

OMNICOM GROUP INC.
Form 10-Q
July 19, 2016

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 JUNE 30, 2016

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 organization) (IRS Employer Identification No.)

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 July 8, 2016, there were 236,538,263 shares of Omnicom Group Inc. Common Stock outstanding.

OMNICOM GROUP INC.
 QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2016
 TABLE OF CONTENTS

	Page
PART I.	FINANCIAL INFORMATION
Item 1.	<u>Financial Statements</u>
	Consolidated Balance Sheets - June 30, 2016 and December 31, 2015
	1
	Consolidated Statements of Income - Three and six months ended June 30, 2016 and 2015
	2
	Consolidated Statements of Comprehensive Income - Three and six months ended June 30, 2016 and 2015
	3
	Consolidated Statements of Cash Flows - Six months ended June 30, 2016 and 2015
	4
	<u>Notes to Consolidated Financial Statements</u>
	5
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	14
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	30
Item 4.	<u>Controls and Procedures</u>
	30
PART II.	OTHER INFORMATION
Item 1.	<u>Legal Proceedings</u>
	31
Item 1A.	<u>Risk Factors</u>
	31
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	31
Item 6.	<u>Exhibits</u>
	31
SIGNATURES	32
FORWARD-LOOKING STATEMENTS	

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements, including statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, from time to time, the Company or its representatives have made, or may make, forward-looking statements, orally or in writing. 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 Company's management 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," "should," "would," "estimate," "expect," "forecast," "guidance," "intend," "may," "will," "possible," "potential," "predict," "project" or similar 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: international, national or local economic conditions that could adversely affect the Company or its clients; losses on media purchases and production costs incurred on behalf of clients; reductions in client spending, a slowdown in client payments and a deterioration in the credit markets; ability to attract new clients and retain existing clients in the manner anticipated; changes in client advertising, marketing and corporate communications requirements; failure to manage potential conflicts of interest between or among clients; unanticipated changes relating to competitive factors in the advertising, marketing and corporate communications industries; ability to hire and retain key personnel; currency exchange rate fluctuations; reliance on information technology systems; changes in legislation or governmental regulations affecting the Company or its clients; 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 repatriation restrictions, social or political conditions and regulatory environment. The foregoing list of factors is not exhaustive. You should carefully consider the foregoing factors and the other risks and uncertainties that may affect the Company's business, including those described in Item 1A, "Risk Factors" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the

year ended December 31, 2015 and in Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this report. 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

CONSOLIDATED BALANCE SHEETS

(In millions)

	June 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,305.7	\$ 2,605.2
Short-term investments, at cost	231.0	14.5
Accounts receivable, net of allowance for doubtful accounts of \$22.2 and \$22.5	6,422.6	7,220.9
Work in process	1,365.1	1,122.7
Other current assets	989.8	1,017.2
Total Current Assets	10,314.2	11,980.5
Property and Equipment at cost, less accumulated depreciation of \$1,234.8 and \$1,206.6	683.4	692.7
Equity Method Investments	137.5	136.6
Goodwill	9,068.4	8,676.4
Intangible Assets, net of accumulated amortization of \$743.0 and \$680.7	457.4	344.8
Other Assets	274.3	279.7
TOTAL ASSETS	\$ 20,935.2	\$ 22,110.7
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	\$ 8,507.0	\$ 9,812.0
Customer advances	1,163.1	1,283.5
Current portion of debt	0.2	1,001.4
Short-term debt	11.5	5.2
Taxes payable	155.6	319.1
Other current liabilities	1,703.4	1,798.4
Total Current Liabilities	11,540.8	14,219.6
Long-Term Debt	5,022.2	3,564.2
Long-Term Liabilities	822.3	800.5
Long-Term Deferred Tax Liabilities	553.0	469.1
Commitments and Contingent Liabilities (See Note 10)		
Temporary Equity - Redeemable Noncontrolling Interests	223.8	167.9
Equity:		
Shareholders' Equity:		
Preferred stock	—	—
Common stock	59.6	59.6
Additional paid-in capital	794.5	859.9
Retained earnings	10,470.7	10,178.2
Accumulated other comprehensive income (loss)	(1,061.5)	(1,015.4)
Treasury stock, at cost	(7,981.4)	(7,629.9)
Total Shareholders' Equity	2,281.9	2,452.4
Noncontrolling interests	491.2	437.0
Total Equity	2,773.1	2,889.4
TOTAL LIABILITIES AND EQUITY	\$ 20,935.2	\$ 22,110.7

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

1

OMNICOM GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June, 30	
	2016	2015	2016	2015
Revenue	\$3,884.9	\$3,805.3	\$7,384.0	\$7,274.5
Operating Expenses:				
Salary and service costs	2,824.6	2,762.9	5,449.2	5,360.0
Occupancy and other costs	314.6	321.0	614.7	639.0
Cost of services	3,139.2	3,083.9	6,063.9	5,999.0
Selling, general and administrative expenses	110.9	110.1	219.0	212.2
Depreciation and amortization	73.0	72.7	147.2	147.0
	3,323.1	3,266.7	6,430.1	6,358.2
Operating Income	561.8	538.6	953.9	916.3
Interest Expense	54.3	44.7	104.6	88.4
Interest Income	9.5	10.1	19.7	19.6
Income Before Income Taxes and Income From Equity Method Investments	517.0	504.0	869.0	847.5
Income Tax Expense	167.9	165.3	283.4	