

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

OMNICOM GROUP INC

CIK: **29989** | IRS No.: **131514814** | State of Incorporation: **NY** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-10551** | Film No.: **94528244**
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Mailing Address
437 MADISON AVE
NEW YORK NY 10022

Business Address
437 MADISON AVE
NEW YORK NY 10022
2124153600

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549

Quarterly Report Under Section 13 or 15(d)
 of the Securities Exchange Act of 1934

For Quarter Ended: March 31, 1994

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)

(212) 415-3600

 (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 X No
 --- ---

The number of shares of common stock of the Company issued and outstanding at April 30, 1994 is 33,436,400.

OMNICOM GROUP INC. AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

OMNICOM GROUP INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollars in Thousands)

Assets	March 31, 1994	December 31, 1993	March 31, 1993
	-----	-----	-----
<S>	<C>	<C>	<C>
Current assets:			
Cash and cash equivalents	\$ 118,324	\$ 174,833	\$ 85,857
Investments available-for-sale	18,620	38,003	17,457
Accounts receivable, less allowance for doubtful accounts of \$19,392, \$17,298 and \$14,370	918,615	901,434	861,339
Billable production orders in process	70,776	59,415	80,310
Prepaid expenses and other current assets	133,820	100,791	123,122
	-----	-----	-----
Total current assets	1,260,155	1,274,476	1,168,085
Furniture, equipment and leasehold improvements, less accumulated depreciation and amortization of \$195,814, \$188,868 and \$178,321	163,614	160,543	158,570
Investments in affiliates	114,733	112,232	106,621
Intangibles, less amortization of \$99,339, \$93,105 and \$76,806	626,024	603,494	494,661
Deferred tax benefit	17,334	18,522	15,061
Deferred charges and other assets	120,000	120,596	100,158
	-----	-----	-----
Total assets	\$ 2,301,860	\$ 2,289,863	\$ 2,043,156
	=====	=====	=====
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	\$ 926,830	\$ 1,058,095	\$ 821,946
Payable to banks	87,300	48,047	79,393
Other accrued liabilities	350,146	388,102	306,754
Accrued taxes on income	19,972	29,974	30,132
	-----	-----	-----
Total current liabilities	1,384,248	1,524,218	1,238,225
Long term debt	403,827	278,312	382,207
Deferred compensation and other liabilities	81,713	56,933	64,120
Minority interests	31,399	28,214	55,571
Shareholders' equity:			
Common stock	17,536	17,536	15,954
Additional paid-in capital	253,112	252,408	162,704
Retained earnings	268,255	287,416	244,948
Unamortized restricted stock	(19,806)	(21,807)	(13,845)
Cumulative translation adjustment	(50,731)	(65,257)	(39,727)
Treasury stock	(67,693)	(68,110)	(67,001)
	-----	-----	-----

Total shareholders' equity	400,673	402,186	303,033
	-----	-----	-----
Total liabilities and shareholders' equity	\$ 2,301,860	\$ 2,289,863	\$ 2,043,156
	=====	=====	=====

</TABLE>

The accompanying notes to consolidated condensed financial statements are an integral part of these balance sheets.

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OMNICOM GROUP INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Dollars in Thousands, Except Per Share Data)

	Three Months Ended March 31,	
	1994	1993
	----	----
Revenues:		
Commissions and fees	\$ 376,538	\$ 339,139
Operating expenses:		
Salaries and related costs	218,395	202,045
Office and general expenses	120,268	105,699
	-----	-----
	338,663	307,744
	-----	-----
Operating profit	37,875	31,395
Net interest expense:		
Interest and dividend income	(2,437)	(2,982)
Interest paid or accrued	8,720	9,639
	-----	-----
	6,283	6,657
	-----	-----
Income before income taxes and change in accounting principle	31,592	24,738
Income taxes:		
Federal	6,898	5,505
State and local	1,778	1,767
International	4,487	3,118
	-----	-----
	13,163	10,390
	-----	-----
Income after income taxes and before change in accounting principle	18,429	14,348
Equity in affiliates	2,089	1,692
Minority interests	(1,598)	(1,584)
	-----	-----
Income before change in accounting principle	18,920	14,456
Cumulative effect of change in accounting principle	(28,009)	--
	-----	-----
Net (loss) income	\$ (9,089)	\$ 14,456
	=====	=====
Earnings per share		
Income before change in accounting principle:		
Primary	\$ 0.58	\$ 0.50
Fully diluted	\$ 0.58	\$ 0.49
Cumulative effect of change in accounting principle:		
Primary	\$ (0.85)	-
Fully diluted	\$ (0.85)	-
Net (loss) income		
Primary	\$ (0.27)	\$ 0.50
Fully diluted	\$ (0.27)	\$ 0.49
Dividends declared per common share	\$ 0.31	\$ 0.31

