OMNICOM GROUP INC.
Form 10-K
February 09, 2016

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 FISCAL YEAR ENDED DECEMBER 31, 2015

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)	(I.R.S. Employer Identification No.)
437 Madison Avenue, New York, NY	10022
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 415-3600

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.15 Par Value	New York Stock Exchange

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 þ No o

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 þ

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 twelve 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 þ No o

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 during the preceding twelve months (or for such shorter period that the registrant was required to submit and post such files).
Yes þ 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. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

The aggregate market value of the voting and non-voting common stock held by non-affiliates as of June 30, 2015 was $16,891,929,000.

As of January 27, 2016, there were 239,590,579 shares of Omnicom Group Inc. Common Stock outstanding.

Portions of the Omnicom Group Inc. Definitive Proxy Statement for the Annual Meeting of Shareholders scheduled to be held on May 24, 2016 are incorporated by reference into Part III of this report to the extent described herein.

OMNICOM GROUP INC.
ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2015
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FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K constitute forward-looking statements, including statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, from time to time, the Company or its representatives have made, or may make, forward-looking statements, orally or in writing. These statements may discuss goals, intentions and expectations as to future plans, trends, events, results of operations or financial condition, or otherwise, based on current beliefs of the Company's management as well as assumptions made by, and information currently available to, the Company's management. Forward-looking statements may be accompanied by words such as "aim," "anticipate," "believe," "plan," "could," "should," "would," "estimate," "expect," "forec "guidance," "intend," "may," "will," "possible," "potential," "predict," "project" or similar words, phrases or expressions. Thes forward-looking statements are subject to various risks and uncertainties, many of which are outside the Company's control. Therefore, you should not place undue reliance on such statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include: international, national or local economic conditions that could adversely affect the Company or its clients; losses on media purchases and production costs incurred on behalf of clients; reductions in client spending, a slowdown in client payments and a deterioration in the credit markets; ability to attract new clients and retain existing clients in the manner anticipated; changes in client advertising, marketing and corporate communications requirements; failure to manage potential conflicts of interest between or among clients; unanticipated changes relating to competitive factors in the advertising, marketing and corporate communications industries; ability to hire and retain key personnel; currency exchange rate fluctuations; reliance on information technology systems; changes in legislation or governmental regulations affecting the Company or its clients; risks associated with assumptions the Company makes in connection with its critical accounting estimates and legal proceedings; and the Company's international operations, which are subject to the risks of currency repatriation restrictions, social or political conditions and regulatory environment. The foregoing list of factors is not exhaustive. You should carefully consider the foregoing factors and the other risks and uncertainties that may affect the Company's business, including those described in Item 1A, "Risk Factors" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report. Except as required under applicable law, the Company does not assume any obligation to update these forward-looking statements.

AVAILABLE INFORMATION

We file annual, quarterly and current reports and any amendments to those reports, proxy statements and other information with the U.S. Securities and Exchange Commission, or SEC. Documents we file with the SEC are available free of charge on our website at http://investor.omnicomgroup.com, as soon as reasonably practicable after such material is filed with the SEC. The information included on or available through our website is not part of this or any other report we file with the SEC. Any document that we file with the SEC is available on the SEC's website at www.sec.gov and also may be read and copied at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information regarding the operation of the Public Reference Room.

PART I
Introduction

This report is our 2015 annual report to shareholders and our 2015 Annual Report on Form 10-K, or 2015 10-K.

Omnicom Group Inc. is a leading global advertising, marketing and corporate communications company and through its branded networks and agencies provides those services to over 5,000 clients in more than 100 countries. The terms "Omnicom," "the Company," "we," "our" and "us" each refer to Omnicom Group Inc. and its subsidiaries unless the context indicates otherwise.
Item 1. Business
Our Business

Omnicom, which was formed in 1986, is a strategic holding company and a leading global provider of advertising, marketing and corporate communications services. We operate in a highly competitive industry and compete against other global advertising and marketing services companies, as well as other independent companies. The proliferation of media channels, including the rapid development and integration of interactive technologies and mediums, has fragmented consumer audiences targeted by our clients. These developments make it more complex for marketers to reach their target audiences in a cost-effective way, causing them to turn to global service providers such as Omnicom for a customized mix of advertising and marketing services designed to make the best use of their total marketing expenditure.

Our branded networks and agencies, which operate in all major markets around the world, provide a comprehensive range of services in four fundamental disciplines: advertising, customer relationship management, or CRM, public relations and specialty communications. Although the medium used to reach a client's target audience may differ across each of these disciplines, we develop and deliver the marketing message in a similar way by providing client-specific advertising and marketing services. Services included in these four disciplines are:

advertising	interactive marketing
brand consultancy	investor relations
content marketing	marketing research
corporate social responsibility consulting	media planning and buying
crisis communications	mobile marketing
custom publishing	multi-cultural marketing
data analytics	non-profit marketing
database management	organizational communications
direct marketing	package design
entertainment marketing	product placement
environmental design	promotional marketing
experiential marketing	public affairs
field marketing	public relations
financial/corporate business-to-business advertising	reputation consulting
graphic arts/digital imaging	retail marketing
healthcare communications	search engine marketing
instore design	social media marketing
	sports and event marketing

Our business model was built and continues to evolve around our clients. While our networks and agencies operate under different names and frame their ideas in different disciplines, we organize our services around our clients. The fundamental premise of our business is to deliver our services and allocate our resources based on the specific requirements of our clients. As clients increase their demands for marketing effectiveness and efficiency, they have tended to consolidate their business with larger, multi-disciplinary agencies or integrated groups of agencies. Accordingly, our business model requires that multiple agencies within Omnicom collaborate in formal and informal virtual client networks that cut across internal organizational structures to execute against our clients' specific marketing requirements. We believe that this organizational philosophy, and our ability to execute it, differentiates us from our competitors.

Our networks and agencies that comprise our virtual client networks provide us with the ability to integrate services across all disciplines and geographies, meaning that the delivery of our services can, and does, take place across agencies, networks and geographic regions simultaneously. Further, we believe that our virtual network strategy facilitates better integration of services required by the demands of the marketplace for our services. Our over-arching business strategy is to continue to use our virtual networks to grow our business relationships with our clients.

The various components of our business, including revenue by discipline and geographic area, and material factors that affected us in 2015 are discussed in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," or MD&A, of this report. None of the acquisitions or dispositions, individually or in the aggregate, in the three year period ended December 31, 2015 was material to our results of operations or financial position. For information about our acquisitions, see Note 4 to the consolidated financial statements.

Geographic Regions

In 2015, our United States operations represented approximately 56% of our revenue. As discussed more fully in the Critical Accounting Policies section of the MD&A, our branded networks and agencies conduct business on a global basis and operate in the following geographic regions: The Americas, which includes North America and Latin America; EMEA, which includes Europe, the Middle East and Africa; and, Asia Pacific, which includes Australia, China, India, Japan, Korea, New Zealand, Singapore and other Asian countries. The networks have regional reporting units that are responsible for the agencies in their region. Agencies within the regional reporting units serve similar clients in similar industries and in many cases the same clients and have similar economic characteristics. Accordingly, we provide financial information by geographic region in the MD&A and in Note 7 to the consolidated financial statements and segment information in Note 7.

Our Clients

Our clients operate in virtually every industry sector of the global economy. In many cases, multiple agencies or networks serve different brand and/or product groups within the same client. For example, in 2015, our largest client, which represented 2.7% of revenue, was served by more than 250 of our agencies and our 100 largest clients, which represented approximately 52% of revenue, were each served, on average, by more than 50 of our agencies.

