INTERPUBLIC GROUP OF COMPANIES, INC.
Form 10-Q
July 28, 2016
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 June 30, 2016
or
o 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	13-1024020
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

909 Third Avenue, New York, New York 10022
(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 ý 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 ý 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	ý	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 ý

The number of shares of the registrant's common stock outstanding as of July 15, 2016 was 400,707,649.

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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 intended to identify 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;
- 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.

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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 June 30,		Six months ended June 30,	
	2016	2015	2016	2015
REVENUE	$1,917.9	$1,876.1	$3,659.9	$3,552.1
OPERATING EXPENSES:				
Salaries and related expenses	1,229.0	1,205.2	2,499.9	2,420.4
Office and general expenses	464.1	455.1	914.3	908.1
Total operating expenses	1,693.1	1,660.3	3,414.2	3,328.5
OPERATING INCOME	224.8	215.8	245.7	223.6
EXPENSES AND OTHER INCOME:				
Interest expense	(24.5)	(20.3)	(47.1)	(41.2)
Interest income	5.6	5.0	11.4	12.2
Other (expense) income, net	(0.1)	0.5	(17.2)	0.8
Total (expenses) and other income	(19.0)	(14.8)	(52.9)	(28.2)
Income before income taxes	205.8	201.0	192.8	195.4
Provision for income taxes	43.7	77.7	28.1	76.3
Income of consolidated companies	162.1	123.3	164.7	119.1
Equity in net (loss) income of unconsolidated affiliates	(1.9)	0.5	(1.8)	0.5
NET INCOME	160.2	123.8	162.9	119.6
Net income attributable to noncontrolling interests	(3.3)	(2.6)	(0.6)	(0.2)
NET INCOME AVAILABLE TO IPG COMMON STOCKHOLDERS	$156.9	$121.2	$162.3	$119.4
Earnings per share available to IPG common stockholders:				
Basic	$0.39	$0.30	$0.41	$0.29
Diluted	$0.38	$0.29	$0.40	$0.29
Weighted-average number of common shares outstanding:				
Basic	400.1	410.5	400.4	410.8
Diluted	409.8	417.6	409.4	417.6
Dividends declared per common share	$0.15	$0.12	$0.30	$0.24

The accompanying notes are an integral part of these unaudited financial statements.

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THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Millions)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
NET INCOME	$160.2	$123.8	$162.9	$119.6
OTHER COMPREHENSIVE (LOSS) INCOME				
Foreign currency translation:				
Foreign currency translation adjustments	(17.8)	26.1	39.1	(109.0)
Less: reclassification adjustments recognized in net income	7.5	(0.7)	6.5	(1.2)
	(10.3)	25.4	45.6	(110.2)
Available-for-sale securities:				
Changes in fair value of available-for-sale securities	0.1	0.0	0.2	0.2
Less: recognition of previously unrealized gains included in net income	(1.2)	0.0	(1.2)	0.0
Income tax effect	0.0	0.2	0.0	(0.1)
	(1.1)	0.2	(1.0)	0.1
Derivative instruments:				
Recognition of previously unrealized losses included in net income	0.5	0.5	1.0	1.0
Income tax effect	(0.2)	(0.2)	(0.4)	(0.4)
	0.3	0.3	0.6	0.6
Defined benefit pension and other postretirement plans:				
Net actuarial gains for the period	0.6	1.3	0.8	5.7
Less: amortization of unrecognized losses, transition obligation and prior service cost included in net income	(0.2)	3.2	2.5	6.2
Less: settlement and curtailment losses included in net income	0.2	0.2	0.2	0.2
Other	(0.1)	(0.3)	0.0	(0.2)
Income tax effect	0.2	(1.3)	(0.5)	(2.2)
	0.7	3.1	3.0	9.7
Other comprehensive (loss) income, net of tax	(10.4)	29.0	48.2	(99.8)
TOTAL COMPREHENSIVE INCOME	149.8	152.8	211.1	19.8
Less: comprehensive income (loss) attributable to noncontrolling interests	2.7	2.7	0.5	(0.5)
COMPREHENSIVE INCOME ATTRIBUTABLE TO IPG	$147.1	$150.1	$210.6	$20.3

The accompanying notes are an integral part of these unaudited financial statements.

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THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Millions)
(Unaudited)

