

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

**GREY ADVERTISING INC /DE/**

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SIC: **7311** Advertising agencies

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2125462000



Condensed Consolidated Statements of Cash Flows	6
Notes to Condensed Consolidated Financial Statements	8
Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Other Information	12
Signatures	13
Index to Exhibits	14

2

3

Grey Advertising Inc. and Consolidated Subsidiary Companies  
Condensed Consolidated Balance Sheets

<TABLE> <CAPTION>	MARCH 31, 1994 (UNAUDITED)	DECEMBER 31, 1993 (A)
	-----	-----
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$95,625,000	\$181,267,000
Accounts receivable	359,394,000	363,105,000
Expenditures billable to clients	27,994,000	22,581,000
Other current assets	71,762,000	69,116,000
	-----	-----
Total current assets	554,775,000	636,069,000
Investments in and advances to nonconsolidated affiliated companies	15,381,000	16,104,000
Fixed assets-at cost, less accumulated depreciation of \$74,999,000 and \$74,671,000	56,351,000	57,724,000
Marketable securities	23,234,000	22,425,000
Intangibles and other assets-including loans to officers of \$5,547,000 in 1994 and \$4,947,000 in 1993	86,309,000	88,311,000
	-----	-----
Total assets	\$736,050,000	\$820,633,000
	=====	=====

</TABLE>

4

Grey Advertising Inc. and Consolidated Subsidiary Companies  
Condensed Consolidated Balance Sheets (continued)

<TABLE> <CAPTION>	MARCH 31, 1994 (UNAUDITED)	DECEMBER 31, 1993 (A)
	-----	-----
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		

Current liabilities:		
Accounts payable	\$389,330,000	\$469,227,000
Notes payable to banks	43,564,000	45,851,000
Accrued expenses and other	83,033,000	88,099,000
Income taxes payable	10,729,000	7,891,000
	-----	-----
Total current liabilities	526,656,000	611,068,000
Other liabilities including deferred compensation of \$16,051,000 and \$15,342,000	29,850,000	31,820,000
Long-term debt	33,025,000	33,025,000
Minority interest	8,780,000	9,053,000
Redeemable preferred stock-at redemption value; par value \$1 per share; authorized 500,000 shares; issued and outstanding 32,000 shares in 1994 and 1993	6,683,000	6,590,000
Common stockholders' equity:		
Common Stock-par value \$1 per share; authorized 10,000,000 shares; issued 1,066,589 in 1994 and 1,062,046 in 1993	1,067,000	1,062,000
Limited Duration Class B Common Stock-par value \$1 per share; authorized 2,000,000 shares; issued 365,195 shares in 1994 and 369,738 shares in 1993	365,000	370,000
Paid-in additional capital	27,794,000	27,329,000
Retained earnings	133,892,000	131,835,000
Cumulative translation adjustment	(3,447,000)	(3,573,000)
Unrealized loss on marketable securities	(855,000)	(147,000)
Loans to officer used to purchase Common Stock and Limited Duration Class B Common Stock	(4,726,000)	(4,726,000)
	-----	-----
	154,090,000	152,150,000
Less-cost of 163,966 and 164,372 shares of Common Stock and 26,851 and 26,851 shares of Limited Duration Class B Common Stock held in treasury at March 31, 1994 and December 31, 1993, respectively	23,034,000	23,073,000
	-----	-----
Total common stockholders' equity	131,056,000	129,077,000
	-----	-----
Total liabilities and stockholders' equity	\$736,050,000	\$820,633,000
	=====	=====

</TABLE>

See accompanying notes to condensed consolidated financial statements.

(A) The consolidated balance sheet has been derived from the audited financial statements at that date.

	<C>	<C>
<S>		
Commissions and fees	\$132,957,000	\$131,527,000
Expenses:		
Salaries and employee related expenses	84,447,000	85,504,000
Office and general expenses	40,193,000	39,154,000
	-----	-----
	124,640,000	124,658,000
	-----	-----
	8,317,000	6,869,000
Other (expense) income-net	(883,000)	359,000
	-----	-----
Income before taxes on income of consolidated companies	7,434,000	7,228,000
Provision for taxes on income	(4,086,000)	(3,945,000)
	-----	-----
Net income of consolidated companies	3,348,000	3,283,000
Minority interest applicable to consolidated companies	(560,000)	(615,000)
Equity in nonconsolidated affiliated companies	422,000	559,000
	-----	-----
Net income	\$3,210,000	\$3,227,000
	=====	=====
Weighted average number of common shares outstanding		
Primary	1,286,322	1,259,473
Fully Diluted	1,338,303	1,315,389
Net income per common share		
Primary	\$2.38	\$2.54
Fully Diluted	\$2.32	\$2.46
Dividends per common share	\$0.8125	\$0.775
	=====	=====

</TABLE>

See accompanying notes to condensed consolidated financial statements.

