

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2020

Commission File Number: 1-10551

OMNICOM GROUP INC.

(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of incorporation or organization)

13-1514814
(IRS Employer Identification No.)

437 Madison Avenue, New York, NY
(Address of principal executive offices)

10022
(Zip Code)

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

<u>Title of each class</u>	<u>Trading Symbols</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.15 Par Value	OMC	New York Stock Exchange
0.800% Senior Notes due 2027	OMC/27	New York Stock Exchange
1.400% Senior Notes due 2031	OMC/31	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐			Emerging growth company	☐

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

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

As of April 17, 2020, there were 214,282,876 shares of Omnicom Group Inc. Common Stock outstanding.

OMNICOM GROUP INC.
QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2020

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FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q 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," "forecast," "future," "guidance," "intend," "may," "will," "possible," "potential," "predict," "project" or similar words, phrases or expressions. These 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, including those caused by the outbreak of coronavirus disease 2019 ("COVID-19"); 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; the 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; the 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. 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 our Annual Report on Form 10-K for the year ended December 31, 2019 and in Item 2 "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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

OMNICOM GROUP INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (In millions)

	March 31, 2020 (Unaudited)	December 31, 2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,692.5	\$ 4,305.7
Short-term investments, at cost	1.6	3.6
Accounts receivable, net of allowance for doubtful accounts of \$21.6 and \$21.5	6,690.5	7,829.0
Work in process	1,313.2	1,257.6
Other current assets	1,152.3	1,188.8
Total Current Assets	11,850.1	14,584.7
Property and Equipment at cost, less accumulated depreciation of \$1,130.6 and \$1,142.8	632.5	663.4
Operating Lease Right-Of-Use Assets	1,355.1	1,398.3
Equity Method Investments	92.7	106.8
Goodwill	9,198.6	9,440.5
Intangible Assets, net of accumulated amortization of \$749.4 and \$759.2	315.8	338.2
Other Assets	231.1	251.5
TOTAL ASSETS	<u>\$ 23,675.9</u>	<u>\$ 26,783.4</u>
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	\$ 9,387.2	\$ 11,768.4
Customer advances	1,075.7	1,215.3
Current portion of debt	—	602.4
Short-term debt	10.9	10.1
Taxes payable	268.4	252.8
Other current liabilities	2,114.8	2,131.9
Total Current Liabilities	12,857.0	15,980.9
Long-Term Liabilities	966.7	1,006.8
Long-Term Liability - Operating Leases	1,228.4	1,274.7
Long-Term Debt	5,093.4	4,531.9
Deferred Tax Liabilities	401.6	408.1
Commitments and Contingent Liabilities (Note 12)		
Temporary Equity - Redeemable Noncontrolling Interests	204.2	207.3
Equity:		
Shareholders' Equity:		
Preferred stock	—	—
Common stock	44.6	44.6
Additional paid-in capital	755.8	760.9
Retained earnings	7,924.5	7,806.3
Accumulated other comprehensive income (loss)	(1,528.3)	(1,197.6)
Treasury stock, at cost	(4,749.0)	(4,560.3)
Total Shareholders' Equity	2,447.6	2,853.9
Noncontrolling interests	477.0	519.8
Total Equity	2,924.6	3,373.7
TOTAL LIABILITIES AND EQUITY	<u>\$ 23,675.9</u>	<u>\$ 26,783.4</u>

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

OMNICOM GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In millions, except per share amounts)

	Three Months Ended March 31,	
	2020	2019
Revenue	\$ 3,406.9	\$ 3,468.9
Operating Expenses:		
Salary and service costs	2,533.3	2,567.6
Occupancy and other costs	309.6	309.2
Cost of services	2,842.9	2,876.8
Selling, general and administrative expenses	86.8	103.6
Depreciation and amortization	57.0	59.6
	2,986.7	3,040.0
Operating Profit	420.2	428.9
Interest Expense	58.5	63.0
Interest Income	12.7	17.0
Income Before Income Taxes and Loss From Equity Method Investments	374.4	382.9
Income Tax Expense	97.4	102.7
Loss From Equity Method Investments	(5.3)	(0.5)
Net Income	271.7	279.7
Net Income Attributed To Noncontrolling Interests	13.6	16.5
Net Income - Omnicom Group Inc.	\$ 258.1	\$ 263.2
Net Income Per Share - Omnicom Group Inc.:		
Basic	\$ 1.19	\$ 1.18
Diluted	\$ 1.19	\$ 1.17

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

OMNICOM GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(In millions)

	Three Months Ended March 31,	
	2020	2019
Net Income	\$ 271.7	\$ 279.7
Other Comprehensive Income (Loss):		
Cash flow hedge:		
Amortization of loss included in interest expense	1.3	1.4
Income tax effect	(0.4)	(0.4)
	<u>0.9</u>	<u>1.0</u>
Defined benefit pension plans and postemployment arrangements:		
Amortization of prior service cost	1.3	1.3
Amortization of actuarial losses	1.9	0.5
Income tax effect	(1.0)	(0.7)
	<u>2.2</u>	<u>1.1</u>
Foreign currency translation adjustment	(371.1)	31.7
Other Comprehensive Income (Loss)	<u>(368.0)</u>	<u>33.8</u>
Comprehensive Income (Loss)	(96.3)	313.5
Comprehensive Income (Loss) Attributed To Noncontrolling Interests	(23.7)	17.5
Comprehensive Income (Loss) - Omnicom Group Inc.	<u>\$ (72.6)</u>	<u>\$ 296.0</u>

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

OMNICOM GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

(In millions, except per share amounts)

	Three Months Ended March 31,	
	2020	2019
Common Stock, shares issued	297.2	297.2
Common Stock, par value	\$ 44.6	\$ 44.6
Additional Paid-in Capital:		
Beginning Balance	760.9	728.8
(Acquisition) disposition of noncontrolling interests	(7.7)	0.4
Change in temporary equity	(8.2)	(18.2)
Share-based compensation	18.7	16.8
Stock issued, share-based compensation	(7.9)	(9.8)
Ending Balance	755.8	718.0
Retained Earnings:		
Beginning Balance	7,806.3	7,016.1
Cumulative effect of accounting changes	—	22.3
Net income	258.1	263.2
Common stock dividends declared	(139.9)	(144.6)
Ending Balance	7,924.5	7,157.0
Accumulated Other Comprehensive Income (Loss):		
Beginning Balance	(1,197.6)	(1,228.5)
Cumulative effect of accounting changes	—	(22.3)
Other comprehensive income (loss)	(330.7)	32.8
Ending Balance	(1,528.3)	(1,218.0)
Treasury Stock:		
Beginning Balance	(4,560.3)	(4,013.9)
Stock issued, share-based compensation	11.3	11.7
Common stock repurchased	(200.0)	(286.1)
Ending Balance	(4,749.0)	(4,288.3)
Shareholders' Equity	2,447.6	2,413.3
Noncontrolling Interests:		
Beginning Balance	519.8	559.8
Net income	13.6	16.5
Other comprehensive income (loss)	(37.3)	1.0
Dividends to noncontrolling interests	(10.4)	(17.0)
Acquisition of noncontrolling interests	(8.7)	(5.0)
Increase in noncontrolling interests from business combinations	—	1.0
Ending Balance	477.0	556.3
Total Equity	\$ 2,924.6	\$ 2,969.6
Dividends Declared Per Common Share	\$ 0.65	\$ 0.65

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

OMNICOM GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In millions)

	Three Months Ended March 31,	
	2020	2019
Cash Flows from Operating Activities:		
Net income	\$ 271.7	\$ 279.7
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of right-of-use assets	36.2	38.0
Amortization of intangible assets	20.8	21.6
Amortization of net deferred gain on interest rate swaps	(4.1)	(3.2)
Share-based compensation	18.7	16.8
Other, net	18.7	(12.2)
Use of operating capital	(1,349.2)	(736.3)
Net Cash Used In Operating Activities	(987.2)	(395.6)
Cash Flows from Investing Activities:		
Capital expenditures	(26.4)	(27.2)
Acquisition of businesses and interests in affiliates, net of cash acquired	—	(0.7)
Proceeds from disposition of subsidiaries and sale of investments	2.1	64.9
Net Cash (Used In) Provided By Investing Activities	(24.3)	37.0
Cash Flows from Financing Activities:		
Proceeds from borrowings	594.0	—
Repayment of debt	(600.0)	—
Change in short-term debt	1.7	587.1
Dividends paid to common shareholders	(141.7)	(134.8)
Repurchases of common stock	(200.0)	(286.1)
Proceeds from stock plans	1.4	2.0
Acquisition of additional noncontrolling interests	(10.4)	(2.7)
Dividends paid to noncontrolling interest shareholders	(10.4)	(17.0)
Payment of contingent purchase price obligations	(1.4)	(3.8)
Other, net	(24.4)	(12.4)
Net Cash (Used In) Provided By Financing Activities	(391.2)	132.3
Effect of foreign exchange rate changes on cash and cash equivalents	(210.5)	23.6
Net Decrease in Cash and Cash Equivalents	(1,613.2)	(202.7)
Cash and Cash Equivalents at the Beginning of Period	4,305.7	3,652.4
Cash and Cash Equivalents at the End of Period	\$ 2,692.5	\$ 3,449.7

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

OMNICOM GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Presentation of Financial Statements

The terms “Omnicom,” “the Company,” “we,” “our” and “us” each refer to Omnicom Group Inc. and its subsidiaries, unless the context indicates otherwise. The accompanying unaudited consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP or GAAP, for interim financial information and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosure have been condensed or omitted.

In our opinion, the accompanying unaudited consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation, in all material respects, of the information contained herein. These unaudited consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2019, or 2019 10-K. Results for the interim periods are not necessarily indicative of results that may be expected for the year.

Risks and Uncertainties

Impact Related to COVID-19 Pandemic

The COVID-19 pandemic has significantly impacted the global economy. Public health efforts to mitigate the impact of the pandemic include government actions such as travel restrictions, limitations on public gatherings, shelter in place orders and mandatory closures. These actions have negatively impacted many of our clients' businesses, and in turn, clients have reduced or plan to reduce their demand for our services. As a result, we experienced a reduction in our revenue beginning late in the first quarter of 2020, as compared to the same period in 2019, that is expected to continue for the remainder of the year. Such reductions in revenue could adversely impact our ongoing results of operations and financial position and the effects could be material.

While we expect the pandemic to affect substantially all of our clients, certain industry sectors have been affected more immediately and more significantly than others, including travel, lodging and entertainment, energy and oil and gas, non-essential retail and automotive. Clients in these industries have already acted to cut costs, including postponing or reducing marketing communication expenditures. While certain industries such as healthcare and pharmaceuticals, technology and telecommunications, financial services and consumer products have fared relatively well to date, conditions are volatile and economic uncertainty cuts across all clients, industries and geographies. Overall, while we have a diversified portfolio of service offerings, clients and geographies, demand for our services can be expected to decline as marketers reduce expenditures in the short-term due to the uncertain impact of the pandemic on the global economy. As a result of the impact on our business, each of our agencies is in the process of aligning their cost structures, including severance actions and furloughs to reduce the workforce, and tailoring their services and capabilities to changes in client demand.

Although we are likely to experience a decrease in our cash flow from operations, we have recently taken numerous proactive steps to strengthen our liquidity and financial position that are intended to mitigate the potential impact of the COVID-19 pandemic on our liquidity. In February 2020, we issued \$600 million 2.45% Senior Notes due April 30, 2030, or the 2.45% Notes. In March 2020, the net proceeds from the issuance of the 2.45% Notes were used to redeem the remaining \$600 million principal amount of our 4.45% Senior Notes due August 15, 2020, or the 2020 Notes. As a result, we have no notes maturing until May 2022. Additionally, in April 2020, we issued \$600 million of 4.20% Senior Notes due June 1, 2030, or the 4.20% Notes, and we entered into a new \$400 million 364 Day revolving credit facility, or the 364 Day Credit Facility. The 364 Day Credit Facility is in addition to our existing \$2.5 billion multi-currency revolving credit facility, or Credit Facility, expiring in February 2025. Additionally, in March 2020, we suspended our share repurchase activity.

In addition, the impact on the global economy and resulting decline in share prices of common stock, including our share price, was determined to be a trigger event that required us to review our long-lived assets for impairment, primarily related to goodwill, amortizable intangible assets, right-of-use, or ROU, assets and equity method investments. The results of the review of our intangible assets and goodwill is discussed in Note 5. With respect to our ROU assets, which consist mainly of real estate leases for office space, beginning in mid-March in response to the COVID-19 pandemic, we established a global work from home policy. While the overwhelming majority of our workforce temporarily transitioned to working from home, we have not terminated any of our office leases and have concluded that at March 31, 2020 our ROU assets were not impaired. In the second quarter, we will implement plans to realign our cost structure with the expected reduction in our revenue and in connection with the actions to reduce the cost of our workforce, we will evaluate our facility requirements and review our ROU assets for impairment. With respect to our equity method investments, we determined that the decline in the fair value of one of our equity method investments was other than temporary. As a result, at March 31, 2020, we recognized a non-cash after-tax charge of \$3.9 million to adjust the carrying value of our equity method investments to market value.

