

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 SEPTEMBER 30, 2020

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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 October 15, 2020, there were 214,973,478 shares of Omnicom Group Inc. Common Stock outstanding.

OMNICOM GROUP INC.
QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 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 1A, "Risk Factors" and 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)

	September 30, 2020 (Unaudited)	December 31, 2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,278.3	\$ 4,305.7
Short-term investments, at cost	—	3.6
Accounts receivable, net of allowance for doubtful accounts of \$36.7 and \$21.5	6,298.3	7,829.0
Work in process	1,174.4	1,257.6
Other current assets	1,111.4	1,188.8
Total Current Assets	11,862.4	14,584.7
Property and Equipment at cost, less accumulated depreciation of \$1,147.5 and \$1,142.8	588.1	663.4
Operating Lease Right-Of-Use Assets	1,253.0	1,398.3
Equity Method Investments	81.4	106.8
Goodwill	9,438.4	9,440.5
Intangible Assets, net of accumulated amortization of \$781.1 and \$759.2	306.2	338.2
Other Assets	250.0	251.5
TOTAL ASSETS	\$ 23,779.5	\$ 26,783.4
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	\$ 8,572.7	\$ 11,768.4
Customer advances	1,129.5	1,215.3
Current portion of debt	—	602.4
Short-term debt	23.6	10.1
Taxes payable	186.1	252.8
Other current liabilities	2,251.9	2,131.9
Total Current Liabilities	12,163.8	15,980.9
Long-Term Liabilities	948.6	1,006.8
Long-Term Liability - Operating Leases	1,148.9	1,274.7
Long-Term Debt	5,761.5	4,531.9
Deferred Tax Liabilities	424.6	408.1
Commitments and Contingent Liabilities (Note 12)		
Temporary Equity - Redeemable Noncontrolling Interests	210.2	207.3
Equity:		
Shareholders' Equity:		
Preferred stock	—	—
Common stock	44.6	44.6
Additional paid-in capital	741.8	760.9
Retained earnings	7,932.6	7,806.3
Accumulated other comprehensive income (loss)	(1,380.6)	(1,197.6)
Treasury stock, at cost	(4,699.6)	(4,560.3)
Total Shareholders' Equity	2,638.8	2,853.9
Noncontrolling interests	483.1	519.8
Total Equity	3,121.9	3,373.7
TOTAL LIABILITIES AND EQUITY	\$ 23,779.5	\$ 26,783.4

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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue	\$ 3,206.5	\$ 3,623.8	\$ 9,414.1	\$ 10,812.5
Operating Expenses:				
Salary and service costs	2,287.1	2,704.7	6,851.5	7,937.5
Occupancy and other costs	273.1	290.7	872.6	915.4
Repositioning costs and net loss on dispositions	—	—	277.9	—
Cost of services	2,560.2	2,995.4	8,002.0	8,852.9
Selling, general and administrative expenses	90.2	97.2	259.2	308.4
Depreciation and amortization	54.7	57.9	168.8	175.3
	<u>2,705.1</u>	<u>3,150.5</u>	<u>8,430.0</u>	<u>9,336.6</u>
Operating Profit	501.4	473.3	984.1	1,475.9
Interest Expense	54.4	62.8	166.6	192.4
Interest Income	5.9	13.5	25.1	46.9
Income Before Income Taxes and Income (Loss) From Equity				
Method Investments	452.9	424.0	842.6	1,330.4
Income Tax Expense	120.9	112.3	240.2	345.5
Income (Loss) From Equity Method Investments	2.9	0.5	(10.1)	1.2
Net Income	<u>334.9</u>	<u>312.2</u>	<u>592.3</u>	<u>986.1</u>
Net Income Attributed To Noncontrolling Interests	21.6	22.0	45.0	62.0
Net Income - Omnicom Group Inc.	<u>\$ 313.3</u>	<u>\$ 290.2</u>	<u>\$ 547.3</u>	<u>\$ 924.1</u>
Net Income Per Share - Omnicom Group Inc.:				
Basic	\$ 1.45	\$ 1.33	\$ 2.54	\$ 4.19
Diluted	\$ 1.45	\$ 1.32	\$ 2.53	\$ 4.17

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
(Unaudited)
(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net Income	\$ 334.9	\$ 312.2	\$ 592.3	\$ 986.1
Other Comprehensive Income (Loss):				
Cash flow hedge:				
Amortization of loss included in interest expense	1.3	0.9	4.1	2.7
Income tax effect	(0.4)	—	(1.2)	0.2
	<u>0.9</u>	<u>0.9</u>	<u>2.9</u>	<u>2.9</u>
Defined benefit pension plans and postemployment arrangements:				
Amortization of prior service cost	1.2	1.3	3.7	3.9
Amortization of actuarial losses	1.8	0.6	5.6	1.6
Income tax effect	(0.6)	(1.2)	(2.6)	(2.8)
	<u>2.4</u>	<u>0.7</u>	<u>6.7</u>	<u>2.7</u>
Foreign currency translation adjustment	<u>78.1</u>	<u>(129.2)</u>	<u>(210.3)</u>	<u>(116.4)</u>
Other Comprehensive Income (Loss)	<u>81.4</u>	<u>(127.6)</u>	<u>(200.7)</u>	<u>(110.8)</u>
Comprehensive Income	416.3	184.6	391.6	875.3
Comprehensive Income Attributed To Noncontrolling Interests	<u>27.0</u>	<u>8.3</u>	<u>27.3</u>	<u>49.2</u>
Comprehensive Income - Omnicom Group Inc.	<u>\$ 389.3</u>	<u>\$ 176.3</u>	<u>\$ 364.3</u>	<u>\$ 826.1</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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Common Stock, shares issued	297.2	297.2	297.2	297.2
Common Stock, par value	\$ 44.6	\$ 44.6	\$ 44.6	\$ 44.6
Additional Paid-in Capital:				
Beginning Balance	801.2	726.2	760.9	728.8
Net change in noncontrolling interests	0.5	(21.6)	10.4	(19.5)
Change in temporary equity	(28.7)	36.6	(8.1)	24.5
Share-based compensation	17.6	19.2	52.5	53.5
Stock issued, share-based compensation	(48.8)	(31.8)	(73.9)	(58.7)
Ending Balance	741.8	728.6	741.8	728.6
Retained Earnings:				
Beginning Balance	7,759.3	7,384.7	7,806.3	7,016.1
Cumulative effect of accounting changes	—	—	—	22.3
Net income	313.3	290.2	547.3	924.1
Common stock dividends declared	(140.0)	(141.8)	(421.0)	(429.4)
Ending Balance	7,932.6	7,533.1	7,932.6	7,533.1
Accumulated Other Comprehensive Income (Loss):				
Beginning Balance	(1,456.6)	(1,234.9)	(1,197.6)	(1,228.5)
Cumulative effect of accounting changes	—	—	—	(22.3)
Other comprehensive income (loss)	76.0	(113.9)	(183.0)	(98.0)
Ending Balance	(1,380.6)	(1,348.8)	(1,380.6)	(1,348.8)
Treasury Stock:				
Beginning Balance	(4,735.5)	(4,510.4)	(4,560.3)	(4,013.9)
Stock issued, share-based compensation	49.8	34.6	79.8	65.7
Common stock repurchased	(13.9)	(17.6)	(219.1)	(545.2)
Ending Balance	(4,699.6)	(4,493.4)	(4,699.6)	(4,493.4)
Shareholders' Equity	2,638.8	2,464.1	2,638.8	2,464.1
Noncontrolling Interests:				
Beginning Balance	448.4	549.2	519.8	559.8
Net income	21.6	22.0	45.0	62.0
Other comprehensive income (loss)	5.4	(13.7)	(17.7)	(12.8)
Dividends to noncontrolling interests	(22.5)	(25.5)	(57.7)	(71.6)
Acquisition of noncontrolling interests	(0.5)	(23.0)	(37.0)	(29.4)
Increase in noncontrolling interests from business combinations	30.7	14.4	30.7	15.4
Ending Balance	483.1	523.4	483.1	523.4
Total Equity	\$ 3,121.9	\$ 2,987.5	\$ 3,121.9	\$ 2,987.5
Dividends Declared Per Common Share	\$ 0.65	\$ 0.65	\$ 1.95	\$ 1.95

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)

	Nine Months Ended September 30,	
	2020	2019
Cash Flows from Operating Activities:		
Net income	\$ 592.3	\$ 986.1
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of right-of-use assets	106.4	111.3
Amortization of intangible assets	62.4	64.0
Amortization of net deferred gain on interest rate swaps	(6.8)	(9.1)
Share-based compensation	52.5	53.6
Repositioning costs and net loss on dispositions	277.9	—
Other, net	50.6	2.2
Use of operating capital	(1,796.7)	(1,440.0)
Net Cash Used In Operating Activities	(661.4)	(231.9)
Cash Flows from Investing Activities:		
Capital expenditures	(50.0)	(77.0)
Acquisition of businesses and interests in affiliates, net of cash acquired	(65.4)	(8.1)
Proceeds from disposition of subsidiaries and sale of investments	6.3	80.1
Net Cash Used In Investing Activities	(109.1)	(5.0)
Cash Flows from Financing Activities:		
Proceeds from borrowings	1,186.6	1,112.4
Repayment of debt	(600.0)	(900.0)
Change in short-term debt	13.7	—
Dividends paid to common shareholders	(422.7)	(422.5)
Repurchases of common stock	(219.1)	(545.2)
Proceeds from stock plans	3.1	5.3
Acquisition of additional noncontrolling interests	(16.9)	(31.1)
Dividends paid to noncontrolling interest shareholders	(57.7)	(71.6)
Payment of contingent purchase price obligations	(25.4)	(37.0)
Other, net	(49.1)	(43.1)
Net Cash Used In Financing Activities	(187.5)	(932.8)
Effect of foreign exchange rate changes on cash and cash equivalents	(69.4)	(42.3)
Net Decrease in Cash and Cash Equivalents	(1,027.4)	(1,212.0)
Cash and Cash Equivalents at the Beginning of Period	4,305.7	3,652.4
Cash and Cash Equivalents at the End of Period	\$ 3,278.3	\$ 2,440.4

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 of the COVID-19 Pandemic on our Business

The COVID-19 pandemic has significantly impacted our business and results of operations. Public health efforts to mitigate the impact of the pandemic, including government actions to restrict travel, limit public gatherings and shelter in place and mandatory closures of businesses resulted in many of our clients reducing or suspending their spending plans with us. For the nine months ended September 30, 2020, revenue decreased \$1,398.4 million, or 12.9%, compared to the nine months ended September 30, 2019, primarily due to the impact of the COVID-19 pandemic. We expect that the negative impact from the pandemic on our revenue will continue for the remainder of the year, and such reduction in revenue could adversely impact our ongoing results of operations and financial position. These effects have been, and may continue to be, material.

In the second quarter of 2020, we took actions to align our cost structure and reduce our workforce and facility requirements and continued the review of businesses for disposal and assets for impairment. As a result, we recorded a pre-tax charge of \$277.9 million, which is comprised of incremental severance of \$150.0 million, real estate operating lease right-of-use, or ROU, asset and other asset impairment charges of \$55.8 million, other real estate exit costs of \$47.0 million and dispositions and other charges of \$25.1 million.

In the third quarter and first nine months of 2020, we reduced salary and service costs by \$68.7 million and \$117.8 million, respectively, related to reimbursements and tax credits under government programs in several countries, including the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, in the United States, the Kurzarbeit program in Germany, and other government reimbursement programs in the U.K., France, Canada and other jurisdictions.