Our Employees

At December 31, 2015, we employed approximately 74,900 people. The skill sets of our workforce across our agencies and within each discipline are similar. Common to all is the ability to understand a client's brand or product and their selling proposition and to develop a unique message to communicate the value of the brand or product to the client's target audience. Recognizing the importance of this core competency, we have established tailored training and education programs for our client service professionals around this competency. See the MD&A for a discussion of the effect of salary and related costs on our results of operations.

Executive Officers of the Registrant

At January 27, 2016, our executive officers were:

Name	Position	Age
Bruce Crawford	Chairman of the Board	86
John D. Wren	President and Chief Executive Officer	63
Philip J. Angelastro	Executive Vice President and Chief Financial Officer	51
Michael J. O'Brien	Senior Vice President, General Counsel and Secretary	54
Dennis E. Hewitt	Treasurer	71
Andrew L. Castellaneta	Senior Vice President, Chief Accounting Officer	57
Peter L. Swiecicki	Senior Vice President, Finance and Controller	57

Jonathan B. Nelson	CEO, Omnicom Digital	48

Each executive officer has held his present position for at least five years, except: Mr. Angelastro was named Executive Vice President and Chief Financial Officer in September 2014 and previously served as Senior Vice President Finance and Controller from 2002 until September 2014; Mr. Castellaneta was named Senior Vice President, Chief Accounting Officer in January 2015 and previously served as Assistant Controller from 2000 until January 2015; and, Mr. Swiecicki was named

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Senior Vice President, Finance and Controller in January 2015 and previously served as Director of Business Operations from 2013 until January 2015 and previously held various positions with BBDO Worldwide from 1983 until 2013.

Additional information about our directors and executive officers will appear in our definitive proxy statement, which is expected to be filed with the SEC by April 14, 2016.

Item 1A. Risk Factors

Adverse economic conditions, a reduction in client spending, a deterioration in the credit markets, or a delay in client payments could have a material effect on our business, results of operations and financial position.

Adverse economic conditions have a direct impact on our business, results of operations and financial position. In particular, a global or regional economic downturn poses a risk that clients may reduce, postpone or cancel spending on advertising, marketing and corporate communications projects. Such actions would reduce the demand for our services and could result in a reduction in revenue, which would adversely affect our business, results of operations and financial position. Adverse economic conditions, including a contraction in the availability of credit, may make it more difficult for us to meet our working capital requirements and such events could cause our clients to delay payment for our services or take other actions that would negatively affect our working capital. In such circumstances, we may need to obtain additional financing to fund our day-to-day working capital requirements, which may not be available on favorable terms, or at all. Even if we take action to respond to adverse economic conditions and reductions in revenue by aligning our cost structure and managing our working capital, such actions may not be effective.

In an economic downturn, the risk of a material loss related to media purchases and production costs incurred on behalf of our clients could significantly increase and methods for managing or mitigating such risk may be less available or unavailable.

In the normal course of business, our agencies enter into contractual commitments with media providers and production companies on behalf of our clients at levels that can substantially exceed the revenue from our services. These commitments are included in accounts payable when the services are delivered by the media providers or production companies. If permitted by local law and the client agreement, many of our agencies purchase media and production services for our clients as an agent for a disclosed principal. In addition, while operating practices vary by country, media type and media vendor, in the United States and certain foreign markets, many of our agencies' contracts with media and production providers specify that our agencies are not liable to the media and production providers under the theory of sequential liability until and to the extent we have been paid by our client for the media or production services.

Where purchases of media and production services are made by our agencies as a principal or are not subject to the theory of sequential liability, the risk of a material loss as a result of payment default by our clients could increase significantly and such a loss could have a material adverse effect on our business, results of operations and financial position.

In addition, our methods of managing the risk of payment default, including obtaining credit insurance, requiring payment in advance, mitigating the potential loss in the marketplace or negotiating with media providers, may be less available or unavailable during a severe economic downturn.

Clients periodically review and change their advertising, marketing and corporate communications requirements and relationships. If we are unable to remain competitive or retain key clients, our business, results of operations and financial position may be adversely affected.

We operate in a highly competitive industry. Key competitive considerations for retaining existing clients and winning new clients include our ability to develop solutions that meet client needs in a rapidly changing environment, the quality and effectiveness of our services and our ability to serve clients efficiently, particularly large multinational clients, on a broad geographic basis. While many of our client relationships are long-standing, from time to time clients put their advertising, marketing and corporate communications business up for competitive review. We have won and lost accounts in the past as a result of these reviews. To the extent that we are not able to remain competitive or retain key clients, our revenue may be adversely affected, which could have a material adverse effect on our business, results of operations and financial position.

The loss of several of our largest clients could have a material adverse effect on our business, results of operations and financial position.

In 2015, approximately 52% of our revenue came from our 100 largest clients. Clients generally are able to reduce or cancel their current or future spending on advertising, marketing and corporate communications projects at any time on short notice for any reason. A significant reduction in spending on our services by our largest clients, or the loss of several of our largest clients, if not replaced by new clients or an increase in business from existing clients, would adversely affect our revenue and could have a material adverse effect on our business, results of operations and financial position.

Acquiring new clients and retaining existing clients depends on our ability to avoid and manage conflicts of interest arising from other client relationships, retaining key personnel and maintaining a highly skilled workforce.

Our ability to acquire new clients and to retain existing clients may, in some cases, be limited by clients' perceptions of, or policies concerning, conflicts of interest arising from other client relationships. If we are unable to maintain multiple agencies to manage multiple client relationships and avoid potential conflicts of interests, our business, results of operations and financial position may be adversely affected.

Our employees are our most important assets and our ability to attract and retain key personnel is an important aspect of our competitiveness. If we are unable to attract and retain key personnel, our ability to provide our services in the manner clients have come to expect may be adversely affected, which could harm our reputation and result in a loss of clients, which could have a material adverse effect on our business, results of operations and financial position.

Currency exchange rate fluctuations could impact our business, results of operations and financial position.

Our international operations represent approximately 44% of our revenue. We operate in all major international markets including the European Union, the United Kingdom, Australia, Brazil, Canada, China and Japan. Our agencies transact business in more than 50 different currencies. Substantially all of our foreign operations transact business in their local currency and accordingly, their financial statements are translated into U.S. Dollars. As a result, both adverse and beneficial fluctuations in foreign exchange rates would impact our business, results of operations and financial position.

We rely extensively on information technology systems and cybersecurity incidents could adversely affect us.

We rely on information technology systems and infrastructure to process, store and transmit data, including personally identifiable information, summarize results and manage our business, including maintaining client advertising and marketing information. Our information technology systems are potentially vulnerable to system failures and network disruptions, malicious intrusion and random attack. Likewise, data security incidents and breaches by employees and others with or without permitted access to our systems may pose a risk that sensitive data may be exposed to unauthorized persons or to the public. Additionally, we use third parties, including cloud providers, to store, transmit or process data. There can be no assurance that the measures we have taken to protect our data and information technology systems will prevent system failures or network disruptions or breaches in our systems, or in the systems of third parties we use, and such events could adversely affect our reputation or business.

Government regulation and consumer advocates may limit the scope and content of our services, which could affect our ability to meet our clients' needs, which could have a material adverse effect on our business, results of operations and financial position.

Government agencies and consumer groups directly or indirectly affect or attempt to affect the scope, content and manner of presentation of advertising, marketing and corporate communications services, through regulation or other governmental action, which could affect our ability to meet our clients' needs. Such regulation may seek, among other things, to limit the tax deductibility of advertising expenditures by certain industries or for certain products and services. In addition, there has been a tendency on the part of businesses to resort to the judicial system to challenge advertising practices and claims, which could cause our clients affected by such actions to reduce their spending on our services. Any limitation or judicial action that affects our ability to meet our clients' needs or reduces client spending on our services could have a material adverse effect on our business, results of operations and financial position.