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

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OMNICOM GROUP INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Three Months Ended	
	March 31,	
	1994	1993
	-----	-----
Cash flows from operating activities:		
Net income	\$ (9,089)	\$ 14,456
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of tangible assets ..	8,923	8,127
Amortization of intangible assets	5,554	4,109
Minority interests	1,333	1,584
Earnings of affiliates in excess of dividends received	(439)	(431)
(Decrease) increase in deferred taxes	(8,111)	708
Provision for losses on accounts receivable	1,062	548
Amortization of restricted stock.....	1,873	1,462
Loss on sale of equity interests in subsidiaries and affiliates	-	643
(Increase) decrease in accounts receivable	(7,541)	7,977
Increase in billable production	(10,768)	(17,784)
Increase in other current assets	(22,004)	(4,019)
Decrease in accounts payable	(141,549)	(164,974)
Decrease in other accrued liabilities	(41,069)	(39,738)
(Decrease) increase in accrued income taxes	(10,431)	662
Other	27,977	6,167
	-----	-----
Net cash used in operating activities	(204,279)	(180,503)
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(10,745)	(8,113)
Cash (used for) acquired through purchases of equity interests in subsidiaries and affiliates	(23,064)	3,120
Proceeds from sales of equity interests in subsidiaries and affiliates	325	522
Purchases of marketable securities	(8,210)	(6,452)
Proceeds from sales of marketable securities	27,689	12,791
	-----	-----
Net cash (used in) provided by investing activities	(14,005)	1,868
	-----	-----
Cash flows from financing activities:		
Net borrowings under lines of credit	41,364	29,657
Share transactions under employee stock plans	2,149	3,828
Proceeds from issuance of debt obligations	122,851	145,041
Dividends and loans to minority stockholders	(128)	(1,143)
Dividends paid	(10,133)	(8,650)
Purchase of treasury shares	(4,238)	(16,503)
	-----	-----
Net cash provided by financing activities	151,865	152,230
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	9,910	(197)
	-----	-----
Net decrease in cash and cash equivalents	(56,509)	(26,602)
Cash and cash equivalents at beginning of period	174,833	112,459
	-----	-----
Cash and cash equivalents at end of period	\$ 118,324	\$ 85,857
	=====	=====
Supplemental Disclosures:		
Income taxes paid	\$ 14,063	\$ 9,730
	=====	=====
Interest paid	\$ 5,969	\$ 7,200
	=====	=====

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

- 1) The consolidated condensed interim financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.
- 2) These statements reflect all adjustments consisting of normal recurring accruals which, in the opinion of management, are necessary for a fair presentation of the information contained therein. It is suggested that these consolidated condensed financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's latest annual report on Form 10-K.
- 3) Results of operations for the interim periods are not necessarily indicative of annual results.

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Continued)

- 4) Primary earnings per share is based upon the weighted average number of common shares and common share equivalents outstanding during each year. Fully diluted earnings per share is based on the above, and in 1993, adjusted for the assumed conversion of the Company's 6.5% and 7% Convertible Subordinated Debentures and the assumed increase in net income for the after tax interest cost of these debentures. In 1994, the Company's 6.5% and the 4.5%/6.25% Step-Up Convertible Subordinated Debentures were antidilutive and, therefore, were excluded from the calculation of fully diluted earnings per share. The number of shares used in the computations of primary and fully diluted earnings per share were as follows:

	Three Months Ended March 31,	
	-----	-----
	1994	1993
	----	----
Primary EPS computation.....	32,796,600	29,165,900
Fully diluted EPS computation.....	32,817,700	36,176,600

- 5) On May 26, 1993, the Company exchanged 1,349,260 shares of Company common stock for all of the outstanding voting shares of TBWA International B.V. The combination was accounted for as a pooling of interests. Accordingly, the March 31, 1993 balance sheet, results of operations and cash flows have been restated to reflect the combination as of January 1, 1993.