The COVID-19 pandemic affected substantially all our clients. Certain industry sectors have been affected more immediately and more significantly than others, including travel, lodging and entertainment, energy, oil and gas, non-essential retail and automotive. Clients in these industries have 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, global economic conditions continue to be volatile and such 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 continue to be adversely affected as marketers reduce expenditures in the short term due to the uncertain impact of the pandemic on the global economy.

Although we have experienced a decrease in our cash flow from operating activities, we have 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. 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, which we extended to mature in February 2025. Further, in March 2020, we suspended our share repurchase activity.

The impact on the global economy and resulting decline in the price of our common stock was determined to be a trigger event in the first quarter of 2020 that required us to review our long-lived assets for impairment, primarily related to goodwill, amortizable intangible assets and equity method investments. The result of the reviews of our intangible assets and goodwill is discussed in Note 5. With respect to our equity method investments, we disposed of one of our investments and recognized a non-cash after-tax charge of \$3.9 million in the second quarter of 2020.

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 creditworthiness, 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. For the nine months ended September 30, 2020, we recorded bad debt expense of \$20.7 million and increased our allowance for doubtful accounts to \$36.7 million.

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.

Primarily as a result of the COVID-19 pandemic (see Note 1), our revenue decreased in all our major markets and all disciplines except for healthcare, as compared to the prior year periods.

Revenue by discipline was (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Advertising	\$ 1,792.9	\$ 2,034.4	\$ 5,185.2	\$ 6,065.9
CRM Consumer Experience	516.2	629.2	1,578.0	1,881.7
CRM Execution & Support	276.9	337.4	822.8	1,009.6
Public Relations	322.8	337.2	950.2	1,020.6
Healthcare	297.7	285.6	877.9	834.7
	<u>\$ 3,206.5</u>	<u>\$ 3,623.8</u>	<u>\$ 9,414.1</u>	<u>\$ 10,812.5</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 (see Note 1).

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Americas:				
North America	\$ 1,854.7	\$ 2,096.5	\$ 5,516.0	\$ 6,204.1
Latin America	61.6	100.2	187.8	286.0
EMEA:				
Europe	875.0	948.6	2,525.9	2,930.0
Middle East and Africa	45.2	59.6	135.3	199.6
Asia-Pacific	370.0	418.9	1,049.1	1,192.8
	<u>\$ 3,206.5</u>	<u>\$ 3,623.8</u>	<u>\$ 9,414.1</u>	<u>\$ 10,812.5</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 September 30, 2020 and 2019 was \$1,762.9 million and \$1,993.5 million, respectively, and revenue in the United States for the nine months ended September 30, 2020 and 2019 was \$5,244.7 million and \$5,882.9 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):

	September 30, 2020	December 31, 2019	September 30, 2019
Work in process:			
Contract assets and unbilled fees and costs	\$ 648.0	\$ 689.2	\$ 837.9
Media and production costs	526.4	568.4	590.0
	<u>\$ 1,174.4</u>	<u>\$ 1,257.6</u>	<u>\$ 1,427.9</u>
Contract liabilities:			
Customer advances	<u>\$ 1,129.5</u>	<u>\$ 1,215.3</u>	<u>\$ 1,059.2</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, among other things, amends the rules for recognizing deferred taxes for investments, performing intra-period tax allocations and calculating income taxes in interim periods and reduces complexity in certain areas, including the accounting for transactions that result in a step-up in the tax basis of goodwill and allocating taxes to members of a consolidated group. ASU 2019-12 is effective January 1, 2021. We do not expect the adoption of ASU 2019-12 will have a material effect 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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net Income - Omnicom Group Inc.	\$ 313.3	\$ 290.2	\$ 547.3	\$ 924.1
Weighted Average Shares:				
Basic	215.4	218.2	215.6	220.3
Dilutive stock options and restricted shares	0.4	1.2	0.6	1.2
Diluted	215.8	219.4	216.2	221.5
Anti-dilutive stock options and restricted shares	0.8	0.9	0.8	0.9
Net Income per Share - Omnicom Group Inc.:				
Basic	\$ 1.45	\$ 1.33	\$ 2.54	\$ 4.19
Diluted	\$ 1.45	\$ 1.32	\$ 2.53	\$ 4.17

5. Goodwill and Intangible Assets

Goodwill and intangible assets were (in millions):

	September 30, 2020			December 31, 2019		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Goodwill	\$ 9,956.5	\$ (518.1)	\$ 9,438.4	\$ 9,957.5	\$ (517.0)	\$ 9,440.5
Intangible assets:						
Purchased and internally developed software	\$ 366.8	\$ (299.0)	\$ 67.8	\$ 350.7	\$ (288.5)	\$ 62.2
Customer related and other	720.5	(482.1)	238.4	746.7	(470.7)	276.0
	\$ 1,087.3	\$ (781.1)	\$ 306.2	\$ 1,097.4	\$ (759.2)	\$ 338.2

Changes in goodwill were (in millions):

	Nine Months Ended September 30,	
	2020	2019
January 1	\$ 9,440.5	\$ 9,384.3
Acquisitions	46.1	8.9
Noncontrolling interests in acquired businesses	32.4	17.2
Contingent purchase price obligations of acquired businesses	—	24.7
Dispositions	(3.3)	(19.1)
Foreign currency translation	(77.3)	(124.6)
September 30	\$ 9,438.4	\$ 9,291.4

At June 30, 2020, we updated our first quarter 2020 assessment and performed our annual goodwill impairment test. We adjusted our assumptions to reflect the economic conditions in light of the impact of the COVID-19 pandemic on our business, including downward adjustment to our revenue and earnings assumptions, reducing our long-term growth rate to 3.0%, compared to 3.5% in the prior year, increasing the weighted average cost of capital, or WACC, for each reporting unit to between 10.6% and 10.8%, compared to between 10.1% and 10.6% in the prior year, and limiting our estimate of our equity value to reflect the decline in our share price that occurred during the first half of 2020. In addition, the assumptions reflect the expected cost reductions from our severance and real estate repositioning actions (see Notes 1 and 10). Based on the results of the impairment test, we concluded that at June 30, 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 June 30, 2020 was not impaired. If economic conditions further deteriorate from June 30, 2020, including further declines in GDP estimates, our share price, increased interest rates or other factors, our goodwill could become impaired, and we could incur a non-cash charge against our earnings. The minimum decline in fair value that one of our reporting units would need to experience in order to fail the goodwill impairment test was approximately 20%.

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 June 30, 2020, our customer related and other intangible assets were not impaired.

There were no events through September 30, 2020 that would change our impairment assessments.

6. Debt

Credit Facilities

On February 14, 2020, we amended our \$2.5 billion Credit Facility to extend its term to February 14, 2025. On April 3, 2020, to strengthen our liquidity in anticipation of the impact of the COVID-19 pandemic (see Note 1), we entered into the \$400 million 364 Day Credit Facility, maturing on April 2, 2021. In addition, we have uncommitted credit lines aggregating \$1.0 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 September 30, 2020, there were no outstanding commercial paper issuances or borrowings under the Credit Facility, the 364 Day Credit Facility or the uncommitted credit lines.

The Credit Facility and the 364 Day Credit Facility each 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 and the 364 Day Credit Facility, at September 30, 2020, we were in compliance with this covenant as our Leverage Ratio was 2.9 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 September 30, 2020 and December 31, 2019 of \$23.6 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):

	September 30, 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	587.2	561.4
2.45% Senior Notes due 2030	600.0	—
4.20% Senior Notes due 2030	600.0	—
1.40% Euro Notes due 2031	587.2	561.4
	<u>5,774.4</u>	<u>5,122.8</u>
Unamortized premium (discount), net	(4.6)	0.8
Unamortized debt issuance costs	(27.6)	(20.0)
Unamortized deferred gain from settlement of interest rate swaps	19.3	30.7
	<u>5,761.5</u>	<u>5,134.3</u>
Current portion	—	(602.4)
Long-term debt	<u>\$ 5,761.5</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 to mitigate the 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>September 30, 2020</u>					
Revenue - Three months ended	\$	1,916.3	\$	920.2	\$	370.0
Revenue - Nine months ended		5,703.8		2,661.2		1,049.1
Long-lived assets and goodwill		7,632.5		3,005.0		642.0
	<u>September 30, 2019</u>					
Revenue - Three months ended	\$	2,196.7	\$	1,008.2	\$	418.9
Revenue - Nine months ended		6,490.1		3,129.6		1,192.8
Long-lived assets and goodwill		7,844.6		2,862.9		632.0

8. Income Taxes

Our effective tax rate for the nine months ended September 30, 2020 increased period-over-period to 28.5% from 26.0%. The non-deductibility in certain jurisdictions of a portion of the repositioning costs and net loss on dispositions recorded in the second quarter of 2020 had the effect of increasing our effective tax rate for the nine months 2020 from 26.6% to 28.5%. In addition, in the same period in 2019, income tax expense was reduced by \$10.8 million, primarily from the net favorable settlements of uncertain tax positions in certain jurisdictions. After consideration of these items, our effective rate for the nine-month period 2020 would have approximated the rate for the same period in 2019.

At September 30, 2020, our unrecognized tax benefits were \$182.1 million. Of this amount, approximately \$173.3 million would affect our effective tax rate upon resolution of the uncertain tax positions. Due to the impact of the COVID-19 pandemic, we reassessed the realizability of our deferred tax assets and have determined that there has been no change in assessment as of September 30, 2020.

In response to the economic impact of the COVID-19 pandemic, 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 quarter or the nine months ended September 30, 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):

	Nine Months Ended September 30,	
	2020	2019
Service cost	\$ 5.6	\$ 6.4
Interest cost	5.0	4.9
Expected return on plan assets	(0.7)	(1.1)
Amortization of prior service cost	0.5	0.6
Amortization of actuarial losses	4.0	0.9
	<u>\$ 14.4</u>	<u>\$ 11.7</u>

We contributed \$0.9 million and \$1.0 million to our defined benefit pension plans in the nine months ended September 30, 2020 and 2019, respectively.

Postemployment Arrangements

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

	Nine Months Ended September 30,	
	2020	2019
Service cost	\$ 3.5	\$ 3.3
Interest cost	2.6	3.3
Amortization of prior service cost	3.2	3.3
Amortization of actuarial losses	1.6	0.7
	<u>\$ 10.9</u>	<u>\$ 10.6</u>

10. Repositioning Costs and Net Loss on Dispositions and Repositioning Liabilities

In the second quarter of 2020, we took actions to align our cost structure and reduce our workforce and facility requirements and continued to review businesses for disposal and assets for impairment. As a result of these actions, we recorded a pre-tax charge of \$277.9 million, which is comprised of incremental severance of \$150.0 million, real estate operating lease ROU asset and other asset impairment charges of \$55.8 million, other real estate exit costs of \$47.0 million and dispositions and other charges of \$25.1 million. The liability for certain real estate exit costs related to variable lease payments will be paid over the applicable lease term. The ROU asset and other assets impairment charges and the disposition and other charges are non-cash charges.

The balance of the charge for incremental severance and other real estate exit costs at September 30, 2020 was (in millions):

	Incremental Severance	Other Real Estate Exit Costs	Total
Opening balance	\$ 150.0	\$ 47.0	\$ 197.0
Payments	(83.1)	(5.9)	(89.0)
September 30, 2020	<u>\$ 66.9</u>	<u>\$ 41.1</u>	<u>\$ 108.0</u>

At September 30, 2020 and December 31, 2019, the liability for office lease consolidation and termination incurred in connection with our repositioning actions taken in the third quarter of 2018 was \$8.7 million and \$25.1 million, respectively.

We expect that the remaining liability for all repositioning costs will be substantially paid by the end of 2020.

