

INTERPUBLIC GROUP OF COMPANIES, INC.  
Form 10-Q  
July 29, 2010  
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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 June 30, 2010

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**  
(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.

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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 July 16, 2010 was 488,820,779.

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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 used in 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;

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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.

**Table of Contents****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		Six months ended	
	2010	2009	2010	2009
<b>REVENUE</b>	\$ 1,617.8	\$ 1,474.4	\$ 2,959.1	\$ 2,799.7
<b>OPERATING EXPENSES:</b>				
Salaries and related expenses	991.0	968.4	1,970.3	1,964.9
Office and general expenses	449.0	409.1	870.1	820.0
Restructuring and other reorganization-related charges (reversals)	0.6	0.0	0.9	(0.2)
Total operating expenses	1,440.6	1,377.5	2,841.3	2,784.7
<b>OPERATING INCOME</b>	177.2	96.9	117.8	15.0
<b>EXPENSES AND OTHER INCOME:</b>				
Interest expense	(35.0)	(45.1)	(67.6)	(79.9)
Interest income	6.1	8.1	12.6	20.4
Other expense, net	(2.1)	(23.3)	(1.6)	(18.4)
Total (expenses) and other income	(31.0)	(60.3)	(56.6)	(77.9)
<b>Income (loss) before income taxes</b>	146.2	36.6	61.2	(62.9)
Provision for (benefit of) income taxes	63.3	3.7	48.0	(21.7)
<b>Income (loss) of consolidated companies</b>	82.9	32.9	13.2	(41.2)
Equity in net income (loss) of unconsolidated affiliates	0.2	(1.5)	(0.4)	(1.0)
<b>NET INCOME (LOSS)</b>	83.1	31.4	12.8	(42.2)
Net (income) loss attributable to noncontrolling interests	(0.6)	(3.6)	5.1	3.0
<b>NET INCOME (LOSS) ATTRIBUTABLE TO IPG</b>	82.5	27.8	17.9	(39.2)
Dividends on preferred stock	(2.9)	(6.9)	(9.8)	(13.8)
Benefit from preferred stock repurchased	25.7	0.0	25.7	0.0
<b>NET INCOME (LOSS) AVAILABLE TO IPG COMMON STOCKHOLDERS</b>	\$ 105.3	\$ 20.9	\$ 33.8	\$ (53.0)

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Earnings (loss) per share available to IPG common stockholders:				
Basic	\$ 0.22	\$ 0.04	\$ 0.07	\$ (0.11)
Diluted	\$ 0.15	\$ 0.04	\$ 0.02	\$ (0.11)
Weighted-average number of common shares outstanding:				
Basic	473.0	467.1	472.1	465.6
Diluted	544.9	507.5	531.6	465.6

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

**Table of Contents****THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(Amounts in Millions)****(Unaudited)**

	<b>June 30, 2010</b>	<b>December 31, 2009</b>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,929.9	\$ 2,495.2
Marketable securities	12.5	10.9
Accounts receivable, net of allowance of \$62.9 and \$66.0	3,724.5	3,756.5
Expenditures billable to clients	1,231.5	1,100.1
Other current assets	282.4	275.0
<b>Total current assets</b>	<b>7,180.8</b>	<b>7,637.7</b>
Furniture, equipment and leasehold improvements, net of accumulated depreciation of \$1,110.5 and \$1,119.1	440.4	490.1
Deferred income taxes	377.2	398.3
Goodwill	3,278.3	3,321.0
Other assets	427.9	416.0
<b>TOTAL ASSETS</b>	<b>\$ 11,704.6</b>	<b>\$ 12,263.1</b>
<b>LIABILITIES:</b>		
Accounts payable	\$ 4,004.8	\$ 4,003.9
Accrued liabilities	2,445.0	2,593.1
Short-term borrowings	91.6	93.4
Current portion of long-term debt	194.3	215.2
<b>Total current liabilities</b>	<b>6,735.7</b>	<b>6,905.6</b>
Long-term debt	1,628.0	1,638.0
Deferred compensation	477.5	503.2
Other non-current liabilities	386.2	402.2
<b>TOTAL LIABILITIES</b>	<b>9,227.4</b>	<b>9,449.0</b>
Redeemable noncontrolling interests (see Note 5)	269.4	277.8
<b>STOCKHOLDERS EQUITY:</b>		
Preferred stock	221.5	525.0
Common stock	47.4	47.1
Additional paid-in capital	2,462.6	2,441.0
Accumulated deficit	(306.9)	(324.8)
Accumulated other comprehensive loss, net of tax	(240.8)	(176.6)
	2,183.8	2,511.7
Less: Treasury stock	(14.1)	(14.0)
<b>Total IPG stockholders equity</b>	<b>2,169.7</b>	<b>2,497.7</b>
Noncontrolling interests	38.1	38.6