Accounting Changes

Adoption of ASU 2016-13

On January 1, 2020, we adopted ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, or ASU 2016-13, which changes the impairment model for most financial assets, including accounts receivable. The new model uses a forward-looking expected loss method. Historically, the credit loss experience on our client billings has not resulted in material bad debt expense. Accordingly, the adoption of ASU 2016-13 did not have a significant impact on our financial position, and we do not expect it to have a significant impact on our results of operations.

As a result of the adoption of ASU 2016-13, we changed our accounting policy for allowance for doubtful accounts as follows: We maintain an allowance for doubtful accounts related to potential losses that could arise due to our customers' inability to make required payments. This allowance requires management to apply judgment in deriving the estimated reserve. In connection with the estimate of our allowance, we perform ongoing credit evaluations of our customers' financial condition, including information related to their credit ratings obtained from independent third-party firms. If, as a result, we become aware that additional reserves may be necessary, we perform additional analysis including, but not limited to, factors such as a customer's credit worthiness, intent and ability to pay and overall financial position. If the data we use to calculate the allowance for doubtful accounts does not timely reflect the future ability to collect outstanding receivables, including the effects of the COVID-19 pandemic on our clients' credit, additional provisions for doubtful accounts may be needed and our results of operations could be affected.

Adoption of ASU 2018-15

On January 1, 2020, we adopted ASU 2018-15, *Intangibles - Goodwill and Other, Internal-Use Software*, or ASU 2018-15, which aligns the accounting for implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. We adopted ASU 2018-15 on a prospective basis for implementation costs for new or existing arrangements incurred on or after the adoption date. The adoption of ASU 2018-15 did not have a significant impact on our results of operations or financial position.

2. Revenue

Nature of our services

We provide an extensive range of advertising, marketing and corporate communications services through various client-centric networks that are organized to meet specific client objectives. Our branded networks and agencies operate in all major markets and provide services in the following fundamental disciplines: advertising, customer relationship management, or CRM, which includes CRM Consumer Experience and CRM Execution & Support, public relations and healthcare. Advertising includes creative services, as well as strategic media planning and buying and data analytics services. CRM Consumer Experience includes Omnicom's Precision Marketing Group and digital/direct agencies, as well as our brand consulting, shopper marketing and experiential marketing agencies. CRM Execution & Support includes field marketing, sales support, merchandising and point of sale, as well as other specialized marketing and custom communications services. Public relations services include corporate communications, crisis management, public affairs and media and media relations services. Healthcare includes advertising and media services to global healthcare clients. At the core of all our services is the ability to create or develop a client's marketing or corporate communications message into content that can be delivered to a target audience across different communications mediums.

Revenue by discipline was (in millions):

	Three Months Ended March 31,	
	2020	2019
Advertising	\$ 1,892.8	\$ 1,929.6
CRM Consumer Experience	583.1	599.1
CRM Execution & Support	318.1	348.0
Public Relations	331.6	334.1
Healthcare	281.3	258.1
	<u>\$ 3,406.9</u>	<u>\$ 3,468.9</u>

Economic factors affecting our revenue

Global economic conditions have a direct impact on our revenue. Adverse economic conditions pose a risk that our clients may reduce, postpone or cancel spending for our services, which would impact our revenue.

Revenue in our principal geographic markets was (in millions):

	Three Months Ended March 31,	
	2020	2019
Americas:		
North America	\$ 1,997.3	\$ 1,989.2
Latin America	71.4	89.0
EMEA:		
Europe	923.4	945.5
Middle East and Africa	55.5	79.0
Asia-Pacific	359.3	366.2
	<u>\$ 3,406.9</u>	<u>\$ 3,468.9</u>

The Americas is comprised of North America, which includes the United States, Canada and Puerto Rico, and Latin America, which includes South America and Mexico. EMEA is comprised of Europe, the Middle East and Africa. Asia-Pacific includes Australia, Greater China, India, Japan, Korea, New Zealand, Singapore and other Asian countries. Revenue in the United States for the three months ended March 31, 2020 and 2019 was \$1,894.2 million and \$1,884.1 million, respectively.

Contract assets and liabilities

Work in process includes contract assets, unbilled fees and costs, and media and production costs. Contract liabilities primarily consist of customer advances. Work in process and contract liabilities were (in millions):

	March 31, 2020	December 31, 2019	March 31, 2019
Work in process:			
Contract assets and unbilled fees and costs	\$ 783.7	\$ 689.2	\$ 755.5
Media and production costs	529.5	568.4	558.9
	<u>\$ 1,313.2</u>	<u>\$ 1,257.6</u>	<u>\$ 1,314.4</u>
Contract liabilities:			
Customer advances	<u>\$ 1,075.7</u>	<u>\$ 1,215.3</u>	<u>\$ 1,104.1</u>

Work in process represents accrued costs incurred on behalf of customers, including media and production costs, and fees and other third-party costs that have not yet been billed. Media and production costs are billed during the production process in accordance with the terms of the client contract. Contract assets primarily include incentive fees, which are not material and will be billed to clients in accordance with the terms of the client contract. Substantially all unbilled fees and costs will be billed within the next 30 days. The contract liability primarily represents advance billings to customers in accordance with the terms of the client contracts, primarily for the reimbursement of third-party costs that are generally incurred in the near term. No impairment losses to the contract assets were recorded in 2020 and 2019.

3. New Accounting Standards

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740)* or ASU 2019-12, which simplifies the accounting for income taxes by removing certain exceptions and amending certain sections of existing guidance under ASC 740. ASU 2019-12 is effective January 1, 2021 with early adoption permitted. We are currently assessing the impact the adoption of ASU 2019-12 will have on our results of operations and financial position.

4. Net Income per Share

The computations of basic and diluted net income per share were (in millions, except per share amounts):

		Three Months Ended March 31,	
		2020	2019
Net Income Available for Common Shares:			
Net income - Omnicom Group Inc.		\$ 258.1	\$ 263.2
Weighted Average Shares:			
Basic		216.6	223.2
Dilutive stock options and restricted shares		0.9	1.0
Diluted		217.5	224.2
Anti-dilutive stock options and restricted shares		0.9	0.9
Net Income per Share - Omnicom Group Inc.:			
Basic		\$ 1.19	\$ 1.18
Diluted		\$ 1.19	\$ 1.17

5. Goodwill and Intangible Assets

Goodwill and intangible assets were (in millions):

	March 31, 2020			December 31, 2019		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Goodwill	\$ 9,701.7	\$ (503.1)	\$ 9,198.6	\$ 9,957.5	\$ (517.0)	\$ 9,440.5
Intangible assets:						
Purchased and internally developed software	\$ 353.3	\$ (285.1)	\$ 68.2	\$ 350.7	\$ (288.5)	\$ 62.2
Customer related and other	711.9	(464.3)	247.6	746.7	(470.7)	276.0
	\$ 1,065.2	\$ (749.4)	\$ 315.8	\$ 1,097.4	\$ (759.2)	\$ 338.2

Changes in goodwill were (in millions):

	Three Months Ended March 31,	
	2020	2019
January 1	\$ 9,440.5	\$ 9,384.3
Acquisitions	1.7	0.5
Noncontrolling interests in acquired businesses	—	0.8
Contingent purchase price obligations of acquired businesses	—	0.2
Dispositions	(0.1)	(19.0)
Foreign currency translation	(243.5)	12.0
March 31	\$ 9,198.6	\$ 9,378.8

As a result of the changes in the current economic environment related to the COVID-19 pandemic, the significant decline in our share price constituted a trigger event, requiring us to evaluate our goodwill for impairment. At June 30, 2019, the date of our last annual impairment test, the fair value of each of our reporting units was in excess of their carrying value. In light of current economic conditions, we performed an interim impairment test to update our valuation. We adjusted our June 30, 2019 assumptions to reflect the economic conditions in light of the impact related to the COVID-19 pandemic, including downward adjustment to our revenue and earnings assumptions, reducing our long-term growth rate to 3.0% from 3.5%, increasing the weighted average cost of capital, or WACC, for each reporting unit by 1.2% to 1.5%, to between 11.3% and 11.8%, and limiting our estimate of our equity value to reflect the decline in our share price that occurred during March 2020. Based on the results of the interim impairment test, we concluded that at March 31, 2020 our goodwill was not impaired because the fair value of each of our reporting units was significantly in excess of its respective carrying value, and for our reporting units with negative book value, we concluded that the fair value of their total assets was in excess of book value. We performed a sensitivity analysis of our assumptions, including a 1 percent change to our WACC or long-term growth assumptions. The results of the sensitivity analysis confirmed our conclusion that goodwill at March 31, 2020 was not impaired. We intend to perform our annual impairment test at

June 30, 2020. If economic conditions further deteriorate from March 31, 2020, including further declines in GDP estimates, our share price or other factors, our goodwill could become impaired and we could incur a non-cash charge against our earnings.

In addition, we evaluated our customer related and other intangible assets for impairment. We compared the carrying value of these assets against the undiscounted cash flows expected to be generated from the assets and we concluded that at March 31, 2020 our customer related and other assets were not impaired.

6. Debt

Credit Facilities

On February 14, 2020, we amended our \$2.5 billion Credit Facility to extend the term to February 14, 2025. In addition, we have uncommitted credit lines aggregating \$1.1 billion and the ability to issue up to \$2 billion of commercial paper. These facilities provide additional liquidity sources for working capital and general corporate purposes. At March 31, 2020, there were no outstanding commercial paper issuances or borrowings under the Credit Facility, or the uncommitted credit lines.

On April 3, 2020, to strengthen our liquidity in response to the impact on global economic conditions of the COVID-19 pandemic (see Note 1), we entered into the \$400 million 364 Day Credit Facility, expiring on April 2, 2021.

The Credit Facility and the 364 Day Credit Facility contain a financial covenant that requires us to maintain a Leverage Ratio of consolidated indebtedness to consolidated EBITDA of no more than 3.5 times for the most recently ended 12-month period (EBITDA is defined as earnings before interest, taxes, depreciation, amortization and non-cash charges). With respect to the Credit Facility, at March 31, 2020, we were in compliance with this covenant as our Leverage Ratio was 2.1 times. The Credit Facility and the 364 Day Credit Facility do not limit our ability to declare or pay dividends or repurchase our common stock.

Short-Term Debt

Short-term debt at March 31, 2020 and December 31, 2019 of \$10.9 million and \$10.1 million, respectively, represented bank overdrafts and short-term borrowings primarily of our international subsidiaries. Due to the short-term nature of this debt, carrying value approximates fair value.

Long-Term Debt

Long-term debt was (in millions):

	March 31, 2020	December 31, 2019
4.45% Senior Notes due 2020	\$ —	\$ 600.0
3.625% Senior Notes due 2022	1,250.0	1,250.0
3.65% Senior Notes due 2024	750.0	750.0
3.60% Senior Notes due 2026	1,400.0	1,400.0
0.80% Euro Notes due 2027	547.0	561.4
2.45% Senior Notes due 2030	600.0	—
1.40% Euro Notes due 2031	547.0	561.4
	<u>5,094.0</u>	<u>5,122.8</u>
Unamortized premium (discount), net	(1.4)	0.8
Unamortized debt issuance costs	(24.2)	(20.0)
Unamortized deferred gain from settlement of interest rate swaps	<u>25.0</u>	<u>30.7</u>
	5,093.4	5,134.3
Current portion	—	(602.4)
Long-term debt	<u>\$ 5,093.4</u>	<u>\$ 4,531.9</u>

On February 19, 2020, we issued \$600 million of the 2.45% Notes. The net proceeds from the issuance, after deducting the underwriting discount and offering expenses, were \$592.6 million. The 2.45% Notes are senior unsecured obligations of Omnicom that rank equal in right of payment with all existing and future unsecured senior indebtedness. The net proceeds from the issuance were used to redeem the remaining \$600 million principal amount of the 2020 Notes, on March 23, 2020. In connection with the redemption of the 2020 Notes, we recorded a loss on extinguishment of \$7.7 million in interest expense. Following the redemption, there were no 2020 Notes outstanding.

Additionally, to strengthen our liquidity and financial position and with the intention to mitigate the potential impact of the COVID-19 pandemic, on April 1, 2020, we issued \$600 million of the 4.20% Notes. The net proceeds from the issuance, after deducting the underwriting discount and offering expenses, were \$592.5 million. The 4.20% Notes are senior unsecured

obligations of Omnicom that rank equal in right of payment with all existing and future unsecured senior indebtedness. The net proceeds from the issuance will be used for general corporate purposes, which could include working capital expenditures, fixed asset expenditures, acquisitions, repayment of commercial paper and short-term debt, refinancing of other debt, or other capital transactions.

