

Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 8-K

INTERPUBLIC GROUP OF COMPANIES INC

Form 8-K

March 04, 2002

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 8-K  
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CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): February 28, 2002

The Interpublic Group of Companies, Inc.

-----  
(Exact Name of Registrant as Specified in Charter)

|  |                                      |   |
|--|--------------------------------------|---|
| Delaware   | 1-6686                               | 13-1024020                                    |
| -----<br>(State or Other Jurisdiction<br>of Incorporation) | -----<br>(Commission File<br>Number) | -----<br>(IRS Employer<br>Identification No.) |
| 1271 Avenue of the Americas, New York, New York            |                                      | 10020   |
| -----<br>(Address of Principal Executive Offices)          |                                      | -----<br>(Zip Code)                           |

Registrant's telephone number, including area code: 212-399-8000

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(Former Name or Former Address, if Changed Since Last Report)

Item 9. Regulation FD Disclosure.

On February 28, 2002, The Interpublic Group of Companies, Inc., in connection with a telephone conference with investors, made available via the internet a slide show relating to fourth quarter and full-year 2001 results.

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 hereunto duly authorized.

THE INTERPUBLIC GROUP OF  
COMPANIES, INC.

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Date: March 4, 2002

By: /s/ Nicholas J. Camera

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Nicholas J. Camera  
SENIOR VICE PRESIDENT, GENERAL  
COUNSEL AND SECRETARY

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The  
Interpublic  
Group of  
Companies, Inc

Fourth Quarter 2001  
Conference Call Notes

February 28, 2002

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Summary  
Fourth Quarter Results

-----  
(Excludes restructuring charges and other unusual items)

\$ Millions

|                             | 2001      | 2000       | Change % |
|-----------------------------|-----------|------------|----------|
|                             | -----     | -----      | -----    |
| Revenue                     | \$1,719.5 | \$ 2,041.8 | (15.8%)  |
| EBITDA                      | 331.8     | 417.0      | (20.4)   |
| Margin %                    | 19.3%     | 20.4%      |          |
| Depreciation                | 50.1      | 49.2       | 2.0      |
| Amortization of Intangibles | 46.1      | 42.4       | 8.7      |
| Income from Operations      | 235.6     | 325.4      | (27.6)   |
| Margin %                    | 13.7%     | 15.9%      |          |
| Net Income                  | 111.2     | 190.5      | (41.6)   |
| EPS                         | .30       | .51        | (41.2)   |

Summary  
Full Year Results

-----  
(Excludes restructuring charges and other unusual items)

\$ Millions

|  | 2001  | 2000  | Change % |
|--|-------|-------|----------|
|  | ----- | ----- | -----    |

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|                             |            |            |        |
|-----------------------------|------------|------------|--------|
| Revenue                     | \$ 6,726.8 | \$ 7,182.7 | (6.3%) |
| EBITDA                      | 1,148.2    | 1,363.7    | (15.8) |
| Margin %                    | 17.1%      | 19.0%      |        |
| Depreciation                | 199.2      | 192.6      | 3.4    |
| Amortization of Intangibles | 173.0      | 144.3      | 20.0   |
| Income from Operations      | 776.0      | 1,026.8    | (24.4) |
| Margin %                    | 11.5%      | 14.3%      |        |
| Net Income                  | 359.2      | 570.3      | (37.0) |
| EPS                         | .96        | 1.53       | (37.3) |

Fourth Quarter 2001:  
Components of Revenue Change

-----  
\$ Millions

|                                    |           |            |
|------------------------------------|-----------|------------|
| 2000 Revenue                       | \$2,041.8 |            |
| Effects of:                        |           | Variance % |
| Organic                            | (205.8)   | (10.1)%    |
| Loss of Chrysler                   | (35.9)    | (1.8)      |
| Currency Translation               | (52.2)    | (2.6)      |
| Acquisitions (net of dispositions) | (28.4)    | (1.3)      |
| 2001 Revenue                       | \$1,719.5 | (15.8)%    |
|                                    | =====     | =====      |

Year 2001:  
Components of Revenue Change

-----  
\$ Millions

|                  |           |            |
|------------------|-----------|------------|
| 2000 Revenue     | \$7,182.7 |            |
| Effects of:      |           | Variance % |
| Organic          | (207.4)   | (2.9)%     |
| Loss of Chrysler | (116.3)   | (1.6)      |