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<b>TOTAL STOCKHOLDERS EQUITY</b>	2,207.8	2,536.3
<b>TOTAL LIABILITIES AND EQUITY</b>	\$ 11,704.6	\$ 12,263.1

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



**Table of Contents****THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in Millions)

(Unaudited)

	Six months ended June 30,	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 12.8	\$ (42.2)
<b>Adjustments to reconcile net income (loss) to net cash used in operating activities:</b>		
Depreciation and amortization of fixed assets and intangible assets	74.2	84.5
Provision for uncollectible receivables	6.7	8.6
Amortization of restricted stock and other non-cash compensation	26.5	24.8
Net amortization of bond discounts (premiums) and deferred financing costs	(1.8)	13.8
Loss on early extinguishment of debt	0.1	24.6
Deferred income tax provision (benefit)	4.4	(27.1)
Other	18.2	6.8
<b>Changes in assets and liabilities, net of acquisitions and dispositions, providing (using) cash:</b>		
Accounts receivable	(144.7)	602.3
Expenditures billable to clients	(161.1)	79.2
Prepaid expenses and other current assets	(25.3)	(7.2)
Accounts payable	139.3	(710.0)
Accrued liabilities	(124.8)	(337.5)
Other non-current assets and liabilities	(26.7)	(44.0)
Net cash used in operating activities	(202.2)	(323.4)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of businesses and investments, net of cash sold	30.9	(0.2)
Acquisitions, including deferred payments, net of cash acquired	(9.0)	(32.2)
Capital expenditures	(28.3)	(27.7)
Net (purchases) sales and maturities of short-term marketable securities	(1.7)	157.4
Other investing activities	(1.2)	(0.6)
Net cash (used in) provided by investing activities	(9.3)	96.7
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repurchase of preferred stock	(265.9)	0.0
Proceeds from issuance of 10.0% Senior Notes due 2017	0.0	587.7
Purchase of long-term debt	(21.4)	(698.3)
Issuance costs and fees	(9.8)	(15.8)
Net increase in short-term bank borrowings	3.6	13.8
Distributions to noncontrolling interests	(12.1)	(17.4)
Preferred stock dividends	(13.8)	(13.8)
Other financing activities	3.5	(6.2)
Net cash used in financing activities	(315.9)	(150.0)

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Effect of foreign exchange rate changes on cash and cash equivalents	(37.9)	30.0
Net decrease in cash and cash equivalents	(565.3)	(346.7)
Cash and cash equivalents at beginning of period	2,495.2	2,107.2
Cash and cash equivalents at end of period	\$ 1,929.9	\$ 1,760.5

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

**Table of Contents****THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS)**

(Amounts in Millions)

(Unaudited)