	June 30, 2016	December 31, 2015
ASSETS:		
Cash and cash equivalents	$672.6	$ 1,502.9
Marketable securities	2.8	6.8
Accounts receivable, net of allowance of $53.6 and $54.2, respectively	3,945.0	4,361.0
Expenditures billable to clients	1,710.4	1,594.4
Other current assets	294.6	228.0
Total current assets	6,625.4	7,693.1
Property and equipment, net of accumulated depreciation of $966.2 and $961.9, respectively	569.7	567.2
Deferred income taxes	274.2	228.4
Goodwill	3,662.2	3,608.5
Other non-current assets	502.4	487.9
TOTAL ASSETS	$11,633.9	$ 12,585.1
LIABILITIES:		
Accounts payable	$5,857.7	$ 6,672.0
Accrued liabilities	588.4	760.3
Short-term borrowings	211.7	150.1
Current portion of long-term debt	24.5	1.9
Total current liabilities	6,682.3	7,584.3
Long-term debt	1,583.6	1,610.3
Deferred compensation	408.6	464.2
Other non-current liabilities	685.0	672.6
TOTAL LIABILITIES	9,359.5	10,331.4
Redeemable noncontrolling interests (see Note 4)	246.3	251.9
STOCKHOLDERS’ EQUITY:		
Common stock	40.7	40.4
Additional paid-in capital	1,460.4	1,404.1
Retained earnings	1,475.3	1,437.6
Accumulated other comprehensive loss, net of tax	(797.3)	(845.6)
	2,179.1	2,036.5
Less: Treasury stock	(183.5)	(71.0)
Total IPG stockholders’ equity	1,995.6	1,965.5
Noncontrolling interests	32.5	36.3
TOTAL STOCKHOLDERS’ EQUITY	2,028.1	2,001.8
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$11,633.9	$ 12,585.1

The accompanying notes are an integral part of these unaudited financial statements.

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THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Millions)
(Unaudited)

	Six months ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$162.9	$119.6
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of fixed assets and intangible assets	77.8	78.2
Provision for uncollectible receivables	7.6	6.7
Amortization of restricted stock and other non-cash compensation	39.9	33.2
Net amortization of bond discounts and deferred financing costs	2.8	2.8
Deferred income tax (benefit) provision	(4.2)	0.2
Losses on sales of businesses	20.0	0.3
Other	28.0	11.5
Changes in assets and liabilities, net of acquisitions and dispositions, providing (using) cash:		
Accounts receivable	428.2	284.1
Expenditures billable to clients	(110.8)	(53.2)
Other current assets	(33.2)	(17.7)
Accounts payable	(850.5)	(758.8)
Accrued liabilities	(251.8)	(198.3)
Other non-current assets and liabilities	(71.3)	(28.7)
Net cash used in operating activities	(554.6)	(520.1)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(63.0)	(49.8)
Acquisitions, net of cash acquired	(34.3)	0.0
Other investing activities	(5.7)	(0.1)
Net cash used in investing activities	(103.0)	(49.9)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Common stock dividends	(120.1)	(98.5)
Repurchase of common stock	(112.5)	(102.0)
Acquisition-related payments	(29.2)	(27.8)
Tax payments for employee shares withheld	(22.5)	(16.5)
Distributions to noncontrolling interests	(7.2)	(8.2)
Net increase in short term bank borrowings	56.6	54.9
Exercise of stock options	9.8	10.6
Excess tax benefit on share-based compensation	0.0	9.0
Other financing activities	(0.2)	1.5
Net cash used in financing activities	(225.3)	(177.0)
Effect of foreign exchange rate changes on cash and cash equivalents	52.6	(64.7)
Net decrease in cash and cash equivalents	(830.3)	(811.7)
Cash and cash equivalents at beginning of period	1,502.9	1,660.6
Cash and cash equivalents at end of period	$672.6	$848.9

The accompanying notes are an integral part of these unaudited financial statements.

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THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Amounts in Millions)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Treasury Stock	Total IPG Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
Balance at December 31, 2015	406.3	$ 40.4	$ 1,404.1	$ 1,437.6	$ (845.6)	$ (71.0)	$ 1,965.5	$ 36.3	$ 2,001.8
Net income				162.3			162.3	0.6	162.9
Other comprehensive income (loss)					48.3		48.3	(0.1)	48.2
Reclassifications related to redeemable noncontrolling interests								2.5	2.5
Distributions to noncontrolling interests								(7.2)	(7.2)
Change in redemption value of redeemable noncontrolling interests				(3.9)			(3.9)		(3.9)
Repurchase of common stock						(112.5)	(112.5)		(112.5)
Common stock dividends				(120.1)			(120.1)		(120.1)
Stock-based compensation	3.7	0.3	67.4				67.7		67.7
Exercise of stock options	1.1	0.1	9.7				9.8		9.8
Shares withheld for taxes	(1.0)	(0.1)	(22.6)				(22.7)		(22.7)
Other			1.8	(0.6)			1.2	0.4	1.6
Balance at June 30, 2016	410.1	$ 40.7	$ 1,460.4	$ 1,475.3	$ (797.3)	$ (183.5)	$ 1,995.6	$ 32.5	$ 2,028.1

The accompanying notes are an integral part of these unaudited financial statements.

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THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY – (CONTINUED)
(Amounts in Millions)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Treasury Stock	Total IPG Stockholders’ Equity	Noncontrolling Interests	Total Stockholders’ Equity
Balance at December 31, 2014	414.6	$41.2	$1,547.5	$1,183.3	$ (636.7)	$(19.0)	$2,116.3	$ 34.9	$2,151.2
Net income				119.4			119.4	0.2	119.6
Other comprehensive loss					(99.1)		(99.1)	(0.7)	(99.8)
Reclassifications related to redeemable noncontrolling interests								3.2	3.2
Distributions to noncontrolling interests								(8.2)	(8.2)
Change in redemption value of redeemable noncontrolling interests				(2.0)			(2.0)		(2.0)
Repurchase of common stock						(102.0)	(102.0)		(102.0)
Common stock dividends				(98.5)			(98.5)		(98.5)
Stock-based compensation	2.4	0.3	47.4				47.7		47.7
Exercise of stock options	1.0	0.1	10.6				10.7		10.7
Shares withheld for taxes	(0.8)	(0.1)	(17.2)				(17.3)		(17.3)
Excess tax benefit from stock-based compensation			9.0				9.0		9.0
Other			0.1	(0.4)			(0.3)	(0.2)	(0.5)
Balance at June 30, 2015	417.2	$41.5	$1,597.4	$1,201.8	$ (735.8)	$(121.0)	$1,983.9	$ 29.2	$2,013.1

The accompanying notes are an integral part of these unaudited financial statements.