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|                                    |           |        |
|------------------------------------|-----------|--------|
| Currency Translation               | (159.4)   | (2.2)  |
| Acquisitions (net of dispositions) | 62.2      | 0.9    |
| September 11                       | (35.0)    | (0.5)  |
|                                    | -----     | -----  |
| 2001 Revenue                       | \$6,726.8 | (6.3)% |
|                                    | =====     | =====  |

4Q01 Components of Net Income Change

-----  
(Excludes restructuring charges and other unusual items)

\$ Millions

|  |  |         |
|--|--|---------|
| 4Q 2000 Net Income                                 |  | \$190.5 |
| Decrease in Revenue                                |  | (322.3) |
| Decrease in Operating Expenses                     |  | 237.1   |
| Increase in Depreciation and Amortization          |  | (4.6)   |
| Decrease in Non-Operating Items                    |  | 8.6     |
| Increase in Equity Earnings and Minority Interests |  | 1.9     |
|  |  | -----   |
| 4Q 2001 Net Income                                 |  | \$111.2 |
|  |  | =====   |

2001 Components of Net Income Change

-----  
(Excludes restructuring charges and other unusual items)

\$ Millions

|  |  |         |
|--|--|---------|
| 2000 Net Income                                    |  | \$570.3 |
| Decrease in Revenue                                |  | (455.9) |
| Decrease in Operating Expenses                     |  | 240.4   |
| Increase in Depreciation and Amortization          |  | (35.3)  |
| Decrease in Non-Operating Items                    |  | 32.9    |
| Increase in Equity Earnings and Minority Interests |  | 6.8     |
|  |  | -----   |
| 2001 Net Income                                    |  | \$359.2 |
|  |  | =====   |

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### Pro Forma EBITDA Margin Trend

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 \* Estimated impact of September 11: \$35 million or 210 basis points.

|                | '00   | '01    |
|----------------|-------|--------|
| First Quarter  | 13.4% | 14.8%  |
| Second Quarter | 23.3% | 19.5%  |
| Third Quarter  | 17.8% | 14.4%* |
| Fourth Quarter | 20.4% | 19.3%  |

\* Estimated impact of September 11 is \$35 million or 210 basis points, which would have resulted in an EBITDA margin trend of 16.5%.

### Selected Cash Flow Items

\$ Millions

|  | 2001     | 2000     |
|--|----------|----------|
|  | -----    | -----    |
| Depreciation and Amortization<br>of Fixed Assets | \$ 199.2 | \$ 192.6 |
| Amortization of Intangible Assets                | 173.0    | 144.3    |
| Acquisitions                                     | 314.1    | 653.2    |
| Capital Expenditures                             | 268.0    | 259.5    |
| Dividends -- IPG only                            | 136.6    | 109.1    |
| Purchase of Treasury Stock                       | 115.7    | 253.9    |

### Selected Balance Sheet Items

\$ Millions

|                         | December 31,<br>2001 | September 30,<br>2001 | December 31,<br>2000 |
|-------------------------|----------------------|-----------------------|----------------------|
|                         | -----                | -----                 | -----                |
| Cash & Cash Equivalents | \$ 935.2             | \$ 685.6              | \$ 844.6             |
| Total Debt              | 2,933.7              | 3,125.9               | 2,081.1              |
| Debt as % of Capital    | 60%                  | 63%                   | 46%                  |
| Stockholders' Equity    | 1,979.3              | 1,863.5               | 2,482.4              |

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### 2001 Net New Business

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#### Key Wins

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Verizon  
L'Oreal  
United Parcel Service  
Sopracor  
Microsoft  
Sirius Satellite Radio  
Pfizer/Pharmacia  
Coca-Cola  
H.J. Heinz  
Best Foods (Unilever)

Total Wins            \$5,548.5

#### Key Losses

-----

Gateway  
Dell  
Fidelity  
Gillette Oral Care  
  
AT&T Wireless  
Reckitt & Benkiser  
PepsiCo

Total Losses            \$2,762.9

Net New Business        \$2,785.6

### 2002 New Business Wins

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Sony

Starwood Hotels

Zenith Electronics

Electrolux

Revlon

MCI Worldcom

American Airlines

HSBC

Tricon Global Restaurants

Nextel

Deutsche Telekom

### Outlook and Guidance -- 2002

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- o First and second quarter revenue comparisons remain difficult
- o In a flat full-year revenue scenario, EPS grows 15%
  - If full year revenue increases, each 1% of revenue growth generates an incremental 2% EPS growth
  - If full year revenue declines, margins will equal or exceed 2000 level

Appendix I: Revenue by Discipline

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(\$Millions)

|  | Fourth Quarter Revenue |          |         |          |          | 2001    |
|--|------------------------|----------|---------|----------|----------|---------|
|  | 2001                   | % of Rev | 2000    | % of Rev | % Change |         |
| Promotion Event And Direct Marketing<br>(Incl. Healthcare Marketing) | 371.5                  | 21.6%    | 415.5   | 20.3%    | (11%)    | 1,429.1 |
| Public Relations   | 124.8                  | 7.3%     | 165.7   | 8.1%     | (25%)    | 578.1   |
| Marketing Intelligence   | 146.8                  | 8.5%     | 158.5   | 9.7%     | (7%)     | 551.5   |
| Interactive  | 23.9                   | 1.4%     | 39.1    | 2.0%     | (39%)    | 106.7   |
| Total Specialized Marketing Services                                 | 667.0                  | 38.8%    | 778.8   | 38.1%    | (14%)    | 2,665.4 |
| Total Media Buying & Advertising                                     | 1,052.5                | 61.2%    | 1,263.0 | 61.9%    | (17%)    | 4,061.4 |
| Total  | 1,719.5                | 100%     | 2,041.8 | 100%     | (16%)    | 6,726.8 |

Appendix II: Revenue by Region  
Fourth Quarter 2001

-----  
(\$Millions)

|                     | Revenue   | % Total | % Change | % Change Constant \$ | % Change Organic |
|---------------------|-----------|---------|----------|----------------------|------------------|
| Europe              | \$ 496.6  | 29%     | (10%)    | (6%)                 | (7%)             |
| Latin America       | 96.4      | 6%      | (14%)    | (6%)                 | (7%)             |
| Asia/Other          | 158.5     | 9%      | (18%)    | (12%)                | (11%)            |
| Canada              | 49.5      | 3%      | (5%)     | (1%)                 | 3%               |
| Total International | 801.0     | 47%     | (12%)    | (7%)                 | (6%)             |
| Total Domestic      | 918.5     | 53%     | (19%)    | (19%)                | (15%)            |
| Total               | \$1,719.5 | 100%    | (16%)    | (14%)                | (10.1%)          |

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### Appendix II: Revenue by Region Year 2001

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(\$Millions)

|                     | Revenue   | % Total | % Change | % Change<br>Constant \$ | % Change<br>Organic |
|---------------------|-----------|---------|----------|-------------------------|---------------------|
|                     |           |         |          |                         |                     |
| Europe              | \$1,840.7 | 27%     | 0%       | 4%                      | 0%                  |
| Latin America       | 327.1     | 5%      | (2%)     | 9%                      | 4%                  |
| Asia/Other          | 583.6     | 9%      | (3%)     | 4%                      | 0%                  |
| Canada              | 169.6     | 2%      | 4%       | 8%                      | 3%                  |
|                     |           |         |          |                         |                     |
| Total International | 2,921.0   | 43%     | (1%)     | 5%                      | 3%                  |
| Total Domestic      | 3,805.8   | 57%     | (10%)    | (10%)                   | (7%)                |
|                     |           |         |          |                         |                     |
| Total               | \$6,726.8 | 100%    | (6%)     | (4%)                    | (2.9%)              |
|                     |           |         |          |                         |                     |

### Appendix III: 2001 Quarterly Results Restated for FAS 142

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(Excludes one time charges and restructuring items)

|                             | 1Q        | 2Q        | 3Q        | 4Q        | Year      |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|
|                             |           |           |           |           |           |
| Revenue                     | \$1,658.3 | \$1,743.4 | \$1,605.6 | \$1,719.5 | \$6,726.8 |
| EBITDA                      | 246.1     | 339.1     | 231.2     | 331.8     | 1,148.2   |
| Margin %                    | 14.8%     | 19.5%     | 14.4%     | 19.3%     | 17.1%     |
| Depreciation                | 49.6      | 50.4      | 49.1      | 50.1      | 199.2     |
| Amortization of Intangibles | 0.9       | 1.0       | 1.0       | 1.0       | 3.9       |
| Income from Operations      | 195.6     | 287.8     | 181.1     | 280.7     | 945.2     |
| Margin %                    | 11.8%     | 16.5%     | 11.3%     | 16.3%     | 14.1%     |
| Net Income                  | 111.8     | 152.1     | 89.8      | 150.3     | 504.0     |
| EPS                         | .30       | .40       | .24       | .40       | 1.34      |



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### Appendix IV: Summary of Restructuring Charges and One Time Items

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Full Year 2001  
(\$ Millions)

|                            | Total          | Cash           | Non-cash       | Annualized<br>Savings |
|----------------------------|----------------|----------------|----------------|-----------------------|
| Severance                  | \$297.5        | \$297.5        | \$ -           | \$250.0               |
| Facilities costs           | 257.6          | 180.1          | 77.5           | 50.0                  |
| Other Restructuring Costs  | 53.3           | 32.2           | 21.1           |                       |
| Transaction costs 37.2     | 31.5           | 5.7            |                |                       |
|                            | <u>\$645.6</u> | <u>\$541.3</u> | <u>\$104.3</u> | <u>\$300.0</u>        |
| Goodwill and other charges | \$303.1        | -              | \$303.1        | -                     |
| Investment write-offs      | 208.3          | -              | 208.3          | -                     |
| Other Non Recurring (Net)  | 35.4           |                | 35.4           |                       |
|                            | <u>\$546.8</u> |                | <u>\$546.8</u> |                       |

### Appendix V: Summary of Reported Fourth Quarter Results

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\$ Millions

|                             | 2001       | 2000       | Change % |
|-----------------------------|------------|------------|----------|
| Revenue                     | \$ 1,719.5 | \$ 2,041.8 | (15.8%)  |
| EBITDA                      | 331.8      | 354.8      | (6.5)    |
| Margin %                    | 19.3%      | 17.4%      |          |
| Depreciation                | 50.1       | 49.1       | 2.0      |
| Amortization of Intangibles | 46.1       | 42.5       | 8.5      |
| Income from Operations      | 235.6      | 263.2      | (10.5)   |
| Margin %                    | 13.7%      | 12.9%      |          |
| Net Income                  | 111.2      | 113.0      | (1.6)    |

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EPS .30 .30 -

### Appendix VI: Summary of Reported Full Year Results

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\$ Millions

|                               | 2001<br>----- | 2000<br>----- | Change %<br>----- |
|-------------------------------|---------------|---------------|-------------------|
| Revenue                       | \$ 6,726.8    | \$ 7,182.7    | (6.3%)            |
| EBITDA                        | 164.0         | 1,186.0       | (86.2)            |
| Margin %                      | 2.4%          | 16.5%         |                   |
| Depreciation                  | 199.2         | 192.6         | 3.4               |
| Amortization of Intangibles   | 173.0         | 144.3         | 19.9              |
| Income (Loss) from Operations | (208.1)       | 849.1         | (124.5)           |
| Margin %                      | (3.1%)        | 11.8%         |                   |
| Net Income (Loss)             | (505.3)       | 420.3         | (220.2)           |
| EPS                           | (1.37)        | 1.14          | (220.2)           |

### Cautionary Statement

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This document contains forward-looking statements. Statements that are not historical fact, including statements about Interpublic's beliefs and expectations constitute forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made, and Interpublic undertakes no obligation to update publicly any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. Interpublic cautions that 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, those associated with the effect of national and regional economic conditions, the ability of Interpublic to attract new clients and retain existing clients, the financial success of the clients of Interpublic, and developments from changes in the regulatory and legal environment for advertising companies around the world, and the successful completion and integration of acquisitions which complement and expand Interpublic's business capabilities.

Another important factor is Interpublic's acquisition strategy. One of Interpublic's business strategies is to acquire businesses that complement and expand its current business capabilities. Accordingly, Interpublic is usually

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engaged in evaluating potential acquisition candidates. Interpublic is currently engaged in a number of preliminary discussions that may result in one or more substantial acquisitions. These acquisition opportunities require confidentiality and from time to time give rise to bidding scenarios that require quick responses by Interpublic. Although there is uncertainty that any of these discussions will result in definitive agreements or the completion of any transactions, the announcement of any such transaction may lead to increased volatility in the trading price of the shares of Interpublic.

Moreover, the success of recent or contemplated future acquisitions will depend on the effective integration of newly-acquired businesses into Interpublic's current activities. Important factors for integration include realization of anticipated synergies and the ability to retain new personnel and clients.

This document includes financial information calculated on a "pro forma" basis. This "pro forma" financial information, by its very nature, departs from traditional accounting conventions. Accordingly, "pro forma" financial information should be read in conjunction with, and should not be viewed as a substitute for, the information prepared in accordance with Generally Accepted Accounting Principles (GAAP) contained in this document, including the GAAP numbers under the "actual reported" columns in the unaudited "consolidated summaries of earnings" contained in this document.

Investors should evaluate any statements in light of these important factors.