

MDC PARTNERS INC  
Form 10-Q  
November 05, 2013

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-13178

**MDC Partners Inc.**

(Exact name of registrant as specified in its charter)

**Canada**

(State or other jurisdiction of  
incorporation or organization)

**98-0364441**

(IRS Employer Identification No.)

**745 Fifth Avenue**

**New York, New York**

(Address of principal executive offices)

**10151**

(Zip Code)

**(646) 429-1800**

Registrant's telephone number, including area code:

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 the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act.

Large accelerated Filer

Accelerated filer

Non-accelerated Filer  (Do not check if a smaller reporting company.)

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 numbers of shares outstanding as of October 25, 2013 were: 32,368,059 Class A subordinate voting shares and 2,503 Class B multiple voting shares.

**Website Access to Company Reports**

MDC Partners Inc.’s internet website address is [www.mdc-partners.com](http://www.mdc-partners.com). The Company’s annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act, will be made available free of charge through the Company’s website as soon as reasonably practical after those reports are electronically filed with, or furnished to, the Securities and Exchange Commission. The information found on, or otherwise accessible through, the Company’s website is not incorporated into, and does not form a part of, this quarterly report on Form 10-Q.

**MDC PARTNERS INC.**

**QUARTERLY REPORT ON FORM 10-Q**

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**Item 1. Financial Statements****MDC PARTNERS INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(thousands of United States dollars, except per share amounts)

	Three Months Ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012
Revenue:				
Services	\$ 288,907	\$ 265,855	\$ 842,520	\$ 771,940
Operating Expenses:				
Cost of services sold	189,219	179,069	556,777	540,109
Office and general expenses	88,976	72,342	217,535	204,987
Depreciation and amortization	9,476	12,245	28,455	35,615
	287,671	263,656	802,767	780,711
Operating profit (loss)	1,236	2,199	39,753	(8,771)
Other Income (Expense):				
Other, net	1,733	(432)	1,549	(1,241)
Interest expense and finance charges	(10,589)	(11,594)	(33,392)	(34,420)
Loss on redemption of notes			(55,588)	
Interest income	37	109	202	257
	(8,819)	(11,917)	(87,229)	(35,404)
Loss from continuing operations before income taxes, equity in affiliates	(7,583)	(9,718)	(47,476)	(44,175)
Income tax expense (benefit)	4,334	2,207	(8,189)	6,014
Loss from continuing operations before equity in non-consolidated affiliates	(11,917)	(11,925)	(39,287)	(50,189)
Equity in earnings of non-consolidated affiliates	73	93	196	399
Loss from continuing operations	(11,844)	(11,832)	(39,091)	(49,790)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes	(7,446)	(1,352)	(11,041)	(5,942)
Net loss	(19,290)	(13,184)	(50,132)	(55,732)
Net income attributable to the noncontrolling interests	(1,910)	(1,312)	(4,410)	(5,159)
Net loss attributable to MDC Partners Inc.	\$ (21,200)	\$ (14,496)	\$ (54,542)	\$ (60,891)
Loss Per Common Share:				
Basic and Diluted:				
Loss from continuing operations attributable to MDC Partners Inc. common shareholders	\$ (0.44)	\$ (0.42)	\$ (1.39)	\$ (1.80)
Discontinued operations attributable to MDC Partners Inc. common shareholders	(0.24)	(0.05)	(0.35)	(0.19)
Loss attributable to MDC Partners Inc. common shareholders	\$ (0.68)	\$ (0.47)	\$ (1.74)	\$ (1.99)
Weighted Average Number of Common Shares Outstanding:				
Basic and Diluted	31,470,466	31,051,561	31,368,629	30,606,146

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Non cash stock based compensation expense is  
included in the following line items above:

Cost of services sold	\$ 1,656	\$ 1,915	\$ 4,952	\$ 2,346
Office and general expenses	25,779	3,218	31,738	24,024
Total	\$ 27,435	\$ 5,133	\$ 36,690	\$ 26,370

See notes to the unaudited condensed consolidated financial statements.

**MDC PARTNERS INC. AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(thousands of United States dollars)

	Three Months Ended September 30,		One Months Ended September 30,	
	2013	2012	2013	2012
Comprehensive loss:				
Net loss	\$ (19,290)	\$ (13,184)	\$ (50,132)	\$ (55,732)
Other comprehensive income (loss):				
Foreign currency translation adjustment	757	3,208	(857)	3,735
Comprehensive loss	(18,533)	(9,976)	(50,989)	(51,997)
Comprehensive loss attributable to noncontrolling interest	(1,929)	(1,312)	(4,404)	(4,420)
Comprehensive loss attributable to MDC Partners Inc.	\$ (20,462)	\$ (11,288)	\$ (55,393)	\$ (56,417)

See notes to the unaudited condensed consolidated financial statements.

**MDC PARTNERS INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
(thousands of United States dollars)

	September 30, 2013 (Unaudited)	December 31, 2012
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 63,312	\$ 60,330
Accounts receivable, less allowance for doubtful accounts of \$1,912 and \$1,581	331,760	326,087
Expenditures billable to clients	69,863	58,842
Other current assets	22,629	16,892
Total Current Assets	487,564	462,151
Fixed assets, at cost, less accumulated depreciation of \$124,884 and \$115,792	51,942	52,914
Investment in non-consolidated affiliates	196	
Goodwill	711,336	720,071
Other intangibles assets, net	50,809	63,243
Deferred tax asset	18,775	9,332
Other assets	45,065	37,234
Total Assets	\$ 1,365,687	\$ 1,344,945
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS, AND DEFICIT</b>		
Current Liabilities:		
Accounts payable	\$ 213,016	\$