Omnicom and its wholly owned finance subsidiary, Omnicom Capital Inc., or OCI, are co-obligors under the senior notes due 2022, 2024 and 2026. These notes are a joint and several liability of Omnicom and OCI, and Omnicom unconditionally guarantees OCI's obligations with respect to the notes. OCI provides funding for our operations by incurring debt and lending the proceeds to our operating subsidiaries. OCI's assets primarily consist of cash and cash equivalents and intercompany loans made to our operating subsidiaries, and the related interest receivable. There are no restrictions on the ability of OCI or Omnicom to obtain funds from our subsidiaries through dividends, loans or advances. The notes are senior unsecured obligations that rank equal in right of payment with all existing and future unsecured senior indebtedness.

Omnicom and OCI have, jointly and severally, fully and unconditionally guaranteed the obligations of Omnicom Finance Holdings plc, or OFHP, a U.K.-based wholly owned subsidiary of Omnicom, with respect to the Euro notes due 2027 and 2031. OFHP's assets consist of its investments in several wholly owned finance companies that function as treasury centers, which provide funding for various operating companies in Europe, Brazil, Australia and other countries in the Asia-Pacific region. The finance companies' assets consist of cash and cash equivalents and intercompany loans that they make or have made to the operating companies in their respective regions and the related interest receivable. There are no restrictions on the ability of Omnicom, OCI or OFHP to obtain funds from their subsidiaries through dividends, loans or advances. The Euro denominated notes and the related guarantees are senior unsecured obligations that rank equal in right of payment with all existing and future unsecured senior indebtedness of OFHP and each of Omnicom and OCI, respectively.

7. Segment Reporting

Our five branded agency networks operate in the advertising, marketing and corporate communications services industry, and are organized into agency networks, virtual client networks, regional reporting units and operating groups or practice areas. Our networks, virtual client networks and agencies increasingly share clients and provide clients with integrated services. The main economic components of each agency are employee compensation and related costs and direct service costs and occupancy and other costs which include rent and occupancy costs, technology costs and other overhead expenses. Therefore, given these similarities, we aggregate our operating segments, which are our five agency networks, into one reporting segment.

The agency networks' regional reporting units comprise three principal regions: the Americas, EMEA and Asia-Pacific. The regional reporting units monitor the performance and 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.

Revenue and long-lived assets and goodwill by geographic region were (in millions):

		Americas	EMEA	Asia-Pacific
	<u>March 31, 2020</u>			
Revenue		\$ 2,068.7	\$ 978.9	\$ 359.3
Long-lived assets and goodwill		7,685.0	2,893.6	607.6
	<u>March 31, 2019</u>			
Revenue		\$ 2,078.2	\$ 1,024.5	\$ 366.2
Long-lived assets and goodwill		7,703.9	3,004.3	655.8

8. Income Taxes

Our effective tax rate for the three months ended March 31, 2020 decreased period-over-period to 26.0% from 26.8%. The decrease was primarily attributable to recognizing certain domestic tax credits during the quarter.

At March 31, 2020, our unrecognized tax benefits were \$184.4 million. Of this amount, approximately \$175.3 million would affect our effective tax rate upon resolution of the uncertain tax positions. Due to the impact of the COVID-19 pandemic, we re-assessed the realizability of our deferred tax assets and have determined that there has been no change in assessment as of March 31, 2020.

In addition, in response to the economic impact of the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, was signed into law on March 27, 2020. We have determined that the CARES Act did not have a material impact on our income tax expense or effective tax rate for the year or the three months ended March 31, 2020 and will not have a material impact on our income tax expense or effective tax rate for the year ending December 31, 2020.

9. Pension and Other Postemployment Benefits

Defined Benefit Pension Plans

The components of net periodic benefit expense were (in millions):

	Three Months Ended March 31,	
	2020	2019
Service cost	\$ 2.0	\$ 2.3
Interest cost	1.3	1.6
Expected return on plan assets	(0.3)	(0.4)
Amortization of prior service cost	0.2	0.2
Amortization of actuarial losses	1.4	0.3
	<u>\$ 4.6</u>	<u>\$ 4.0</u>

We contributed \$0.1 million and \$0.4 million to our defined benefit pension plans in the three months ended March 31, 2020 and 2019, respectively.

Postemployment Arrangements

The components of net periodic benefit expense were (in millions):

	Three Months Ended March 31,	
	2020	2019
Service cost	\$ 1.2	\$ 1.1
Interest cost	0.9	1.1
Amortization of prior service cost	1.1	1.1
Amortization of actuarial losses	0.5	0.2
	<u>\$ 3.7</u>	<u>\$ 3.5</u>

10. Repositioning Liabilities

At March 31, 2020 and December 31, 2019, the liability for incremental severance and office lease consolidation and termination incurred in connection with our repositioning actions taken in the third quarter of 2018 was \$18.8 million and \$25.1 million, respectively. We expect that the remaining liability will be paid by the end of 2020.

11. Supplemental Cash Flow Data

The change in operating capital was (in millions):

	Three Months Ended March 31,	
	2020	2019
(Increase) decrease in accounts receivable	\$ 876.6	\$ 626.8
(Increase) decrease in work in process and other current assets	(115.0)	(214.2)
Increase (decrease) in accounts payable	(2,084.9)	(1,141.9)
Increase (decrease) in customer advances, taxes payable and other current liabilities	(14.1)	(15.8)
Change in other assets and liabilities, net	(11.8)	8.8
Increase (decrease)	<u>\$ (1,349.2)</u>	<u>\$ (736.3)</u>
Income taxes paid	\$ 50.5	\$ 63.5
Interest paid	\$ 31.2	\$ 59.4

Supplemental non-cash information related to leases for the three months ended March 31, 2020 and 2019 (in millions):

	Three Months Ended March 31,	
	2020	2019
Net increase in lease liability:		
Operating leases	\$ 72.0	\$ 1,505.9
Finance leases	\$ 8.5	\$ 14.1

12. Commitments and Contingent Liabilities

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.

13. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss), net of income taxes were (in millions):

	Cash Flow Hedge	Defined Benefit Pension Plans and Postemployment Arrangements	Foreign Currency Translation	Total
Three Months Ended March 31, 2020				
January 1	\$ (24.0)	\$ (112.1)	\$ (1,061.5)	\$ (1,197.6)
Other comprehensive income (loss) before reclassifications	—	—	(333.8)	(333.8)
Reclassification from accumulated other comprehensive income (loss)	0.9	2.2	—	3.1
March 31	<u>\$ (23.1)</u>	<u>\$ (109.9)</u>	<u>\$ (1,395.3)</u>	<u>\$ (1,528.3)</u>
Three Months Ended March 31, 2019				
January 1	\$ (22.3)	\$ (69.3)	\$ (1,136.9)	\$ (1,228.5)
Cumulative effect of accounting change	(5.6)	(16.7)	—	(22.3)
Other comprehensive income (loss) before reclassifications	—	—	30.7	30.7
Reclassification from accumulated other comprehensive income (loss)	1.0	1.1	—	2.1
March 31	<u>\$ (26.9)</u>	<u>\$ (84.9)</u>	<u>\$ (1,106.2)</u>	<u>\$ (1,218.0)</u>

14. Fair Value

Financial assets and liabilities measured at fair value on a recurring basis were (in millions):

	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 2,692.5			\$ 2,692.5
Short-term investments	1.6			1.6
Marketable equity investments	1.6			1.6
Foreign currency derivatives		\$ 0.6		0.6
Liabilities:				
Foreign currency derivative		\$ 1.0		\$ 1.0
Contingent purchase price obligations			\$ 113.6	113.6
December 31, 2019				
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 4,305.7			\$ 4,305.7
Short-term investments	3.6			3.6
Marketable equity investments	1.6			1.6
Foreign currency derivative instruments		\$ 0.6		0.6
Liabilities:				
Foreign currency derivatives		0.4		0.1
Contingent purchase price obligations			\$ 107.7	107.7

Changes in contingent purchase price obligations were (in millions):

	Three Months Ended March 31,	
	2020	2019
January 1	\$ 107.7	\$ 146.5
Acquisitions	8.1	1.8
Revaluation and interest	0.6	1.2
Payments	—	(2.5)
Foreign currency translation	(2.8)	(0.3)
March 31	\$ 113.6	\$ 146.7

The carrying amount and fair value of our financial assets and liabilities were (in millions):

	March 31, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	\$ 2,692.5	\$ 2,692.5	\$ 4,305.7	\$ 4,305.7
Short-term investments	1.6	1.6	3.6	3.6
Marketable equity securities	1.6	1.6	1.6	1.6
Non-marketable equity securities	9.5	9.5	9.0	9.0
Foreign currency derivatives	0.6	0.6	0.6	0.6
Liabilities:				
Short-term debt	\$ 10.9	\$ 10.9	\$ 10.1	\$ 10.1
Foreign currency derivatives	1.0	1.0	0.4	0.4
Contingent purchase price obligations	113.6	113.6	107.7	107.7
Long-term debt, including current portion	5,093.4	5,022.1	5,134.3	5,316.4

The estimated fair value of the foreign currency derivatives is determined using model-derived valuations, taking into consideration foreign currency rates and counterparty credit risk. The estimated fair value of the contingent purchase price obligations is calculated in accordance with the terms of each acquisition agreement and is discounted. The fair value of debt is based on quoted market prices.

15. Subsequent Events

We have evaluated events subsequent to the balance sheet date, including the severance and other actions in response to the COVID-19 pandemic that we are expected to complete in the second quarter of 2020 (see Notes 1 and 6), and determined that there have not been any events that have occurred that would require additional adjustments to or disclosures in these consolidated financial statements.

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

EXECUTIVE SUMMARY

The COVID-19 pandemic has significantly impacted the global economy. Public health efforts to mitigate the impact of the pandemic include government actions such as travel restrictions, limitations on public gatherings, shelter in place orders and mandatory closures. These actions have negatively impacted many of our clients' businesses, and in turn, clients have reduced or plan to reduce their demand for our services. As a result, we experienced a reduction in our revenue beginning late in the first quarter of 2020, as compared to the same period in 2019, that is expected to continue for the remainder of the year. Such reductions in revenue could adversely impact our ongoing results of operations and financial position and the effects could be material.

While we expect the pandemic to affect substantially all of our clients, certain industry sectors have been affected more immediately and more significantly than others, including travel, lodging and entertainment, energy and oil and gas, non-essential retail and automotive. Clients in these industries have already acted to cut costs, including postponing or reducing marketing communication expenditures. While certain industries such as healthcare and pharmaceuticals, technology and telecommunications, financial services and consumer products have fared relatively well to date, conditions are volatile and economic uncertainty cuts across all clients, industries and geographies. Overall, while we have a diversified portfolio of service offerings, clients and geographies, demand for our services can be expected to decline as marketers reduce expenditures in the short-term due to the uncertain impact of the pandemic on the global economy. As a result of the impact on our business, each of our agencies is in the process of aligning their cost structures, including severance actions and furloughs to reduce the workforce, and tailoring their services and capabilities to changes in client demand.

Although we are likely to experience a decrease in our cash flow from operations, we have recently taken numerous proactive steps to strengthen our liquidity and financial position that are intended to mitigate the potential impact of the COVID-19 pandemic on our liquidity. In February 2020, we issued \$600 million 2.45% Senior Notes due April 30, 2030, or the 2.45% Notes. In March 2020, the net proceeds from the issuance of the 2.45% Notes were used to redeem the remaining \$600 million principal amount of our 4.45% Senior Notes due August 15, 2020, or the 2020 Notes. As a result, we have no notes maturing until May 2022. Additionally, in April 2020, we issued \$600 million of 4.20% Senior Notes due June 1, 2030, or the 4.20% Notes, and we entered into a new \$400 million 364 Day revolving credit facility, or the 364 Day Credit Facility. The 364 Day Credit Facility is in addition to our existing \$2.5 billion multi-currency revolving credit facility, or Credit Facility, expiring in February 2025. Additionally, in March 2020, we suspended our share repurchase activity.

In addition, the impact on the global economy and resulting decline in share prices of common stock, including our share price, was determined to be a trigger event that required us to review our long-lived assets for impairment, primarily related to goodwill, amortizable intangible assets, right-of-use, or ROU, assets and equity method investments. The results of the review of our intangible assets and goodwill is discussed in Note 5 to the unaudited consolidated financial statements. With respect to our ROU assets, which consist mainly of real estate leases for office space, beginning in mid-March in response to the COVID-19 pandemic, we established a global work from home policy. While the overwhelming majority of our workforce temporarily transitioned to working from home, we have not terminated any of our office leases and have concluded that at March 31, 2020 our ROU assets were not impaired. In the second quarter, we will implement plans to realign our cost structure with the expected reduction in our revenue and in connection with the actions to reduce the cost of our workforce, we will evaluate our facility requirements and review our ROU assets for impairment. With respect to our equity method investments, we determined that the decline in the fair value of one of our equity method investments was other than temporary. As a result, at March 31, 2020, we recognized a non-cash after-tax charge of \$3.9 million to adjust the carrying value of our equity method investments to market value.