5

6

Grey Advertising Inc. and Consolidated Subsidiary Companies  
Condensed Consolidated Statements of Cash Flows (Unaudited)

<TABLE>  
<CAPTION>

	FOR THE THREE MONTHS ENDED MARCH 31,	
	1994	1993
	<C>	<C>
<S>		
OPERATING ACTIVITIES		
Net income	\$3,210,000	\$3,227,000
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of fixed assets	3,566,000	3,139,000
Amortization of intangibles	1,863,000	1,358,000
Deferred compensation	1,845,000	1,935,000
Equity in earnings of nonconsolidated affiliated companies, net of dividends received of \$74,000 and \$140,000	(349,000)	(418,000)
Minority interest applicable to consolidated companies	560,000	615,000
Amortization of restricted stock expense	44,000	115,000

Deferred income taxes	(1,111,000)	(400,000)
Changes in operating assets and liabilities:		
Decrease in accounts receivable	1,391,000	24,181,000
(Increase) decrease in expenditures billable to clients	(5,655,000)	3,666,000
(Increase) decrease in other current assets	(4,693,000)	3,017,000
Decrease (increase) in other assets	611,000	(1,226,000)
Decrease in accounts payable	(73,482,000)	(42,305,000)
Decrease in accrued expenses and other	(4,481,000)	(11,004,000)
Increase (decrease) in income taxes payable	3,164,000	(397,000)
Decrease in other liabilities	(2,286,000)	(4,707,000)
	-----	-----
Net cash used in operating activities	(75,803,000)	(19,204,000)
INVESTING ACTIVITIES		
Purchases of fixed assets	(2,672,000)	(2,783,000)
Increase in investments in and advances to nonconsolidated affiliated companies		(1,636,000)
Purchases of marketable securities	(1,517,000)	
Increase in intangibles, primarily goodwill	(680,000)	(4,900,000)
	-----	-----
Net cash used in investing activities	(4,869,000)	(9,319,000)

</TABLE>

6

7

Grey Advertising Inc. and Consolidated Subsidiary Companies  
Condensed Consolidated Statements of Cash Flows (Unaudited)  
(continued)

<TABLE>  
<CAPTION>

	FOR THE THREE MONTHS ENDED MARCH 31,	
	1994	1993
	-----	-----
<S>	<C>	<C>
FINANCING ACTIVITIES		
Net (repayments of) proceeds from short-term borrowings	\$ (1,501,000)	\$8,674,000
Common Shares acquired for treasury	(47,000)	(498,000)
Cash dividends paid on Common Shares	(1,008,000)	(961,000)
Cash dividends paid on Redeemable Preferred Stock	(52,000)	(53,000)
Proceeds from exercise of stock options	70,000	247,000
Proceeds from long-term debt		30,000,000
	-----	-----
Net cash (used in) provided by financing activities	(2,538,000)	37,409,000
Effect of exchange rate changes on cash	(2,432,000)	743,000
	-----	-----
(Decrease) increase in cash and cash equivalents	(85,642,000)	9,629,000
Cash and cash equivalents at beginning of period	181,267,000	92,755,000
	-----	-----
Cash and cash equivalents at end of period	\$95,625,000	\$102,384,000
	=====	=====

</TABLE>

See accompanying notes to condensed consolidated financial statements

7

8

GREY ADVERTISING INC.  
AND CONSOLIDATED SUBSIDIARY COMPANIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. As permitted by the Securities and Exchange Commission, the accompanying

unaudited Consolidated Financial Statements and Notes thereto have been condensed and therefore do not contain all disclosures required by generally accepted accounting principles. Reference should be made to the Company's Annual Report on Form 10-K for the year ended December 31, 1993 filed with the Securities and Exchange Commission.