Further, laws and regulations, related to user privacy, use of personal information and Internet tracking technologies have been proposed or enacted in the United States and certain international markets. These laws and regulations could affect the acceptance of new communications technologies and the use of current communications technologies as advertising mediums. These actions could affect our business and reduce demand for certain of our services, which could have a material adverse effect on our business, results of operations and financial position.

As a global business we face certain risks of doing business internationally and we are exposed to risks from operating in high-growth markets and developing countries, which could have a material adverse effect on our business, results of operations and financial position.

We face a number of risks associated with a global business. The operational and financial performance of our businesses are typically tied to global and regional economic conditions, competition for new business and talented staff, currency fluctuation, political conditions, regulatory environment and other risks associated with extensive international operations. In addition, we conduct business in numerous high-growth markets and developing countries which tend to have longer billing collection cycles, currency repatriation restrictions and commercial laws that can be undeveloped, vague, inconsistently enforced, retroactively applied or frequently changed. The risks associated with our international operations could have a material adverse effect on our business, results of operations and financial position. Additionally, we are subject to U.S. and international anti-corruption and anti-bribery laws, including the Foreign Corrupt Practices Act of 1977, in all jurisdictions where we operate. These laws are complex and stringent and any violation of these laws could have an adverse effect on our business and reputation. For financial information by geographic region, see Note 7 to the consolidated financial statements.

We may be unsuccessful in evaluating material risks involved in completed and future acquisitions.

We regularly evaluate potential acquisitions of businesses that are complementary to our businesses and client needs. As part of the evaluation, we conduct business, legal and financial due diligence with the goal of identifying and evaluating material risks involved in any particular transaction. Despite our efforts, we may be unsuccessful in ascertaining or evaluating all such risks. As a result, the intended advantages of any given acquisition may not be realized. If we fail to identify certain material risks from one or more acquisitions, our business, results of operations and financial position could be adversely affected.

Our goodwill may become impaired, which could have a material adverse effect on our business, results of operations and financial position.

In accordance with generally accepted accounting principles in the United States, or U.S. GAAP or GAAP, we have recorded a significant amount of goodwill related to our acquisitions; a substantial portion of which represents the specialized know-how of the acquired workforce. As discussed in Note 2 to the consolidated financial statements, we review the carrying value of goodwill for impairment annually at the end of the second quarter of the year and whenever events or circumstances indicate the carrying value may not be recoverable. The estimates and assumptions about future results of operations and cash flows made in connection with the impairment testing could differ from future actual results of operations and cash flows. While we have concluded, for each year presented in the financial statements included in this report, that our goodwill is not impaired, future events could cause us to conclude that the asset values associated with a given operation may become impaired. Any resulting non-cash impairment charge could have a material adverse effect on our business, results of operations and financial position.

We could be affected by future laws or regulations enacted in response to climate change concerns and other actions.

Generally, our businesses are not directly affected by current cap and trade laws and other regulatory requirements aimed at mitigating the impact of climate change by reducing emissions or otherwise; although, our businesses could be in the future. However, we could be indirectly affected by increased prices for goods or services provided to us by companies that are directly affected by these laws and regulations and pass their increased costs through to their customers. Further, if our clients are impacted by such laws or requirements, either directly or indirectly, their spending for advertising and marketing services may decline, which could adversely impact our business, results of operations and financial position. Additionally, to comply with potential future changes in environmental laws and regulations, we may need to incur additional costs; therefore, at this time, we cannot estimate what impact such costs may have on our business, results of operations and financial position.

Item 1B. Unresolved Staff Comments
None.
Item 2. Properties

We conduct business in offices throughout the world. We lease substantially all our office space and the facility requirements of our businesses are similar across geographic regions and disciplines. We believe that our facilities are adequate for our current operations and are well maintained. Our principal corporate offices are located at 437 Madison Avenue, New York, New York; One East Weaver Street, Greenwich, Connecticut and 525 Okeechobee Boulevard, West Palm Beach, Florida. We also maintain executive offices in London, England; Shanghai, China and Singapore.

We lease substantially all our office space under operating leases that expire at various dates. Lease obligations of our foreign operations are generally denominated in their local currency. Office base rent expense in 2015, 2014 and 2013 was $331.5 million, $361.9 million and $369.3 million, respectively, net of rent received from non-cancelable third-party subleases of $11.0 million, $11.2 million and $10.6 million, respectively.

Future minimum office base rent under non-cancelable operating leases, net of rent receivable from existing non-cancelable third-party subleases, is (in millions):

	Net Rent
2016	$276.8
2017	207.7
2018	169.0
2019	145.7
2020	122.5
Thereafter	419.3
	$1,341.0

See Note 14 to the consolidated financial statements for a description of our lease commitments and the MD&A for a description of the impact of leases on our operating expenses.
Item 3. Legal Proceedings

In the ordinary course of business, we are involved in various legal proceedings. We do not presently expect that these proceedings will have a material adverse effect on our results of operations or financial position.
Item 4. Mine Safety Disclosures

Not Applicable.

PART II
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed and traded on the New York Stock Exchange, or NYSE, under the symbol "OMC." As of January 27, 2016, there were 2,194 registered holders of our common stock.

The quarterly high and low sales prices for our common stock reported by the NYSE and dividends paid per share for 2015 and 2014 were:

	High	Low	Dividends Paid Per Share
2015			
First Quarter	$80.98	$71.98	$0.50
Second Quarter	79.28	69.02	0.50
Third Quarter	74.56	64.31	0.50
Fourth Quarter	77.57	64.44	0.50
2014			
First Quarter	$76.87	$70.59	$0.40
Second Quarter	72.84	65.43	0.50
Third Quarter	74.14	68.32	0.50
Fourth Quarter	78.49	64.03	0.50

Stock repurchases during the three months ended December 31, 2015 were:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 2015	106,826	$71.50	—	—
November 2015	4,484	72.36	—	—
December 2015	2,818,733	75.12	—	—
	2,930,043	$74.98	—	—

During the three months ended December 31, 2015, we purchased 2,800,000 shares of our common stock in the open market for general corporate purposes and withheld 130,043 shares from employees to satisfy estimated statutory income tax obligations related to restricted stock vesting and stock option exercises. The value of the common stock withheld was based on the closing price of our common stock on the applicable vesting or exercise date.

There were no unregistered sales of equity securities during the three months ended December 31, 2015.

For information on securities authorized for issuance under our equity compensation plans, see Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," which relevant information will be included under the caption "Equity Compensation Plans" in our definitive proxy statement, which is expected to be filed with the SEC by April 14, 2016.

Item 6. Selected Financial Data

The following selected financial data should be read in conjunction with our consolidated financial statements and related notes that begin on page F-1 of this report, as well as the MD&A.