11. Supplemental Cash Flow Data

The change in operating capital was (in millions):

	Nine Months Ended September 30,	
	2020	2019
(Increase) decrease in accounts receivable	\$ 1,435.6	\$ 1,005.1
(Increase) decrease in work in process and other current assets	121.0	(310.4)
Increase (decrease) in accounts payable	(3,110.7)	(1,904.4)
Increase (decrease) in customer advances, taxes payable and other current liabilities	(216.8)	(270.8)
Change in other assets and liabilities, net	(25.8)	40.5
Increase (decrease)	<u>\$ (1,796.7)</u>	<u>\$ (1,440.0)</u>
Income taxes paid	\$ 249.4	\$ 287.1
Interest paid	\$ 116.5	\$ 176.3

Supplemental non-cash information related to leases for the nine months ended September 30, 2020 and 2019 (in millions):

	Nine Months Ended September 30,	
	2020	2019
Increase in lease liability:		
Operating leases	\$ 114.7	\$ 1,730.8
Finance leases	\$ 23.5	\$ 39.4

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
Nine Months Ended September 30, 2020				
January 1	\$ (24.0)	\$ (112.1)	\$ (1,061.5)	\$ (1,197.6)
Other comprehensive income (loss) before reclassifications	—	—	(192.6)	(192.6)
Reclassification from accumulated other comprehensive income (loss)	2.9	6.7	—	9.6
September 30	<u>\$ (21.1)</u>	<u>\$ (105.4)</u>	<u>\$ (1,254.1)</u>	<u>\$ (1,380.6)</u>
Nine Months Ended September 30, 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	—	—	(103.6)	(103.6)
Reclassification from accumulated other comprehensive income (loss)	2.9	2.7	—	5.6
September 30	<u>\$ (25.0)</u>	<u>\$ (83.3)</u>	<u>\$ (1,240.5)</u>	<u>\$ (1,348.8)</u>

14. Fair Value

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

		September 30, 2020			
		Level 1	Level 2	Level 3	Total
Assets:					
Cash and cash equivalents	\$	3,278.3			\$ 3,278.3
Short-term investments		—			—
Marketable equity investments		1.5			1.5
Foreign currency derivatives			\$ 0.3		0.3
Liabilities:					
Foreign currency derivative			\$ 0.3		\$ 0.3
Contingent purchase price obligations				\$ 95.3	95.3

		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		0.4
Contingent purchase price obligations				\$ 107.7	107.7

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

		Nine Months Ended September 30,	
		2020	2019
January 1	\$	107.7	\$ 146.5
Acquisitions		10.0	42.9
Revaluation and interest		2.0	2.2
Payments		(25.4)	(43.7)
Foreign currency translation		1.0	(3.0)
September 30	\$	95.3	\$ 144.9

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

		September 30, 2020		December 31, 2019	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:					
Cash and cash equivalents	\$	3,278.3	\$ 3,278.3	\$ 4,305.7	\$ 4,305.7
Short-term investments		—	—	3.6	3.6
Marketable equity securities		1.5	1.5	1.6	1.6
Non-marketable equity securities		8.9	8.9	9.0	9.0
Foreign currency derivatives		0.3	0.3	0.6	0.6
Liabilities:					
Short-term debt	\$	23.6	\$ 23.6	\$ 10.1	\$ 10.1
Foreign currency derivatives		0.3	0.3	0.4	0.4
Contingent purchase price obligations		95.3	95.3	107.7	107.7
Long-term debt, including current portion		5,761.5	6,242.7	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

On October 26, 2020, we amended the Credit Facility and the 364 Day Credit Facility to provide additional flexibility with respect to the covenant that required 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. The amendments increase the maximum Leverage Ratio to 4.0 times through December 31, 2021 for the Credit Agreement and to 4.0 times through the maturity for the 364 Day Credit Facility.

We have evaluated events subsequent to the balance sheet date and determined that there have not been any other 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

Impact of the COVID-19 Pandemic on our Business

The COVID-19 pandemic has significantly impacted our business and results of operations. Public health efforts to mitigate the impact of the pandemic, including government actions to restrict travel, limit public gatherings and shelter in place and mandatory closures of businesses resulted in many of our clients reducing or suspending their spending plans with us. As a result, for the nine months ended September 30, 2020, revenue decreased \$1,398.4 million, or 12.9%, compared to the nine months ended September 30, 2019, primarily due to the impact of the COVID-19 pandemic. We expect that the negative impact from the pandemic on our revenue will continue for the remainder of the year, and such reduction in revenue could adversely impact our ongoing results of operations and financial position. These effects have been, and may continue to be, material.

In the second quarter of 2020, we took actions to align our cost structure and reduce our workforce and facility requirements and continued the review of businesses for disposal and assets for impairment. As a result, we recorded a pre-tax charge of \$277.9 million, which is comprised of incremental severance of \$150.0 million, real estate operating lease right-of-use, or ROU, asset and other asset impairment charges of \$55.8 million, other real estate exit costs of \$47.0 million and dispositions and other charges of \$25.1 million (see Note 1 to the unaudited consolidated financial statements). These actions reduced headcount by over 6,000 and reduced the related facility requirements, which should result in significant reductions in future operating expenses. As a result, we expect that our margins for the second half of the year will be in line with the prior year.

In the third quarter and first nine months of 2020, we reduced salary and service costs by \$68.7 million and \$117.8 million, respectively, related to reimbursements and tax credits under government programs in several countries, including the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, in the United States, the Kurzarbeit program in Germany, and other government reimbursement programs in the U.K., France, Canada and other jurisdictions (see Note 1 to the unaudited consolidated financial statements).

The COVID-19 pandemic affected substantially all our clients. Certain industry sectors have been affected more immediately and more significantly than others, including travel, lodging and entertainment, energy, oil and gas, non-essential retail and automotive. Clients in these industries have 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, global economic conditions continue to be volatile and such 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 continue to be adversely affected as marketers reduce expenditures in the short term due to the uncertain impact of the pandemic on the global economy. Over the remainder of 2020, we expect global economic performance and our performance to vary by geography.

Although we have experienced a decrease in our cash flow from operating activities, we have 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. 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, which we extended to mature in February 2025. Further, in March 2020, we suspended our share repurchase activity.

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 nine months ended September 30, 2020, our largest client accounted for 3.5% of our revenue and our 100 largest clients, which represent many of the world's major marketers, accounted for approximately 55% of our revenue. Our business is spread across a number of industry sectors with no one industry comprising more than 17% of our revenue for the nine months ended September 30, 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.

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 the 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 experienced a significant decline in our organic revenue growth in the second and third quarters of 2020, which will likely continue at least through the fourth quarter of 2020. As a result, we expect that we will have negative organic growth and an overall decline in revenue for 2020, as compared to 2019.

As described in more detail below, due to the impact of the COVID-19 pandemic, revenue for the nine months ended September 30, 2020 decreased \$1,398.4 million, or 12.9%, compared to the nine months ended September 30, 2019. Changes in foreign exchange rates reduced revenue \$93.3 million, or 0.9%, acquisition revenue, net of disposition revenue, reduced revenue \$37.9 million, or 0.4%, reflecting the disposition of certain non-strategic businesses, and negative organic growth reduced revenue \$1,267.2 million, or 11.7%.

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.

Beginning in March 2020 and continuing through the third quarter of 2020, our business experienced the effects from reductions in client spending due to the impact related to the COVID-19 pandemic. The spending reductions impacted all our businesses and markets. The most significantly impacted businesses were our advertising discipline, primarily in our media businesses, our CRM Consumer Experience discipline, especially in our event marketing businesses, and our CRM Execution & Support discipline, primarily in our field marketing and merchandising businesses. In North America, we experienced a decline in organic revenue in all our disciplines, except healthcare. In Europe and the Middle East and Africa, almost all businesses and regions experienced a decline in organic revenue resulting from the economic impact attributed to the COVID-19 pandemic. In addition, the economic and political conditions in the European Union, including the status of Brexit, remain uncertain and could further negatively impact our businesses in the U.K. and in the region. In Latin America, the impact of the COVID-19 pandemic compounded the continuing unstable economic and political conditions in Brazil, and we experienced negative organic growth in Brazil and throughout the region. In addition, the weakening of foreign currency exchange rates in all countries in the region against the U.S. Dollar further contributed to the reduction in revenue in the region. In Asia-Pacific, almost all our businesses in the region experienced negative organic growth as a result of the COVID-19 pandemic, and substantially all currencies weakened against the U.S. Dollar. The economic and fiscal issues, including the impact related to the COVID-19 pandemic, facing the countries we operate in can be expected to continue to 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 at least through the fourth quarter of 2020, beginning in the second quarter of 2020, we took actions 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 or that additional actions will not be necessary.

Prior to the COVID-19 pandemic, certain business trends had generally 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 beyond the current COVID-19 pandemic 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 and second quarters 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.

Revenue for the quarter ended September 30, 2020 decreased \$417.3 million, or 11.5%, compared to the quarter ended September 30, 2019. Changes in foreign exchange rates increased revenue 0.5%, acquisition revenue, net of disposition revenue, reduced revenue 0.3% and negative organic growth decreased revenue 11.7% as all our markets were negatively impacted by the COVID-19 pandemic. The change in revenue across our principal regional markets were: North America decreased \$241.8 million, Europe decreased \$73.6 million, Asia-Pacific decreased \$48.9 million and Latin America decreased \$38.6 million. In North America, while our performance was mixed, we experienced a decline in organic revenue in all disciplines, except healthcare. In Europe, the decline in organic revenue in most businesses and regions was partially offset by the strengthening of the Euro and the British Pound against the U.S. Dollar. In Latin America, we experienced negative organic growth in almost all businesses in the region, especially in Brazil. In addition, the weakening of all currencies in the region against the U.S. Dollar further contributed to the reduction in revenue in the region. In Asia-Pacific, negative organic growth in almost all countries in the region was partially offset by the strengthening of most currencies in the region against the U.S. Dollar. The change in revenue in the third quarter of 2020 compared to the third quarter of 2019, in our fundamental disciplines was: advertising decreased \$241.5 million, CRM Consumer Experience decreased \$113.0 million, CRM Execution & Support decreased \$60.5 million, public relations decreased \$14.4 million and healthcare increased \$12.1 million.

Revenue for the nine months of 2020 decreased \$1,398.4 million, or 12.9%, to \$9,414.1 million from \$10,812.5 million in the nine months of 2019. Changes in foreign exchange rates reduced revenue 0.9%, acquisition revenue, net of disposition revenue, reduced revenue 0.4% and negative organic growth decreased revenue 11.7%. Primarily as a result of the negative impact on our revenue from the COVID-19 pandemic in the second and third quarters of 2020, the decrease in revenue across our principal regional markets were: North America decreased \$688.1 million, Europe decreased \$404.1 million, Asia-Pacific decreased \$143.7 million and Latin America decreased \$98.2 million. In North America, while our performance was mixed, we experienced a decline in organic revenue in all disciplines, except healthcare. The change in revenue in the nine months of 2020 compared to the nine months of 2019, in our fundamental disciplines was: advertising decreased \$880.7 million, CRM Consumer Experience decreased \$303.7 million, CRM Execution & Support decreased \$186.8 million, public relations decreased \$70.4 million and healthcare increased \$43.2 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 third-party 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 period-over-period, 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.

