

OMNICOM GROUP INC.
Form 10-Q
April 22, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF
1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2014

Commission File Number: 1-10551

OMNICOM GROUP INC.
(Exact name of registrant as specified in its charter)

New York 13-1514814
(State or other jurisdiction of incorporation or (IRS Employer Identification No.)
organization)

437 Madison Avenue, New York, New York 10022
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212) 415-3600

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of April 15, 2014, there were 258,440,800 shares of Omnicom Group Inc. Common Stock outstanding.

OMNICOM GROUP INC.
 QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2014
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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements (including within the meaning of the Private Securities Litigation Reform Act of 1995) concerning the Company, Publicis Groupe S.A., or Publicis, Publicis Omnicom Group, the proposed business combination between the Company and Publicis, or the Business Combination, and other matters. These statements may discuss goals, intentions and expectations as to future plans, trends, events, results of operations or financial condition, or otherwise, based on current beliefs of the management of the Company as well as assumptions made by, and information currently available to, the Company's management. Forward-looking statements may be accompanied by words such as "aim," "anticipate," "believe," "plan," "could," "would," "should," "estimate," "expect," "forecast," "future," "guidance," "intend," "may," "will," "possible," "potential," "predict," "p words, phrases or expressions. These forward-looking statements are subject to various risks and uncertainties, many of which are outside the Company's control. Therefore, you should not place undue reliance on such statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include failure to obtain applicable regulatory or shareholder approvals for the proposed Business Combination in a timely manner or otherwise; potential delays in the initiation or completion of the process to register the pending transaction with the Securities and Exchange Commission, or the SEC, and certain European securities regulators and commence solicitation of proxies in connection with shareholder approval; failure to satisfy other closing conditions to the proposed transactions; resolution of open issues, complexities and challenges relating to the merger of Omnicom and Publicis in a timely manner as necessary to consummate the pending transaction; risks that the new businesses, information technology and financial reporting systems, operations and management will not be integrated successfully or that the combined companies will not realize estimated cost savings, value of certain tax assets, synergies and growth or that such benefits may take longer to realize than expected; failure to realize anticipated benefits of the combined operations; risks relating to unanticipated costs of integration; losses on media purchases and production costs incurred on behalf of clients; reductions in client spending, a slowdown in client payments and changes in client communication requirements; failure to manage potential conflicts of interest between or among clients; unanticipated changes relating to competitive factors in the advertising and marketing industries; ability to hire and retain key personnel; ability to successfully integrate the businesses of Omnicom and Publicis; the potential

impact of announcement or consummation of the proposed transactions on relationships with third parties, including clients, employees and competitors; ability to attract new clients and retain existing clients in the manner anticipated; reliance on information technology systems; changes in legislation or governmental regulations affecting the Company; international, national or local economic, social or political conditions that could adversely affect the Company or its clients; conditions in the credit markets; risks associated with assumptions the Company makes in connection with its

critical accounting estimates and legal proceedings; and the Company's international operations, which are subject to the risks of currency fluctuations and currency repatriation restrictions. The foregoing list of factors is not exhaustive. You should carefully consider the foregoing factors and the other risks and uncertainties that affect Omnicom's business, including those described in the "Risk Factors" in Omnicom's Annual Report on Form 10-K, Current Reports on Form 8-K and other documents filed from time to time with the SEC. Except as required under applicable law, the Company does not assume any obligation to update these forward-looking statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

OMNICOM GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)

	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$2,082.1	\$2,710.5
Short-term investments, at cost	7.0	18.2
Accounts receivable, net of allowance for doubtful accounts of \$30.7 and \$32.6	6,006.6	6,632.6
Work in process	1,488.6	1,288.0
Other current assets	992.3	1,003.0
Total Current Assets	10,576.6	11,652.3
Property and Equipment at cost, less accumulated depreciation of \$1,255.4 and \$1,230.1	732.0	737.4
Equity Method Investments	133.5	131.8
Goodwill	8,986.7	8,916.0
Intangible Assets, net of accumulated amortization of \$577.5 and \$552.3	384.7	386.0
Other Assets	274.4	275.2
TOTAL ASSETS	\$21,087.9	\$22,098.7
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	\$7,403.4	\$8,358.9
Customer advances	1,153.6	1,242.2
Current portion of debt	253.1	0.4
Short-term borrowings	7.5	5.9
Taxes payable	221.9	293.3
Other current liabilities	2,408.8	2,377.0
Total Current Liabilities	11,448.3	12,277.7
Long-Term Notes Payable	3,778.6	3,780.7
Convertible Debt	—	252.7
Long-Term Liabilities	713.0	685.1
Long-Term Deferred Tax Liabilities	740.8	832.6
Commitments and Contingent Liabilities (See Note 12)		
Temporary Equity - Redeemable Noncontrolling Interests	200.9	202.0
Equity:		
Shareholders' Equity:		
Preferred stock	—	—
Common stock	59.6	59.6
Additional paid-in capital	847.8	817.1
Retained earnings	9,060.8	8,961.2
Accumulated other comprehensive income (loss)	(169.7)	(191.6)
Treasury stock, at cost	(6,080.0)	(6,063.9)

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Total Shareholders' Equity	3,718.5	3,582.4
Noncontrolling interests	487.8	485.5
Total Equity	4,206.3	4,067.9
TOTAL LIABILITIES AND EQUITY	\$21,087.9	\$22,098.7

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.

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OMNICOM GROUP INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (In millions, except per share amounts)
 (Unaudited)

	Three Months Ended March 31,	
	2014	2013
Revenue	\$3,502.2	\$3,398.9
Operating Expenses	3,119.5	3,027.2
Operating Income	382.7	371.7
Interest Expense	47.7	49.0
Interest Income	8.7	8.1
Income Before Income Taxes and Income From Equity Method Investments	343.7	330.8
Income Tax Expense	116.3	109.2
Income From Equity Method Investments	0.6	3.2
Net Income	228.0	224.8
Net Income Attributed To Noncontrolling Interests	(22.5) (19.7
Net Income - Omnicom Group Inc.	\$205.5	\$205.1
Net Income Per Share - Omnicom Group Inc.:		
Basic	\$0.78	\$0.76
Diluted	\$0.77	\$0.76
Dividends Declared Per Common Share	\$0.40	\$0.40

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.

OMNICOM GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended March 31,	
	2014	2013
Net Income	\$228.0	\$224.8