	(In millions, except per share amounts)				
For the years ended December 31:	2015	2014	2013	2012	2011
Revenue	$15,134.4	$15,317.8	$14,584.5	$14,219.4	$13,872.5
Operating Income	1,920.1	1,944.1	1,825.3	1,804.2	1,671.1
Net Income - Omnicom Group Inc.	1,093.9	1,104.0	991.1	998.3	952.6
Net Income Per Common Share - Omnicom Group Inc.:					
Basic	4.43	4.27	3.73	3.64	3.38
Diluted	4.41	4.24	3.71	3.61	3.33
Dividends Declared Per Common Share	2.00	1.90	1.60	1.20	1.00
	(In millions)				
At December 31:	2015	2014	2013	2012	2011
Cash and cash equivalents and short-term investments	$2,619.7	$2,390.3	$2,728.7	$2,698.9	$1,805.0
Total Assets	22,110.7	21,428.4	21,980.4	21,971.4	20,323.4
Long-Term Obligations:					
Long-term debt	3,564.2	4,542.1	3,763.3	3,768.8	2,510.6
Convertible debt	—	—	252.7	659.4	659.4
Long-term liabilities	800.5	774.3	685.1	739.9	602.0
Total Shareholders’ Equity	2,452.4	2,850.0	3,582.4	3,460.8	3,504.3

In 2014 and 2013, we incurred $8.8 million and $41.4 million, respectively, of expenses in connection with the proposed merger with Publicis Groupe S.A., or Publicis, which were primarily comprised of professional fees. On May 8, 2014, the proposed merger was terminated. Excluding the effect of the merger expenses from both years, Operating Income, Net Income - Omnicom Group Inc. and Diluted Net Income per Common Share - Omnicom Group Inc. for the years ended December 31, 2014 and 2013 were $1,952.9 million, $1,101.4 million and $4.23 and $1,866.7 million, $1,026.0 million and $3.84, respectively.

As described in Note 2 to the consolidated financial statements, on December 31, 2015, we adopted FASB Accounting Standards Update, or ASU, 2015-03, and FASB ASU 2015-17. As a result, total assets and long-term debt for 2014, 2013, 2012 and 2011 have been adjusted to reflect the retrospective adoption of ASU 2015-03 and ASU 2015-17. The adoption of ASU 2015-03 and ASU 2015-17 did not have any effect on results of operations or total shareholders’ equity.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations
EXECUTIVE SUMMARY

We are a strategic holding company providing advertising, marketing and corporate communications services to clients through our branded networks and agencies around the world. On a global, pan-regional and local basis, our networks and agencies provide a comprehensive range of services in four fundamental disciplines: advertising, CRM, public relations and specialty communications. Our business model was built and continues to evolve around our clients. While our networks and agencies operate under different names and frame their ideas in different disciplines, we organize our services around our clients. The fundamental premise of our business is that our clients’ specific requirements should be the central focus in how we deliver our services and allocate our resources. This client-centric business model requires that multiple agencies collaborate in formal and informal virtual networks that cut across internal organizational structures to deliver consistent brand messages for a specific client and execute against each of our clients’ specific marketing requirements. We continually seek to grow our business with our existing clients by maintaining our client-centric approach, as well as expanding our existing business relationships into new markets and with new clients. In addition, we pursue selective acquisitions of complementary companies with strong entrepreneurial management teams that typically currently serve or have the ability to serve our existing client base.

As a leading global advertising, marketing and corporate communications company, we operate in all major markets and have a large and diverse client base. In 2015, our largest client accounted for 2.7% of our revenue and our 100 largest clients accounted for approximately 52% of our revenue. Our business is spread across a significant number of industry sectors with no one industry comprising more than 13% of our revenue in 2015. Although our revenue is generally balanced between the United States and international markets and we have a large and diverse client base, we are not immune to general economic downturns.

As described in more detail below, in 2015 our revenue decreased $183.4 million, or 1.2%, compared to 2014. Beginning in the fourth quarter of 2014 and continuing throughout 2015, substantially all foreign currencies weakened against the U.S. Dollar. Changes in foreign exchange rates reduced revenue by $1.0 billion or 6.6%, acquisitions, net of dispositions increased revenue $14.6 million or 0.1% and organic growth increased revenue $810.8 million or 5.3%.

Global economic conditions have a direct impact on our business and financial performance. In particular, a contraction in global or regional economic conditions poses a risk that our clients may reduce, postpone or cancel spending on advertising, marketing and corporate communications services which would reduce the demand for our services. In 2015, the United States experienced modest economic growth and the major economies of Asia continued their moderate expansion. Economic conditions in the Euro Zone remain unsettled and economic conditions in Brazil continued a downward trend that began in the second quarter of 2015. The economic and fiscal issues facing certain countries in the Euro Zone continue to cause economic uncertainty in that market; however, the impact on our business varies by country. We will continue to monitor economic conditions closely, as well as client revenue levels and other factors and, in response to reductions in our client revenue, if necessary, we will take actions available to us to align our cost structure and manage our working capital. There can be no assurance whether, or to what extent, our efforts to mitigate any impact of future adverse economic conditions, reductions in client revenue, changes in client creditworthiness and other developments will be effective.

Certain business trends have had a positive impact on our business and industry. These trends include clients increasingly expanding the focus of their brand strategies from national markets to pan-regional and global markets and integrating traditional and non-traditional marketing channels, as well as utilizing new communications technologies and emerging digital platforms. Additionally, in an effort to gain greater efficiency and effectiveness from their total marketing expenditures, clients continue to require greater coordination of marketing activities. We believe these trends have benefited our business in the past and over the medium and long term will continue to provide a competitive advantage to us.

In the near term, barring unforeseen events and excluding the impact of changes in foreign exchange rates, as a result of continued improvement in operating performance by many of our agencies and new business activities, we expect our 2016 revenue to increase modestly in excess of the weighted average nominal GDP growth in our major markets. We expect to continue to identify acquisition opportunities intended to build upon the core capabilities of our strategic business platforms, expand our operations in the emerging markets and enhance our capabilities to leverage new technologies that are being used by marketers today.

Given our size and breadth, we manage our business by monitoring several financial indicators. The key indicators that we focus on are revenue and operating expenses. We analyze revenue growth by reviewing the components and mix of the growth, including growth by principal regional market, growth by marketing discipline, impact from foreign currency fluctuations, growth from acquisitions and growth from our largest clients.

In 2015, our revenue decreased 1.2% compared to 2014. Changes in foreign exchange rates reduced revenue 6.6%, acquisitions, net of dispositions increased revenue 0.1% and organic growth increased revenue 5.3%. Across our principal regional markets, the changes in revenue were: North America increased 4.1%, Europe decreased 9.3%, Latin America decreased 25% and Asia Pacific decreased 2%. In North America, moderate growth in the United States and Canada was partially offset by the weakening of the Canadian Dollar against the U.S. Dollar. In Europe, growth in the U.K., Germany and Spain was offset by the weakening of all major European currencies against the U.S. Dollar and negative performance in The Netherlands and France. The decrease in revenue in Latin America was a result of the weakening of all currencies in the region and negative performance in Chile and Brazil, which offset strong growth in Mexico. In Brazil, the decline resulted from a difficult comparison to the prior year period, which included additional client spending related to the World Cup primarily in the second quarter of 2014 and a recent decline in economic conditions. In Asia Pacific, strong growth in the major economies in the region was offset by the weakening of the currencies in the region. The change in revenue in 2015 compared to 2014, including the negative impact of currency changes, in our four fundamental disciplines was: advertising increased 1.8%, CRM decreased 5.6%, public relations decreased 2.3% and specialty communications increased 0.8%.

We measure operating expenses in two distinct cost categories: salary and service costs and office and general expenses. Salary and service costs consist of employee compensation, including freelance labor, and related costs and direct service costs. Office and general expenses consist of rent and occupancy costs, technology costs, depreciation and amortization and other overhead expenses. Each of our agencies requires professionals with the skill sets that are common across our disciplines. At the core of the skill sets is the ability to understand a client’s brand or product and its selling proposition and the ability to develop a unique message to communicate the value of the brand or product to the client’s target audience. The facility requirements of our agencies are similar across geographic regions and disciplines, and their technology requirements are generally limited to personal computers, servers and off-the-shelf software.

Similar to revenue, operating expenses decreased in 2015 compared to 2014 as a result of the weakening of substantially all foreign currencies against the U.S. Dollar. Salary and service costs, which normally tend to fluctuate with changes in revenue, increased $11.9 million, or 0.1%, in 2015 compared to 2014, primarily reflecting increases related to changes in the mix of our business during the period. Office and general expenses, which are less directly linked to changes in revenue than salary and service costs, decreased $171.3 million, or 8.5%, in 2015 compared to 2014.

