

OMNICOM GROUP INC.  
Form 10-Q  
May 10, 2017

---

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 MARCH 31, 2017

---

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, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 May 1, 2017, there were 232,744,011 shares of Omnicom Group Inc. Common Stock outstanding.



OMNICOM GROUP INC.  
 QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2017  
 TABLE OF CONTENTS

	Page
PART I.	FINANCIAL INFORMATION
Item 1.	<u>Financial Statements</u>
	Consolidated Balance Sheets - March 31, 2017 and December 31, 2016
	1
	Consolidated Statements of Income - Three months ended March 31, 2017 and 2016
	2
	Consolidated Statements of Comprehensive Income - Three months ended March 31, 2017 and 2016
	3
	Consolidated Statements of Cash Flows - Three months ended March 31, 2017 and 2016
	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>
	12
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	21
Item 4.	<u>Controls and Procedures</u>
	21
PART II.	OTHER INFORMATION
Item 1.	<u>Legal Proceedings</u>
	22
Item 1A.	<u>Risk Factors</u>
	22
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	22
Item 6.	<u>Exhibits</u>
	22
SIGNATURES	23
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, 2016 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)

	March 31, 2017	December 31, 2016
	(Unaudited)	
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$2,442.2	\$ 3,002.2
Short-term investments, at cost	43.6	20.6
Accounts receivable, net of allowance for doubtful accounts of \$26.5 and \$24.9	6,796.8	7,510.8
Work in process	1,349.7	1,125.4
Other current assets	1,096.5	1,063.0
Total Current Assets	11,728.8	12,722.0
Property and Equipment at cost, less accumulated depreciation of \$1,252.5 and \$1,233.4	678.2	674.8
Equity Method Investments	117.7	120.4
Goodwill	9,075.2	8,976.1
Intangible Assets, net of accumulated amortization of \$806.3 and \$777.6	414.1	427.4
Other Assets	223.3	244.7
<b>TOTAL ASSETS</b>	<b>\$22,237.3</b>	<b>\$ 23,165.4</b>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Accounts payable	\$9,453.5	\$ 10,476.7
Customer advances	1,176.6	1,186.6
Current portion of debt	—	0.1
Short-term debt	28.6	28.7
Taxes payable	391.8	349.6
Other current liabilities	2,019.6	1,969.2
Total Current Liabilities	13,070.1	14,010.9
Long-Term Debt	4,914.5	4,920.5
Long-Term Liabilities	936.8	892.3
Deferred Tax Liabilities	458.3	480.5
Commitments and Contingent Liabilities (See Note 10)		
Temporary Equity - Redeemable Noncontrolling Interests	191.1	201.6
Equity:		
Shareholders' Equity:		
Preferred stock	—	—
Common stock	44.6	44.6
Additional paid-in capital	823.9	798.3
Retained earnings	5,758.2	5,677.2
Accumulated other comprehensive income (loss)	(1,253.1 )	(1,356.0 )
Treasury stock, at cost	(3,239.0 )	(3,002.1 )
Total Shareholders' Equity	2,134.6	2,162.0
Noncontrolling interests	531.9	497.6
Total Equity	2,666.5	2,659.6
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$22,237.3</b>	<b>\$ 23,165.4</b>

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 March 31,	
	2017	2016
Revenue	\$3,587.4	\$3,499.1
Operating Expenses:		
Salary and service costs	2,694.2	2,623.3
Occupancy and other costs	302.0	301.4
Cost of services	2,996.2	2,924.7
Selling, general and administrative expenses	108.6	108.1
Depreciation and amortization	72.7	74.2
	3,177.5	3,107.0
Operating Profit	409.9	392.1
Interest Expense	53.5	50.3
Interest Income	13.9	10.2
Income Before Income Taxes and Income (Loss) From Equity Method Investments	370.3	352.0
Income Tax Expense	108.0	115.5
Income (Loss) From Equity Method Investments	0.1	(0.2 )
Net Income	262.4	236.3
Net Income Attributed To Noncontrolling Interests	20.6	17.9
Net Income - Omnicom Group Inc.	\$241.8	\$218.4
Net Income Per Share - Omnicom Group Inc.:		
Basic	\$1.03	\$0.90
Diluted	\$1.02	\$0.90
Dividends Declared Per Common Share	\$0.55	\$0.50

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

2

---



OMNICOM GROUP INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(In millions)  
(Unaudited)

Three  
Months  
Ended  
March  
31,