For the quarter ended September 30, 2020, salary and service costs, which tend to fluctuate with changes in revenue, decreased \$417.6 million, or 15.4%, compared to the quarter ended September 30, 2019. Salary and related service costs in the quarter ended September 30, 2020 decreased \$223.4 million, or 13.0%, period-over-period, primarily as a result of the severance and furlough actions we took in the second quarter of 2020. In addition, in the third quarter of 2020, we reduced salary and service costs by \$68.7 million related to reimbursements and tax credits under government programs in several countries (see Note 1 to the unaudited consolidated financial statements). Third-party service costs, which are included in salary and service costs and include expenses incurred with third-party vendors primarily when we act as a principal when performing services for our clients, decreased \$194.2 million, or 19.8%, period-over-period reflecting the decrease in revenue and the impact of actions we took to align our cost structure. Occupancy and other costs, which are less directly linked to changes in revenue than salary

and service costs, decreased \$17.6 million, or 6.1%, in the third quarter of 2020 compared to the third quarter of 2019. Operating profit increased \$28.1 million to \$501.4 million. Operating margin increased to 15.6% from 13.1% and EBITA margin increased to 16.3% from 13.6%, period-over-period, including the reduction in salary and service costs by \$68.7 million related to reimbursements and tax credits under government programs in several countries (see Note 1 to the unaudited consolidated financial statements).

For the nine months ended September 30, 2020, salary and service costs, which tend to fluctuate with changes in revenue, decreased \$1,086.0 million, or 13.7%, compared to the nine months of 2019. Salary and related service costs in the nine months of 2020 decreased \$482.5 million, or 9.6%, period-over-period, primarily as a result of the severance and furlough actions we took in the second quarter of 2020. In addition, in the third quarter of 2020, we reduced salary and service costs by \$117.8 million related to reimbursements and tax credits under government programs in several countries (see Note 1 to the unaudited consolidated financial statements). Third-party service costs, which include expenses incurred with third-party vendors primarily when we act as a principal when performing services for our clients, decreased \$603.5 million, or 20.9%, period-over-period reflecting the decrease in revenue and the impact of actions we took to align our cost structure. Occupancy and other costs, which are less directly linked to changes in revenue than salary and service costs, decreased \$42.8 million, or 4.7%, in the nine months of 2020 compared to the nine months of 2019. Operating profit decreased \$491.8 million to \$984.1 million. Operating margin decreased to 10.5% from 13.6% and EBITA margin decreased to 11.1% from 14.2%, period-over-period, including the net decrease aggregating \$160.1 million due to repositioning costs of \$277.9 million recorded in the second quarter of 2020, partially offset by the \$117.8 million increase related to reimbursements and tax credits under government programs in several countries (see Note 1 to the unaudited consolidated financial statements).

Net interest expense in the third quarter of 2020 decreased \$0.8 million period-over-period to \$48.5 million. Net interest expense in the nine months of 2020 decreased \$4.0 million period-over-period to \$141.5 million. Interest expense on debt decreased \$10.0 million to \$48.6 million in the third quarter of 2020 and decreased \$28.8 million to \$151.5 million in the nine months of 2020, primarily reflecting a reduction in interest expense from our refinancing activity at lower interest rates in the second half of 2019 and the first quarter of 2020, partially offset by a loss of \$7.7 million on the early redemption of the remaining \$600 million principal amount of the 2020 Notes in the first quarter of 2020 and the interest expense from the issuance of the 4.20% Notes in April 2020 (see Note 6 to the unaudited consolidated financial statements). Interest income in the third quarter of 2020 decreased \$7.6 million period-over-period to \$5.9 million and in the nine months of 2020 decreased \$21.8 million period-over-period to \$25.1 million, primarily due to lower rates.

Our effective tax rate for the third quarter of 2020 was 26.7%, which is in line with our expectations. Our effective tax rate for the nine months of 2020 increased period-over-period to 28.5% from 26.0%. The non-deductibility in certain jurisdictions of a portion of the repositioning costs and net loss on dispositions recorded in the second quarter of 2020 had the effect of increasing our effective tax rate for the nine months of 2020. In 2019, income tax expense was reduced by \$10.8 million primarily from the net favorable settlements of uncertain tax positions in certain jurisdictions. After considering these items, our effective rate for the nine-month period 2020 would have approximated the rate for the same period in 2019.

Net income - Omnicom Group Inc. for the third quarter of 2020 was \$313.3 million as compared to \$290.2 million in the third quarter of 2019. The period-over-period increase is due to the factors described above. Diluted income per share - Omnicom Group Inc. was \$1.45 in the third quarter of 2020 compared to \$1.32 in the third quarter of 2019. The period-over-period change was due to the factors described above. Net income - Omnicom Group Inc. and diluted net income per share - Omnicom Group Inc. for the three months of 2020 include the net after-tax increase of \$52.3 million and \$0.24, respectively, attributable to reimbursements and tax credits under government programs in several countries (see Note 1 to the unaudited consolidated financial statements).

Net income - Omnicom Group Inc. in the nine months of 2020 decreased \$376.8 million to \$547.3 million from \$924.1 million in the nine months of 2019. The period-over-period decrease is due to the factors described above. Diluted net income per share - Omnicom Group Inc. decreased to \$2.53 in the nine months of 2020, compared to \$4.17 in the nine months of 2019, 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 through March 2020, net of shares issued for restricted stock awards, stock option exercises and the employee stock purchase plan. Net income - Omnicom Group Inc. and diluted net income per share - Omnicom Group Inc. for the nine months of 2020 include a net after-tax decrease aggregating \$223.1 million and \$1.03, respectively, for the repositioning costs and net loss on dispositions recorded in the second quarter of 2020, partially offset by the \$89.2 million and \$0.41, respectively, net after-tax increase attributable to reimbursements and tax credits under government programs in several countries (see Note 1 to the unaudited consolidated financial statements).

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

	2020	2019
Revenue	\$ 3,206.5	\$ 3,623.8
Operating Expenses:		
Salary and service costs	2,287.1	2,704.7
Occupancy and other costs	273.1	290.7
Repositioning costs and net loss on dispositions	—	—
Cost of services	2,560.2	2,995.4
Selling, general and administrative expenses	90.2	97.2
Depreciation and amortization	54.7	57.9
	2,705.1	3,150.5
Operating Profit	501.4	473.3
Operating Margin %	15.6 %	13.1 %
Interest Expense	54.4	62.8
Interest Income	5.9	13.5
Income Before Income Taxes and Income From Equity Method Investments	452.9	424.0
Income Tax Expense	120.9	112.3
Income From Equity Method Investments	2.9	0.5
Net Income	334.9	312.2
Net Income Attributed To Noncontrolling Interests	21.6	22.0
Net Income - Omnicom Group Inc.	\$ 313.3	\$ 290.2

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.	\$ 313.3	\$ 290.2
Net Income Attributed To Noncontrolling Interests	21.6	22.0
Net Income	334.9	312.2
Income From Equity Method Investments	2.9	0.5
Income Tax Expense	120.9	112.3
Income Before Income Taxes and Income From Equity Method Investments	452.9	424.0
Interest Expense	54.4	62.8
Interest Income	5.9	13.5
Operating Profit	501.4	473.3
Add back: Amortization of intangible assets	20.2	21.2
Earnings before interest, taxes and amortization of intangible assets ("EBITA")	\$ 521.6	\$ 494.5
Revenue	\$ 3,206.5	\$ 3,623.8
EBITA	\$ 521.6	\$ 494.5
EBITA Margin %	16.3 %	13.6 %

Revenue

Revenue for the quarter ended September 30, 2020 decreased \$417.3 million, or 11.5%, compared to the quarter ended September 30, 2019. Changes in foreign exchange rates increased revenue 0.5%, acquisition revenue, net of disposition revenue, reduced revenue 0.3% and negative organic growth decreased revenue 11.7% as all our markets were negatively impacted by the COVID-19 pandemic. The change in revenue across our principal regional markets were: North America decreased \$241.8 million, Europe decreased \$73.6 million, Asia-Pacific decreased \$48.9 million and Latin America decreased \$38.6 million. In North America, while our performance was mixed, we experienced a decline in organic revenue in all disciplines, except healthcare. In Europe, the decline in organic revenue in most businesses and regions was partially offset by the strengthening of the Euro and the British Pound against the U.S. Dollar. In Latin America, we experienced negative organic growth in almost all businesses in the region, especially in Brazil. In addition, the weakening of all currencies in the region against the U.S. Dollar further contributed to the reduction in revenue in the region. In Asia-Pacific, negative organic growth in almost all countries in the region was partially offset by the strengthening of most currencies in the region against the U.S. Dollar.

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

	Total		Domestic		International	
	\$	%	\$	%	\$	%
September 30, 2019	\$ 3,623.8		\$ 1,993.5		\$ 1,630.3	
Components of revenue change:						
Foreign exchange rate impact	18.3	0.5 %	—	— %	18.3	1.1 %
Acquisition revenue, net of disposition revenue	(11.3)	(0.3)%	(3.8)	(0.2)%	(7.5)	(0.5)%
Organic growth	(424.3)	(11.7)%	(226.8)	(11.4)%	(197.5)	(12.1)%
September 30, 2020	<u>\$ 3,206.5</u>	<u>(11.5)%</u>	<u>\$ 1,762.9</u>	<u>(11.6)%</u>	<u>\$ 1,443.6</u>	<u>(11.5)%</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 \$3,188.2 million for the Total column). The foreign exchange impact is the difference between the current period revenue in U.S. Dollars and the current period constant currency revenue (\$3,206.5 million less \$3,188.2 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 (\$3,623.8 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 October 26, 2020 remain unchanged, we expect the impact of changes in foreign exchange rates to increase revenue by approximately 0.5% in the fourth quarter and decrease revenue by approximately 0.5% for the year.

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

	Three Months Ended September 30,			
	2020	2019	\$ Change	% Organic Growth
Americas:				
North America	\$ 1,854.7	\$ 2,096.5	\$ (241.8)	(11.2)%
Latin America	61.6	100.2	(38.6)	(22.3)%
EMEA:				
Europe	875.0	948.6	(73.6)	(10.7)%
Middle East and Africa	45.2	59.6	(14.4)	(21.4)%
Asia-Pacific	370.0	418.9	(48.9)	(12.8)%
	<u>\$ 3,206.5</u>	<u>\$ 3,623.8</u>	<u>\$ (417.3)</u>	<u>(11.7)%</u>

Revenue in Europe, which includes our primary markets of the U.K. and the Euro Zone, decreased \$73.6 million for the third quarter of 2020. Revenue in the U.K., representing 10.0% of revenue, decreased \$26.8 million. Revenue in Continental Europe, which comprises the Euro Zone and the other European countries, representing 17.3% of revenue, decreased \$46.8 million. The decrease in revenue is due to negative organic growth resulting from the impact of the COVID-19 pandemic.

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 third 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 third quarter of 2020 and 2019, our largest client represented 3.3% and 3.4% of revenue, respectively. Our ten largest and 100 largest clients represented 19.9% and 54.7% of revenue for the third quarter of 2020, respectively, and 19.7% and 52.5% of revenue for the third 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.

Our business experienced the effects from client spending reductions related to the COVID-19 pandemic. The spending reductions impacted all our businesses and markets. The most significantly impacted businesses were our advertising discipline, our CRM Consumer Experience discipline, especially in our event marketing businesses, and our CRM Execution & Support discipline, primarily in our field marketing and merchandising businesses. Revenue and organic growth by discipline were (in millions):

	Three Months Ended September 30,					
	2020		2019		2020 vs. 2019	
	\$	% of Revenue	\$	% of Revenue	\$ Change	% Organic Growth
Advertising	\$ 1,792.9	55.9 %	\$ 2,034.4	56.1 %	\$ (241.5)	(11.7)%
CRM Consumer Experience	516.2	16.1 %	629.2	17.4 %	(113.0)	(19.3)%
CRM Execution & Support	276.9	8.6 %	337.4	9.3 %	(60.5)	(19.4)%
Public Relations	322.8	10.1 %	337.2	9.3 %	(14.4)	(3.4)%
Healthcare	297.7	9.3 %	285.6	7.9 %	12.1	3.8 %
	<u>\$ 3,206.5</u>		<u>\$ 3,623.8</u>		<u>\$ (417.3)</u>	<u>(11.7)%</u>

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

	Three Months Ended September 30,	
	2020	2019
Food and Beverage	14 %	14 %
Consumer Products	8 %	9 %
Pharmaceuticals and Healthcare	17 %	14 %
Financial Services	8 %	9 %
Technology	10 %	7 %
Auto	10 %	11 %
Travel and Entertainment	5 %	8 %
Telecommunications	6 %	6 %
Retail	7 %	7 %
Services	2 %	2 %
Oil, Gas and Utilities	1 %	1 %
Not-for-Profit	1 %	2 %
Government	3 %	2 %
Education	1 %	1 %
Other	7 %	7 %
	100 %	100 %

Certain industry sectors have been negatively affected by the impact of the COVID-19 pandemic more significantly than others.