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Notes to Consolidated Financial Statements
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements have been prepared by The Interpublic Group of Companies, Inc. and its subsidiaries (the "Company," "IPG," "we," "us" or "our") in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for reporting interim financial information on Form 10-Q. Accordingly, they do not include certain information and disclosures required for complete financial statements. The preparation of financial statements in conformity with U.S. GAAP requires us to make judgments, assumptions and estimates that affect the amounts reported and disclosed. Actual results could differ from these estimates and assumptions. The consolidated results for interim periods are not necessarily indicative of results for the full year and should be read in conjunction with our 2015 Annual Report on Form 10-K.

In the opinion of management, these unaudited Consolidated Financial Statements include all adjustments, consisting only of normal and recurring adjustments necessary for a fair statement of the information for each period contained therein. Certain reclassifications have been made to prior-period financial statements to conform to the current-period presentation.

Note 2: Debt and Credit Arrangements

Long-Term Debt

A summary of the carrying amounts and fair values of our long-term debt is listed below.

	Effective Interest Rate	June 30, 2016		December 31, 2015	
		Book Value	Fair Value [1]	Book Value	Fair Value [1]
2.25% Senior Notes due 2017 (less unamortized discount and issuance costs of $0.2 and $0.6, respectively)	2.30%	$299.2	$301.9	$298.8	$299.3
4.00% Senior Notes due 2022 (less unamortized discount and issuance costs of $1.8 and $1.4, respectively)	4.13%	246.8	265.9	246.4	250.9
3.75% Senior Notes due 2023 (less unamortized discount and issuance costs of $1.0 and $2.7, respectively)	4.32%	496.3	521.0	496.0	484.8
4.20% Senior Notes due 2024 (less unamortized discount and issuance costs of $0.8 and $3.2, respectively)	4.24%	496.0	538.2	495.8	496.4
Other notes payable and capitalized leases		69.8	69.8	75.2	75.2
Total long-term debt		1,608.1		1,612.2	
Less: current portion		24.5		1.9	
Long-term debt, excluding current portion		$1,583.6		$1,610.3	

1 See Note 11 for information on the fair value measurement of our long-term debt.

Credit Agreements

We maintain a committed corporate credit facility (the "Credit Agreement") and uncommitted lines of credit to increase our financial flexibility. The Credit Agreement is a revolving facility, expiring in October 2020, under which amounts borrowed by us or any of our subsidiaries designated under the Credit Agreement may be repaid and reborrowed, subject to an aggregate lending limit of $1,000.0, or the equivalent in other currencies. The Company has the ability to increase the commitments under the Credit Agreement from time to time by an additional amount of up to $250.0, provided the Company receives commitments for such increases and satisfies certain other conditions. The aggregate available amount of letters of credit outstanding may decrease or increase, subject to a sublimit on letters of credit of $200.0 or the equivalent in other currencies. Our obligations under the Credit Agreement are unsecured.

We were in compliance with all of our covenants in the Credit Agreement as of June 30, 2016.

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Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Note 3: Earnings Per Share

The following sets forth basic and diluted earnings per common share available to IPG common stockholders.

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Net income available to IPG common stockholders	$156.9	$121.2	$162.3	$119.4
Weighted-average number of common shares outstanding - basic	400.1	410.5	400.4	410.8
Add: Effect of dilutive securities				
Restricted stock, stock options and other equity awards	9.7	7.1	9.0	6.8
Weighted-average number of common shares outstanding - diluted	409.8	417.6	409.4	417.6
Earnings per share available to IPG common stockholders:				
Basic	$0.39	$0.30	$0.41	$0.29
Diluted	$0.38	$0.29	$0.40	$0.29

As part of the adoption of Financial Accounting Standards Board (the “FASB”) Accounting Standards Update 2016-09, our excess tax benefit is no longer included in our calculation of diluted shares under the treasury stock method, resulting in an increase of 1.8 and 1.5 shares in the effect of dilutive securities for the three and six months ended June 30, 2016, respectively.

Note 4: Acquisitions

We continue to evaluate strategic opportunities to expand our industry expertise, strengthen our position in high-growth and key strategic geographical markets and industry sectors, advance our technological capabilities and improve our operational efficiency through both acquisitions and increased ownership interests in current investments. Our acquisitions typically provide for an initial payment at the time of closing and additional contingent purchase price payments based on the future performance of the acquired entity. We have entered into agreements that may require us to purchase additional equity interests in certain consolidated and unconsolidated subsidiaries. The amounts at which we record these transactions in our financial statements are based on estimates of the future financial performance of the acquired entity, the timing of the exercise of these rights, foreign currency exchange rates and other factors.

