

MDC PARTNERS INC  
Form 10-K  
March 18, 2019  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

✓ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Fiscal Year Ended December 31, 2018  
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-13718

MDC PARTNERS INC.  
(Exact Name of Registrant as Specified in Its Charter)

Canada 98-0364441  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification Number)  
745 Fifth Avenue, 19th Floor, New York, New York, 10151  
(646) 429-1800  
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant’s Principal Executive  
Offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Subordinate Voting Shares, no par value	NASDAQ

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ✓  
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ✓  
Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No o  
Indicate by check mark whether the registrant has submitted electronically and every Interactive Data File required to be submitted 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 such files). Yes ✓ No o  
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ✓

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):  
Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No   
The aggregate market value of the shares of all classes of voting and non-voting common stock of the registrant held by non-affiliates as of June 29, 2018, the last business day of the Registrant’s most recently completed second fiscal quarter, was approximately \$223.8 million, computed upon the basis of the closing sales price \$4.60 of the Class A subordinate voting shares on that date.

As of February 28, 2019, there were 57,577,825 outstanding shares of Class A subordinate voting shares without par value, and 3,755 outstanding shares of Class B multiple voting shares without par value, of the registrant.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement relating to the 2019 Annual General Meeting of Stockholders are incorporated by reference in Part III of this report.

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References in this Annual Report on Form 10-K to “MDC Partners,” “MDC,” the “Company,” “we,” “us” and “our” refer to MDC Partners Inc. and, unless the context otherwise requires or otherwise is expressly stated, its subsidiaries. References in the Annual Report on Form 10-K to “Partner Firms” generally refer to the Company’s subsidiary agencies.

All dollar amounts are stated in U.S. dollars unless otherwise stated.

**DOCUMENTS INCORPORATED BY REFERENCE**

The following sections of the Proxy Statement for the Annual Meeting of Stockholders to be held on June 4, 2019, are incorporated by reference in Parts I and III: “Election of Directors,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Executive Compensation,” “Report of the Human Resources and Compensation Committee on Executive Compensation,” “Outstanding Shares,” “Appointment of Auditors,” and “Certain Relationships and Related Transactions.”

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### FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. The Company's representatives may also make forward-looking statements orally from time to time. Statements in this document that are not historical facts, including statements about the Company's beliefs and expectations, recent business and economic trends, potential acquisitions, and estimates of amounts for redeemable noncontrolling interests and deferred acquisition consideration, constitute 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 in this section. Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update publicly any of them in light of new information or future events, if any.

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 statements. Such risk factors include, but are not limited to, the following:

- risks associated with severe effects of international, national and regional economic conditions;
- the Company's ability to attract new clients and retain existing clients;
- the spending patterns and financial success of the Company's clients;
- the Company's ability to retain and attract key employees;
- the Company's ability to achieve the full amount of its stated cost saving initiatives;
- the Company's ability to remain in compliance with its debt agreements and the Company's ability to finance its contingent payment obligations when due and payable, including but not limited to those relating to redeemable noncontrolling interests and deferred acquisition consideration;
- the successful completion and integration of acquisitions which complement and expand the Company's business capabilities; and
- foreign currency fluctuations.

Investors should carefully consider these risk factors and the additional risk factors outlined in more detail in this Annual Report on Form 10-K under Item 1A, under the caption "Risk Factors" and in the Company's other SEC filings.

### SUPPLEMENTARY FINANCIAL INFORMATION

The Company reports its financial results in accordance with generally accepted accounting principles of the United States of America ("U.S. GAAP"). However, the Company has included certain non-U.S. GAAP financial measures and ratios, which it believes, provide useful information to both management and readers of this report in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by U.S. GAAP and, therefore, may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other titled measures determined in accordance with U.S. GAAP.

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PART I

Item 1. Business

MDC PARTNERS INC.

MDC was formed by Certificate of Amalgamation effective December 19, 1986, pursuant to the Business Corporations Act (Ontario). Effective December 19, 1986, MDC amalgamated with Branbury Explorations Limited, and thereby became a public company operating under the name of MDC Corporation. On January 1, 2004, MDC changed its name to its current name, MDC Partners Inc., and on June 28, 2004, MDC was continued under Section 187 of the Canada Business Corporations Act. MDC's registered address is located at 33 Draper Street, Toronto, Ontario, M5V 2M3, and its head office address is located at 745 Fifth Avenue, 19th Floor, New York, New York 10151.

About Us

MDC is a leading global provider of marketing, advertising, activation, communications and strategic consulting solutions. Through its network of Partner Firms (as defined below), MDC delivers a broad range of customized services, including (1) global advertising and marketing, (2) media buying, planning and optimization, (3) interactive and mobile marketing, (4) direct marketing, (5) database and customer relationship management, (6) sales promotion, (7) corporate communications, (8) market research, (9) data analytics and insights, (10) corporate identity, design and branding services, (11) social media communications, (12) product and service innovation, (13) e-commerce management, and (14) technology services.

Market Strategy

MDC's strategy is to build, grow and acquire market-leading businesses that deliver innovative, value-added marketing, activation, communications and strategic consulting services to their clients. By doing so, MDC strives to be a partnership of marketing communications and consulting companies (or "Partner Firms") whose strategic, creative and innovative solutions are media-agnostic, challenge the status quo, achieve measurable superior returns on investment, and drive transformative growth and business performance for its clients and stakeholders.

