

INTERPUBLIC GROUP OF COMPANIES, INC.

Form 10-Q

October 27, 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 September 30, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 1-6686

THE INTERPUBLIC GROUP OF COMPANIES, INC.

(Exact name of registrant as specified in its charter)

Delaware 13-1024020

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

909 Third Avenue, New York, New York 10022

(Address of principal executive offices) (Zip Code)

(212) 704-1200

(Registrant's telephone number, including area code)

(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 (§232.405 of this chapter) 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 definition 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

(Do not check if a 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

The number of shares of the registrant's common stock outstanding as of October 15, 2016 was 397,009,967.

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INFORMATION REGARDING FORWARD-LOOKING DISCLOSURE

This quarterly report on Form 10-Q contains forward-looking statements. Statements in this report that are not historical facts, including statements about management's beliefs and expectations, constitute forward-looking statements. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "would," "estimate," "continue" or comparable terminology are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and are subject to change based on a number of factors, including those outlined under Item 1A, Risk Factors, in our most recent annual report on Form 10-K. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, the following:

- potential effects of a challenging economy, for example, on the demand for our advertising and marketing services, on our clients' financial condition and on our business or financial condition;
- our ability to attract new clients and retain existing clients;
- our ability to retain and attract key employees;
- risks associated with assumptions we make in connection with our critical accounting estimates, including changes in assumptions associated with any effects of a weakened economy;
- potential adverse effects if we are required to recognize impairment charges or other adverse accounting-related developments;
- risks associated with the effects of global, national and regional economic and political conditions, including counterparty risks and fluctuations in economic growth rates, interest rates and currency exchange rates; and
- developments from changes in the regulatory and legal environment for advertising and marketing and communications services companies around the world.

Investors should carefully consider these factors and the additional risk factors outlined in more detail under Item 1A, Risk Factors, in our most recent annual report on Form 10-K.

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements (Unaudited)

## THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
REVENUE	\$1,922.2	\$1,865.5	\$5,582.1	\$5,417.6
OPERATING EXPENSES:				
Salaries and related expenses	1,228.8	1,202.2	3,728.7	3,622.6
Office and general expenses	486.2	471.4	1,400.5	1,379.5
Total operating expenses	1,715.0	1,673.6	5,129.2	5,002.1
OPERATING INCOME	207.2	191.9	452.9	415.5
EXPENSES AND OTHER INCOME:				
Interest expense	(21.7 )	(21.3 )	(68.8 )	(62.5 )
Interest income	4.7	5.6	16.1	17.8
Other income (expense), net	6.1	(37.2 )	(11.1 )	(36.4 )
Total (expenses) and other income	(10.9 )	(52.9 )	(63.8 )	(81.1 )
Income before income taxes	196.3	139.0	389.1	334.4
Provision for income taxes	63.8	61.1	91.9	137.4
Income of consolidated companies	132.5	77.9	297.2	197.0
Equity in net income (loss) of unconsolidated affiliates	0.2	0.1	(1.6 )	0.6
NET INCOME	132.7	78.0	295.6	197.6
Net income attributable to noncontrolling interests	(4.1 )	(3.1 )	(4.7 )	(3.3 )
NET INCOME AVAILABLE TO IPG COMMON STOCKHOLDERS	\$128.6	\$74.9	\$290.9	\$194.3
Earnings per share available to IPG common stockholders:				
Basic	\$0.32	\$0.18	\$0.73	\$0.47
Diluted	\$0.32	\$0.18	\$0.71	\$0.47
Weighted-average number of common shares outstanding:				
Basic	397.7	407.6	399.5	409.7
Diluted	407.9	415.5	408.8	417.0
Dividends declared per common share	\$0.15			