	Common Stock			Additional Paid- in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss, Net of Tax	Treasury Stock	Total IPG		Total Stockholders Equity
	Preferred Stock	Shares	Amount					Stockholders Equity	Noncontrolling Interests	
Balance at December 31, 2009	\$ 525.0	486.5	\$ 47.1	\$ 2,441.0	\$ (324.8)	\$ (176.6)	\$ (14.0)	\$ 2,497.7	\$ 38.6	\$ 2,536.3
Net income (loss)					17.9			17.9	(5.1)	12.8
Foreign currency translation adjustment, net of tax						(67.8)		(67.8)	(0.1)	(67.9)
Changes in market value of securities available-for-sale, net of tax						0.1		0.1		0.1
Recognition of previously unrealized loss on securities available-for-sale, net of tax						0.0		0.0		0.0
Unrecognized losses, transition obligation and prior service cost, net of tax						3.5		3.5		3.5
<b>Total comprehensive loss</b>								<b>\$ (46.3)</b>	<b>\$ (5.2)</b>	<b>\$ (51.5)</b>
Reclassifications related to redeemable noncontrolling interests									16.9	16.9
Noncontrolling interest transactions				(18.8)				(18.8)	(0.1)	(18.9)
Distributions to noncontrolling interests									(12.1)	(12.1)
Change in redemption value of redeemable noncontrolling interests				(4.7)				(4.7)		(4.7)
Repurchase of preferred stock	(303.5)			35.9				(267.6)		(267.6)
Preferred stock dividends				(9.8)				(9.8)		(9.8)
Stock-based compensation				28.8				28.8		28.8
Restricted stock, net of forfeitures		2.2	0.3	(11.1)				(10.8)		(10.8)
Other		0.2	0.0	1.3			(0.1)	1.2		1.2
<b>Balance at June 30, 2010</b>	<b>\$ 221.5</b>	<b>488.9</b>	<b>\$ 47.4</b>	<b>\$ 2,462.6</b>	<b>\$ (306.9)</b>	<b>\$ (240.8)</b>	<b>\$ (14.1)</b>	<b>\$ 2,169.7</b>	<b>\$ 38.1</b>	<b>\$ 2,207.8</b>

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



**Table of Contents****THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS) (continued)**

(Amounts in Millions)

(Unaudited)

	Common Stock			Additional Paid- in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss, Net of Tax	Treasury Stock	Total IPG		Total Stockholders Equity
	Preferred Stock	Shares	Amount					Stockholders Equity	Noncontrolling Interests	
Balance at December 31, 2008	\$ 525.0	477.1	\$ 46.4	\$ 2,413.5	\$ (446.1)	\$ (318.5)	\$ (14.0)	\$ 2,206.3	\$ 37.9	\$ 2,244.2
Net loss					(39.2)			(39.2)	(3.0)	(42.2)
Foreign currency translation adjustment, net of tax						47.6		47.6	1.5	49.1
Changes in market value of securities available-for-sale, net of tax						1.1		1.1		1.1
Recognition of previously unrealized gains on securities available-for-sale, net of tax						(0.3)		(0.3)		(0.3)
Unrecognized losses, transition obligation and prior service cost, net of tax						6.2		6.2		6.2
<b>Total comprehensive income</b>								<b>\$ 15.4</b>	<b>\$ (1.5)</b>	<b>\$ 13.9</b>
Reclassifications related to redeemable noncontrolling interests									15.6	15.6
Noncontrolling interest transactions					(4.1)			(4.1)	(0.9)	(5.0)
Distributions to noncontrolling interests									(17.4)	(17.4)
Change in redemption value of redeemable noncontrolling interests					10.0			10.0		10.0
Preferred stock dividends					(13.8)			(13.8)		(13.8)
Stock-based compensation					25.2			25.2		25.2
Restricted stock, net of forfeitures		9.1	0.6	(16.8)				(16.2)		(16.2)
Other		0.3	0.0	2.8				2.8	0.7	3.5
Balance at June 30, 2009	\$ 525.0	486.5	\$ 47.0	\$ 2,416.8	\$ (485.3)	\$ (263.9)	\$ (14.0)	\$ 2,225.6	\$ 34.4	\$ 2,260.0

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

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**Notes to Consolidated Financial Statements**

**(Amounts in Millions, Except Per Share Amounts)**

**(Unaudited)**

**Note 1: Basis of Presentation**

The unaudited Consolidated Financial Statements have been prepared by The Interpublic Group of Companies, Inc. and subsidiaries ( IPG, we, us or our ) in accordance with accounting principles generally accepted in the United States and pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC or the Commission ) for reporting interim financial information on Form 10-Q. Accordingly, they do not include certain information and disclosures required for complete financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make judgments, assumptions and estimates that affect the amounts reported and disclosed. Actual results could differ from these estimates and assumptions. The consolidated results for interim periods are not necessarily indicative of results for the full year and should be read in conjunction with our 2009 Annual Report on Form 10-K.

In the opinion of management, these unaudited Consolidate