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 the following fundamental disciplines: advertising, CRM, which includes CRM Consumer Experience and CRM Execution & Support, public relations and healthcare. 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. Our fundamental business principle is that our clients' specific marketing requirements are the central focus of how we structure our service offerings and allocate our resources. This client-centric business model requires that multiple agencies within Omnicom collaborate in formal and informal virtual client networks utilizing our key client matrix organization structure. This collaboration allows us to cut across our internal organizational structures to execute our clients' marketing requirements in a consistent and comprehensive manner. We use our client-centric approach to grow our business by expanding our service offerings to existing clients, moving into new markets and obtaining new clients. In addition, we pursue selective acquisitions of complementary companies with strong entrepreneurial management teams that typically currently serve or could serve our existing clients.

As a leading global advertising, marketing and corporate communications company, we operate in all major markets and have a large and diverse client base. For the three months ended March 31, 2020, our largest client accounted for 3.8% of our revenue and our 100 largest clients, which represent many of the world's major marketers, accounted for approximately 54% of our revenue. Our business is spread across a number of industry sectors with no one industry comprising more than 15% of our revenue for the three months ended March 31, 2020. 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, for the three months ended March 31, 2020, revenue decreased \$62.0 million, or 1.8%, compared to the three months ended March 31, 2019. Changes in foreign exchange rates reduced revenue \$50.0 million, or 1.4%, acquisition revenue, net of disposition revenue, reduced revenue \$23.9 million, or 0.7%, reflecting the disposition of certain non-strategic businesses, and organic growth increased revenue \$11.9 million, or 0.3%.

Global economic conditions have a direct impact on our business and financial performance. Adverse global or regional economic conditions, such as those currently arising from COVID-19 pandemic pose 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. Revenue is typically lower in the first and third quarters and higher in the second and fourth quarters, reflecting client spending patterns during the year and additional project work that usually occurs in the fourth quarter. As a result of the impact related to the COVID-19 pandemic, we expect a significant reduction in our organic revenue growth, which will likely result in a decline in our revenue in the second quarter and the remainder of 2020, as compared to the prior year periods. While we are in the process of compiling, updating and re-evaluating our internal forecasts for the remainder of 2020, we do expect that we will have negative organic growth and overall revenue growth for 2020, as compared to 2019.

Certain global events targeted by major marketers for advertising expenditures, such as the FIFA World Cup and the Olympics, and certain national events, such as the U.S. election process, may affect our revenue period-over-period in certain businesses. Typically, these events do not have a significant impact on our revenue in any period, and we have factored the postponement of the 2020 Olympics into our previously discussed internal revenue expectations for 2020.

As discussed, in March 2020 our business began to experience the effects from client spending reductions from the impact related to the COVID-19 pandemic. The spending reductions primarily impacted our events business which is included in our CRM Consumer Experience discipline, certain businesses in our CRM Execution and Support businesses and our advertising and media businesses. The impact varied by geography and client. In North America, organic growth in our healthcare and CRM Consumer Experience discipline was offset by negative performance in our advertising and media businesses and disposition activity in 2019, primarily in our CRM Execution & Support discipline. In Europe and the Middle East and Africa, while mixed by market and discipline, modest organic growth in the U.K. was offset by the negative impact of changes in foreign exchange rates and negative performance in our advertising and media businesses in most markets in the regions, as well as a negative performance in our CRM Consumer Experience businesses, primarily in the Middle East. In addition, the economic and political conditions in the European Union, including the status of Brexit, remain uncertain and could negatively impact our businesses in the U.K. and in the region. In Latin America, the continuing unstable economic and political conditions in Brazil, as well as the negative effect of changes in foreign currency exchange rates and disposition activity, resulted in a weak performance in the region. In Asia-Pacific, organic growth in Australia and New Zealand was offset by the negative impact of changes in foreign exchange rates and negative performance in Japan and China. The economic and fiscal issues, including the impact related to the COVID-19 pandemic, facing the countries we operate in can cause economic uncertainty and volatility; however, the impact on our business varies by country. We monitor economic conditions closely, as well as client revenue levels and other factors. In response to reductions in our revenue that are expected to continue for the remainder of the year, beginning in the second quarter of 2020, we will take actions available to us to align our cost structure with changes in client demand and manage our working capital. However, there can be no assurance whether, or to what extent, our efforts to mitigate any impact of the current and future adverse economic conditions, reductions in client revenue, changes in client creditworthiness and other developments will be effective.

Certain business trends have generally 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. As clients increase their demands for marketing effectiveness and efficiency, they have made it a practice to consolidate their business within one service provider in the pursuit of a single engagement covering all consumer touch points. We have structured our business around these trends. We believe that our key client matrix organization structure approach to collaboration and integration of our services and solutions has provided a competitive advantage to our business in the past and we expect this to continue over the medium and long term.

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, among others, advertising, brand consulting, content marketing, corporate social responsibility consulting, crisis communications, custom publishing, data analytics, database management, digital/direct marketing, digital transformation, entertainment marketing, experiential marketing, field marketing, financial/corporate business-to-business advertising, graphic arts/digital imaging, healthcare marketing and communications, in-store design, interactive marketing, investor relations, marketing research, media planning and buying, merchandising and point of sale, mobile marketing, multi-cultural marketing, non-profit marketing, organizational communications, package design, product placement, promotional marketing, public affairs, public relations, retail marketing, sales support, search engine marketing, shopper marketing, social media marketing and sports and event marketing.

We continually evaluate our portfolio of businesses to identify areas for investment and acquisition opportunities, as well as to identify non-strategic or underperforming businesses for disposition. In the first quarter of 2019, we disposed of certain businesses, primarily in our CRM Execution & Support discipline.

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 and marketing discipline, the impact from foreign currency exchange rate changes, growth from acquisitions, net of dispositions and growth from our largest clients. Operating expenses are comprised of cost of services, selling, general and administrative expenses, or SG&A, and depreciation and amortization.

As discussed, in March 2020 our business began to experience the effects from client spending reductions from the impact related to the COVID-19 pandemic. For the quarter ended March 31, 2020, our revenue decreased 1.8% compared to the quarter ended March 31, 2019. Changes in foreign exchange rates reduced revenue 1.4%, acquisition revenue, net of disposition revenue, reduced revenue 0.7% and organic growth increased revenue 0.3%. The change in revenue across our principal regional markets were: North America increased \$8.1 million, Europe decreased \$22.1 million, Asia-Pacific decreased \$6.9 million and Latin America decreased \$17.6 million. In North America, organic growth in our healthcare and CRM Consumer Experience businesses was offset by negative performance in our advertising and media businesses and disposition activity in 2019 primarily in our CRM Execution & Support discipline. In Europe and the Middle East and Africa, while mixed by market and discipline, modest organic growth in the U.K. was offset by the negative impact of changes in foreign exchange rates and negative performance in our advertising and media businesses in most markets in the regions, as well as a negative performance in our CRM Consumer Experience businesses, primarily in the Middle East. In addition, the economic and political conditions in the European Union, including the status of Brexit, remain uncertain and could negatively impact our businesses in the U.K. and in the region. In Latin America, the continuing unstable economic and political conditions in Brazil, as well as the negative effect of changes in foreign currency exchange rates and disposition activity, resulted in a weak performance in the region. In Asia-Pacific, organic growth in Australia and New Zealand was offset by the negative impact of changes in foreign exchange rates and negative performance in Japan and China. The change in revenue in the first quarter of 2020 compared to the first quarter of 2019, in our fundamental disciplines was: advertising decreased \$36.8 million, CRM Consumer Experience decreased \$16.0 million, CRM Execution & Support decreased \$29.9 million, public relations decreased \$2.5 million and healthcare increased \$23.2 million.

We measure cost of services in two distinct categories: salary and service costs and occupancy and other costs. As a service business, salary and service costs make up the significant portion of our operating expenses and substantially all these costs comprise the essential components directly linked to the delivery of our services. Salary and service costs include employee compensation and benefits, freelance labor and direct service costs, which include third-party supplier costs and client-related travel costs. Occupancy and other costs consist of the indirect costs related to the delivery of our services, including office rent and other occupancy costs, equipment rent, technology costs, general office expenses and other expenses.

SG&A expenses, which decreased year-over-year, primarily consist of third-party marketing costs, professional fees and compensation and benefits and occupancy and other costs of our corporate and executive offices, which includes group-wide finance and accounting, treasury, legal and governance, human resource oversight and similar costs.

Operating expenses in the first quarter of 2020 decreased \$53.3 million, or 1.8%, period-over-period. Salary and service costs, which tend to fluctuate with changes in revenue, decreased \$34.3 million, or 1.3%, in the first quarter of 2020 compared to the first quarter of 2019. Occupancy and other costs, which are less directly linked to changes in revenue than salary and service costs, increased \$0.4 million, or 0.1%, in the first quarter of 2020 compared to the first quarter of 2019. Operating margin decreased 0.1% to 12.3% and EBITA margin decreased 0.1% to 12.9%, period-over-period.

Net interest expense in the first quarter of 2020 decreased \$0.2 million period-over-period to \$45.8 million. Interest expense on debt decreased \$5.4 million to \$53.8 million in the first quarter of 2020, primarily reflecting a reduction in interest expense from refinancing activity, principally from the issuance of the Euro notes at lower interest rates in 2019, partially offset by a loss of \$7.7 million on the early redemption of the remaining \$600 million principal amount of the 2020 Notes. Interest income decreased \$4.3 million to \$12.7 million period-over-period. Additionally, we took actions to strengthen our liquidity and financial position that are intended to mitigate the potential impact of the COVID-19 pandemic on our liquidity. On April 1, 2020, we issued our 4.20% Notes. For the remainder of the year, we expect the refinancing activity in 2019 and 2020 will more than offset the increase in interest expense from the issuance of the 4.20% Notes in April 2020. However, at this time, we expect reductions in interest income compared to the prior year will offset these reductions for the remainder of 2020.

Our effective tax rate for the three months ended March 31, 2020 decreased period-over-period to 26.0% from 26.8%. The decrease was primarily attributable to recognizing certain domestic tax credits during the quarter.

Net income - Omnicom Group Inc. in the first quarter of 2020 decreased \$5.1 million, or 1.9%, to \$258.1 million from \$263.2 million in the first quarter of 2019. The period-over-period decrease is due to the factors described above and a \$3.9 million loss included in Loss from Equity Method Investments, related to the impairment of an investment in affiliate. Diluted net income per share - Omnicom Group Inc. was \$1.19 in the first quarter of 2020 and increased period-over-period 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 restricted stock awards, stock option exercises and the employee stock purchase plan.

RESULTS OF OPERATIONS - First Quarter 2020 Compared to First Quarter 2019 (in millions):

	2020	2019
Revenue	\$ 3,406.9	\$ 3,468.9
Operating Expenses:		
Salary and service costs	2,533.3	2,567.6
Occupancy and other costs	309.6	309.2
Cost of services	2,842.9	2,876.8
Selling, general and administrative expenses	86.8	103.6
Depreciation and amortization	57.0	59.6
	2,986.7	3,040.0
Operating Profit	420.2	428.9
Operating Margin %	12.3 %	12.4 %
Interest Expense	58.5	63.0
Interest Income	12.7	17.0
Income Before Income Taxes and Loss From Equity Method Investments	374.4	382.9
Income Tax Expense	97.4	102.7
Loss From Equity Method Investments	(5.3)	(0.5)
Net Income	271.7	279.7
Net Income Attributed To Noncontrolling Interests	13.6	16.5
Net Income - Omnicom Group Inc.	\$ 258.1	\$ 263.2

Non-GAAP Financial Measures

We use EBITA and EBITA Margin as additional operating performance measures that exclude the non-cash amortization expense of intangible assets, which primarily consists of amortization of intangible assets arising from acquisitions. We define EBITA as earnings before interest, taxes and amortization of intangible assets, and EBITA Margin as EBITA divided by revenue. EBITA and EBITA Margin are non-GAAP Financial measures. We believe that EBITA and EBITA Margin are useful measures for investors to evaluate the performance of our business. 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.

The following table reconciles the U.S. GAAP financial measure of Net Income - Omnicom Group Inc. to EBITA and EBITA Margin for the periods presented (in millions):

	2020	2019
Net Income - Omnicom Group Inc.	\$ 258.1	\$ 263.2
Net Income Attributed To Noncontrolling Interests	13.6	16.5
Net Income	271.7	279.7
Loss From Equity Method Investments	(5.3)	(0.5)
Income Tax Expense	97.4	102.7
Income Before Income Taxes and Loss From Equity Method Investments	374.4	382.9
Interest Expense	58.5	63.0
Interest Income	12.7	17.0
Operating Profit	420.2	428.9
Add back: Amortization of intangible assets	20.8	21.6
Earnings before interest, taxes and amortization of intangible assets ("EBITA")	\$ 441.0	\$ 450.5
Revenue	\$ 3,406.9	\$ 3,468.9
EBITA	\$ 441.0	\$ 450.5
EBITA Margin %	12.9 %	13.0 %

Revenue

For the three months ended March 31, 2020 compared to the prior year period, revenue decreased \$62.0 million, or 1.8%, to \$3,406.9 million from \$3,468.9 million in the first quarter of 2019. Changes in foreign exchange rates reduced revenue \$50.0 million, acquisition revenue, net of disposition revenue, reduced revenue \$23.9 million, and organic growth increased revenue \$11.9 million. The impact of changes in foreign exchange rates reduced revenue 1.4%, or \$50.0 million, compared to the first quarter of 2019, primarily resulting from the weakening of substantially all foreign currencies, especially the Euro, British Pound and Australian Dollar, against the U.S. Dollar.

