

INTERPUBLIC GROUP OF COMPANIES, INC.

Form 10-Q

October 28, 2009

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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, 2009

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.

Yes x No ..

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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 16, 2009 was 486,118,123.

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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 September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
REVENUE	\$ 1,426.7	\$ 1,740.0	\$ 4,226.4	\$ 5,060.9
OPERATING EXPENSES:				
Salaries and related expenses	943.5	1,093.5	2,908.4	3,261.5
Office and general expenses	425.4	526.3	1,245.4	1,529.1
Restructuring and other reorganization-related (reversals) charges	(0.5)	3.9	(0.7)	11.2
Total operating expenses	1,368.4	1,623.7	4,153.1	4,801.8
OPERATING INCOME	58.3	116.3	73.3	259.1
EXPENSES AND OTHER INCOME:				
Interest expense	(37.8)	(53.2)	(117.7)	(163.9)
Interest income	7.6	23.3	28.0	75.0
Other income (expense), net	1.0	(1.0)	(17.4)	3.9
Total (expenses) and other income	(29.2)	(30.9)	(107.1)	(85.0)
Income (loss) before income taxes	29.1	85.4	(33.8)	174.1
Provision for (benefit of) income taxes	3.7	35.5	(18.0)	90.9
Income (loss) of consolidated companies	25.4	49.9	(15.8)	83.2
Equity in net income (loss) of unconsolidated affiliates	0.5	0.5	(0.5)	2.1
NET INCOME (LOSS)	25.9	50.4	(16.3)	85.3
Net (income) loss attributable to noncontrolling interests	(1.8)	(4.7)	1.2	(7.3)
NET INCOME (LOSS) ATTRIBUTABLE TO IPG	24.1	45.7	(15.1)	78.0
Dividends on preferred stock	(6.9)	(6.9)	(20.7)	(20.7)
Allocation to participating securities		(0.1)		(0.6)
NET INCOME (LOSS) AVAILABLE TO IPG COMMON STOCKHOLDERS	\$ 17.2	\$ 38.7	\$ (35.8)	\$ 56.7

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Earnings (loss) per share available to IPG common stockholders:				
Basic	\$ 0.04	\$ 0.08	\$ (0.08)	\$ 0.12
Diluted	\$ 0.03	\$ 0.08	\$ (0.08)	\$ 0.12
Weighted-average number of common shares outstanding:				
Basic	470.5	462.8	467.3	460.8
Diluted	513.8	519.4	467.3	499.9

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)

	September 30, 2009	December 31, 2008
ASSETS:		
Cash and cash equivalents	\$ 1,761.5	\$ 2,107.2
Marketable securities	10.6	167.7
Accounts receivable, net of allowance of \$65.0 and \$63.9	3,067.7	3,746.5
Expenditures billable to clients	1,135.1	1,099.5
Other current assets	307.3	366.7
Total current assets	6,282.2	7,487.6
Furniture, equipment and leasehold improvements, net of accumulated depreciation of \$1,145.3 and \$1,055.8	503.2	561.5
Deferred income taxes	438.9	416.8
Goodwill	3,310.2	3,220.9
Other assets	443.8	438.4
TOTAL ASSETS	\$ 10,978.3	\$ 12,125.2
LIABILITIES:		
Accounts payable	\$ 3,283.5	\$ 4,022.6
Accrued liabilities	2,230.8	2,521.6
Short-term debt	88.2	332.8
Total current liabilities	5,602.5	6,877.0
Long-term debt	1,866.9	1,786.9
Deferred compensation and employee benefits	559.4	549.8
Other non-current liabilities	333.7	378.9
TOTAL LIABILITIES	8,362.5	9,592.6
Redeemable noncontrolling interests (see Note 5)	262.4	288.4
STOCKHOLDERS EQUITY:		
Preferred stock	525.0	525.0
Common stock	47.0	46.4
Additional paid-in capital	2,424.5	2,413.5
Accumulated deficit	(461.2)	(446.1)
Accumulated other comprehensive loss, net of tax	(199.4)	(318.5)
	2,335.9	2,220.3
Less: Treasury stock	(14.0)	(14.0)
Total IPG stockholders equity	2,321.9	2,206.3
Noncontrolling interests	31.5	37.9

TOTAL STOCKHOLDERS EQUITY	2,353.4	2,244.2
TOTAL LIABILITIES AND EQUITY	\$ 10,978.3	\$ 12,125.2

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)**

	Nine months ended September 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (16.3)	\$ 85.3
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization of fixed assets and intangible assets	126.5	130.5
Provision for bad debt	13.6	6.3
Amortization of restricted stock and other non-cash compensation	37.7	64.4
Amortization of bond discounts and deferred financing costs	13.0	21.1
Loss on early extinguishment of debt	25.8	
Deferred income tax (benefit) provision	(9.4)	3.9
Other	9.8	6.9
Changes in assets and liabilities, net of acquisitions and dispositions, providing (using) cash:		
Accounts receivable	812.9	465.4
Expenditures billable to clients	(18.8)	