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Continued)

- 6) Effective January 1, 1994, the Company adopted the provisions of Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits" ("SFAS 112"). The cumulative after tax effect of the adoption of this Statement decreased net income by \$28,009,000.

OMNICOM GROUP INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

Results of Operations

First Quarter 1994 Compared to First Quarter 1993:

Consolidated worldwide revenues from commission and fee income increased 11% to \$376,538,000 in the first quarter of 1994 from \$339,139,000 in the first quarter of 1993. Consolidated domestic revenues increased 9% to \$196,942,000 in 1994 from \$179,936,000 in 1993. Consolidated international commission and fee income increased 13% to \$179,596,000 in 1994 from \$159,203,000 in 1993. Absent the effect of the net acquisitions of subsidiary companies and movements in foreign currency exchange rates, consolidated worldwide commission and fee income increased 7% in the first quarter of 1994 as compared to the same period in 1993.

Operating expenses increased 10% in the first quarter of 1994 as compared to the first quarter of 1993. Excluding the effect of the net acquisition activity and movements in foreign currency exchange rates mentioned above, operating expenses increased 7% over 1993 levels. This increase reflects normal salary increases, and growth in client service expenditures to support the increased revenue base. Operating expenses as a percentage of commissions and fees was 89.9% in the first quarter of 1994 and 90.7% in 1993.

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

Net interest expense decreased by \$374,000 in the first quarter of 1994 as compared to the same period in 1993. The decrease primarily relates to lower average interest rates during the quarter as compared to 1993.

Pretax profit margin was 8.4% in the first quarter of 1994 as compared to 7.3% in the same period in 1993. Operating margin, which excludes interest and dividend income and interest expense, was 10.1% in the first quarter of 1994 as compared to 9.3%, in the same period in 1993.

The effective income tax rate was 41.7% in the first quarter of 1994 and 42.0% in the first quarter of 1993.

The increase in equity in affiliates is indicative of greater profits earned by companies in which the Company owns less than a 50% equity interest. Minority interests of \$1,598,000 is comparable with the first quarter of 1993.

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

Net income before the cumulative effect of the adoption of SFAS 112, increased 31% to \$18,920,000 in the first quarter of 1994 as compared to \$14,456,000 in the same period in 1993. Absent the effect of net acquisitions of subsidiary companies and movements in foreign currency exchange rates, net income increased 20% in the first quarter of 1994 as compared to the first quarter of 1993.

Effective January 1, 1994, the Company adopted the provisions of Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits." The cumulative after-tax effect of this onetime non-cash charge was \$28,009,000.

Capital Resources and Liquidity

Cash and cash equivalents at March 31, 1994 decreased to \$118,324,000 from \$174,833,000 at December 31, 1993. This decline is due to the paydown of year-end accrued liabilities and payments to media and other suppliers exceeding collections from clients. Both events are normal recurring seasonal industry patterns. The relationship between payables to the media and suppliers and receivables from clients, at March 31, 1994, compares favorably to customary industry practices.

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MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

The Company maintains relationships with a number of banks worldwide, which have extended unsecured committed lines of credit in amounts sufficient to meet the Company's cash needs. At March 31, 1994, the Company had \$346,106,000 in committed lines of credit, comprised of \$200,000,000 under a revolving credit agreement expiring June 30, 1995, and \$146,106,000 in unsecured committed lines of credit, principally outside of the United States. Of the \$346,106,000 in committed lines, \$147,548,000 remained available at March 31, 1994. Management believes the aggregate lines of credit available to the Company are adequate to support its short term cash requirements for dividends, capital expenditures and maintenance of working capital. The Company has no present plans to introduce incremental additional issues of long term debt. The Company anticipates that future cash flows from operations plus funds available under line of credit facilities will be adequate to support its long term cash requirements as presently contemplated.

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OMNICOM GROUP INC. AND SUBSIDIARIES
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The accompanying notes to consolidated condensed financial statements are an integral part of these statements.

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PART II. OTHER INFORMATION

There have been no applicable transactions or occurrences during the quarter.

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.

Omnicom Group Inc.
(Registrant)

Date May 12, 1994

/s/ Fred J. Meyer

Fred J. Meyer
Chief Financial Officer
and Director
(Principal Financial
Officer)

Date May 12, 1994

/s/ Dale A. Adams

Dale A. Adams

Controller
(Principal Accounting
Officer)

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