Operating Expenses

Operating expenses were (in millions):

	Three Months Ended September 30,					
	2020		2019		2020 vs. 2019	
	\$	% of Revenue	\$	% of Revenue	\$ Change	% Change
Revenue	\$ 3,206.5		\$ 3,623.8		\$ (417.3)	(11.5)%
Operating Expenses:						
Salary and service costs:						
Salary and related service costs	1,501.1	46.8 %	1,724.5	47.6 %	(223.4)	(13.0)%
Third-party service costs	786.0	24.5 %	980.2	27.0 %	(194.2)	(19.8)%
	2,287.1	71.3 %	2,704.7	74.6 %	(417.6)	(15.4)%
Occupancy and other costs	273.1	8.5 %	290.7	8.0 %	(17.6)	(6.1)%
Repositioning costs and net loss on dispositions	—	— %	—	— %	—	— %
Cost of services	2,560.2		2,995.4		(435.2)	(14.5)%
Selling, general and administrative expenses	90.2	2.8 %	97.2	2.7 %	(7.0)	(7.2)%
Depreciation and amortization	54.7	1.7 %	57.9	1.6 %	(3.2)	(5.5)%
	2,705.1	84.4 %	3,150.5	86.9 %	(445.4)	(14.1)%
Operating Profit	\$ 501.4	15.6 %	\$ 473.3	13.1 %	\$ 28.1	5.9 %

For the quarter ended September 30, 2020, salary and service costs, which tend to fluctuate with changes in revenue, decreased \$417.6 million, or 15.4%, compared to the quarter ended September 30, 2019. Salary and related service costs in the quarter ended September 30, 2020 decreased \$223.4 million, or 13.0%, period-over-period, primarily as a result of the severance and furlough actions we took in the second quarter of 2020. In addition, in the third quarter of 2020, we reduced salary and service costs by \$68.7 million related to reimbursements and tax credits under government programs in several countries (see Note 1 to the unaudited consolidated financial statements). Third-party service costs, which are included in salary and service costs and include expenses incurred with third-party vendors primarily when we act as a principal when performing services for our clients, decreased \$194.2 million, or 19.8%, period-over-period reflecting the decrease in revenue and the impact of actions we took to align our cost structure. Occupancy and other costs, which are less directly linked to changes in revenue than salary and service costs, decreased \$17.6 million, or 6.1%, in the third quarter of 2020 compared to the third quarter of 2019, primarily

reflecting the impact of actions we took to align our cost structure and savings in office expenses related to the remote working environment arising from the COVID-19 pandemic. Operating profit increased \$28.1 million to \$501.4 million. Operating margin increased to 15.6% from 13.1% and EBITA margin increased to 16.3% from 13.6%, period-over-period, including the reduction in salary and service costs by \$68.7 million related to reimbursements and tax credits under government programs in several countries (see Note 1 to the unaudited consolidated financial statements).

Net Interest Expense

Net interest expense in the third quarter of 2020 decreased \$0.8 million period-over-period to \$48.5 million. Interest expense on debt decreased \$10.0 million to \$48.6 million in the third 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 the second half of 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 and the interest expense from the issuance of the 2.45% Notes in February 2020 (see Note 6 to the unaudited consolidated financial statements). Interest income decreased \$7.6 million period-over-period to \$5.9 million, primarily due to lower rates.

Income Taxes

Our effective tax rate for the third quarter of 2020 increased marginally period-over-period to 26.7% from 26.5%.

Net Income Per Share - Omnicom Group Inc.

Net income - Omnicom Group Inc. for the third quarter of 2020 was \$313.3 million as compared to \$290.2 million in the third quarter of 2019. The period-over-period increase is due to the factors described above. Diluted income per share - Omnicom Group Inc. was \$1.45 in the third quarter of 2020 compared to \$1.32 in the third quarter of 2019. The period-over-period change was due to the factors described above. Net income - Omnicom Group Inc. and diluted net income per share - Omnicom Group Inc. for the three months of 2020 include the net after-tax increase of \$52.3 million and \$0.24, respectively, attributable to reimbursements and tax credits under government programs in several countries (see Note 1 to the unaudited consolidated financial statements).

	Three Months Ended September 30, 2020
Increase to income before income taxes attributable to reimbursements and tax credits under government programs	\$ 68.7
Increase in income tax expense	16.4
Increase to net income - Omnicom Group Inc. attributable to reimbursements and tax credits under government programs	\$ 52.3
Increase in diluted net income per share - Omnicom Group Inc. attributable to reimbursements and tax credits under government programs	\$ 0.24
Weighted average shares	215.8

RESULTS OF OPERATIONS - Nine Months of 2020 Compared to Nine Months of 2019 (in millions):

	2020	2019
Revenue	\$ 9,414.1	\$ 10,812.5
Operating Expenses:		
Salary and service costs	6,851.5	7,937.5
Occupancy and other costs	872.6	915.4
Repositioning costs and net loss on dispositions	277.9	—
Cost of services	8,002.0	8,852.9
Selling, general and administrative expenses	259.2	308.4
Depreciation and amortization	168.8	175.3
	8,430.0	9,336.6
Operating Profit	984.1	1,475.9
Operating Margin %	10.5 %	13.6 %
Interest Expense	166.6	192.4
Interest Income	25.1	46.9
Income Before Income Taxes and Income (Loss) From Equity Method Investments	842.6	1,330.4
Income Tax Expense	240.2	345.5
Income (Loss) From Equity Method Investments	(10.1)	1.2
Net Income	592.3	986.1
Net Income Attributed To Noncontrolling Interests	45.0	62.0
Net Income - Omnicom Group Inc.	\$ 547.3	\$ 924.1

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.	\$ 547.3	\$ 924.1
Net Income Attributed To Noncontrolling Interests	45.0	62.0
Net Income	592.3	986.1
Income (Loss) From Equity Method Investments	(10.1)	1.2
Income Tax Expense	240.2	345.5
Income Before Income Taxes and Income (Loss) From Equity Method Investments	842.6	1,330.4
Interest Expense	166.6	192.4
Interest Income	25.1	46.9
Operating Profit	984.1	1,475.9
Add back: Amortization of intangible assets	62.4	64.0
Earnings before interest, taxes and amortization of intangible assets ("EBITA")	\$ 1,046.5	\$ 1,539.9
Revenue	\$ 9,414.1	\$ 10,812.5
EBITA	\$ 1,046.5	\$ 1,539.9
EBITA Margin %	11.1 %	14.2 %

Revenue

Revenue for the nine months of 2020 decreased \$1,398.4 million, or 12.9%, to \$9,414.1 million from \$10,812.5 million in the nine months of 2019. Changes in foreign exchange rates reduced revenue 0.9%, acquisition revenue, net of disposition revenue, reduced revenue 0.4%, and negative organic growth decreased revenue 11.7%. Primarily as a result of the negative impact on our revenue from the COVID-19 pandemic, the decrease in revenue across our principal regional markets were: North America decreased \$688.1 million, Europe decreased \$404.1 million, Asia-Pacific decreased \$143.7 million and Latin America decreased \$98.2 million. In North America, while our performance was mixed, we experienced a decline in organic revenue in all disciplines, except healthcare. The change in revenue in the nine months of 2020 compared to the nine months of 2019, in our fundamental disciplines was: advertising decreased \$880.7 million, CRM Consumer Experience decreased \$303.7 million, CRM Execution & Support decreased \$186.8 million, public relations decreased \$70.4 million and healthcare increased \$43.2 million. The impact of changes in foreign exchange rates reduced revenue 0.9%, or \$93.3 million, compared to the nine months of 2019, primarily resulting from the weakening of substantially all foreign currencies against the U.S. Dollar, especially the Brazilian Real, Russian Ruble and Australian Dollar.

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

	Total		Domestic		International	
	\$	%	\$	%	\$	%
September 30, 2019	\$ 10,812.5		\$ 5,882.9		\$ 4,929.6	
Components of revenue change:						
Foreign exchange rate impact	(93.3)	(0.9)%	—	— %	(93.3)	(1.9)%
Acquisition revenue, net of disposition revenue	(37.9)	(0.4)%	(30.1)	(0.5)%	(7.8)	(0.2)%
Organic growth	(1,267.2)	(11.7)%	(608.1)	(10.3)%	(659.1)	(13.4)%
September 30, 2020	<u>\$ 9,414.1</u>	<u>(12.9)%</u>	<u>\$ 5,244.7</u>	<u>(10.8)%</u>	<u>\$ 4,169.4</u>	<u>(15.4)%</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 \$9,507.4 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 (\$9,414.1 million less \$9,507.4 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 (\$10,812.5 million for the Total column).

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

	Nine Months Ended September 30,			
	2020	2019	\$ Change	% Organic Growth
Americas:				
North America	\$ 5,516.0	\$ 6,204.1	\$ (688.1)	(10.5)%
Latin America	187.8	286.0	(98.2)	(17.5)%
EMEA:				
Europe	2,525.9	2,930.0	(404.1)	(13.2)%
Middle East and Africa	135.3	199.6	(64.3)	(29.7)%
Asia-Pacific	1,049.1	1,192.8	(143.7)	(10.2)%
	<u>\$ 9,414.1</u>	<u>\$ 10,812.5</u>	<u>\$ (1,398.4)</u>	<u>(11.7)%</u>

Revenue in Europe, which includes our primary markets of the U.K. and the Euro Zone, decreased \$404.1 million for the nine months of 2020 as compared to the prior year period. Revenue in the U.K., representing 9.9% of total revenue, decreased \$116.1 million, primarily due to the negative impact of the COVID-19 pandemic. Revenue in Continental Europe, which comprises the Euro Zone and the other European countries, representing 17.0% of total revenue, decreased \$288.0 million primarily due to the negative impact of the COVID-19 pandemic and the unfavorable impact from changes in foreign exchange rates.

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 through the nine months 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. Our largest client represented 3.5% and 3.1% of our revenue for the nine months of 2020 and 2019, respectively. Our ten largest and 100 largest clients represented 20.8% and 54.5% of our revenue for the nine months of 2020, respectively, and 19.4% and 51.8% of our revenue for the nine months 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.