The components of revenue change for the first quarter of 2020 in the United States (“Domestic”) and the remainder of the world (“International”) were (in millions):

	Total		Domestic		International	
	\$	%	\$	%	\$	%
March 31, 2019	\$ 3,468.9		\$ 1,884.1		\$ 1,584.8	
Components of revenue change:						
Foreign exchange rate impact	(50.0)	(1.4)%	—	— %	(50.0)	(3.2)%
Acquisition revenue, net of disposition revenue	(23.9)	(0.7)%	(22.7)	(1.2)%	(1.2)	(0.1)%
Organic growth	11.9	0.3 %	32.8	1.7 %	(20.9)	(1.3)%
March 31, 2020	<u>\$ 3,406.9</u>	<u>(1.8)%</u>	<u>\$ 1,894.2</u>	<u>0.5 %</u>	<u>\$ 1,512.7</u>	<u>(4.5)%</u>

The components and percentages are calculated as follows:

- Foreign exchange rate 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 \$3,456.9 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 (\$3,406.9 million less \$3,456.9 million for the Total column).
- Acquisition revenue is calculated as if the acquisition occurred twelve months prior to the acquisition date by aggregating the comparable prior period revenue of acquisitions through the acquisition date. As a result, acquisition revenue excludes the positive or negative difference between our current period revenue subsequent to the acquisition date and the comparable prior period revenue and the positive or negative growth after the acquisition is attributed to organic growth. Disposition revenue is calculated as if the disposition occurred twelve months prior to the disposition date by aggregating the comparable prior period revenue of dispositions through the disposition date. The acquisition revenue and disposition revenue amounts are netted in the table.
- Organic growth is calculated by subtracting the foreign exchange rate impact, and the acquisition revenue, net of disposition revenue 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 (\$3,468.9 million for the Total column).

Changes in the value of foreign currencies against the U.S. Dollar affect our results of operations and financial position. For the most part, because the revenue and expense of our foreign operations are both denominated in the same local currency, the economic impact on operating margin is minimized. Assuming exchange rates at April 24, 2020 remain unchanged, we expect the impact of changes in foreign exchange rates to decrease revenue by approximately 2.0% for the year and 2.5% in the second quarter.

Revenue and organic growth in our principal regional markets were (in millions):

	Three Months Ended March 31,			
	2020	2019	\$ Change	% Organic Growth
Americas:				
North America	\$ 1,997.3	\$ 1,989.2	\$ 8.1	1.7 %
Latin America	71.4	89.0	(17.6)	(5.0)%
EMEA:				
Europe	923.4	945.5	(22.1)	(0.2)%
Middle East and Africa	55.5	79.0	(23.5)	(28.4)%
Asia-Pacific	359.3	366.2	(6.9)	2.0 %
	<u>\$ 3,406.9</u>	<u>\$ 3,468.9</u>	<u>\$ (62.0)</u>	<u>0.3 %</u>

Revenue in Europe, which includes our primary markets of the U.K. and the Euro Zone, decreased \$22.1 million for the first quarter of 2020. Revenue in the U.K., representing 10.1% of total revenue, increased \$6.3 million. Revenue in Continental Europe, which comprises the Euro Zone and the other European countries, representing 17.0% of total revenue, decreased \$28.4 million, primarily due to the unfavorable impact from changes in foreign exchange rates.

In North America, organic growth in our healthcare and CRM Consumer Experience businesses was offset by negative performance in our advertising and media businesses and disposition activity in 2019 primarily in our CRM Execution & Support discipline. In Europe and the Middle East and Africa, while mixed by market and discipline, modest organic growth in the U.K. was offset by the negative impact of changes in foreign exchange rates and negative performance in our advertising and media businesses in most markets in the regions, as well as a negative performance in our CRM Consumer Experience businesses, primarily in the Middle East. In addition, the economic and political conditions in the European Union, including the status of Brexit, remain uncertain and could negatively impact our businesses in the U.K. and in the region. In Latin America, the continuing unstable economic and political conditions in Brazil, as well as the negative effect of changes in foreign currency exchange rates and disposition activity, resulted in a weak performance in the region. In Asia-Pacific, organic growth in Australia and New Zealand was offset by the negative impact of changes in foreign exchange rates and negative performance in Japan and China.

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 the first quarter of 2020 was an overall gain in new business. Under our client-centric approach, we seek to broaden our relationships with all of our clients. In the first quarter of 2020 and 2019, our largest client represented 3.8% and 3.2% of revenue, respectively. Our ten largest and 100 largest clients represented 21.6% and 54.1% of revenue for the first quarter of 2020, respectively, and 19.2% and 51.8% of revenue for the first quarter of 2019, respectively.

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 categories: advertising, CRM, which includes CRM Consumer Experience and CRM Execution & Support, public relations and healthcare.

Revenue and organic growth by discipline were (in millions):

	Three Months Ended March 31,					
	2020		2019		2020 vs. 2019	
	\$	% of Revenue	\$	% of Revenue	\$ Change	% Organic Growth
Advertising	\$ 1,892.8	55.6 %	\$ 1,929.6	55.6 %	\$ (36.8)	(0.1) %
CRM Consumer Experience	583.1	17.1 %	599.1	17.3 %	(16.0)	(1.3) %
CRM Execution & Support	318.1	9.3 %	348.0	10.1 %	(29.9)	(0.9) %
Public Relations	331.6	9.7 %	334.1	9.6 %	(2.5)	0.2 %
Healthcare	281.3	8.3 %	258.1	7.4 %	23.2	9.6 %
	<u>\$ 3,406.9</u>		<u>\$ 3,468.9</u>		<u>\$ (62.0)</u>	<u>0.3 %</u>

We provide services to clients that operate in various industry sectors. Revenue by sector was:

	Three Months Ended March 31,	
	2020	2019
Food and Beverage	14 %	14 %
Consumer Products	7 %	9 %
Pharmaceuticals and Health Care	14 %	14 %
Financial Services	8 %	9 %
Technology	8 %	7 %
Auto	11 %	10 %
Travel and Entertainment	9 %	8 %
Telecommunications	6 %	5 %
Retail	7 %	6 %
Services	2 %	2 %
Oil, Gas and Utilities	2 %	2 %
Not-for-Profit	1 %	2 %
Government	2 %	2 %
Education	1 %	1 %
Other	8 %	9 %
	<u>100 %</u>	<u>100 %</u>

Operating Expenses

Operating expenses were (in millions):

	Three Months Ended March 31,					
	2020		2019		2020 vs. 2019	
	\$	% of Revenue	\$	% of Revenue	\$ Change	% Change
Revenue	\$ 3,406.9		\$ 3,468.9		\$ (62.0)	(1.8)%
Operating Expenses:						
Salary and service costs	2,533.3	74.4 %	2,567.6	74.0 %	(34.3)	(1.3)%
Occupancy and other costs	309.6	9.1 %	309.2	8.9 %	0.4	0.1 %
Cost of services	2,842.9		2,876.8		(33.9)	(1.2)%
Selling, general and administrative expenses	86.8	2.5 %	103.6	3.0 %	(16.8)	(16.2)%
Depreciation and amortization	57.0	1.7 %	59.6	1.7 %	(2.6)	(4.4)%
	2,986.7	87.7 %	3,040.0	87.6 %	(53.3)	(1.8)%
Operating Profit	\$ 420.2	12.3 %	\$ 428.9	12.4 %	\$ (8.7)	(2.0)%

Operating expenses in the first quarter of 2020 decreased \$53.3 million, or 1.8%, period-over-period. Salary and service costs, which tend to fluctuate with changes in revenue, decreased \$34.3 million, or 1.3%, in the first quarter of 2020 compared to the first quarter of 2019. Occupancy and other costs, which are less directly linked to changes in revenue than salary and service costs, increased \$0.4 million, or 0.1%, in the first quarter of 2020 compared to the first quarter of 2019. Operating margin decreased 0.1% to 12.3% and EBITA margin decreased 0.1% to 12.9%, period-over-period.

Net Interest Expense

Net interest expense in the first quarter of 2020 decreased \$0.2 million period-over-period to \$45.8 million. Interest expense on debt decreased \$5.4 million to \$53.8 million in the first quarter of 2020, primarily reflecting a reduction in interest expense from refinancing activity, principally from the issuance of the Euro notes at lower interest rates in 2019, partially offset by a loss of \$7.7 million on the early redemption of the remaining \$600 million principal amount of the 2020 Notes. Interest income decreased \$4.3 million to \$12.7 million period-over-period. Additionally, we took actions to strengthen our liquidity and financial position that are intended to mitigate the potential impact of the COVID-19 pandemic on our liquidity. On April 1, 2020, we issued our 4.20% Notes. For the remainder of the year, we expect the refinancing activity in 2019 and 2020 will more than offset the increase in interest expense from the issuance of the 4.20% Notes in April 2020. However, at this time, we expect reductions in interest income compared to the prior year will offset these reductions for the remainder of 2020.

Income Taxes

Our effective tax rate for the three months ended March 31, 2020 decreased period-over-period to 26.0% from 26.8%. The decrease was primarily attributable to recognizing certain domestic tax credits during the quarter.

Net Income Per Share - Omnicom Group Inc.

Net income - Omnicom Group Inc. in the first quarter of 2020 decreased \$5.1 million, or 1.9%, to \$258.1 million from \$263.2 million in the first quarter of 2019. The period-over-period decrease is due to the factors described above, and a \$3.9 million loss included in Loss from Equity Method Investments, related to the impairment of an investment in affiliate. Diluted net income per share - Omnicom Group Inc. was \$1.19 in the first quarter of 2020 and increased period-over-period 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 restricted stock awards, stock option exercises and the employee stock purchase plan.

CRITICAL ACCOUNTING POLICIES

For a more complete understanding of our accounting policies, the unaudited consolidated financial statements and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, readers are encouraged to consider this information together with Note 1 to the unaudited consolidated financial statements regarding the impact of the COVID-19 pandemic and Note 5 to the unaudited consolidated financial statements related to the impairment testing of our goodwill and other intangible assets, and with our discussion of our critical accounting policies under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2019 10-K.

NEW ACCOUNTING STANDARDS

Notes 1 and 3 to the unaudited consolidated financial statements provide information regarding new accounting standards.

LIQUIDITY AND CAPITAL RESOURCES

Although we are likely to experience a decrease in our cash flow from operations, we have recently taken numerous proactive steps to strengthen our liquidity and financial position that are intended to mitigate the potential impact of the COVID-19 pandemic on our liquidity. In February 2020, we issued \$600 million of the 2.45% Notes. In March 2020, the net proceeds from the issuance of the 2.45% Notes were used to redeem the remaining \$600 million principal amount of the 2020 Notes. As a result, we have no notes maturing until May 2022. Additionally, in April 2020, we issued \$600 million of the 4.20% Notes, and we entered into a new \$400 million 364 Day Credit Facility. The 364 Day Credit Facility is in addition to our existing \$2.5 billion Credit Facility expiring in February 2025. Additionally, in March 2020 we suspended our share repurchase activity.

Cash Sources and Requirements

Our primary liquidity sources are our operating cash flow, cash and cash equivalents and short-term investments. Additional liquidity sources include our \$2.5 billion Credit Facility, uncommitted credit lines aggregating \$1.1 billion, the ability to issue up to \$2 billion of commercial paper and access to the capital markets. On February 14, 2020, we amended our Credit Facility to extend the term to February 14, 2025. On April 3, 2020 we entered into the \$400 million 364 Day Credit Facility, expiring on April 2, 2021. Our liquidity funds our non-discretionary cash requirements and our discretionary spending.

Borrowings under our credit facilities may use LIBOR as the benchmark interest rate. The LIBOR benchmark rate is expected to be phased out after the end of 2021. We do not expect that the discontinuation of the LIBOR rate will have a material impact on our liquidity or results of operations.

Working capital is our principal non-discretionary funding requirement. In addition, we have contractual obligations related to our long-term debt (principal and interest payments), recurring business operations, primarily related to lease obligations, and contingent purchase price obligations (earn-outs) from acquisitions. Our principal discretionary cash spending includes dividend payments to common shareholders, capital expenditures, strategic acquisitions and repurchases of our common stock. We typically have a short-term borrowing requirement normally peaking during the second quarter of the year due to the timing of payments for incentive compensation, income taxes and contingent purchase price obligations.