During the first half of 2016, we completed four acquisitions, including a product and service design consultancy based in the U.S., an integrated healthcare marketing communications agency based in the U.S., a content creation and digital agency with offices in the U.S. and the U.K., and a mobile consultancy and application development agency based in the U.K. Of our four acquisitions, one was included in the Integrated Agency Networks ("IAN") operating segment, and three were included in the Constituency Management Group ("CMG") operating segment. During the first half of 2016, we recorded approximately $75.7 of goodwill and intangible assets related to our acquisitions, primarily in CMG.

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Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

The results of operations of our acquired companies were included in our consolidated results from the closing date of each acquisition. Details of cash paid for current and prior years' acquisitions are listed below.

	Six months ended June 30,	
	2016	2015
Cost of investment: current-year acquisitions	$36.5	$0.0
Cost of investment: prior-year acquisitions	29.7	27.8
Less: net cash acquired	(2.7)	0.0
Total cost of investment	63.5	27.8
Operating expense [1]	17.4	17.6
Total cash paid for acquisitions [2]	$80.9	$45.4

1 Represents cash payments made that were either in excess of the initial value of contingent payments or contingent upon the future employment of the former owners of the acquired companies and are recorded in the operating section of the unaudited Consolidated Statements of Cash Flows.

2 $34.3 for the six months ended June 30, 2016 is classified under the investing section of the unaudited Consolidated Statements of Cash Flows, as acquisitions, net of cash acquired. This amount relates to initial payments for new transactions. $29.2 of cash paid for six months ended June 30, 2016 is classified under the financing section of the unaudited Consolidated Statements of Cash Flows as acquisition-related payments. This amount relates to deferred payments and increases in our ownership interest for prior acquisitions.

Many of our acquisitions also include provisions under which the noncontrolling equity owners may require us to purchase additional interests in a subsidiary at their discretion. Redeemable noncontrolling interests are adjusted quarterly to their estimated redemption value, but not less than their initial fair value. Any adjustments to the redemption value impact retained earnings, except for foreign currency translation adjustments. The following table presents changes in our redeemable noncontrolling interests.

	Six months ended June 30,	
	2016	2015
Balance at beginning of period	$251.9	$257.4
Change in related noncontrolling interests balance	(2.6)	(8.3)
Changes in redemption value of redeemable noncontrolling interests:		
Redemptions and other	(9.7)	(22.5)
Redemption value adjustments	6.7	3.5
Balance at end of period	$246.3	$230.1

Note 5: Supplementary Data

Accrued Liabilities

The following table presents the components of accrued liabilities.

	June 30, 2016	December 31, 2015
Salaries, benefits and related expenses	$ 333.6	$ 502.4
Acquisition obligations	68.8	50.1
Office and related expenses	43.6	51.0

Interest	16.7	17.3
Other	125.7	139.5
Total accrued liabilities	$ 588.4	$ 760.3

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Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Other (Expense) Income, Net

Results of operations for the three and six months ended June 30, 2016 and 2015 include certain items that are not directly associated with our revenue-producing operations.

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Losses on sales of businesses and investments	$(2.2)	$(0.1)	$(18.5)	$(0.2)
Other income, net	2.1	0.6	1.3	1.0
Total other (expense) income, net	$(0.1)	$0.5	$(17.2)	$0.8

Losses on Sales of Businesses and Investments – During the three and six months ended June 30, 2016, the amounts recognized are related to sales of businesses within our IAN segment.

Assets held for sale of $5.3 and liabilities held for sale of $5.3 are included in Other current assets and Accrued liabilities, respectively, on our Consolidated Balance Sheet as of June 30, 2016. These assets and liabilities held for sale, which primarily consist of accounts receivable and accounts payable, respectively, are related to sales of businesses expected to be completed within the next twelve months.

Share Repurchase Program

In February 2016, our Board of Directors (the "Board") authorized a new share repurchase program to repurchase from time to time up to $300.0, excluding fees, of our common stock, which was in addition to the remaining amount available to be repurchased from the $300.0 authorization made by the Board in February 2015.

We may effect such repurchases through open market purchases, trading plans established in accordance with SEC rules, derivative transactions or other means. We expect to continue to repurchase our common stock in future periods, although the timing and amount of the repurchases will depend on market conditions and other funding requirements.

The following table presents our share repurchase activity under our share repurchase programs for the six months ended June 30, 2016 and 2015.

	Six months ended June 30,	
	2016	2015
Number of shares repurchased	5.0	4.9
Aggregate cost, including fees	$112.5	$102.0
Average price per share, including fees	$22.47	$20.87

As of June 30, 2016, $346.2 remains available for repurchase under the share repurchase programs. The share repurchase programs have no expiration date.