Our business experienced the effects from client spending reductions related to the COVID-19 pandemic. The spending reductions impacted all our businesses and markets. The businesses most impacted by the reduction in client spending were, our advertising discipline, primarily in our media businesses, our CRM Consumer Experience discipline, especially in our event marketing businesses, and our CRM Execution & Support discipline, primarily in our field marketing and merchandising businesses. Revenue and organic growth by discipline were (in millions):

	Nine Months Ended September 30,					
	2020		2019		2020 vs. 2019	
	\$	% of Revenue	\$	% of Revenue	\$ Change	% Organic Growth
Advertising	\$ 5,185.2	55.1 %	\$ 6,065.9	56.1 %	\$ (880.7)	(13.2)%
CRM Consumer Experience	1,578.0	16.8 %	1,881.7	17.4 %	(303.7)	(15.8)%
CRM Execution & Support	822.8	8.7 %	1,009.6	9.3 %	(186.8)	(15.6)%
Public Relations	950.2	10.1 %	1,020.6	9.5 %	(70.4)	(5.8)%
Healthcare	877.9	9.3 %	834.7	7.7 %	43.2	5.3 %
	<u>\$ 9,414.1</u>		<u>\$ 10,812.5</u>		<u>\$ (1,398.4)</u>	<u>(11.7)%</u>

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

	Nine Months Ended September 30,	
	2020	2019
Food and Beverage	14 %	14 %
Consumer Products	8 %	9 %
Pharmaceuticals and Healthcare	16 %	14 %
Financial Services	8 %	9 %
Technology	9 %	7 %
Auto	10 %	10 %
Travel and Entertainment	7 %	8 %
Telecommunications	6 %	6 %
Retail	7 %	7 %
Services	2 %	2 %
Oil, Gas and Utilities	1 %	2 %
Not-for-Profit	1 %	1 %
Government	3 %	2 %
Education	1 %	1 %
Other	7 %	8 %
	<u>100 %</u>	<u>100 %</u>

Certain industry sectors have been negatively affected by the impact of the COVID-19 pandemic more significantly than others.

Operating Expenses

Operating expenses were (in millions):

	Nine Months Ended September 30,					
	2020		2019		2020 vs. 2019	
	\$	% of Revenue	\$	% of Revenue	\$ Change	% Change
Revenue	\$ 9,414.1		\$ 10,812.5		\$ (1,398.4)	(12.9)%
Operating Expenses:						
Salary and service costs:						
Salary and related service costs	4,568.2	48.5 %	5,050.7	46.7 %	(482.5)	(9.6)%
Third-party service costs	2,283.3	24.3 %	2,886.8	26.7 %	(603.5)	(20.9)%
	6,851.5	72.8 %	7,937.5	73.4 %	(1,086.0)	(13.7)%
Occupancy and other costs	872.6	9.3 %	915.4	8.5 %	(42.8)	(4.7)%
Repositioning costs and net loss on dispositions	277.9	3.0 %	—	— %	—	— %
Cost of services	8,002.0		8,852.9		(850.9)	
Selling, general and administrative expenses	259.2	2.8 %	308.4	2.9 %	(49.2)	(16.0)%
Depreciation and amortization	168.8	1.8 %	175.3	1.6 %	(6.5)	(3.7)%
	8,430.0	89.5 %	9,336.6	86.4 %	(906.6)	(9.7)%
Operating Profit	\$ 984.1	10.5 %	\$ 1,475.9	13.6 %	\$ (491.8)	(33.3)%

For the nine months ended September 30, 2020, salary and service costs, which tend to fluctuate with changes in revenue, decreased \$1,086.0 million, or 13.7%, compared to the nine months of 2019. Salary and related service costs in the nine months of 2020 decreased \$482.5 million, or 9.6%, period-over-period primarily as a result of the severance and furlough actions we took in the second quarter of 2020, as well as reductions in travel and other costs attributable to a remote working environment arising from the COVID-19 pandemic. In addition, in the third quarter of 2020, we reduced salary and service costs by \$117.8 million related to reimbursements and tax credits under government programs in several countries (see Note 1 to the unaudited consolidated financial statements). Third-party service costs, which include expenses incurred with third-party vendors primarily when we act as a principal when performing services for our clients, decreased \$603.5 million, or 20.9%, period-over-period reflecting the decrease in revenue and the impact of actions we took to align our cost structure. Occupancy and other costs, which are less directly linked to changes in revenue than salary and service costs, decreased \$42.8 million, or 4.7%, in the nine months of 2020 compared to the nine months of 2019. Operating profit decreased \$491.8 million to \$984.1 million. Operating margin decreased to 10.5% from 13.6% and EBITA margin decreased to 11.1% from 14.2%, including the net decrease aggregating \$160.1 million due to repositioning costs of \$277.9 million recorded in the second quarter of 2020, partially offset by the \$117.8 million increase related to reimbursements and tax credits under government programs in several countries (see Note 1 to the unaudited consolidated financial statements).

Net Interest Expense

Net interest expense in the nine months of 2020 decreased \$4.0 million period-over-period to \$141.5 million. Interest expense on debt decreased \$28.8 million to \$151.5 million in the nine months of 2020, reflecting a reduction in interest expense from our refinancing activity 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 and the interest expense from the issuance of the 2.45% Notes in February 2020 (see Note 6 to the unaudited consolidated financial statements). Interest income in the nine months of 2020 decreased \$21.8 million period-over-period to \$25.1 million, primarily due to lower rates.

Income Taxes

Our effective tax rate for the nine months of 2020 increased period-over-period to 28.5% from 26.0%. The non-deductibility in certain jurisdictions of a portion of the repositioning costs and net loss on dispositions recorded in the second quarter of 2020 had the effect of increasing our effective tax rate for the nine months of 2020. In 2019, income tax expense was reduced by \$10.8 million primarily from the net favorable settlements of uncertain tax positions in certain jurisdictions. After considering these items, our effective rate for the nine-month period 2020 would have approximated the rate for the same period in 2019. We anticipate our effective tax rate for the fourth quarter of 2020 will be approximately 27%, excluding the impact of share-based compensation, which is subject to changes in the price of our common stock and future stock option exercises.

Net Income Per Share - Omnicom Group Inc.

Net income - Omnicom Group Inc. in the nine months of 2020 decreased \$376.8 million to \$547.3 million from \$924.1 million in the nine months of 2019. The period-over-period decrease is due to the factors described above. Diluted net income per share - Omnicom Group Inc. decreased to \$2.53 in the nine months of 2020, compared to \$4.17 in the nine months of 2019, 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 through March 2020, net of shares issued for restricted stock awards, stock option exercises and the employee stock purchase plan. Net income - Omnicom Group Inc. and diluted net income per share - Omnicom Group Inc. for the nine months of 2020 include a net after-tax decrease for repositioning costs and net loss on dispositions recorded in the second quarter of 2020 and a net after-tax increase attributable to reimbursements and tax credits under government programs in several countries, aggregating \$133.9 million and \$0.62, respectively (see Note 1 to the unaudited consolidated financial statements).

	Nine Months Ended September 30, 2020		
	Repositioning Costs	Reimbursements and Tax Credits Under Government Programs	Total
Increase (decrease) to income before income taxes	\$ (277.9)	\$ 117.8	\$ (160.1)
Increase (decrease) in income tax expense	(54.8)	28.6	(26.2)
Increase (decrease) in net income Omnicom Group Inc.	<u>\$ (223.1)</u>	<u>\$ 89.2</u>	<u>\$ (133.9)</u>
Increase (decrease) in diluted net income per share - Omnicom Group Inc.	<u>\$ (1.03)</u>	<u>\$ 0.41</u>	<u>\$ (0.62)</u>
Weighted average shares	216.2	216.2	216.2

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.

Acquisitions and Goodwill

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

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

We evaluate goodwill for impairment at least annually at the end of the second quarter of the year and whenever events or circumstances indicate the carrying value may not be recoverable. Under FASB ASC Topic 350, *Intangibles - Goodwill and Other*, we have the option of either assessing qualitative factors to determine whether it is more-likely-than-not that the carrying value of our reporting units exceeds their respective fair value or proceeding directly to the goodwill impairment test. Although not required, we performed the annual impairment test and compared the fair value of each of our reporting units to its respective carrying value, including goodwill. We identified our regional reporting units as components of our operating segments, which are our five global agency networks. The regional reporting units of each agency network are responsible for the agencies in their region. They report to the segment managers and facilitate the administrative and logistical requirements of our key client matrix organization structure for delivering services to clients in their regions. We have concluded that for each of our operating segments, their regional reporting units have similar economic characteristics and should be aggregated for purposes of testing goodwill for impairment at the operating segment level. Our conclusion was based on a detailed analysis of the aggregation criteria set forth in FASB ASC Topic 280, *Segment Reporting*, and in FASB ASC Topic 350. Consistent with our fundamental business strategy, the agencies within our regional reporting units serve similar clients in similar industries, and in many cases the same clients. In addition, the agencies within our regional reporting units have similar economic characteristics. The main economic components of each agency are employee compensation and related costs and direct service costs and occupancy and other costs, which include rent and occupancy costs, technology costs that are generally limited to personal computers, servers and off-the-shelf software and other overhead expenses. Finally, the expected benefits of our acquisitions are typically shared by multiple agencies in various regions as they work together to integrate the acquired agency into our virtual client network strategy.

Goodwill Impairment Review - Estimates and Assumptions

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

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

At June 30, 2020 we adjusted our assumptions to reflect the economic conditions in light of the impact on our business related to the COVID-19 pandemic, including downward adjustment to our revenue and earnings assumptions, reducing our long-term growth rate and increasing the weighted average cost of capital, or WACC, for each reporting unit and limiting our estimate of our equity value to reflect the decline in our share price that occurred during the first half of 2020. In addition the assumptions

reflected the expected cost reductions from our severance and real estate facility repositioning actions (see Notes 1 and 10 to the unaudited consolidated financial statements).

The assumptions used for the long-term growth rate and WACC in our evaluations as of June 30, 2020 and 2019 were:

	<u>2020</u>	<u>2019</u>
Long-Term Growth Rate	3.0%	3.5%
WACC	10.6% - 10.8%	10.1% - 10.6%

Long-term growth rate represents our estimate of the long-term growth rate for our industry and the markets of the global economy we operate in. For the past ten years, the average historical revenue growth rate of our reporting units and the Average Nominal GDP, or NGDP, growth of the countries comprising the major markets that account for substantially all of our revenue was approximately 4.2% and 4.3%, respectively. We considered this history when determining the long-term growth rates used in our annual impairment test at June 30, 2020 and lowered it to reflect the potential future effects of the unprecedented pandemic on the global economy, which are not reflected in the 10-year historical analysis. We believe marketing expenditures over the long term have a high correlation to NGDP. Based on our historical performance, we also believe that our long-term growth rate will exceed NGDP growth in the markets we operate in, which are similar across our reporting units. For our annual test as of June 30, 2020, we used an estimated long-term growth rate of 3.0%.

When performing the annual impairment test as of June 30, 2020 and estimating the future cash flows of our reporting units, we considered the current macroeconomic environment, as well as industry and market specific conditions at mid-year 2020. In the first half of 2020, our revenue declined 11.7%, which excluded our net disposition activity and the impact from changes in foreign exchange rates. The COVID-19 pandemic significantly impacted the global economy. Government actions taken to mitigate the impact of the pandemic negatively impacted many of our clients' businesses, and in turn, clients have reduced their demand for our services. In addition, the assumptions reflected the expected cost reductions from our severance, and real estate facility repositioning actions (see Notes 1 and 10 to the unaudited consolidated financial statements).

The WACC is comprised of: (1) a risk-free rate of return, (2) a business risk index ascribed to us and to companies in our industry comparable to our reporting units based on a market derived variable that measures the volatility of the share price of equity securities relative to the volatility of the overall equity market, (3) an equity risk premium that is based on the rate of return on equity of publicly traded companies with business characteristics comparable to our reporting units, and (4) a current after-tax market rate of return on debt of companies with business characteristics similar to our reporting units, each weighted by the relative market value percentages of our equity and debt.

Our five reporting units vary in size with respect to revenue and the amount of debt allocated to them. These differences drive variations in fair value among our reporting units. In addition, these differences as well as differences in book value, including goodwill, cause variations in the amount by which fair value exceeds book value among the reporting units. The reporting unit goodwill balances and debt vary by reporting unit primarily because our three legacy agency networks were acquired at the formation of Omnicom and were accounted for as a pooling of interests that did not result in any additional debt or goodwill being recorded. The remaining two agency networks were built through a combination of internal growth and acquisitions that were accounted for using the acquisition method and as a result, they have a relatively higher amount of goodwill and debt.

