bn), representing year-on-year organic growth of 4.1%. Japan delivered organic net revenue growth of 0.4%, which is impressive given the FY21 comparator benefitted from the Tokyo Olympic Games when net organic revenue growth was 17.9%. Elsewhere, EMEA reported strong growth of 9.7%, Americas 6.1% and APAC (ex Japan) 2.5%. Earlier initiatives made in the year to simplify and rationalise the business drove operational efficiencies, resulting in a 20bp expansion in the operating margin to 18.4% (excluding Russia), taking full-year operating profit to ¥203bn (Edison: ¥194bn, FY21: ¥179bn). As previously flagged by management, favourable foreign exchange rates boosted the full-year basic EPS by 10% to ¥485 (Edison: ¥440, FY21: ¥392), resulting in a record dividend payment of ¥155/share (Edison: ¥140/share, FY21: ¥118/share).

Management has guided to FY23 net revenue of ¥1,161bn, reflecting year-on-year growth of 4%, at an underlying operating margin of 17.5%. The dip in operating margin from FY22 reflects the ramp up of investment in One dentsu, which will drive operational simplification and cost efficiencies. Despite the expected margin squeeze and tougher trading conditions, management remains confident in a return to an 18% underlying operating margin in FY24.

M&A momentum continues with [Monday's announcement](#) of the acquisition of Spanish CRM solutions firm, Omega Customer Relationship Management (CRM) Consulting. The company will be brought into Dentsu's Merkle business and will bolster the group's Salesforce and CRM solutions offering, making Merkle the largest CRM agency in Spain. The acquisition is in line with the group's target of generating 50% net revenue from CT&T.

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