Note 6: Income Taxes

For the three months ended June 30, 2016, our effective income tax rate of 21.2% was positively impacted mainly by the settlement of 2011 and 2012 income tax audits which included the recognition of certain previously unrecognized tax benefits of $23.4. For the six months ended June 30, 2016, our effective income tax rate of 14.6% was also positively impacted by the reversal of valuation allowances of $12.2 as a consequence of the disposition of certain businesses in Continental Europe, $10.2 related to the adoption of the FASB Accounting Standards Update 2016-09, Stock Compensation, and the recognition of previously unrecognized tax benefits as a result of a lapse in statute of limitations. The positive impacts to our tax rates were partially offset by losses in certain foreign jurisdictions where

we receive no tax benefit due to 100% valuation allowances and by losses on sales of businesses for which we did not receive a full tax benefit.
We have various tax years under examination by tax authorities in various countries, and in various states, such as New York, in which we have significant business operations. It is not yet known whether these examinations will, in the aggregate, result in our paying additional taxes. We believe our tax reserves are adequate in relation to the potential for additional assessments in each of the jurisdictions in which we are subject to taxation. We regularly assess the likelihood of additional tax assessments in those jurisdictions and, if necessary, adjust our reserves as additional information or events require.

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With respect to all tax years open to examination by U.S. federal, various state and local, and non-U.S. tax authorities, we currently anticipate that total unrecognized tax benefits will decrease by an amount between $10.0 and $20.0 in the next twelve months, a portion of which will affect our effective income tax rate, primarily as a result of the settlement of tax examinations and the lapsing of statutes of limitations.

We are effectively settled with respect to U.S. federal income tax audits through 2012, with the exception of 2009. With limited exceptions, we are no longer subject to state and local income tax audits for years prior to 2007 or non-U.S. income tax audits for years prior to 2006.

Note 7: Incentive Compensation Plans

We issue stock-based compensation and cash awards to our employees under a plan established by the Compensation and Leadership Talent Committee of the Board of Directors (the "Compensation Committee") and approved by our shareholders.

We issued the following stock-based awards under the 2014 Performance Incentive Plan (the "2014 PIP") during the six months ended June 30, 2016.

	Awards	Weighted-average grant-date fair value (per award)
Stock-settled awards	1.0	$ 21.73
Performance-based awards	3.2	$ 19.56
Total stock-based compensation awards	4.2	

During the six months ended June 30, 2016, the Compensation Committee granted performance cash awards and restricted cash awards under the 2014 PIP with a total target value of $40.7 and $4.6, respectively. Cash awards are expensed over the vesting period, which is typically three years.

Note 8: Accumulated Other Comprehensive Loss, Net of Tax

The following tables present the changes in accumulated other comprehensive loss, net of tax, by component.

	Foreign Currency Translation Adjustments	Available-for-Sale Securities	Derivative Instruments	Defined Benefit Pension and Other Postretirement Plans	Total
Balance as of December 31, 2015	$ (665.6)	$ 1.3	$ (9.6)	$ (171.7)	$(845.6)
Other comprehensive income before reclassifications	39.2	0.2	0.0	0.8	40.2
Amount reclassified from accumulated other comprehensive loss, net of tax	6.5	(1.2)	0.6	2.2	8.1
Balance as of June 30, 2016	$ (619.9)	$ 0.3	$ (9.0)	$ (168.7)	$(797.3)

	Foreign Currency Translation Adjustments	Available-for-Sale Securities	Derivative Instruments	Defined Benefit Pension and Other Postretirement Plans	Total
Balance as of December 31, 2014	$ (436.3)	$ 0.8	$ (10.9)	$ (190.3)	$(636.7)
	(108.3)	0.2	0.0	5.5	(102.6)

Other comprehensive (loss) income before reclassifications					
Amount reclassified from accumulated other comprehensive loss, net of tax	(1.2)	(0.1)	0.6	4.2	3.5
Balance as of June 30, 2015	$ (545.8)	$ 0.9	$ (10.3)	$ (180.6)	$(735.8)

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Amounts reclassified from accumulated other comprehensive loss, net of tax, for the three and six months ended June 30, 2016 and 2015 are as follows:

	Three months ended June 30,		Six months ended June 30,		Affected Line Item in the Consolidated Statements of Operations
	2016	2015	2016	2015	
Foreign currency translation adjustments [1]	$7.5	$(0.7)	$6.5	$(1.2)	Other (expense) income, net
Gains on available-for-sale securities	(1.2)	0.0	(1.2)	0.0	Other (expense) income, net
Losses on derivative instruments	0.5	0.5	1.0	1.0	Interest expense
Amortization of defined benefit pension and postretirement plan items [2]	0.0	3.4	2.7	6.4	
Tax effect	0.0	(1.3)	(0.9)	(2.7)	Provision for income taxes
Total amount reclassified from accumulated other comprehensive loss, net of tax	$6.8	$1.9	$8.1	$3.5	

1 These foreign currency translation adjustments are primarily a result of write-offs from the sales of businesses.
2 These accumulated other comprehensive loss components are included in the computation of net periodic cost. See Note 9 for further information.

Note 9: Employee Benefits

We have a defined benefit pension plan that covers certain U.S. employees (the "Domestic Pension Plan"). We also have numerous funded and unfunded plans outside the U.S. The Interpublic Limited Pension Plan in the U.K. is a defined benefit plan and is our most material foreign pension plan in terms of the benefit obligation and plan assets. Some of our domestic and foreign subsidiaries provide postretirement health benefits and life insurance to eligible employees and, in certain cases, their dependents. The domestic postretirement benefit plan is our most material postretirement benefit plan in terms of the benefit obligation. Certain immaterial foreign pension and postretirement benefit plans have been excluded from the table below.