Goodwill Impairment Review - Conclusion

Based on the results of our impairment test, we concluded that our goodwill at June 30, 2020 was not impaired, because the fair value of each of our reporting units was in excess of its respective net book value. For our reporting units with negative book value, we concluded that the fair value of their total assets was in excess of book value. The minimum decline in fair value that one of our reporting units would need to experience in order to fail the goodwill impairment test was approximately 20%. Notwithstanding our belief that the assumptions we used for WACC and long-term growth rate in our impairment testing were reasonable, we performed a sensitivity analysis for each of our reporting units. The results of this sensitivity analysis on our impairment test as of June 30, 2020 revealed that if the WACC increased by 1% and/or the long-term growth rate decreased by 1%, the fair value of each of our reporting units would continue to be in excess of its respective net book value and would pass the impairment test.

We will continue to perform our impairment test at the end of the second quarter of each year unless events or circumstances trigger the need for an interim impairment test. There were no events through September 30, 2020 that would change our impairment assessment. The estimates used in our goodwill impairment test do not constitute forecasts or projections of future results of operations, but rather are estimates and assumptions based on historical results and assessments of macroeconomic factors affecting our reporting units as of the valuation date. We believe that our estimates and assumptions are reasonable, but they are subject to change from period to period. Actual results of operations and other factors will likely differ from the estimates used in our discounted cash flow valuation, and it is possible that differences could be significant. A change in the estimates we use could result in a decline in the estimated fair value of one or more of our reporting units from the amounts derived as of our latest valuation and could cause us to fail our goodwill impairment test if the estimated fair value for the reporting unit is less than the carrying value of the net assets of the reporting unit, including its goodwill. A large decline in estimated fair value of a

reporting unit could result in a non-cash impairment charge and may have an adverse effect on our results of operations and financial condition.

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 have experienced a decrease in our cash flow from operations, we have taken numerous proactive steps to strengthen our liquidity and financial position that are intended to mitigate the 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. In April 2020, we issued \$600 million of the 4.20% Notes, and we entered into the \$400 million 364 Day Credit facility. The 364 Day Credit Facility is in addition to our existing \$2.5 billion Credit Facility, which we extended to mature in February 2025. We suspended our share repurchase activity in March 2020.

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, maturing on February 14, 2025, the \$400 million 364 Day Credit Facility maturing on April 2, 2021, the uncommitted credit lines aggregating \$1 billion, and the ability to issue up to \$2 billion of commercial paper and access the capital markets. 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 \$1.0 billion from December 31, 2019, and short-term investments decreased \$3.6 million from December 31, 2019. During the first nine months of 2020, we used \$661.4 million of cash in operating activities, which included the use for operating capital of \$1.8 billion, primarily related to our typical working capital requirement during the period, the timing of working capital activity and the reduction in client spending in the current period, as compared to the prior year period. Our discretionary spending during the first nine months of 2020 was: capital expenditures of \$50.0 million; dividends paid to common shareholders of \$422.7 million; dividends paid to shareholders of noncontrolling interests of \$57.7 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 \$216.0 million; and acquisition payments, including payment of contingent purchase price obligations and acquisition of additional shares of noncontrolling interests, net of cash acquired, of \$107.7 million. In addition, the impact of foreign exchange rate changes reduced cash and cash equivalents by \$69.4 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, in response to the potential effects on market liquidity arising from the COVID-19 pandemic, 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 September 30, 2020, our foreign subsidiaries held approximately \$1.4 billion of our total cash and cash equivalents of \$3.3 billion. Most of the cash is available to us, net of any foreign withholding taxes payable upon repatriation to the United States.

At September 30, 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 \$1.7 billion as compared to December 31, 2019. The increase in net debt primarily resulted from the use of cash of \$1.8 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 due to the COVID-19 pandemic. In addition, the impact of foreign exchange rate changes reduced cash and cash equivalents by \$69.4 million, as compared to December 31, 2019 and September 30, 2020.

The components of net debt were (in millions):

	September 30, 2020	December 31, 2019	September 30, 2019
Short-term debt	\$ 23.6	\$ 10.1	\$ 7.9
Long-term debt, including current portion	5,761.5	5,134.3	5,110.4
Total debt	5,785.1	5,144.4	5,118.3
Less: Cash and cash equivalents and short-term investments	3,278.3	4,309.3	2,445.6
Net debt	\$ 2,506.8	\$ 835.1	\$ 2,672.7

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 each 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 and the 364 Day Credit Facility, at September 30, 2020, we were in compliance with this covenant as our Leverage Ratio was 2.9. The Credit Facility and the 364 Day Credit Facility do not limit our ability to declare or pay dividends or repurchase our common stock.

On October 26, 2020, we amended the Credit Facility and the 364 Day Credit Facility to provide additional flexibility with respect to the covenant that required 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. The amendments increase the maximum Leverage Ratio to 4.0 times through December 31, 2021 for the Credit Agreement and to 4.0 times through the maturity for the 364 Day Credit Facility.

At September 30, 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 and the 364 Day 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 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 Notes 6 and 15 to the unaudited consolidated financial statements.

We have typically funded our day-to-day liquidity by issuing commercial paper. In the quarter ended September 30, 2020, we reduced our commercial paper issuances as compared to the prior year period primarily as a result of the issuance of the 4.20% Notes in April 2020. In 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 September 30, 2020, there were no outstanding commercial paper issuances or borrowings under the Credit Facility, the 364 Day Credit Facility, or the uncommitted credit lines.

Commercial paper activity was (dollars in millions):

	Three Months Ended September 30,	
	2020	2019
Average amount outstanding during the quarter	\$ 29.0	\$ 459.6
Maximum amount outstanding during the quarter	\$ 167.0	\$ 810.0
Average days outstanding	5.8	3.4
Weighted average interest rate	0.22 %	2.39 %

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 3.5% of revenue in the first nine months of 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 September 30, 2020. Based on that evaluation, our CEO and CFO concluded that, as of September 30, 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 September 30, 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 September 30, 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, our business and our results of operations. 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 in March 2020 and continuing through the third quarter of 2020, as compared to the same period in 2019. The reduction in revenue 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 September 30, 2020, all of which related to withholdings to satisfy tax obligations related to vesting of restricted stock awards and stock option exercises, 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
July 1 - July 31, 2020	246,491	\$ 55.20	—	—
August 1 - August 31, 2020	5,740	54.85	—	—
September 1 - September 30, 2020	—	—	—	—
	252,231	\$ 55.19	—	—

During the three months ended September 30, 2020, we withheld 252,231 shares from employees to satisfy estimated statutory income tax obligations related to vesting of restricted stock awards and stock option exercises, and we did not purchase any shares of our common stock in the open market. 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 September 30, 2020.

Item 5. Other Information

On October 26, 2020, the Company and its wholly owned subsidiaries, OCI and Omnicom Finance Limited, entered into Amendment No. 1 to the Credit Agreement (the “Credit Agreement Amendment”) to the Second Amended and Restated Five Year Credit Agreement, dated as of February 14, 2020 (the “Credit Agreement”), with the lenders named therein, 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. The Credit Agreement Amendment amends the financial covenant in the Credit Agreement governing the Company’s \$2.5 billion Credit Facility that required compliance with a maximum Leverage Ratio of consolidated indebtedness to consolidated EBITDA of no more than 3.5 times for the most recently ended 12-month period, by increasing the maximum Leverage Ratio to 4.0 times through December 31, 2021.

Also, on October 26, 2020, the Company and its wholly owned subsidiary, OCI, entered into Amendment No. 1 to the Credit Agreement (the “364 Day Credit Agreement Amendment”) to the 364-Day Credit Agreement, dated as of April 3, 2020 (the “364 Day Credit Agreement”), with the lenders named therein, Citibank, N.A., BofA Securities, Inc., Mizuho Bank, Ltd. and U.S. Bank National Association, as joint lead arrangers and joint book managers, Bank of America, N.A., Mizuho Bank, Ltd. and U.S. Bank National Association, as syndication agents, and Citibank, N.A., as administrative agent for the lenders. The 364 Day Credit Agreement Amendment amends the financial covenant in the 364 Day Credit Agreement governing the Company’s \$400 million 364 day Credit Facility that required compliance with a maximum Leverage Ratio of consolidated indebtedness to consolidated EBITDA of no more than 3.5 times for the most recently ended 12-month period, by increasing the maximum Leverage Ratio to 4.0 times through the maturity of the 364 Day Credit Facility.

The foregoing descriptions of the Credit Agreement Amendment and the 364 Day Credit Agreement Amendment do not purport to be complete and are qualified in their entirety by reference to the full text of each document, copies of which are filed as Exhibit 10.1 and Exhibit 10.2 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

Item 6. Exhibits

10.1	<u>Amendment No. 1 to the Credit Agreement, dated October 26, 2020, to the Second Amended and Restated Five Year Credit Agreement, dated as of February 14, 2020, by and among Omnicom Capital Inc., Omnicom Finance Limited, Omnicom Group Inc., any other subsidiary of Omnicom Group Inc. designated for borrowing privileges, the banks, financial institutions and other institutional lenders party thereto, 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.</u>
10.2	<u>Amendment No. 1 to the Credit Agreement, dated October 26, 2020, to the 364-Day Credit Agreement, dated as of April 3, 2020, by and among Omnicom Capital Inc., Omnicom Group Inc., the banks, financial institutions and other institutional lenders party thereto, Citibank, N.A., BofA Securities, Inc., Mizuho Bank, Ltd. and U.S. Bank National Association, as joint lead arrangers and joint book managers, Bank of America, N.A., Mizuho Bank, Ltd. and U.S. Bank National Association, as syndication agents, and Citibank, N.A., as administrative agent for the lenders.</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: October 27, 2020

OMNICOM GROUP INC.

/s/ PHILIP J. ANGELASTRO

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

**AMENDMENT NO. 1 TO THE
CREDIT AGREEMENT**

Dated as of October 26, 2020

AMENDMENT NO. 1 TO THE CREDIT AGREEMENT (this “Amendment”), dated as of October 26, 2020 among Omnicom Capital Inc., a Connecticut corporation (“OCI”), and Omnicom Finance Limited, a private limited company organized under the laws of England and Wales (“OFL”; OCI and OFL are each a “Borrower” and collectively, the “Borrowers”), Omnicom Group Inc., a New York corporation (the “Guarantor”), the banks, financial institutions and other institutional lenders parties to the Credit Agreement referred to below (collectively, the “Lenders”) and Citibank, N.A., as administrative agent (the “Agent”) for the Lenders.

PRELIMINARY STATEMENTS:

(1) The Borrowers, the Guarantor, the Lenders and the Agent have entered into a Second Amended and Restated Five Year Credit Agreement dated as of February 14, 2020 (the “Credit Agreement”). Capitalized terms used in this Amendment and not otherwise defined in this Amendment shall have the same meanings as specified in the Credit Agreement.

(2) The Borrowers, the Guarantor, the Required Lenders and the Agent have agreed to amend the Credit Agreement as hereinafter set forth.