Operating margins and earnings before interest, taxes and amortization of intangible assets, or EBITA, margins were unchanged year-over-year at 12.7% and 13.4%, respectively.

Net interest expense for 2015 increased $7.4 million to $141.5 million from $134.1 million in 2014. Interest expense increased $3.9 million to $181.1 million in 2015, primarily resulting from the interest expense on the $750 million principal amount of the 3.65% Senior Notes due 2024, or 2024 Notes, issued in October 2014, partially offset by the benefit of the interest rate swaps on the 3.625% Senior Notes due 2022, or 2022 Notes, and the 4.45% Senior Notes due 2020, or 2020 Notes. Interest income decreased $3.5 million to $39.6 million in 2015 resulting from lower interest earned on cash balances in our international treasury centers and the negative impact of changes in foreign exchange rates.

Our effective tax rate was unchanged at 32.8%. Income tax expense for 2014 reflects the recognition of an income tax benefit of approximately $11 million, related to expenses incurred in prior periods in connection with the proposed merger with Publicis, which was terminated on May 8, 2014. Prior to the termination of the merger, the majority of the merger costs, which were incurred in 2013, were capitalized for income tax purposes and the related tax benefits were not recorded. Because the proposed merger was terminated, the merger costs were no longer required to be capitalized for income tax purposes. Excluding the income tax effect of the merger expenses, income tax expense for 2014 would have been $604.5 million.The decrease in the effective tax rate in 2015 from the effective tax rate in 2014, excluding the income tax benefit related to the proposed merger, is primarily due to a legal entity restructuring of our European operations. As a result of the reorganization, a certain portion of the foreign earnings in the affected countries is subject to lower effective tax rates.

Net income - Omnicom Group Inc. for 2015 decreased $10.1 million, or 0.9%, to $1,093.9 million from $1,104.0 million in 2014. The year-over-year decrease is due to the factors described above. Diluted net income per common share - Omnicom Group Inc. increased 4.0% to $4.41 in 2015, compared to $4.24 in 2014 due to the factors described above, as well as the impact of the reduction in our weighted average common shares outstanding resulting from repurchases of our common stock, net of shares issued for stock option exercises and shares issued under our employee stock purchase plan.

CRITICAL ACCOUNTING POLICIES

The following summary of our critical accounting policies provides a better understanding of our financial statements and the related discussion in this MD&A. We believe that the following policies may involve a higher degree of judgment and complexity in their application than most of our accounting policies and represent the critical accounting policies used in the preparation of our financial statements. Readers are encouraged to consider this summary together with our financial statements and the related notes, including Note 2, Significant Accounting Policies, for a more complete understanding of the critical accounting policies discussed below.

Estimates

Our financial statements are prepared in conformity with U.S. GAAP and require us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses in the consolidated financial statements and accompanying notes. We use a fair value approach in testing goodwill for impairment and when evaluating our equity method and cost method investments to determine if an other-than-temporary impairment has occurred. Actual results could differ from those estimates and assumptions.

Acquisitions and Goodwill

We have made and expect to continue to make selective acquisitions. The valuation of potential acquisitions is based on various factors, including specialized know-how, reputation, geographic coverage, competitive position and service offerings of the target businesses, as well as our experience and judgment.

Business combinations are accounted for using the acquisition method. The assets acquired, including identified intangible assets, liabilities assumed and any noncontrolling interest in the acquired business are recorded at their acquisition date fair values. In circumstances where control is obtained and less than 100% of a business is acquired, goodwill is recorded as if 100% were acquired. Acquisition-related costs, including advisory, legal, accounting, valuation and other costs are expensed as incurred. Certain acquisitions include an initial payment at closing and provide for future additional contingent purchase price payments (earn-outs), which are recorded as a liability at the acquisition date fair value. Subsequent changes in the fair value of the liability are recorded in results of operations. The results of operations of acquired businesses are included in results of operations from the acquisition date. In 2015, we completed 8 acquisitions of new subsidiaries.

Our acquisition strategy is focused on acquiring the expertise of an assembled workforce in order to continue to build upon the core capabilities of our various strategic business platforms and agency brands through the expansion of their geographic reach or their service capabilities to better serve our clients. Additional key factors we consider include the competitive position and specialized know-how of the acquisition targets. Accordingly, as is typical in most service businesses, a substantial portion of the intangible asset value we acquire is the know-how of the people, which is treated as part of goodwill and is not valued separately. For each acquisition, we undertake a detailed review to identify other intangible assets and a valuation is performed for all such identified assets. A significant portion of the identifiable intangible assets acquired is derived from customer relationships, including the related customer contracts, as well as trade names. In valuing these identified intangible assets, we typically use an income approach and consider comparable market participant measurements.

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We evaluate goodwill for impairment at least annually at the end of the second quarter of the year and whenever events or circumstances indicate the carrying value may not be recoverable. We identified our regional reporting units as components of our operating segments, which are our five agency networks. The regional reporting units of each agency network are responsible for the agencies in their region. They report to the segment managers and facilitate the administrative and logistical requirements of our client-centric strategy for delivering services to clients in their regions. We have concluded that for each of our operating segments, their regional reporting units have similar economic characteristics and should be aggregated for purposes of testing goodwill for impairment at the operating segment level. Our conclusion was based on a detailed analysis of the aggregation criteria set forth in FASB ASC Topic 280, Segment Reporting, and the guidance set forth in FASB ASC Topic 350, Intangibles - Goodwill and Other. Consistent with our fundamental business strategy, the agencies within our regional reporting units serve similar clients in similar industries, and in many cases the same clients. In addition, the agencies within our regional reporting units have similar economic characteristics. The main economic components of each agency are employee compensation and related costs and direct service costs and office and general costs, which include rent and occupancy costs, technology costs that are generally limited to personal computers, servers and off-the-shelf software and other overhead expenses. Finally, the expected benefits of our acquisitions are typically shared by multiple agencies in various regions as they work together to integrate the acquired agency into our client service strategy.

Goodwill Impairment Review - Estimates and Assumptions

We use the following valuation methodologies to determine the fair value of our reporting units: (1) the income approach, which utilizes discounted expected future cash flows, (2) comparative market participant multiples for EBITDA (earnings before interest, taxes, depreciation and amortization) and (3) when available, consideration of recent and similar acquisition transactions.

In applying the income approach, we use estimates to derive the discounted expected cash flows ("DCF") for each reporting unit that serves as the basis of our valuation. These estimates and assumptions include revenue growth and operating margin, EBITDA, tax rates, capital expenditures, weighted average cost of capital and related discount rates and expected long-term cash flow growth rates. All of these estimates and assumptions are affected by conditions specific to our businesses, economic conditions related to the industry we operate in, as well as conditions in the global economy. The assumptions that have the most significant effect on our valuations derived using a DCF methodology are: (1) the expected long-term growth rate of our reporting units' cash flows and (2) the weighted average cost of capital ("WACC").

The assumptions used for the long-term growth rate and WACC in our evaluations as of June 30, 2015 and 2014 were:

	June 30,	
	2015	2014
Long-Term Growth Rate	4%	4%
WACC	10.1% - 10.7%	9.9% - 10.6%

Long-term growth rate represents our estimate of the long-term growth rate for our industry and the markets of the global economy we operate in. For the past ten years, the average historical revenue growth rate of our reporting units and the Average Nominal GDP growth of the countries comprising the major markets that account for substantially all of our revenue was approximately 4.8% and 4.0%, respectively. We considered this history when determining the long-term growth rates used in our annual impairment test at June 30, 2015. We believe marketing expenditures over the long term have a high correlation to GDP. We also believe based on our historical performance, that our long-term growth rate will exceed Average Nominal GDP growth in the markets we operate in. For our annual test as of June 30, 2015, we used an estimated long-term growth rate of 4% for our reporting units.