The components of net periodic cost for the Domestic Pension Plan, the significant foreign pension plans and the domestic postretirement benefit plan are listed below.

	Domestic Pension Plan		Foreign Pension Plans		Domestic Postretirement Benefit Plan	
Three months ended June 30,	2016	2015	2016	2015	2016	2015
Service cost	$ 0.0	$ 0.0	$ 2.2	$ 2.4	$ 0.0	$ 0.0
Interest cost	1.5	1.5	4.7	4.7	0.3	0.3
Expected return on plan assets	(1.7)	(1.9)	(5.3)	(5.2)	0.0	0.0
Settlements and curtailments	0.0	0.0	0.2	0.2	0.0	0.0
Amortization of:						
Prior service cost	0.0	0.0	0.0	0.1	0.1	0.0
Unrecognized actuarial losses	(1.2)	2.1	0.9	1.0	0.0	0.0
Net periodic cost	$ (1.4)	$ 1.7	$ 2.7	$ 3.2	$ 0.4	$ 0.3

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	Domestic Pension Plan		Foreign Pension Plans		Domestic Postretirement Benefit Plan	
Six months ended June 30,	2016	2015	2016	2015	2016	2015
Service cost	$ 0.0	$ 0.0	$ 4.9	$ 4.9	$ 0.0	$ 0.0
Interest cost	3.0	3.0	9.2	9.4	0.7	0.7
Expected return on plan assets	(3.4)	(3.8)	(10.6)	(10.3)	0.0	0.0
Settlements and curtailments	0.0	0.0	0.2	0.2	0.0	0.0
Amortization of:						
Prior service cost	0.0	0.0	0.0	0.1	0.0	0.0
Unrecognized actuarial losses	0.7	4.1	1.8	2.0	0.0	0.0
Net periodic cost	$ 0.3	$ 3.3	$ 5.5	$ 6.3	$ 0.7	$ 0.7

During the six months ended June 30, 2016, we contributed $13.5 of cash to our foreign pension plans. For the remainder of 2016, we expect to contribute approximately $13.0 of cash to our foreign pension plans. We do not expect to make any contributions to our Domestic Pension Plan in 2016.

Note 10: Segment Information

As of June 30, 2016, we have two reportable segments: IAN and CMG. IAN is comprised of McCann Worldgroup, Foote, Cone & Belding ("FCB"), MullenLowe Group, IPG Mediabrands, our digital specialist agencies and our domestic integrated agencies. CMG is comprised of a number of our specialist marketing services offerings. We also report results for the “Corporate and other” group. The profitability measure employed by our chief operating decision maker for allocating resources to operating divisions and assessing operating division performance is segment operating income (loss). Segment information is presented consistently with the basis described in our 2015 Annual Report on Form 10-K; however, segment operating income (loss) for the three and six months ended June 30, 2016 and 2015 includes a minimal impact of restructuring and other reorganization-related charges.

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Notes to Consolidated Financial Statements – (continued)
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Summarized financial information concerning our reportable segments is shown in the following table.

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Revenue:				
IAN	$1,548.5	$ 1,522.1	$2,950.1	$2,867.2
CMG	369.4	354.0	709.8	684.9
Total	$1,917.9	$ 1,876.1	$3,659.9	$3,552.1
Segment operating income (loss):				
IAN	$195.7	$ 204.9	$235.4	$236.3
CMG	50.0	41.4	70.4	61.3
Corporate and other	(20.9)	(30.5)	(60.1)	(74.0)
Total	224.8	215.8	245.7	223.6
Interest expense	(24.5)	(20.3)	(47.1)	(41.2)
Interest income	5.6	5.0	11.4	12.2
Other (expense) income, net	(0.1)	0.5	(17.2)	0.8
Income before income taxes	$205.8	$ 201.0	$192.8	$195.4
Depreciation and amortization of property and equipment and intangible assets:				
IAN	$29.2	$ 30.1	$56.8	$59.5
CMG	4.9	4.5	9.7	9.1
Corporate and other	5.7	4.9	11.3	9.6
Total	$39.8	$ 39.5	$77.8	$78.2
Capital expenditures:				
IAN	$26.9	$ 20.4	$47.2	$32.5
CMG	2.2	2.3	3.7	3.4
Corporate and other	6.9	6.9	12.1	13.9
Total	$36.0	$ 29.6	$63.0	$49.8

	June 30, 2016	December 31, 2015
Total assets:		
IAN	$10,330.5	$ 10,738.2
CMG	1,391.2	1,338.6
Corporate and other	(87.8)	508.3
Total	$11,633.9	$ 12,585.1

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Note 11: Fair Value Measurements
Authoritative guidance for fair value measurements establishes a fair value hierarchy which requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Financial Instruments that are Measured at Fair Value on a Recurring Basis
We primarily apply the market approach to determine the fair value of financial instruments that are measured at fair value on a recurring basis. There were no changes to our valuation techniques used to determine the fair value of financial instruments during the six months ended June 30, 2016. The following tables present information about our financial instruments measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value.