2. The financial statements as of March 31, 1994 and for the three months ended March 31, 1994 and 1993 are unaudited. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair representation have been included.
3. The results of operations for the three months ended March 31, 1994 are not necessarily indicative of the results to be expected for the full year.
4. The computations of net income per common share for the three months ended March 31, 1994 and March 31, 1993 are based on the weighted average number of common shares outstanding, adjusted for the effect, if any, of the assumed exercise of dilutive stock options and shares payable in Common Stock pursuant to the Company's Senior Management Incentive Plan and, for fully diluted net income per common share, the assumed conversion of the 8-1/2% Convertible Subordinated Debentures issued in December 1983. Also, for the purpose of computing net income per common share for the three months ended March 31, 1994 and March 31, 1993 the Company's net income was reduced by dividends on the Preferred Stock and also adjusted by the change in the redemption value of Preferred Stock. Primary net income per common share is computed as if the stock options were exercised at the beginning of the period and as if the funds obtained thereby were used to purchase Common Stock at the market price during the period. In computing fully diluted net income per common share, the market price at the close of the period or the average market price, whichever was higher, was used to determine the number of shares which would be assumed to be repurchased. The market price for a share of Class B Common Stock, which is not publicly traded, is deemed to be equal to the market price of a share of Common Stock, into which a share of Class B Common Stock may be converted at the option of the holder, as of the date such valuation is made.
5. The provision for taxes on income is greater than the Federal statutory rate principally due to state and local income taxes, and effective foreign tax rates that are in excess of the Federal statutory rate.

8

9

6. As at March 31, 1994, the Company had outstanding 22,000 shares of Series 1 Preferred Stock and 5,000 shares each of its Series 2 and Series 3 Preferred Stock which were sold to certain current and former employees, including one senior executive, for a combination of cash and full recourse promissory notes (which are included in Other Assets in the accompanying condensed consolidated balance sheet).

Each share of Preferred Stock is to be redeemed by the Company at a price equal to the book value per share attributable to one share of Common Stock and one share of Class B Common Stock pertaining upon redemption (subject to certain adjustments), less a fixed discount established upon the issuance of the Preferred Stock. Holders of Preferred Stock have the option to have their shares redeemed upon termination of their employment prior to age 65. The Company is obligated to redeem such shares following the attainment of age 65 by the holder thereof following termination of employment. The holders of the Preferred Stock are entitled to receive cumulative preferential dividends at the annual rate of \$.25 per share, and to participate in dividends on one share of the Common Stock and one share of the Class B Common Stock to the extent such dividends exceed the per share preferential dividend.

7. During the first quarter of 1994, the Company adopted FAS 112, Employers' Accounting for Postemployment Benefits. The costs incurred resulting from the adoption of this pronouncement were not material.

9

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS  
OF OPERATIONS

RESULTS OF OPERATIONS

Income from commissions and fees increased 1.1% during the first quarter of 1994 when compared to the same period in 1993. Absent exchange rate fluctuations, gross income increased 6.3% in 1994 when compared to the same period in 1993. The increase results primarily from expanded activity from existing clients and the continued growth of the Company's general agency and specialized operations.

Salaries and employee related expenses decreased 1.2% when compared to the respective prior period. The decrease in salaries and employee related expenses results from careful management of payroll and payroll related expenses and the strength of the U.S. dollar as compared to 1993.

Office and general expenses have increased 2.7% in 1994 versus the respective prior period. This change is generally in line with the change in gross income.

Inflation did not have a material effect on either revenue or expenses during 1994 or 1993.

The effective tax rate remained relatively constant at 55.0% in the first quarter of 1994 versus the respective prior period.

Minority interest decreased by \$55,000 in the first quarter of 1994 as compared to the respective prior period. The decrease in 1994 is primarily due to changes in the level of profits of majority-owned companies.

Equity in earnings of nonconsolidated companies decreased by \$137,000 in the first quarter of 1994 as compared to the respective prior period. The decrease is primarily due to changes in the level of profits of nonconsolidated companies.

Net income decreased by 0.5% in the first quarter when compared to net income in the same period in 1993. Primary net income per common share decreased by 6.3% from the first quarter of 1993. Fully diluted net income per common share decreased 5.7% from the comparable first quarter of 1993. For purposes of computing primary net income per common share, the Company's net income was reduced by (i) dividends paid on the Company's Preferred Stock and (ii) the change in redemption value of the Preferred Stock. The decrease in the net income per share is primarily attributable to the increased weighted average number of shares outstanding and assorted effects of the Company's stock compensation programs.

10

11

LIQUIDITY AND CAPITAL RESOURCES

Working capital increased by \$3,118,000 from \$25,001,000 at December 31, 1993 to \$28,119,000 at March 31, 1994. Cash and cash equivalents decreased by \$85,642,000 from \$181,267,000 to \$95,625,000. The decrease is largely attributable to the settlement of year-end payable balances which are typically higher at the end of the year. Domestically, the Company has committed lines of credit totalling \$40,000,000. These lines of credit were partially utilized during the three months ended March 31, 1994 and 1993 to secure obligations of selected foreign subsidiaries. There was \$14,740,000 and \$11,250,000 outstanding under these credit lines as of March 31, 1994 and 1993, respectively.

Domestically, the Company also maintains uncommitted lines of credit. These facilities, which are available at the discretion of the offering banks, were not utilized during the period. There were no amounts outstanding under these arrangements at March 31, 1994 or March 31, 1993.

Other lines of credit are available to the Company in foreign countries in connection with short-term borrowings and bank overdrafts used in the normal course of business. There were \$28,824,000 and \$33,576,000 outstanding at March 31, 1994 and 1993, respectively.



PART II  
OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits: Reference is made to the Index of Exhibits annexed hereto and made a part hereof.
- (b) Reports on Form 8-K: The Company did not file any reports on Form 8-K during the quarter ended March 31, 1994.

GREY ADVERTISING INC.  
AND CONSOLIDATED SUBSIDIARY COMPANIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

<TABLE>

<S>	<C>	<C> GREY ADVERTISING INC. -----  (Registrant)
DATE:	May 12, 1994	By: /s/                    Steven G. Felsher ----- Steven G. Felsher Executive Vice President, Secretary and Treasurer (Duly Authorized Officer)
DATE:	May 12, 1994	By: /s/                    William P. Garvey ----- William P. Garvey Executive Vice President Chief Financial Officer (Chief Accounting Officer)

</TABLE>

INDEX TO EXHIBITS

<TABLE>

<CAPTION>  
Number Assigned to Exhibit  
(i.e., Exhibit Table of Item 601  
of Regulation S-K)

Page Number in Sequential  
Numbering System Where  
Exhibit May Be Found

Description of Exhibit

---

<S>	<C>	<C>
(11)	Table of Item 601 of Exhibit Description of Exhibit  Statement re Computation of Net Income per Common Share (unaudited)	(15)

</TABLE>

Grey Advertising Inc. and Consolidated Subsidiary Companies  
Exhibit - Statement Re: Computation of Net Income Per Common Share (unaudited)

&lt;TABLE&gt;

&lt;CAPTION&gt;

	For the three months ended March 31, 1994	1993
	-----	-----
<S>	<C>	<C>
PRIMARY		
Average shares outstanding(1)	1,268,090	1,247,300
Net effect of dilutive stock options - based on the treasury stock method using average market price	18,232	12,173
	-----	-----
TOTAL	1,286,322	1,259,473
	=====	=====
Net Income	\$3,210,000	\$3,227,000
Less: Effect of dividend requirements and the change in the redemption value of redeemable preferred stock	(145,000)	(29,000)
	-----	-----
NET EARNINGS USED IN COMPUTATION	3,065,000	3,198,000
	=====	=====
Per share amount	\$2.38	\$2.54
	=====	=====
FULLY DILUTED		
Average shares outstanding(1)	1,268,090	1,247,300
Net effect of dilutive stock options - based on the treasury stock method using the period-end market price, if higher than the average market price	19,214	17,089
Assumed conversion of 8.5% convertible subordinated		

debentures issued December 1983	50,999	51,000
	-----	-----
TOTAL	1,338,303	1,315,389
	=====	=====
Net Income	\$3,210,000	\$3,227,000
Less: Effect of dividend requirements and the change in the redemption value of redeemable preferred stock	(145,000)	(29,000)
Add: 8.5% convertible subordinated debentures interest, net of income tax effect	35,000	35,000
	-----	-----
NET EARNINGS USED IN COMPUTATION	3,100,000	3,233,000
	=====	=====
Per share amount	\$2.32	\$2.46
	=====	=====

</TABLE>

(1) Includes 27,273 shares and 8,628 shares for 1994 and 1993, respectively, expected to be issued pursuant to the terms of the Senior Management Incentive Plan