When performing the annual impairment test as of June 30, 2015 and estimating the future cash flows of our reporting units, we considered the current macroeconomic environment, as well as industry and market specific conditions at mid-year 2015. In the first half of 2015, we experienced an increase in our revenue of 5.2%, which excludes growth from acquisitions and the impact from changes in foreign exchange rates. Economic conditions in the Euro Zone are unsettled and the continuing fiscal issues faced by many countries in the European Union has caused economic difficulty in certain of our Euro Zone markets. During 2015, weakness in most Latin American economies we operate in has the potential to affect our near-term performance in that region. We considered the effect of these conditions in our annual impairment test.

The WACC is comprised of: (1) a risk-free rate of return, (2) a business risk index ascribed to us and to companies in our industry comparable to our reporting units based on a market derived variable that measures the volatility of the share price of equity securities relative to the volatility of the overall equity market, (3) an equity risk premium that is based on the rate of return on equity of publicly traded companies with business characteristics comparable to our reporting units and (4) a current after-tax market rate of return on debt of companies with business characteristics similar to our reporting units, each weighted by the relative market value percentages of our equity and debt.
Our five reporting units vary in size with respect to revenue and the amount of debt allocated to them. These differences drive variations in fair value among our reporting units. In addition, these differences as well as differences in book value, including goodwill, cause variations in the amount by which fair value exceeds book value among the reporting units. The reporting unit goodwill balances and debt vary by reporting unit primarily because our three legacy agency networks were acquired at the formation of Omnicom and were accounted for as a pooling of interests that did not result in any additional debt or goodwill being recorded. The remaining two agency networks were built through a combination of internal growth and acquisitions that were accounted for using the acquisition method and as a result, they have a relatively higher amount of goodwill and debt.

Goodwill Impairment Review - Conclusion

Under U.S. GAAP, we have the option of either assessing qualitative factors to determine whether it is more-likely-than-not that the carrying value of our reporting units exceeds their respective fair value or proceeding directly to Step 1 of the goodwill impairment test. Although not required, we performed Step 1 of the annual impairment test and compared the fair value of each of our reporting units to its respective carrying value, including goodwill. Based on the results of our impairment test, we concluded that our goodwill at June 30, 2015 was not impaired, because the fair value of each of our reporting units was substantially in excess of its respective net book value. The minimum decline in fair value that one of our reporting units would need to experience in order to fail Step 1 of the goodwill impairment test was approximately 74%. Notwithstanding our belief that the assumptions we used for WACC and long-term growth rate in our impairment testing are reasonable, we performed a sensitivity analysis for each of our reporting units. The results of this sensitivity analysis on our impairment test as of June 30, 2015 revealed that if the WACC increased by 1% and/or the long-term growth rate decreased by 1%, the fair value of each of our reporting units would continue to be substantially in excess of its respective net book value and would pass Step 1 of the impairment test.

We will continue to perform our impairment test at the end of the second quarter of each year unless events or circumstances trigger the need for an interim impairment test. The estimates used in our goodwill impairment test do not constitute forecasts or projections of future results of operations, but rather are estimates and assumptions based on historical results and assessments of macroeconomic factors affecting our reporting units as of the valuation date. We believe that our estimates and assumptions are reasonable, but they are subject to change from period to period. Actual results of operations and other factors will likely differ from the estimates used in our discounted cash flow valuation and it is possible that differences could be material. A change in the estimates we use could result in a decline in the estimated fair value of one or more of our reporting units from the amounts derived as of our latest valuation and could cause us to fail Step 1 of our goodwill impairment test if the estimated fair value for the reporting unit is less than the carrying value of the net assets of the reporting unit, including its goodwill. A large decline in estimated fair value of a reporting unit could result in a non-cash impairment charge and may have an adverse effect on our results of operations and financial position.

Subsequent to the annual impairment test at June 30, 2015, there were no events or circumstances that triggered the need for an interim impairment test. Additional information about acquisitions and goodwill appears in Notes 2, 4 and 5 to the consolidated financial statements.

Revenue Recognition

We recognize revenue in accordance with FASB ASC Topic 605, Revenue Recognition, and applicable SEC Staff Accounting Bulletins. Substantially all of our revenue is derived from fees for services based on a rate per hour or equivalent basis. Revenue is realized when the service is performed in accordance with the client arrangement and upon the completion of the earnings process. Prior to recognizing revenue, persuasive evidence of an arrangement must exist, the sales price must be fixed or determinable, delivery, performance and acceptance must be in accordance with the client arrangement and collection must be reasonably assured. These principles are the foundation of our revenue recognition policy and apply to all client arrangements in each of our service disciplines: advertising, CRM, public relations and specialty communications. Certain of our businesses earn a portion of their revenue as commissions based upon performance in accordance with client arrangements.

Because the services that we provide across each of our disciplines are similar and delivered to clients in similar ways, all of the key elements in revenue recognition apply to client arrangements in each of our four disciplines.

In the majority of our businesses, we act as an agent and record revenue equal to the net amount retained when the fee or commission is earned. Although, in certain markets, we may bear credit risk with respect to these activities, the arrangements with our clients are such that we act as an agent on their behalf. In these cases, costs incurred with third-party suppliers are excluded from our revenue. In certain arrangements, we act as principal and we contract directly with third-party suppliers and media providers and production companies and we are the primary obligor. In these circumstances, revenue is recorded at the gross amount billed since revenue has been earned for the sale of goods or services.

Some of our client arrangements include performance incentive provisions designed to link a portion of our revenue to our performance relative to quantitative and qualitative goals. We recognize performance incentives in revenue when the specific quantitative goals are achieved, or when our performance against qualitative goals is determined by the client. We may receive rebates or credits from certain vendors based on transactions entered into on behalf of clients. These rebates or credits are remitted to the clients or retained by us based on the terms of the client contract or local law. Amounts passed on to clients are recorded as a liability and amounts retained by us are recorded as revenue when earned.

In May 2014, the FASB issued FASB ASU 2014-09, Revenue from Contracts with Customers, or ASU 2014-09, which will replace all existing revenue recognition guidance under U.S. GAAP. On July 9, 2015, the FASB approved a one year deferral of the effective date of ASU 2014-09 to all annual and interim periods beginning after December 15, 2017, with early application permitted only for annual and interim periods beginning after December 31, 2016. ASU 2014-09 provides for one of two methods of transition: retrospective application to each prior period presented; or, recognition of the cumulative effect of retrospective application of the new standard as of the beginning of the period of initial application. Presently, we are not yet in a position to conclude on the application date or the transition method we will choose. While our implementation effort is ongoing, based on our initial assessment the impact of the application of the new standard will likely result in a change in the timing of our revenue recognition for performance incentives received from clients and the recognition of certain reimbursable out-of-pocket costs as revenue. Performance incentives are currently recognized in revenue when specific quantitative goals are achieved, or when our performance against qualitative goals is determined by the client. Under the new standard, we will be required to estimate the amount of the incentive that will be earned at the inception of the contract and recognize the incentive over the term of the contract. While performance incentives are not material to our revenue, this will result in an acceleration in revenue recognition for certain contract incentives compared to the current method. Certain incidental costs that are reimbursed by our clients and are currently required to be recorded in revenue will likely not be recorded as revenue under the new standard. We expect this will result in less revenue and related cost recorded in our results of operations. While, we have not yet completed our assessment, we do not expect this change to have a material impact to our revenue and it will not result in any change to operating income.