	June 30, 2016				Balance Sheet Classification
	Level 1	Level 2	Level 3	Total	
Assets					
Cash equivalents	$156.1	$0.0	$0.0	$156.1	Cash and cash equivalents
Short-term marketable securities	2.8	0.0	0.0	2.8	Marketable securities
Long-term investments	0.5	0.0	0.0	0.5	Other non-current assets
Total	$159.4	$0.0	$0.0	$159.4	
As a percentage of total assets	1.4 %	0.0 %	0.0 %	1.4 %	
Liabilities					
Mandatorily redeemable noncontrolling interests [1]	$0.0	$0.0	$57.8	$57.8	

	December 31, 2015				Balance Sheet Classification
	Level 1	Level 2	Level 3	Total	
Assets					
Cash equivalents	$875.7	$0.0	$0.0	$875.7	Cash and cash equivalents
Short-term marketable securities	6.8	0.0	0.0	6.8	Marketable securities
Long-term investments	0.4	0.0	0.0	0.4	Other non-current assets
Total	$882.9	$0.0	$0.0	$882.9	
As a percentage of total assets	7.0 %	0.0 %	0.0 %	7.0 %	
Liabilities					
Mandatorily redeemable noncontrolling interests [1]	$0.0	$0.0	$45.0	$45.0	

1 Relates to unconditional obligations to purchase additional noncontrolling equity shares of consolidated subsidiaries. Fair value measurement of the obligation was based upon the amount payable as if the forward contracts were settled. The amount redeemable within the next twelve months is classified in accrued liabilities; any interests redeemable thereafter are classified in other non-current liabilities.

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The following table presents additional information about financial instruments measured at fair value on a recurring basis and for which we utilized Level 3 inputs to determine fair value for the six months ended June 30, 2016 and 2015.

	Three months ended June 30,		Six months ended June 30,	
Liabilities	2016	2015	2016	2015
Mandatorily redeemable noncontrolling interests - Balance at beginning of period	$56.9	$46.8	$45.0	$32.8
Level 3 additions	0.8	6.8	11.2	21.8
Level 3 reductions	(1.1)	(10.0)	(1.2)	(11.4)
Realized losses included in net income	2.2	0.5	4.0	0.9
Foreign currency translation	(1.0)	0.8	(1.2)	0.8
Mandatorily redeemable noncontrolling interests - Balance at end of period	$57.8	$44.9	$57.8	$44.9

Realized losses included in net income for mandatorily redeemable noncontrolling interests are reported as a component of interest expense in the unaudited Consolidated Statements of Operations.

Financial Instruments that are not Measured at Fair Value on a Recurring Basis

The following table presents information about our financial instruments that are not measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

	June 30, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Total long-term debt	$0.0	$1,627.0	$ 69.8	$1,696.8	$0.0	$1,531.4	$ 75.2	$1,606.6

Our long-term debt is comprised of senior notes and other notes payable. The fair value of our senior notes traded over-the-counter is based on quoted prices for such securities, but for which fair value can also be derived from inputs that are readily observable. Therefore, these senior notes are classified as Level 2 within the fair value hierarchy. Our other notes payable are not actively traded, and their fair value is not solely derived from readily observable inputs. Thus, the fair value of our other notes payable is determined based on proprietary valuation methods and therefore are classified as Level 3 within the fair value hierarchy. See Note 2 for further information on our long-term debt.

Non-financial Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

Certain non-financial assets and liabilities are measured at fair value on a recurring basis, primarily accrued restructuring charges.

Non-financial Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

Certain non-financial assets and liabilities are measured at fair value on a nonrecurring basis, primarily goodwill, intangible assets, and property and equipment. Accordingly, these assets are not measured and adjusted to fair value on an ongoing basis but are subject to periodic evaluations for potential impairment.

Note 12: Commitments and Contingencies

Legal Matters

We are involved in various legal proceedings, and subject to investigations, inspections, audits, inquiries and similar actions by governmental authorities, arising in the normal course of business. The types of allegations that arise in connection with such legal proceedings may vary in nature, but can include claims related to contract, employment, tax and intellectual property matters. We evaluate all cases each reporting period and record liabilities for losses from legal proceedings when we determine that it is probable that the outcome in a legal proceeding will be unfavorable and the amount, or potential range, of loss can be reasonably estimated. In certain cases, we cannot reasonably estimate the potential loss because, for example, the litigation is in its early stages. While any outcome related to litigation or such governmental proceedings in which we are involved cannot be predicted with certainty, management believes that the outcome of these matters, individually and in the aggregate, will not have a material adverse effect on our financial condition, results of operations or cash flows.

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As previously disclosed, on April 10, 2015, a federal judge in Brazil authorized the search of the records of an agency's offices in São Paulo and Brasilia, in connection with an ongoing investigation by Brazilian authorities involving payments potentially connected to local government contracts. The Company had previously investigated the matter and taken a number of remedial and disciplinary actions. The Company is in the process of concluding a settlement related to these matters with government agencies and has previously provided for such settlement in its Consolidated Financial Statements.