Cash and cash equivalents decreased \$1.6 billion from December 31, 2019, and short-term investments decreased \$2.0 million from December 31, 2019. During the first three months of 2020, we used \$987.2 million of cash in operating activities, which included the use for operating capital of \$1.3 billion, primarily related to our typical working capital requirement during the period, the timing of working capital activity and the reduction in client spending late in the first quarter of 2020. Our discretionary spending during the first three months of 2020 was: capital expenditures of \$26.4 million; dividends paid to common shareholders of \$141.7 million; dividends paid to shareholders of noncontrolling interests of \$10.4 million; repurchases of our common stock, which we have suspended in March 2020, net of proceeds from stock option exercises and related tax benefits and common stock sold to our employee stock purchase plan, of \$198.6 million; and acquisition payments, including payment of contingent purchase price obligations and acquisition of additional shares of noncontrolling interests, net of cash acquired, of \$11.8 million. In addition, the impact of foreign exchange rate changes reduced cash and cash equivalents by \$210.5 million.

On February 19, 2020, we issued \$600 million of the 2.45% Notes. The net proceeds from the issuance, after deducting the underwriting discount and offering expenses, were \$592.6 million. The 2.45% Notes are senior unsecured obligations of Omnicom that rank equal in right of payment with all existing and future unsecured senior indebtedness. On March 23, 2020, the net proceeds from the issuance were used to redeem the remaining \$600 million principal amount of the 2020 Notes. In connection with the redemption, we recorded a loss on extinguishment of \$7.7 million in interest expense. Following the redemption, there were no 2020 Notes outstanding.

On April 1, 2020, we issued \$600 million of the 4.20% Notes. The net proceeds from the issuance, after deducting the underwriting discount and offering expenses, were \$592.5 million. The 4.20% Notes are senior unsecured obligations of Omnicom that rank equal in right of payment with all existing and future unsecured senior indebtedness. The net proceeds from the issuance will be used for general corporate purposes, which could include working capital expenditures, fixed asset expenditures, acquisitions, repayment of commercial paper and short-term debt, refinancing of other debt, or other capital transactions.

Cash Management

Our regional treasury centers in North America, Europe and Asia manage our cash and liquidity. Each day, operations with excess funds invest those funds with their regional treasury center. Likewise, operations that require funds borrow from their regional treasury center. The treasury centers aggregate the net position which is either invested with or borrowed from third parties. To the extent that our treasury centers require liquidity, they have the ability to issue up to a total of \$2 billion of U.S. Dollar-denominated commercial paper or borrow under the Credit Facility or the uncommitted credit lines. This process enables us to manage our debt more efficiently and utilize our cash more effectively, as well as manage our risk to foreign exchange rate

imbalances. In countries where we either do not conduct treasury operations or it is not feasible for one of our treasury centers to fund net borrowing requirements on an intercompany basis, we arrange for local currency uncommitted credit lines. We have a policy governing counterparty credit risk with financial institutions that hold our cash and cash equivalents and we have deposit limits for each institution. In countries where we conduct treasury operations, generally the counterparties are either branches or subsidiaries of institutions that are party to the Credit Facility. These institutions generally have credit ratings equal to or better than our credit ratings. In countries where we do not conduct treasury operations, all cash and cash equivalents are held by counterparties that meet specific minimum credit standards.

At March 31, 2020, our foreign subsidiaries held approximately \$1.1 billion of our total cash and cash equivalents of \$2.7 billion. Most of the cash is available to us, net of any foreign withholding taxes payable upon repatriation to the United States.

At March 31, 2020, our net debt position, which we define as total debt, including short-term debt, less cash and cash equivalents and short-term investments increased \$1.6 billion as compared to December 31, 2019. The increase in net debt primarily resulted from the use of cash of \$1.3 billion for operating capital principally related to our typical working capital requirements during the period, the timing of working capital activity and the reduction in client spending late in the first quarter. In addition, the impact of foreign exchange rate changes reduced cash and cash equivalents by over \$200 million, as compared to December 31, 2019 and March 31, 2019.

The components of net debt were (in millions):

	March 31, 2020	December 31, 2019	March 31, 2019
Short-term debt	\$ 10.9	\$ 10.1	\$ 595.4
Long-term debt, including current portion	5,093.4	5,134.3	4,901.8
Total debt	5,104.3	5,144.4	5,497.2
Less: Cash and cash equivalents and short-term investments	2,694.1	4,309.3	3,455.1
Net debt	\$ 2,410.2	\$ 835.1	\$ 2,042.1

Net debt is a Non-GAAP liquidity measure. This presentation, together with the comparable U.S. GAAP liquidity measures, reflects one of the key metrics used by us to assess our cash management. Non-GAAP liquidity measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with U.S. GAAP. Non-GAAP liquidity measures as reported by us may not be comparable to similarly titled amounts reported by other companies.

Debt Instruments and Related Covenants

Omnicom and its wholly owned finance subsidiary, Omnicom Capital Inc., or OCI, are co-obligors under the senior notes due 2022, 2024 and 2026. These notes are a joint and several liability of Omnicom and OCI, and Omnicom unconditionally guarantees OCI's obligations with respect to the notes. OCI provides funding for our operations by incurring debt and lending the proceeds to our operating subsidiaries. OCI's assets primarily consist of cash and cash equivalents and intercompany loans made to our operating subsidiaries, and the related interest receivable. There are no restrictions on the ability of OCI or Omnicom to obtain funds from our subsidiaries through dividends, loans or advances. The notes are senior unsecured obligations that rank equal in right of payment with all existing and future unsecured senior indebtedness.

Omnicom and OCI have, jointly and severally, fully and unconditionally guaranteed OFHP's obligations with respect to the Euro notes due 2027 and 2031. OFHP's assets consist of its investments in several wholly owned finance companies that function as treasury centers, which provide funding for various operating companies in Europe, Brazil, Australia and other countries in the Asia-Pacific region. The finance companies' assets consist of cash and cash equivalents and intercompany loans that they make or have made to the operating companies in their respective regions and the related interest receivable. There are no restrictions on the ability of Omnicom, OCI or OFHP to obtain funds from their subsidiaries through dividends, loans or advances. The Euro denominated notes and the related guarantees are senior unsecured obligations that rank equal in right of payment with all existing and future unsecured senior indebtedness of OFHP and each of Omnicom and OCI, respectively.

The Credit Facility and the 364 Day Credit Facility contain a financial covenant that requires us to maintain a Leverage Ratio of consolidated indebtedness to consolidated EBITDA of no more than 3.5 times for the most recently ended 12-month period (EBITDA is defined as earnings before interest, taxes, depreciation, amortization and non-cash charges). With respect to the Credit Facility, at March 31, 2020, we were in compliance with this covenant as our Leverage Ratio was 2.1. The Credit Facility and the 364 Day Credit Facility do not limit our ability to declare or pay dividends or repurchase our common stock.

At March 31, 2020, our long-term and short-term debt was rated BBB+ and A2 by S&P and Baa1 and P2 by Moody's. Our access to the commercial paper market and the cost of these borrowings are affected by market conditions and our credit ratings. Our long-term debt and Credit Facility do not contain provisions that require acceleration of cash payments in the event of a downgrade in our credit ratings.

Credit Markets and Availability of Credit

In light of the uncertainty of future economic conditions, we continue to seek to take actions available to us to respond to changing economic conditions, and we will continue to actively manage our discretionary expenditures. We have not repurchased any of our common stock since March 13, 2020 and we do not plan to resume our repurchases until we believe economic conditions have begun to stabilize. We will continue to monitor and manage the level of credit made available to our clients. We believe that these actions, in addition to the availability of our \$2.5 billion Credit Facility, and 364 Day Credit Facility are sufficient to fund our near-term working capital needs and our discretionary spending. For additional information about our credit facilities, see Note 6 to our consolidated financial statements.

We have typically funded our day-to-day liquidity by issuing commercial paper. In the first half of 2019, we issued short-term debt in a private placement to reduce our commercial paper issuances. This short-term debt was redeemed in the third quarter of 2019. Additional liquidity sources include our Credit Facility or the uncommitted credit lines. At March 31, 2020, there were no outstanding commercial paper issuances or borrowings under the Credit Facility or the uncommitted credit lines.

Commercial paper activity was (dollars in millions):

	Three Months Ended March 31,	
	2020	2019
Average amount outstanding during the quarter	\$ 64.4	\$ —
Maximum amount outstanding during the quarter	\$ 361.7	\$ —
Average days outstanding	1.9	—
Weighted average interest rate	1.64 %	— %

We expect to continue issuing commercial paper to fund our day-to-day liquidity. However, disruptions in the credit markets may lead to periods of illiquidity in the commercial paper market and higher credit spreads. To mitigate any disruption in the credit markets and to fund our liquidity, we may borrow under the Credit Facility or the uncommitted credit lines or access the capital markets if favorable conditions exist. We will continue to monitor closely our liquidity and conditions in the credit markets. We cannot predict with any certainty the impact on us of any disruptions in the credit markets. In such circumstances, we may need to obtain additional financing to fund our day-to-day working capital requirements. Such additional financing may not be available on favorable terms, or at all.

CREDIT RISK

We provide advertising, marketing and corporate communications services to several thousand clients that operate in nearly every sector of the global economy and we grant credit to qualified clients in the normal course of business. Due to the diversified nature of our client base, we do not believe that we are exposed to a concentration of credit risk as our largest client represented 3.8% of revenue in 2020. However, during periods of economic downturn, the credit profiles of our clients could change.

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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We manage our exposure to foreign exchange risk through various strategies, including the use of derivative financial instruments. We use forward foreign exchange contracts as economic hedges to manage the cash flow volatility arising from foreign exchange rate fluctuations. We do not use derivatives for trading or speculative purposes. Using derivatives exposes us to the risk that counterparties to the derivative contracts will fail to meet their contractual obligations. We manage that risk through careful selection and ongoing evaluation of the counterparty financial institutions based on specific minimum credit standards and other factors.

Our 2019 10-K provides a detailed discussion of the market risks affecting our operations. No material change has occurred in our market risks since the disclosure contained in our 2019 10-K. See our discussion regarding current economic conditions in Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations, in the Executive Summary and Liquidity and Capital Resources sections.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports we file with the SEC is recorded, processed, summarized and reported within applicable time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is accumulated and communicated to management, including our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, as appropriate to allow timely decisions regarding required disclosure. Management, including our CEO and CFO, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2020. Based on that evaluation, our CEO and CFO concluded that, as of March 31, 2020, our disclosure controls and procedures are effective to ensure that decisions can be made timely with respect to required disclosures, as well as ensuring that the recording, processing, summarization and reporting of information required to be included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 are appropriate.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Management, with the participation of our CEO, CFO and our agencies, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our CEO and CFO concluded that our internal control over financial reporting was effective as of March 31, 2020. There have not been any changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

KPMG LLP, an independent registered public accounting firm that audited our consolidated financial statements included in our 2019 10-K, has issued an attestation report on Omnicom's internal control over financial reporting as of December 31, 2019, dated February 11, 2020.

PART II. OTHER INFORMATION

Item 1. 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 1A. Risk Factors

The additional risk factor set forth below relating to the COVID-19 pandemic should be read in conjunction with the risk factors disclosed in Item 1A in our 2019 10-K. The developments related to the COVID-19 pandemic described below and elsewhere in this Quarterly Report on Form 10-Q have heightened certain of the risks disclosed in Item 1A in our 2019 10-K, and such risk factors are further qualified by the information relating to the COVID-19 pandemic that is described in this Quarterly Report on Form 10-Q. Except as described herein, there have been no material changes to the risk factors disclosed in Item 1A in our 2019 10-K.

The COVID-19 pandemic has significantly impacted worldwide economic conditions, resulted in clients reducing marketing communications expenditures and could have a material adverse effect on our results of operations, financial position and business.

The COVID-19 pandemic has significantly impacted the global economy. Public health efforts to mitigate the impact of the pandemic include government actions such as travel restrictions, limitations on public gatherings, shelter in place orders and mandatory closures. These actions have negatively impacted many of our clients' businesses, and in turn, clients have reduced or plan to reduce their demand for our services. As a result, we experienced a reduction in our revenue beginning late in the first quarter of 2020, as compared to the same period in 2019, that is expected to continue for the remainder of the year. Such reductions in revenue and other effects of the COVID-19 pandemic could materially adversely impact our results of operations and financial position and our ability to adequately serve our clients. The extent of the impact of the COVID-19 pandemic on our business will depend on numerous factors that we are not able to accurately predict, including the duration and scope of the pandemic, government actions and changes in our clients' businesses. Accordingly, the anticipated negative financial impact to our results of operations, financial position, liquidity and business results cannot be reasonably estimated, but could be material and last for an extended period of time.

In addition, because the overwhelming majority of our workforce temporarily transitioned to working from home, we may be required to modify our processes, procedures and controls to respond to the change in our business operations. The increase in the number of our employees working from home may increase certain business and procedural control risks, including increased risk of cybersecurity incidents and exposure of sensitive business and client advertising and marketing information as well as personal data or information.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Common stock repurchases during the three months ended March 31, 2020 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
January 1 - January 31, 2020	213,203	\$ 80.86	—	—
February 1 - February 29, 2020	338,965	74.49	—	—
March 1 - March 31, 2020	2,333,890	67.50	—	—
	2,886,058	\$ 69.31	—	—

During the three months ended March 31, 2020, we purchased 2,862,696 shares of our common stock in the open market for general corporate purposes and withheld 23,362 shares from employees to satisfy estimated statutory income tax obligations related to vesting of restricted stock awards 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. In March 2020, we suspended our share repurchase activity. There were no unregistered sales of equity securities during the three months ended March 31, 2020.

Item 6. Exhibits

4.1	<u>Base Indenture, dated as of February 21, 2020, among Omnicom Group Inc., as issuer, and Deutsche Bank Trust Company Americas, as trustee (Exhibit 4.1 to our Current Report on Form 8-K (File No. 1-10551) filed on February 21, 2020 ("February 21, 2020 8-K") and incorporated herein by reference).</u>
4.2	<u>First Supplemental Indenture, dated as of February 21, 2020, among Omnicom Group Inc., as issuer, and Deutsche Bank Trust Company Americas, as trustee (Exhibit 4.2 to the February 21, 2020 8-K and incorporated herein by reference).</u>
4.3	<u>Form of 2.450% Notes due 2030 (Included in Exhibit 4.2 to the February 21, 2020 8-K and incorporated herein by reference).</u>
10.1	<u>Director Compensation and Deferred Stock Program.</u>
10.2	<u>Second Amended and Restated Five Year Credit Agreement, dated as of February 14, 2020, by and among Omnicom Capital Inc., a Connecticut corporation, Omnicom Finance Limited, a private limited company organized under the laws of England and Wales, Omnicom Group Inc., a New York corporation, any other subsidiary of Omnicom Group Inc. designated for borrowing privileges, the banks, financial institutions and other institutional lenders and initial issuing banks listed on the signature pages thereof, Citibank, N.A., JPMorgan Chase Bank, N.A., and Wells Fargo Securities, LLC, as lead arrangers and book managers, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, National Association, as syndication agents, Bank of America, N.A., BNP Paribas, Barclays Bank PLC, Deutsche Bank Securities Inc. and HSBC Bank USA, National Association, as documentation agents, and Citibank, N.A., as administrative agent for the lenders (Exhibit 10.1 to our Current Report on Form 8-K (File No. 1-10551) filed on February 19, 2020 and incorporated herein by reference).</u>
10.3	<u>Rochelle Tarlowe employment letter.</u>
31.1	<u>Certification of the Chairman and Chief Executive Officer required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.</u>
31.2	<u>Certification of the Executive Vice President and Chief Financial Officer required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.</u>
32	<u>Certification of the Chairman and Chief Executive Officer and the Executive Vice President and Chief Financial Officer required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350.</u>
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: April 28, 2020

OMNICOM GROUP INC.

/s/ PHILIP J. ANGELASTRO

Philip J. Angelastro
Executive Vice President and Chief Financial Officer (Principal Financial
Officer and Authorized Signatory)

OMNICOM GROUP INC.
DIRECTOR COMPENSATION AND DEFERRED STOCK PROGRAM
(AS AMENDED, EFFECTIVE JANUARY 1, 2020)

1. Purpose. The purpose of the Omnicom Group Inc. Director Compensation and Deferred Stock Program (the “Program”) is to promote the success and enhance the value of Omnicom Group Inc. (the “Company”) by linking the personal interests of the members of the Board of Directors of the Company to those of Company stockholders and by providing such members with an incentive for outstanding performance to generate superior returns to Company stockholders.
 2. Incentive Plan. The Program is adopted under the Omnicom Group Inc. 2013 Incentive Award Plan, as amended, or any successor plan (the “Incentive Plan”). Capitalized terms used herein but not defined herein will have the meanings ascribed to them in the Incentive Plan.
 3. Administration. The Program will be administered by the Committee subject to, and in accordance with, the terms of the Incentive Plan, including but not limited to Articles 3, 4, 8, 10, 11, 12, 13, 14 and 15 of the Incentive Plan. The Committee will have full power and authority, subject to the provisions of the Program and the Incentive Plan, to supervise administration and to interpret the provisions of the Program and to authorize and supervise any crediting of Deferred Stock or issuance or payment of Stock hereunder. Any determination or action of the Committee in connection with the interpretation or administration of the Program will be final, conclusive and binding on all parties. No member of the Committee will be liable for any determination made, or any decision or action taken, with respect to the Program.
 4. Eligibility. Each Director who is not an Employee or a former Employee will be eligible to receive Deferred Stock in accordance with the Program, provided that shares of Stock remain available for issuance hereunder in accordance with Article 3 of the Incentive Plan. Each such eligible Director who elects to participate in the Program will be referred to herein as a “Participant”.
 5. Director Compensation Generally. The amount of compensation paid to each Participant for services as a Director (the “Director Compensation”) will be determined from time to time in accordance with the Company’s By-laws and applicable law.
 - (a) Each Participant will receive on a quarterly basis a number of shares of Stock equal in value to \$43,750 (or such other amount as determined by the Board from time to time) divided by the Fair Market Value of one common share on the day immediately preceding the date of the award for services to be performed in the following quarter. Subject to Section 6 below, quarterly payments will be paid on the first business day following the annual meeting of the Company’s stockholders and on the 3, 6, and 9-month anniversaries, respectively, of such date.
 - (b) Each Participant may elect to receive all or a portion of his or her remaining Director Compensation in cash or in Stock.
-

6. Deferral Elections.

(a) With respect to the Director Compensation that is payable in shares of Stock under Section 5(a) of the Program and the remaining portion of Director Compensation that a Participant elects to receive in Stock under Section 5(b) of the Program, each Participant may further make an irrevocable deferral election (a “Deferral Election”) to defer payment of all or a portion of such Stock in accordance with the terms of the Program.

(b) In order to make a Deferral Election pursuant to Section 6(a) of the Program, the Participant must deliver to the Company a written notice in a form prescribed by the Company (the “Deferral Election Form”) setting forth (1) the percentage of the Participant’s total Director Compensation otherwise payable in cash that the Participant elects to be paid in Stock, (2) the percentage of the Participant’s Director Compensation payable in Stock that the Participant elects to be deferred and paid in Deferred Stock, and (3) the Deferred Payment Date (as defined below) elected by the Participant.

(c) The Deferral Election Form must be delivered no later than the last business day prior to the commencement of the calendar year for which the Director Compensation would be payable (the “Service Year”) and will be effective with respect to Director Compensation earned for such Service Year; provided that an eligible Director who is initially elected to the Board may deliver the Deferral Election Form within 30 days of the date on which such Director becomes a Director, and such Deferral Election Form will be irrevocable as of the close of business on the date it is delivered and will be effective with respect to Director Compensation earned after the date it is delivered for the remainder of the Service Year in which such Director becomes a Director. In the event that a Participant becomes an Employee and continues to receive Director Compensation, (1) the Participant’s Deferral Election for the Service Year in which such Participant becomes an Employee will be effective through the end of such Service Year, and (2) the Participant will not be eligible to participate in the Program at any time after such Service Year.

(d) For purposes of the Program, the “Deferred Payment Date”, as elected by the Participant, will be any of (1) the date of termination of the Participant’s services as a Director, subject to Section 6(e) of the Program, (2) a specified annual anniversary of such date of termination, subject to Section 6(e) of the Program, or (3) a specified date that is after December 31 of the Service Year. The Deferral Election Form will be irrevocable with respect to such Director Compensation for the Service Year to which the Deferral Election relates and may not be modified in any respect after it is received by the Company, except to the extent that the Company in its sole discretion allows such revocation or modification on or prior to December 31 of the year immediately preceding such Service Year. Notwithstanding the foregoing, a Participant may revoke or modify a Deferral Election, subject to proof of an “unforeseeable emergency” (within the meaning of Treasury Regulation 1.409A-3(i)(3)), as determined by the Committee, and any other limitations and restrictions as the Committee may prescribe in its sole discretion, by filing a revised Deferral Election Form, which must be approved by the Committee. If a Participant is allowed to discontinue a deferral election during a calendar year, he or she will not be permitted to elect a new deferral until the next calendar year.

(e) A Participant will not be deemed to have terminated service as a Director or ceased to be a Director for purposes of the determination of the Deferred Payment Date, and no payment of Deferred Stock that becomes payable as a result of such termination or cessation will be paid, unless such termination or cessation constitutes a “separation from service” within the meaning of Treasury Regulation Section 1.409A-1(h) (a “Separation from Service”).

7. Deferred Stock Accounts.

(a) If a Participant elects to receive Deferred Stock under Section 6 of the Program, such Deferred Stock will be credited to a book-keeping account in the Participant’s name as of the day the Director Compensation to which the Deferred Stock relates would have been paid. The number of shares of Deferred Stock credited to a Participant’s account will equal, as applicable, the number of shares of Stock that would have been paid to the Participant or the cash amount that would have been paid to the Participant divided by the Fair Market Value of one share of Stock on the date such cash amount would have been paid. Such shares of Deferred Stock will count against the maximum number of shares of Stock authorized and reserved for issuance under Article 3 of the Incentive Plan.

(b) A Participant’s account will be credited as of the last day of each calendar quarter with that number of additional shares of Deferred Stock equal to the amount of cash dividends paid by the Company during such quarter on the number of shares of Stock equivalent to the number of shares of Deferred Stock in the Participant’s account from time to time during such quarter divided by the Fair Market Value of one share of Stock on the last business day of such calendar quarter. Such dividend equivalents, which will likewise be credited with dividend equivalents, will be deferred until the Deferred Payment Date for the Deferred Stock with respect to which the dividend equivalents were credited.

(c) Subject to Section 8(b) of the Program, Deferred Stock will be subject to a deferral period beginning on the date of crediting to the Participant’s account and ending upon the Deferred Payment Date as the Participant has elected in accordance with Section 6 of the Program. In accordance with Section 8.5 of the Incentive Plan and unless otherwise provided by the Committee, during such deferral period the Participant will have no rights as a Company stockholder with respect to his or her Deferred Stock.

8. Delivery of Shares.

(a) Subject to Section 8(b) of the Program, the number of shares in a Participant’s account as of the Deferred Payment Date elected by such Participant will be delivered on or as soon as practicable, but in no event more than 60 days after, the Deferred Payment Date. The Company will make delivery of certificates representing the shares of Stock which a Participant is entitled to receive in accordance with the terms of the Program and the Incentive Plan.

(b) Notwithstanding anything to the contrary in this Program, if at the time of a Director’s Separation from Service, such Director is a “specified employee” as defined in Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), as reasonably determined by the Company in accordance with Section 409A of the Code, and the deferral of

the commencement of any distributions otherwise payable hereunder as a result of such Separation from Service is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then the Company will defer the commencement of any such distributions hereunder (without any reduction in the amounts ultimately distributed or provided to the Director) until the date that is at least six months following the Director's Separation from Service with the Company (or the earliest date permitted under Section 409A of the Code), whereupon the Company will distribute to the Director a lump-sum amount equal to the cumulative amounts that would have otherwise been previously distributed to the Director under this Program during the period in which such distributions were deferred. Thereafter, distributions will resume in accordance with this Program.

9. Effective Date and Term. The Program will be effective January 1, 2009 (the "Effective Date") and will remain in effect until its termination by action of the Board subject to Section 10(a).

10. Amendment or Termination.

(a) The Company may at any time amend the Program, provided that to the extent necessary and desirable to comply with any applicable law, regulation or stock exchange rule, the Company will obtain stockholder approval of any Program amendment in such a manner and to such a degree as required. The Company may terminate the Program at any time and, in connection with any such termination, may deliver to each Participant the shares of Stock credited to his account, subject to and in accordance with the requirements of Treasury Regulation Section 1.409A-3(j)(4)(ix) (or any successor provision thereto). An amendment or termination of the Program will not adversely affect the right of a Participant to receive Stock issuable or cash payable at the effective date of the amendment or termination.

(b) The Program is intended to meet the requirements of Section 409A of the Code and will be interpreted and construed in accordance with Section 409A of the Code and Department of Treasury Regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Program or the Incentive Plan to the contrary, in the event that following the Effective Date the Committee determines that any provision of the Program could otherwise cause any person to be subject to the penalty taxes imposed under Section 409A of the Code, the Committee may adopt such amendments to the Program or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to comply with the requirements of Section 409A of the Code and related Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section.

11. Miscellaneous.

(a) The rights, benefits or interests a Participant may have under this Program are not assignable or transferable and will not be subject in any manner to alienation, sale or any encumbrances, liens, levies, attachments, pledges or charges of the Participant or his or her creditors.

(b) To the extent that the application of any formula described in this Program does not result in a whole number of shares of Stock, the result will be rounded upwards to the next whole number.

(c) The adoption and maintenance of this Program will not be deemed to be a contract between the Company and a Participant to retain his or her position as a Director.

* * *

I hereby certify that the foregoing Omnicom Group Inc. Director Compensation and Deferred Stock Program was duly adopted by the Board as of December 4, 2008 and amended as of October 18, 2012, January 1, 2017 and January 1, 2020.

Executed on this 1st day of January, 2020.

/s/ Michael J. O'Brien
Michael J. O'Brien

Senior Vice President, General Counsel and
Secretary

Omnicom Group Inc.

Leslie Chiocco
Vice President,
Human Resources
& Retirement Benefits

March 22, 2019

Rochelle Tarlowe
215 West 90th Street, Apt. 7E
New York, New York 10024

Dear Rochelle,

It gives me great pleasure to confirm our offer of employment to you with Omnicom Management Inc. (the "Company" or "OMI"), the corporate office for Omnicom Group Inc., in the Stamford office under the following terms and conditions:

Title and Reporting Relationship

When you join the Company, your initial title will be Senior Vice President and Treasurer. You initially will be reporting to the Chief Financial Officer of Omnicom Group Inc.

Hire Date and Employment Eligibility

As agreed, your hire date will be May 6, 2019. This offer of employment is contingent upon verification of the prior employment and education information, which you have provided, and satisfactory results from a background check, which may include investigation of other pertinent information bearing upon your continued employment with the Company. In addition, your employment is contingent upon you providing the required documentation to verify your employment eligibility in the U.S. as required for the enclosed Form 1-9.

Compensation

Your starting salary will be at the annual rate of \$425,000, with a semi-monthly equivalent of \$17,708. Your salary will be payable in accordance with the Company's normal payroll practices and subject to standard withholdings. You will be paid semi-monthly on the 15th and last working day of each month. If such date falls on a weekend or company holiday, you will be paid on the preceding work day.

You are eligible to participate in the management bonus pool and your first bonus will be determined after the 2019 calendar year (payable in 2020) and will not be prorated from your date of hire. Your annual bonus target will be \$300,000. Bonus payments are based on your performance and on the overall discretionary bonus pool approved for the Company each year. Bonuses are discretionary and are typically paid in April for the prior year and are conditioned upon your continued employment through the payment date of the bonus.

You are eligible to participate in the Omnicom Equity Incentive Plan and you will be considered for your first annual award after the 2019 calendar year. Your annual restricted stock unit award target amount will be \$250,000. Awards of restricted stock units shall vest pro-rata over five years and are subject to the terms and conditions of the Omnicom Equity Incentive Plan in effect at the time of the grant and the approval of the Omnicom Group Compensation Committee.

As an executive officer of Omnicom Group Inc. your incentive compensation, including any bonus award and/or restricted stock unit award will be subject to approval by the Omnicom Group Inc. Compensation Committee and the actual amounts awarded can be decreased, or increased at their discretion.

Transition Awards

In connection with your becoming an employee, you will receive a one-time bonus award of \$100,000 payable on October 1, 2019 conditioned upon your continued employment through the payment date of the bonus. On, or about, July 1, 2019 you will also be granted an award of \$450,000 of restricted stock units that will vest pro-rata over five years, and is subject to the terms and conditions of the Omnicom Equity Incentive Plan in effect at the time of the grant.

Benefits

As part of your compensation package, you are also eligible to participate in the Company's benefit plans and policies, which currently consist of medical, dental, vision, life insurance, long and short-term disability, supplemental life insurance, personal accident insurance, paid vacation and holidays, 401k retirement plan and employee stock purchase plan. Also, you will be entitled to four weeks (20 days) of vacation per year, prorated for your first year, which is more than what the company's normal vacation policy provides. Information about all of these benefits will be provided upon hire. If you have any questions before, please let us know.

Non-Disclosure/ Non-Solicitation/ Work for Hire

In consideration of your employment with the Company and for other good and valuable consideration, receipt of which is hereby acknowledged, you agree as follows:

(a) In the course of your employment with the Company, you will acquire and have access to confidential or proprietary information about the Company and/or its clients and/or customers, including but not limited to, trade secrets, methods, models, passwords, access to computer files, financial information and records, computer software programs, agreements and/or contracts between the Company and its clients and/or customers, the Company's client lists, the Company's client contacts, the Company's editorial, marketing and/or creative policies, practices, concepts, strategies, and methods of operations, internal policies, pricing policies and procedures, cost estimates, engagement planning materials, employee lists, training manuals, financial or business projections, and information about or received from clients and other companies with which the Company does business. The foregoing shall be collectively referred to as "confidential information." You are aware that the confidential information is not readily available to the public. You agree that during your employment or provision of services and thereafter, you will keep confidential and not disclose the confidential information to anyone or use it for your own benefit or for the benefit of others, except in performing your duties as our employee or agent. You agree that this restriction shall apply whether or not any such information is marked "confidential."

(b) All memoranda, disks, files, notes, records or other documents, whether in electronic form or hard copy (collectively, the "material") compiled by you or made available to you during your employment (whether or not the material contains confidential information) are the property of the Company and shall be delivered to the Company on the termination of your employment or at any other time upon request. Except in connection with your employment, you agree that you will not make or retain copies or excerpts of the material.

(c) You agree that your position with the Company requires and will continue to require the performance of services which are special, unique, extraordinary, and of an intellectual character and places you in a position of confidence and trust with the clients and employees of the Company. You further acknowledge that the rendering of services to the Company's clients necessarily requires the disclosure of confidential information and trade secrets of the Company. You agree that in the course of your employment with or rendering of services to the Company, you will develop a personal acquaintanceship and relationship with the clients of the Company and knowledge of those clients' affairs and requirements. Consequently, you agree that it is reasonable and necessary for the protection of the good will and business of the Company that you make the covenants contained herein. Accordingly, you agree that while you are in the Company's employ and for the one year period after the termination of your employment, for any reason whatsoever, you shall not directly or indirectly, except on behalf of the Company:

(i) attempt in any manner to solicit or accept from any Client (as defined below) business of

the type performed by the Company or to persuade any Client to cease to do business or to reduce the amount of business which any such Client has customarily done or is reasonably expected to do with the Company, whether or not the relationship between the Company and such Client was originally established in whole or in part through your efforts; or

(ii) employ as an employee or retain as a consultant any person who is then or at any time during the preceding twelve months was an employee of or exclusive consultant to the Company (unless the Company had terminated the employment or engagement of such employee or exclusive consultant prior to the time of the alleged prohibited conduct), or persuade or attempt to persuade any employee of or exclusive consultant to the Company to leave the employ of the Company or to become employed as an employee or retained as a consultant by anyone other than the Company; or

(iii) render to or for any Client any services of the type rendered by the Company. As used in this section only, the term "Company" shall include OMI and all subsidiaries of Omnicom Group Inc.; and the term "Client" shall mean (1) anyone who is a client of any Omnicom Group Inc. company ("OGI Company") at the time your employment is terminated, or, if your employment shall not have terminated, at the time of the alleged prohibited conduct (any such applicable date being called the "Determination Date"), but only if you had a direct relationship with, supervisory responsibility for or otherwise were significantly involved with such client during your employment with the Company; (2) anyone who was a client of any OGI Company at any time during the one year period immediately preceding the Determination Date, but only if you had a direct relationship with, supervisory responsibility for or otherwise were significantly involved with such client during your employment with the Company; (3) any prospective client to whom any OGI Company had made a new business presentation (or similar offering of services) at any time during the one year period immediately preceding the Determination Date, but only if you participated in or supervised such presentation and/or the preparation therefore or the discussions leading up thereto; and (4) any prospective client to whom any OGI Company made a new business presentation (or similar offering of services) at any time within six months after your termination of employment, but only if the initial discussions between such OGI Company and such prospective client relating to the rendering of services occurred prior to your termination of employment, and only if you participated in or supervised such presentation and/or the preparation therefore or the discussions leading up thereto.

For purposes of this clause, it is agreed that a general mailing or an incidental contact shall not be deemed a "new business presentation or similar offering of services" or a "discussion". In addition, if the client is part of a group of companies which conducts business through more than one entity, division or operating unit, whether or not separately incorporated (a "Client Group"), the term "client" as used herein shall also include each entity, division and operating unit of the Client Group for whom the Company also renders services where the same management group of the Client Group has the decision making authority or significant influence with respect to contracting for services of the type rendered by the Company.

(d) You agree that any actual or threatened breach by you of the covenants set forth above would result in irreparable harm to the Company for which monetary damages alone would be an insufficient remedy. Thus, although nothing in this paragraph will prohibit the Company from pursuing any remedies available to it against you under applicable law (which shall be cumulative with those remedies set forth herein), you specifically agree that, in the event of any threatened or actual breach of this agreement by you, the Company shall be entitled to a temporary restraining order and, thereafter, a preliminary and permanent injunction and other equitable relief including, without limitation, an equitable accounting of earnings, profits, and other benefits, from a court of competent jurisdiction, as well as reimbursement from you for any attorneys' fees and other costs incurred by the Company in obtaining such relief. No specification in this agreement of any legal or equitable remedy shall be construed as a waiver or prohibition against pursuing any other legal or equitable remedies in the event of a threatened or actual breach of this agreement by you.

(e) Notwithstanding anything to the contrary, you shall not be held criminally liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in confidence to a Federal, State, or local

government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. You shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. You who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to your attorney and use the trade secret information in the court proceeding, if you file any document containing the trade secret under seal; and do not disclose the trade secret, except pursuant to court order.

(f) (i) You hereby assign to the Company, or its designee, all your right, title, and interest in and to any and all Works, original works of authorship, developments, concepts, improvements or trade secrets, which you may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed, during your employment and which (x) relate to the Company's business, (y) result from any work performed for the Company, or (z) result from any use of the Company's equipment, supplies, facilities or Confidential Information (collectively referred to as "Works"). You further acknowledge that all original works of authorship which are made by you (solely or jointly with others) within the scope of this Agreement and during your employment and which are protectible by copyright are "works made for hire," as that term is defined in the United States Copyright Act. If for any reason any portion of the Works do not qualify as works made for hire, that you hereby transfer and assign to the Company all right, title and interest in and to the Works, including the Copyright therein.

(ii) You agree to assist the Company, or its designee, at the Company's expense, in every proper way to secure the Company's rights in the Works and any copyrights, or other intellectual property rights relating thereto, including the disclosure to the Company of all pertinent information and data with respect thereto, the execution of all applications, assignments and all other instruments which the Company shall deem necessary in order to apply for and obtain such rights.

(g) If any provision of this section, or any part thereof, is found to be invalid or unenforceable, the same shall not affect the remaining provisions, which shall be given full effect, without regard to the invalid portions. Moreover, if any one or more of the provisions contained in this agreement shall be held to be excessively broad as to duration, scope, activity or subject, such provisions shall be construed by limiting and reducing them so as to be enforceable to the maximum extent with applicable law.

(h) You agree that the terms set forth in this section shall survive the termination of your employment with or provision of services to the Company.

Employment At Will

This offer is not a contract for a definite period of time. Although we look forward to a mutually rewarding relationship, your employment is at will and accordingly, is subject to termination by either you or the Company at any time, for any reason or for no reason.

Miscellaneous

(a) This letter contains the entire agreement between us. You acknowledge that you have not relied upon any representations (oral or otherwise) other than those explicitly stated in this offer letter.

(b) The terms of this agreement and all rights and obligations of the parties thereto including its enforcement shall be interpreted and governed by the laws of the state of New York.

To confirm your acceptance of this offer, kindly sign below and initial where indicated and return one copy of this agreement to Portia Torres, HR Manager for Omnicom at portia.torres@omnicomgroup.com.

Should you have any questions, my direct number is 212-415-3605, and Portia's number is 212-415-3641. We look forward to you joining the Omnicom corporate team!

Sincerely,

Leslie Chiocco

I confirm my acceptance of employment with Omnicom Management Inc., subject to the terms and conditions set forth above. By signing below, I also acknowledge that I agree to abide by the provisions of the Confidentiality Agreement (contained herein).

Accepted: /s/ Rochelle M. Tarlowe Date: March 26, 2019

Cc: Philip J. Angelastro

CERTIFICATION

I, John D. Wren, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 of Omnicom Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2020

/s/ JOHN D. WREN

John D. Wren
Chairman and Chief Executive Officer

CERTIFICATION

I, Philip J. Angelastro, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 of Omnicom Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2020

/s/ PHILIP J. ANGELASTRO

Philip J. Angelastro
Executive Vice President and
Chief Financial Officer

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of Omnicom Group Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of Omnicom Group Inc. certifies that, to such officer's knowledge:

- the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Omnicom Group Inc. as of the dates and for the periods expressed in the Report.

Date: April 28, 2020

/s/ JOHN D. WREN
Name: John D. Wren
Title: Chairman and Chief Executive Officer

/s/ PHILIP J. ANGELASTRO
Name: Philip J. Angelastro
Title: Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that Omnicom Group Inc. specifically incorporates it by reference.