Additional information about our revenue recognition policy appears in Note 2 to the consolidated financial statements.

Share-Based Compensation

The majority of our incentive based share awards represent restricted stock awards and performance restricted stock awards, or PRSUs. Share-based compensation for these awards is determined and fixed on the grant date using the closing price of our common stock and we assume that substantially all the PRSUs will vest.

Share-based compensation expense of $99.4 million, $93.5 million and $86.3 million, in 2015, 2014 and 2013, respectively, was primarily attributed to restricted stock awards. Information about our specific awards and stock plans can be found in Note 9 to the consolidated financial statements.

NEW ACCOUNTING STANDARDS

See Note 2 to the consolidated financial statements for a description of accounting standards that were adopted in 2015 and our significant accounting policies and Note 20 for a discussion of accounting standards not yet implemented.

RESULTS OF OPERATIONS - 2015 Compared to 2014 (in millions):

	2015	2014
Revenue	$15,134.4	$15,317.8
Operating Expenses:		
Salary and service costs	11,361.9	11,350.0
Office and general expenses	1,852.4	2,023.7
Total Operating Expenses	13,214.3	13,373.7
Add back: Amortization of intangible assets	109.3	107.1
	13,105.0	13,266.6
Earnings before interest, taxes and amortization of intangible assets ("EBITA")	2,029.4	2,051.2
EBITA Margin - %	13.4 %	13.4 %
Deduct: Amortization of intangible assets	109.3	107.1
Operating Income	1,920.1	1,944.1
Operating Margin - %	12.7 %	12.7 %
Interest Expense	181.1	177.2
Interest Income	39.6	43.1
Income Before Income Taxes and Income From Equity Method Investments	1,778.6	1,810.0
Income Tax Expense	583.6	593.1
Income From Equity Method Investments	8.4	16.2
Net Income	1,203.4	1,233.1
Net Income Attributed To Noncontrolling Interests	109.5	129.1
Net Income - Omnicom Group Inc.	$1,093.9	$1,104.0

EBITA, which we define as earnings before interest, taxes and amortization of intangible assets, and EBITA Margin, which we define as EBITA divided by Revenue, are Non-GAAP financial measures. We use EBITA and EBITA Margin as additional operating performance measures, which exclude the non-cash amortization expense of acquired intangible assets. The table above reconciles EBITA and EBITA Margin to the U.S. GAAP financial measure of Operating Income for the periods presented. We believe that EBITA and EBITA Margin are useful measures to evaluate the performance of our businesses. Non-GAAP financial measures should not be considered in isolation from or as a substitute for financial information presented in compliance with U.S. GAAP. Non-GAAP financial measures reported by us may not be comparable to similarly titled amounts reported by other companies.

Revenue

In 2015, revenue decreased $183.4 million, or 1.2%, to $15,134.4 million from $15,317.8 million in 2014. Changes in foreign exchange rates reduced revenue $1.0 billion, acquisitions net of dispositions increased revenue $14.6 million and organic growth increased revenue $810.8 million.

The components of 2015 revenue change in the United States ("Domestic") and the remainder of the world ("International") were (in millions):

	Total		Domestic		International	
	$	%	$	%	$	%
December 31, 2014	$15,317.8		$8,185.9		$7,131.9	
Components of revenue change:						
Foreign exchange impact	(1,008.8)	(6.6)%	—	— %	(1,008.8)	(14.1)%
Acquisitions, net of dispositions	14.6	0.1 %	(37.0)	(0.5)%	51.6	0.7 %
Organic growth	810.8	5.3 %	377.8	4.6 %	433.0	6.1 %
December 31, 2015	$15,134.4	(1.2)%	$8,526.7	4.2 %	$6,607.7	(7.4)%

The components and percentages are calculated as follows:

- The foreign exchange impact is calculated by translating the current period's local currency revenue using the prior period average exchange rates to derive current period constant currency revenue (in this case $16,143.2 million for the Total column). The foreign exchange impact is the difference between the current period revenue in U.S. Dollars and the current period constant currency revenue ($15,134.4 million less $16,143.2 million for the Total column).
- Acquisitions, net of dispositions is calculated by aggregating the prior period revenue of the acquired businesses, less the prior period revenue of any business that was disposed of in the current period.
- Organic growth is calculated by subtracting both the foreign exchange and acquisition components from total revenue growth.
- The percentage change is calculated by dividing the individual component amount by the prior period revenue base of that component ($15,317.8 million for the Total column).

For the year ended December 31, 2015, changes in foreign exchange rates reduced revenue by 6.6%, or $1.0 billion, compared to 2014. Substantially all currencies have weakened against the U.S. Dollar, with the most significant impacts resulting from the weakening of the Euro and British Pound, as well as the Australian Dollar, Brazilian Real, Canadian Dollar and Russian Ruble.

Our results of operations are subject to risk from the translation to U.S. Dollars of the revenue and expenses of our foreign operations, which are generally denominated in their local currency. However, for the most part, because the revenue and expenses of our foreign operations are denominated in the same currency, the economic impact on operating margin is minimized. Assuming exchange rates at February 8, 2016 remain unchanged, we expect the impact of changes in foreign exchange rates to reduce 2016 revenue by approximately 2.0%.

Revenue for 2015 and the percentage change in revenue and organic growth from 2014 in our principal regional markets were (in millions):

	$	% Change	% Organic Growth
Americas:			
North America	$9,029.2	4.1 %	5.4 %
Latin America	329.8	(25.0)%	(3.3)%
EMEA:			
Europe	3,942.9	(9.3)%	4.9 %
Middle East and Africa	260.6	1.7 %	6.8 %
Asia Pacific	1,571.9	(2.0)%	7.9 %
	$15,134.4	(1.2)%	5.3 %

Europe comprises the U.K. and the Euro currency countries, and other European countries that have not adopted the European Union Monetary standard. In 2015, the percentage of revenue attributed to the U.K. and to the Euro currency and other European countries was 10.0% and 16.1%, respectively. In 2015, revenue increased 0.2% in the U.K. and revenue decreased 14.3% in the Euro currency and other European countries.

In North America, moderate growth in the United States and Canada was partially offset by the weakening of the Canadian Dollar against the U.S. Dollar. In Europe, growth in the U.K., Germany and Spain was offset by the weakening of all major European currencies against the U.S. Dollar and negative performance in The Netherlands and France. The decrease in revenue in Latin America was a result of the weakening of all currencies in the region and negative performance in Chile and Brazil, which offset strong growth in Mexico. In Brazil, the decline resulted from a difficult comparison to the prior year period, which included additional client spending related to the World Cup primarily in the second quarter of 2014, and a recent decline in economic conditions. In Asia Pacific, strong growth in the major economies in the region was offset by the weakening of the currencies in the region.

In the normal course of business, our agencies both gain and lose business from clients each year due to a variety of factors. The net change in 2015 was an overall gain in new business. Under our client-centric approach, we seek to broaden our relationships with all of our clients. Our largest client represented 2.7% and 2.6% of revenue in 2015 and 2014, respectively. Our ten largest and 100 largest clients represented 17.9% and 52.3% of revenue in 2015, respectively and 18.1% and 50.4% of revenue in 2014, respectively.