Guarantees

As discussed in our 2015 Annual Report on Form 10-K, we have guaranteed certain obligations of our subsidiaries relating principally to operating leases and credit facilities of certain subsidiaries. The amount of parent company guarantees on lease obligations was \$843.7 and \$619.4 as of June 30, 2016 and December 31, 2015, respectively, and the amount of parent company guarantees primarily relating to credit facilities was \$349.4 and \$336.5 as of June 30, 2016 and December 31, 2015, respectively.

Note 13: Recent Accounting Standards

Financial Instrument Credit Losses

In June 2016, the FASB issued amended guidance on the accounting for credit losses on certain types of financial instruments, including trade receivables. The new model uses a forward-looking expected loss method, as opposed to the incurred loss method in current U.S. GAAP, which will generally result in earlier recognition of allowances for losses. This amended guidance is effective beginning January 1, 2020, with early adoption permitted as early as January 1, 2019. We are currently assessing the impact the adoption of the amended guidance will have on our Consolidated Financial Statements.

Stock Compensation

In March 2016, the FASB issued amended guidance on the accounting for employee share-based payments which requires all excess tax benefits and tax deficiencies to be recognized on the income statement instead of as additional paid-in capital, with prospective application required. The guidance also changes the classification of such tax benefits or tax deficiencies on the Consolidated Statement of Cash Flows from a financing activity to an operating activity, with prospective application required. Additionally, the guidance changes the classification of employee taxes paid when an employer withholds shares for tax-withholding purposes on the Consolidated Statement of Cash Flows from an operating activity, previously included in the changes in Accounts Payable, to a financing activity, with retrospective application required. We have early adopted this amended guidance as of the quarter ended March 31, 2016. See Notes 3 and 6 to the Consolidated Financial Statements for additional information related to the adoption of this amended guidance.

Leases

In February 2016, the FASB issued amended guidance on lease accounting which requires an entity to recognize a right-of-use asset and a corresponding lease liability on its balance sheet for virtually all of its leases with a term of more than 12 months, including those classified as operating leases. Both the asset and liability will initially be measured at the present value of the future minimum lease payments, with the asset being subject to adjustments such as initial direct costs. Consistent with current U.S. GAAP, the presentation of expenses and cash flows will depend primarily on the classification of the lease as either a finance or an operating lease. The new standard also requires additional quantitative and qualitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases in order to provide additional information about the nature of an organization’s leasing activities. This amended guidance, which will be effective beginning January 1, 2019, requires modified retrospective application, with early adoption permitted. As a result of the adoption of this amended guidance, we expect to have a significant impact on our Consolidated Balance Sheets but not on our Consolidated Statements of Operations.

Fair Value Measurements

In January 2016, the FASB issued amended guidance which updates the fair value presentation requirements for certain financial instruments. Equity investments with readily determinable fair values, other than those accounted for using the equity method of accounting, will be measured at fair value with changes recorded through current earnings rather than other comprehensive income. This amended guidance will be effective for us beginning January 1, 2018, and is required to be adopted prospectively with a cumulative-effect adjustment recorded on our Consolidated Balance Sheets, if applicable. We do not expect the adoption of this amended guidance to have a significant impact on our Consolidated Financial Statements.

Revenue Recognition

In May 2014, the FASB issued amended guidance on revenue recognition which requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard affects the timing of recognizing revenue in connection with variable consideration. In July 2015, the FASB affirmed its proposal to delay the effective date of the new revenue standard by one year to January 1, 2018, with early adoption to be permitted as of the original effective date of January 1, 2017. We are currently assessing the impact the adoption of the amended guidance will have on our Consolidated Financial Statements.

Consolidation

In February 2015, the FASB issued amended guidance to the consolidation standard which updates the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The amendment modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (“VIEs”) or voting interest entities and affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships, among other provisions. This amended guidance was effective January 1, 2016. The adoption of this amended guidance did not have a significant impact on our Consolidated Financial Statements.

Going Concern

In August 2014, the FASB issued amended guidance which defines management's responsibility to evaluate whether there are conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern and to provide related disclosures. Currently, this evaluation has only been an auditor requirement. Specifically, the amendments (1) provide a definition of the term “substantial doubt,” (2) require an evaluation every reporting period, (3) provide principles for considering the mitigating effect of management’s plans, (4) require certain disclosures when substantial doubt is alleviated as a result of the consideration of management’s plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that financial statements are issued. This amended guidance is effective for our annual period ending December 31, 2016, and for annual periods and interim periods thereafter. We do not expect the adoption of this amended guidance to have a significant impact on our Consolidated Financial Statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help you understand The Interpublic Group of Companies, Inc. and its subsidiaries ("IPG," "we," "us" or "our"). MD&A should be read in conjunction with our unaudited Consolidated Financial Statements and the accompanying notes included in this report and our 2015 Annual Report on Form 10-K, as well as our other reports and filings with the Securities and Exchange Commission ("SEC"). Our Annual Report includes additional information about our significant accounting policies and practices as well as details about our most significant risks and uncertainties associated with our financial and operating results. Our MD&A includes the following sections: