

INTERPUBLIC GROUP OF COMPANIES, INC.

Form 10-Q

October 28, 2011

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2011

or

o 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

(State or other jurisdiction of
incorporation or organization)

13-1024020

(I.R.S. Employer
Identification No.)

1114 Avenue of the Americas, New York, New York 10036

(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 17, 2011 was 461,172,626.

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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		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
REVENUE	\$1,726.5	\$1,553.4	\$4,942.0	\$4,502.1
OPERATING EXPENSES:				
Salaries and related expenses	1,088.0	1,007.1	3,263.8	2,977.4
Office and general expenses	465.5	444.7	1,375.5	1,304.4
Restructuring and other reorganization-related (reversals) charges, net	(0.2)	1.4	0.8	2.3
Total operating expenses	1,553.3	1,453.2	4,640.1	4,284.1
OPERATING INCOME	173.2	100.2	301.9	218.0
EXPENSES AND OTHER INCOME:				
Interest expense	(32.9)	(34.7)	(97.9)	(102.3)
Interest income	9.7	6.8	27.7	19.4
Other income (expense), net	137.1	(3.1)	136.3	(4.7)
Total (expenses) and other income	113.9	(31.0)	66.1	(87.6)
Income before income taxes	287.1	69.2	368.0	130.4
Provision for income taxes	70.4	24.4	96.5	72.4
Income of consolidated companies	216.7	44.8	271.5	58.0
Equity in net income of unconsolidated affiliates	0.8	0.8	1.7	0.4
NET INCOME	217.5	45.6	273.2	58.4
Net (income) loss attributable to noncontrolling interests	(6.5)	(0.3)	(2.8)	4.8
NET INCOME ATTRIBUTABLE TO IPG	211.0	45.3	270.4	63.2
Dividends on preferred stock	(2.9)	(2.9)	(8.7)	(12.7)
Benefit from preferred stock repurchased	0.0	0.0	0.0	25.7
NET INCOME AVAILABLE TO IPG COMMON STOCKHOLDERS	\$208.1	\$42.4	\$261.7	\$76.2
Earnings per share available to IPG common stockholders:				
Basic	\$0.45	\$0.09	\$0.56	\$0.16
Diluted	\$0.40	\$0.08	\$0.50	\$0.11
Weighted-average number of common shares outstanding:				
Basic	464.7	474.7	471.3	473.0
Diluted	537.6	533.6	527.8	526.4
Dividends declared per common share	\$0.06	\$0.00	\$0.18	\$0.00

The accompanying notes are an integral part of these unaudited financial statements.

Table of ContentsTHE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Amounts in Millions)

(Unaudited)

	September 30, 2011	December 31, 2010
ASSETS:		
Cash and cash equivalents	\$1,785.0	\$2,675.7
Marketable securities	13.8	13.7
Accounts receivable, net of allowance of \$62.0 and \$63.1	3,654.4	4,317.6
Expenditures billable to clients	1,525.3	1,217.1
Other current assets	250.8	229.4
Total current assets	7,229.3	8,453.5
Furniture, equipment and leasehold improvements, net of accumulated depreciation of \$1,180.1 and \$1,147.1	441.5	454.3
Deferred income taxes	309.2	334.2
Goodwill	3,405.4	3,368.5
Other non-current assets	440.5	460.3
TOTAL ASSETS	\$11,825.9	\$13,070.8
LIABILITIES:		
Accounts payable	\$5,934.2	\$6,806.7
Accrued liabilities	624.0	780.5
Short-term borrowings	149.9	114.8
Current portion of long-term debt	408.5	38.9
Total current liabilities	7,116.6	7,740.9
Long-term debt	1,166.2	1,583.3
Deferred compensation	447.3	486.1
Other non-current liabilities	424.6	402.4
TOTAL LIABILITIES	9,154.7	10,212.7
Redeemable noncontrolling interests (see Note 4)	257.7	291.2
STOCKHOLDERS' EQUITY:		
Preferred stock	221.5	221.5
Common stock	48.2	47.5
Additional paid-in capital	2,397.4	2,456.8
Retained earnings (accumulated deficit)	176.2	(63.7)
Accumulated other comprehensive loss, net of tax	(181.6)	(119.0)
	2,661.7	2,543.1
Less: Treasury stock	(283.1)	(14.1)
Total IPG stockholders' equity	2,378.6	2,529.0
Noncontrolling interests	34.9	37.9
TOTAL STOCKHOLDERS' EQUITY	2,413.5	2,566.9
TOTAL LIABILITIES AND EQUITY	\$11,825.9	\$13,070.8

The accompanying notes are an integral part of these unaudited financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Millions)

(Unaudited)

	Nine months ended September 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$273.2	\$58.4
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of fixed assets and intangible assets	109.5	111.5
Provision for uncollectible receivables	7.7	8.6
Amortization of restricted stock and other non-cash compensation	42.1	38.5
Net amortization of bond premiums and deferred financing costs	(6.3	) (3.0
Deferred income tax provision (benefit)	24.7	(7.5
Gain on sale of an investment	(132.2	) 0.0
Other	15.9	26.1
Changes in assets and liabilities, net of acquisitions and dispositions, providing (using) cash:		
Accounts receivable	565.8	(82.7
Expenditures billable to clients	(315.2	) (225.8
Other current assets	(36.9	) (14.9
Accounts payable	(817.4	) 51.2
Accrued liabilities	(99.2	) (104.1
Other non-current assets and liabilities	(75.6	) (18.1
Net cash used in operating activities	(443.9	) (161.8
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of an investment	133.5	0.0
Acquisitions, including deferred payments, net of cash acquired	(50.3	) (63.0
Capital expenditures	(83.3	) (49.7
Other investing activities	9.2	29.1
Net cash provided by (used in) investing activities	9.1	(83.6
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of common stock	(269.0	) 0.0
Common stock dividends	(84.4	) 0.0
Exercise of stock options	11.9	1.0
Repurchase of preferred stock	0.0	(265.9
Purchase of long-term debt	(38.3	) (24.2
Issuance costs and fees	0.0	(9.8
Net increase in short term bank borrowings	48.0	25.9
Acquisition-related payments	(70.4	) (25.8
Distributions to noncontrolling interests	(17.4	) (18.2
Preferred stock dividends	(8.7	) (16.7
Other financing activities	5.6	6.0
Net cash used in financing activities	(422.7	) (327.7
Effect of foreign exchange rate changes on cash and cash equivalents	(33.2	) 5.6
Net decrease in cash and cash equivalents	(890.7	) (567.5
Cash and cash equivalents at beginning of period	2,675.7	2,495.2
Cash and cash equivalents at end of period	\$1,785.0	\$1,927.7

The accompanying notes are an integral part of these unaudited financial statements.

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THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
(Amounts in Millions)
(Unaudited)

Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other
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