Driven by our clients' continuous demand for more effective and efficient marketing activities, we strive to provide an extensive range of advertising, marketing and corporate communications services through various client-centric networks that are organized to meet specific client objectives. These services include advertising, brand consultancy, content marketing, corporate social responsibility consulting, crisis communications, custom publishing, data analytics, database management,
direct marketing, entertainment marketing, environmental design, experiential marketing, field marketing, financial/corporate business-to-business advertising, graphic arts/digital imaging, healthcare communications, instore design, interactive marketing, investor relations, marketing research, media planning and buying, mobile marketing, multi-cultural marketing, non-profit marketing, organizational communications, outsource sales support, package design, product placement, promotional marketing, public affairs, public relations, reputation consulting, retail marketing, search engine marketing, social media marketing and sports and event marketing. In an effort to monitor the changing needs of our clients and to further expand the scope of our services to key clients, we monitor revenue across a broad range of disciplines and group them into the following four categories: advertising, CRM, public relations and specialty communications.

Revenue for 2015 and 2014 and the percentage change in revenue and organic growth from 2014 by discipline were (in millions):

	Year Ended December 31, 2015		2014		2015 vs. 2014		
	$	% of Revenue	$	% of Revenue	$ Change	% Change	% Organic Growth
Advertising	$7,730.2	51.1%	$7,593.5	49.6%	$136.7	1.8%	9.3%
CRM	4,958.2	32.7%	5,254.4	34.3%	(296.2)	(5.6)%	1.9%
Public relations	1,361.0	9.0%	1,393.7	9.1%	(32.7)	(2.3)%	(1.4)%
Specialty communications	1,085.0	7.2%	1,076.2	7.0%	8.8	0.8%	2.2%
	$15,134.4		$15,317.8		$(183.4)	(1.2)%	5.3%

We operate in a number of industry sectors. The percentage of revenue by industry sector for 2015 and 2014 was:

	2015	2014
Food and Beverage	13%	13%
Consumer Products	9%	9%
Pharmaceuticals and Health Care	11%	10%
Financial Services	7%	7%
Technology	10%	9%
Auto	8%	8%
Travel and Entertainment	6%	6%
Telecommunications	5%	5%
Retail	6%	7%
Other	25%	26%

Operating Expenses

Operating expenses for 2015 compared to 2014 were (in millions):

Year Ended December 31, 2015			2014			2015 vs. 2014	
$	% of Revenue	% of Total Operating Expenses	$	% of Revenue	% of Total Operating Expenses	$ Change	% Change

Revenue	$15,134.4			$15,317.8			$(183.4)	(1.2)%
Operating Expenses:								
Salary and service costs	11,361.9	75.1 %	86.0 %	11,350.0	74.1 %	84.9 %	11.9	0.1 %
Office and general expenses	1,852.4	12.2 %	14.0 %	2,023.7	13.2 %	15.1 %	(171.3)	(8.5)%
Operating Expenses	13,214.3	87.3 %		13,373.7	87.3 %		(159.4)	(1.2)%
Operating Income	$1,920.1	12.7 %		$1,944.1	12.7 %		$(24.0)	(1.2)%

Similar to revenue, operating expenses decreased in 2015 compared to 2014 as a result of the weakening of substantially all foreign currencies against the U.S. Dollar. Salary and service costs, which normally tend to fluctuate with changes in revenue, increased $11.9 million in 2015 compared to 2014, primarily reflecting increases related to changes in the mix of our business during the period. Office and general expenses, which are less directly linked to changes in revenue than salary and service costs, decreased $171.3 million in 2015 compared to 2014, reflecting the continuing effort by our agencies to reduce operating costs.

Operating margins and EBITA margins were unchanged year-over-year at 12.7% and 13.4%, respectively. In 2014, we incurred $8.8 million of expenses in connection with the proposed merger with Publicis, which were primarily comprised of professional fees. On May 8, 2014, the proposed merger was terminated.

Net Interest Expense

Net interest expense increased $7.4 million to $141.5 million in 2015 from $134.1 million in 2014. Interest expense increased $3.9 million to $181.1 million in 2015, primarily resulting from the interest expense on the 2024 Notes, issued in October 2014, partially offset by the benefit of the interest rate swaps on the 2022 Notes and 2020 Notes. Interest income decreased $3.5 million to $39.6 million in 2015 resulting from lower interest earned on cash balances in our international treasury centers and the negative impact of changes in foreign exchange rates.

In October 2015, we terminated the swap on the 2020 Notes and reduced the notional amount of the swap on the 2022 Notes to $1 billion. Additionally, we entered into a fixed-to-floating interest rate swap on the $750 million principal amount of the 2024 Notes. On January 19, 2016, we terminated the remaining $1.0 billion notional amount of the swap on the 2022 Notes.

Income Taxes

Our effective tax rate was unchanged at 32.8%. Income tax expense for 2014 reflects the recognition of an income tax benefit of approximately $11 million related to previously incurred expenses for the proposed merger with Publicis. On May 8, 2014, the proposed merger was terminated. Prior to the termination of the merger, the majority of the merger costs, which were incurred in 2013, were capitalized for income tax purposes and the related tax benefits were not recorded. Because the merger was terminated, the merger costs were no longer required to be capitalized for income tax purposes. Excluding the income tax benefit of $11 million related to the proposed merger, income tax expense for 2014 would have been $604.5 million. The decrease in the effective tax rate for 2015 from the effective tax rate for 2014 excluding the income tax benefit related to the proposed merger, is primarily due to a legal entity restructuring of our European operations. As a result of the reorganization, a certain portion of the foreign earnings in the affected countries is subject to lower effective tax rates.

Net Income Per Common Share - Omnicom Group Inc.

Net income - Omnicom Group Inc. decreased $10.1 million, or 0.9%, to $1,093.9 million in 2015 from $1,104.0 million in 2014. The year-over-year decrease is due to the factors described above. Diluted net income per common share - Omnicom Group Inc. increased 4.0% to $4.41 in 2015, compared to $4.24 in 2014 due to the factors described above, as well as the impact of the reduction in our weighted average common shares outstanding resulting from repurchases of our common stock, stock option exercises and shares issued under our employee stock purchase plan. Excluding the net effect of the merger, which includes the income tax benefit of approximately $11 million, net income - Omnicom Group Inc. and diluted net income per common share - Omnicom Group Inc. for 2014 were $1,101.4 million and $4.23, respectively.

RESULTS OF OPERATIONS - 2014 Compared to 2013 (in millions):

	2014		2013	
Revenue	$15,317.8		$14,584.5	
Operating Expenses:				
Salary and service costs	11,350.0		10,724.4	
Office and general expenses	2,023.7		2,034.8	
Total Operating Expenses	13,373.7		12,759.2	
Add back: Amortization of intangible assets	107.1		100.8	
	13,266.6		12,658.4	
Earnings before interest, taxes and amortization of intangible assets (“EBITA”)	2,051.2		1,926.1	
EBITA Margin - %	13.4	%	13.2	%
Deduct: Amortization of intangible assets	107.1		100.8	
Operating Income	1,944.1		1,825.3	
Operating Margin - %	12.7	%	12.5	%
Interest Expense	177.2		197.2	
Interest Income	43.1		32.8	
Income Before Income Taxes and Income From Equity Method Investments.	1,810.0		1,660.9	
Income Tax Expense	593.1		565.2	
Income From Equity Method Investments	16.2		15.9	
Net Income	1,233.1		1,111.6	
Net Income Attributed To Noncontrolling Interests	129.1		120.5	
Net Income - Omnicom Group Inc.	$1,104.0		$991.1	

In 2014 and 2013, we incurred $8.8 million and $41.4 million of expenses in connection with the proposed merger with Publicis, which were primarily comprised of professional fees. On May 8, 2014, the proposed merger was terminated. Excluding the merger expenses, operating income and operating margin for 2014 and 2013 were $1,952.9 million and 12.7% and $1,866.7 million and 12.8%, respectively, and EBITA and EBITA margin for 2014 and 2013 were $2,060.0 million and 13.4% and $1,967.5 million and 13.5%, respectively. Excluding the income tax effect of the merger expenses of $11.4 million