The MDC model is driven by three key elements:

**Perpetual Partnership.** The perpetual partnership model creates ongoing alignment of interests between MDC and its Partner Firms to drive the Company's overall performance by (1) identifying the "right" Partner Firms with a sustainable differentiated position in the marketplace, (2) creating the "right" partnership structure by taking a majority ownership position and leaving a substantial noncontrolling equity or economic ownership position in the hands of operating management to incentivize long-term growth, (3) providing succession planning support and compensation models to incentivize future leaders and second-generation executives, (4) leveraging the network's scale to provide access to strategic resources and best practices and (5) focusing on delivering financial results.

**Entrepreneurialism.** The entrepreneurial spirit of both MDC and its Partner Firms is optimized through (1) its unique perpetual partnership model that incentivizes senior-level involvement and ambition, (2) access to shared resources within the Corporate Group that allow individual firms to focus on client business and company growth and (3) MDC's collaborative creation of customized solutions to support and grow Partner Firm businesses.

**Human and Financial Capital.** The perpetual partnership model balances accountability with financial flexibility and meaningful incentives to support growth.

Reporting Segments

MDC has four reportable segments, plus an All Other category, all of which form the Advertising and Communications Group. The Partner Firms provide a wide range of service offerings both domestically and globally. While in some cases the firms provide the same or similar service offerings, the core or principal service offering is the key factor that distinguishes the Partner Firms from one another.

The following discussion provides additional detailed disclosure for the four reportable segments and the All Other category:

Global Integrated Agencies - This segment is comprised of the Company's five global, integrated Partner Firms serving multinational clients around the world. The operating segments within the Global Integrated Agencies reportable segment provides a range of different services for its clients, including strategy, creative and production for advertising campaigns across a variety of platforms (print, digital, social media, television broadcast).

Domestic Creative Agencies - This segment is comprised of five Partner Firms that are national advertising agencies leveraging creative capabilities at their core.

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Specialist Communications - This segment is comprised of five Partner Firms that are each communications agencies with core service offerings in public relations and related communications services.

Media Services - This segment is comprised of two operating segments with media buying and planning as its core competency.

All Other - This category consists of the Company's remaining Partner Firms that provide a range of diverse marketing communication services but are not eligible for aggregation with the reportable segments. Each of the Partner Firms in the All Other category represent less than 10% of consolidated revenue and do not meet the criteria to be a separate reportable segment.

Corporate - In addition, MDC reports its corporate office expenses incurred in connection with the strategic resources provided to the Partner Firms, as well as certain other centrally managed expenses that are not fully allocated to the Partner Firms as Corporate. Corporate provides client and business development support to the Partner Firms as well as certain strategic resources, including accounting, administrative, financial, real estate, human resource and legal functions. Additional expenses managed by the corporate office that are directly related to the Partner Firms are allocated to the appropriate reportable segment and the All Other category.

For further information relating to the Company's segments, including financial information, see Note 16 of the Notes to the Consolidated Financial Statements and "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations."

Ownership Information

MDC maintains a majority or 100% ownership position in substantially all of its Partner Firms with management of the partner companies owning the remaining equity. MDC generally has rights to increase ownership of non-wholly owned subsidiaries to 100% over a defined period of time. MDC's effective economic interest in each Partner Firm may vary from its voting ownership interest due to certain factors, such as the existence of contingent deferred acquisition payments and/or cash distribution hurdles related to noncontrolling interest holders.

The table below sets forth MDC's voting ownership percentage of each listed Partner Firm as of December 31, 2018. The table does not display all agencies or components within each Partner Firm for which MDC may or may not maintain the same ownership percentage.

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SCHEDULE OF ADVERTISING AND COMMUNICATIONS COMPANIES

Company	Year of Initial Investment	Locations	Ownership %
Consolidated:			
Global Integrated Agencies:			
72andSunny	2010	Los Angeles, New York, Netherlands, UK, Australia, Singapore	100.0 %
Anomaly	2011	New York, Los Angeles, Netherlands, Canada, UK, China, Germany	100.0 %
Crispin Porter Bogusky	2001	Boulder, Los Angeles, UK, Brazil, China	100.0 %
Doner	2012	Detroit, Cleveland, Los Angeles, UK	100.0 %
Forsman & Bodenfors	2004	Sweden, New York, Canada, China, UK, Los Angeles, Singapore	100.0 %
Attention	2009	New York, Los Angeles	100.0 %
The Media Kitchen	2004	New York, Canada, UK	100.0 %
Domestic Creative Agencies:			
Colle + McVoy	1999	Minneapolis	100.0 %
Laird + Partners	2011	New York	65.0 %
Mono Advertising	2004	Minneapolis, San Francisco	70.0 %
Union	2013	Canada	75.0 %
Yamamoto	2000	Minneapolis	100.0 %
Civilian	2000	Chicago	100.0 %
Specialist Communications:			
Allison & Partners	2010	San Francisco, Los Angeles, New York and other US Locations, China, France, Singapore, UK, Japan, Germany	100.0 %
Luntz Global	2014	Washington, D.C.	100.0 %
Sloane & Company	2010	New York	100.0 %
HL Group Partners	2007	New York, Los Angeles, China	100.0 %
Hunter PR	2014	New York, UK	65.0 %
KWT Global	2010	New York, UK, Canada	77.5 %
Veritas	1993	Canada	90.0 %
Media Services:			
MDC Media Partners	2010	New York	
Assembly	2010	New York, Detroit, Atlanta, Los Angeles	100.0 %
EnPlay	2015	New York	100.0 %
Trade X	2011	New York	90.0 %
Unique Influence	2015	Austin	100.0 %
Yes & Company	2018	New York	

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Bruce Mau Design	2004	Canada, New York	100.0%
Northstar Research Partners	1998	Canada, New York, UK, Indonesia	100.0%
Varick Media Management	22010		