AGREEMENTS:

Section 1. Amendment to the Credit Agreement. Section 5.03 of the Credit Agreement is, effective as of the date set forth above and subject to the satisfaction of the conditions precedent set forth in Section 2, hereby amended in full to read as follows:

SECTION 5.03. Financial Covenant. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Guarantor will maintain a ratio of Consolidated Debt for Borrowed Money of the Guarantor and its Subsidiaries to Consolidated EBITDA of the Guarantor and its Subsidiaries (the “Leverage Ratio”) for the four quarters most recently ended of not greater than (a) 3.50 to 1.00 for the period of four quarters ended September 30, 2020, (b) 4.00 to 1.00 for the period of four quarters ended December 31, 2020 through and including the period of four quarters ended December 31, 2021 and (c) 3.50 to 1.00 thereafter (or, following the Agent’s receipt of notice from the Company of a Specified Acquisition (a “Covenant Notice”), for four consecutive fiscal quarters commencing with the fiscal quarter in which such Specified Acquisition occurs, (without any consent from the Agent or the Lenders), 4.00 to 1.00); provided that there shall be a period of at least two consecutive fiscal quarters after the covenant steps down to 3.50 to 1.00 before a subsequent Covenant Notice is submitted.

SECTION 2. Conditions of Effectiveness. This Amendment shall become effective as of the date first above written when, and only when, the Agent shall have received (a) counterparts of this Amendment executed by the Borrowers, the Guarantor and the Required Lenders and (b) for the account of each Lender who has delivered a counterpart to this Amendment, an amendment fee paid by or on behalf of the Borrowers in an amount equal to 0.05% of the amount of the Revolving Credit Commitment of such Lender.

SECTION 3. Representations and Warranties of the Company. The Guarantor represents and warrants as follows:

(a) The representations and warranties contained in Section 4.01 of the Credit Agreement are correct on and as of the effective date of this Amendment, as though made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date)

(b) No event has occurred and is continuing that constitutes a Default.

SECTION 4. Reference to and Effect on the Credit Agreement and the Notes. (a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to “this Agreement,” “hereunder,” “hereof” or words of like import referring to the Credit Agreement, and each reference in the Notes to “the Credit Agreement,” “thereunder,” “thereof” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(b) The Credit Agreement and the Notes, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Agent under the Credit Agreement, or constitute a waiver of any provision of the Credit Agreement.

SECTION 5. Costs and Expenses. The Borrowers agree to pay on demand all reasonable costs and expenses of the Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and the other instruments and documents to be delivered hereunder (including, without limitation, the reasonable fees and expenses of counsel for the Agent) in accordance with the terms of Section 9.04 of the Credit Agreement.

SECTION 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by electronic medium or facsimile shall be effective as delivery of a manually executed counterpart of this Amendment. The words “execution,” “signed,” “signature,” and words of like import in this Amendment shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided, further, that, without limiting the foregoing, upon the request of the Agent, any electronic signature shall be promptly followed by such manually executed counterpart.

SECTION 7. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York without giving effect to conflicts of law provisions that might require the application of the laws of a different jurisdiction.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, effective as of the date first above written.

OMNICOM CAPITAL INC., as Borrower

By: /s/Rochelle M. Tarlowe
Name: Rochelle M. Tarlowe
Title: President and Chief Executive Officer

OMNICOM FINANCE LIMITED, as Borrower

By: /s/Rochelle M. Tarlowe
Name: Rochelle M. Tarlowe
Title: Director

OMNICOM GROUP INC., as Guarantor

By: /s/Rochelle M. Tarlowe
Name: Rochelle M. Tarlowe
Title: Senior Vice President and Treasurer

CITIBANK, N.A.,
as Agent and as Lender

By: /s/Michael Vondriska
Name: Michael Vondriska
Title: Vice President

JPMorgan Chase Bank, N.A.

By: /s/John Kowalczyk
Name: John Kowalczyk
Title: Executive Director

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/Nicholas Grocholski
Name: Nicholas Grocholski
Title: Managing Director

BANK OF AMERICA, N.A.

By: /s/Marie Harrison
Name: Marie Harrison
Title: Director

BARCLAYS BANK PLC as Lender

By: /s/Jamie Telkman
Name: Jamie Telkman
Title: AVP

BNP Paribas

By: /s/Maria Mulic
Name: Maria Mulic
Title: Managing Director

By: /s/Stefano Locatelli
Name: Stefano Locatelli
Title: Vice President

DEUTSCHE BANK AG NEW YORK BRANCH, as Lender

By: /s/Annie Chung
Name: Annie Chung
Title: Director

By: /s/Ming K. Chu
Name: Ming K. Chu
Title: Director

HSBC BANK USA, NATIONAL ASSOCIATION

By: /s/Brett H. Bonet
Name: Brett H Bonet
Title: Director

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. NEW YORK BRANCH

By: /s/Cara Younger
Name: Cara Younger
Title: Executive Director

By: /s/Miriam Trautmann
Name: Miriam Trautmann
Title: Senior Vice President

ING Bank N.V., Dublin Branch

By: /s/Sean Hassett
Name: Sean Hassett
Title: Director

By: /s/Pádraig Matthews
Name: Pádraig Matthews
Title: Director

Mizuho Bank, Ltd.

By: /s/Tracy Rahn
Name: Tracy Rahn
Title: Executive Director

MUFG BANK, LTD.

By: /s/Marlon Mathews
Name: Marlon Mathews
Title: Director

SOCIETE GENERALE

By: /s/Shelley Yu
Name: Shelley Yu
Title: Director

Sumitomo Mitsui Banking Corporation

By: /s/Jun Ashley
Name: Jun Ashley
Title: Director

TD BANK, N.A.

By: /s/Matt Waszmer
Name: Matt Waszmer
Title: Senior Vice President

U.S. Bank National Association

By: /s/Kelsey E. Hehman
Name: Kelsey E. Hehman
Title: Assistant Vice President

INTESA SANPAOLO S.P.A. – NEW YORK

By: /s/Alessandro Toigo
Name: Alessandro Toigo
Title: Head of Corporate Desk

By: /s/Glen Binder
Name: Glen Binder
Title: Global Relationship Manager

ROYAL BANK OF CANADA, as Lender

By: /s/Greg Lagerquist
Name: Greg Lagerquist
Title: Vice President, Corporate Client Group

STANDARD CHARTERED BANK

By: /s/James Beck
Name: James Beck
Title: Associate Director

The Bank of Nova Scotia

By: /s/Kevin McCarthy
Name: Kevin McCarthy
Title: Director

The Northern Trust Company

By: /s/Eric Siebert
Name: Eric Siebert
Title: SVP

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, as Lender

By: /s/Cynthia Dioquino
Name: Cynthia Dioquino
Title: Associate Director

Bank of China, New York Branch

By: /s/Raymond Qiao
Name: Raymond Qiao
Title: Executive Vice President

Danske Bank A/S, as Lender

By: /s/Jesper Larsen

Name: Jesper Larsen

Title: Senior Loan Manager

By: /s/Jørgen Linnet

Name: Jørgen Linnet

Title: Chief Loan Manager

National Australia Bank Limited

By: /s/John Allan-Smith

Name: John Allan-Smith

Title: Head of Client Coverage – US

UNICREDIT BANK AG, NEW YORK BRANCH

By: /s/Kimberly Sousa

Kimberly Sousa

Managing Director

By: /s/Liz Lebedinskaya

Liz Lebedinskaya

Associate Director

WESTPAC BANKING CORPORATION

By: /s/Richard Yarnold

Name: Richard Yarnold

Title: Director

**AMENDMENT NO. 1 TO THE
CREDIT AGREEMENT**

Dated as of October 26, 2020

AMENDMENT NO. 1 TO THE CREDIT AGREEMENT (this "Amendment"), dated as of October 26, 2020 among Omnicom Capital Inc., a Connecticut corporation (the "Borrower"), Omnicom Group Inc., a New York corporation (the "Guarantor"), the banks, financial institutions and other institutional lenders parties to the Credit Agreement referred to below (collectively, the "Lenders") and Citibank, N.A., as administrative agent (the "Agent") for the Lenders.

PRELIMINARY STATEMENTS:

(1) The Borrower, the Guarantor, the Lenders and the Agent have entered into a 364-Day Credit Agreement dated as of April 3, 2020 (the "Credit Agreement"). Capitalized terms used in this Amendment and not otherwise defined in this Amendment shall have the same meanings as specified in the Credit Agreement.

(2) The Borrower, the Guarantor, the Required Lenders and the Agent have agreed to amend the Credit Agreement as hereinafter set forth.

AGREEMENTS:

Section 1. Amendment to the Credit Agreement. Section 5.03 of the Credit Agreement is, effective as of the date set forth above and subject to the satisfaction of the conditions precedent set forth in Section 2, hereby amended in full to read as follows:

SECTION 5.03. Financial Covenant. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Guarantor will maintain a ratio of Consolidated Debt for Borrowed Money of the Guarantor and its Subsidiaries to Consolidated EBITDA of the Guarantor and its Subsidiaries (the "Leverage Ratio") for the four quarters most recently ended of not greater than (a) 3.50 to 1.00 for the period of four quarters ended September 30, 2020 and (b) 4.00 to 1.00 thereafter.

SECTION 2. Conditions of Effectiveness. This Amendment shall become effective as of the date first above written when, and only when, the Agent shall have received (a) counterparts of this Amendment executed by the Borrower, the Guarantor and the Required Lenders and (b) for the account of each Lender who has delivered a counterpart to this Amendment, an amendment fee paid by or on behalf of the Borrower in an amount equal to 0.05% of the amount of the Revolving Credit Commitment of such Lender.

SECTION 3. Representations and Warranties of the Company. The Guarantor represents and warrants as follows:

(a) The representations and warranties contained in Section 4.01 of the Credit Agreement are correct on and as of the effective date of this Amendment, as though made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date)

(b) No event has occurred and is continuing that constitutes a Default.

SECTION 4. Reference to and Effect on the Credit Agreement and the Notes. (a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to “this Agreement,” “hereunder,” “hereof” or words of like import referring to the Credit Agreement, and each reference in the Notes to “the Credit Agreement,” “thereunder,” “thereof” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(b) The Credit Agreement and the Notes, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Agent under the Credit Agreement, or constitute a waiver of any provision of the Credit Agreement.

SECTION 5. Costs and Expenses. The Borrower agrees to pay on demand all reasonable costs and expenses of the Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and the other instruments and documents to be delivered hereunder (including, without limitation, the reasonable fees and expenses of counsel for the Agent) in accordance with the terms of Section 9.04 of the Credit Agreement.

SECTION 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by electronic medium or facsimile shall be effective as delivery of a manually executed counterpart of this Amendment. The words “execution,” “signed,” “signature,” and words of like import in this Amendment shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided, further, that, without limiting the foregoing, upon the request of the Agent, any electronic signature shall be promptly followed by such manually executed counterpart.

SECTION 7. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York without giving effect to conflicts of law provisions that might require the application of the laws of a different jurisdiction.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, effective as of the date first above written.

OMNICOM CAPITAL INC., as Borrower

By: /s/Rochelle M. Tarlowe
Name: Rochelle M. Tarlowe
Title: President and Chief Executive Officer

OMNICOM GROUP INC., as Guarantor

By: /s/Rochelle M. Tarlowe
Name: Rochelle M. Tarlowe
Title: Senior Vice President and Treasurer

CITIBANK, N.A.,
as Agent and as Lender

By: /s/Michael Vondriska
Name: Michael Vondriska
Title: Vice President

BANK OF AMERICA, N.A.

By: /s/Marie Harrison
Name: Marie Harrison
Title: Director

Mizuho Bank, Ltd.

By: /s/Tracy Rahn
Name: Tracy Rahn
Title: Executive Director

U.S. Bank National Association

By: /s/Kelsey E. Hehman
Name: Kelsey E. Hehman
Title: Assistant Vice President

Sumitomo Mitsui Banking Corporation

By: /s/Jun Ashley
Name: Jun Ashley
Title: Director

CERTIFICATION

I, John D. Wren, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 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: October 27, 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 September 30, 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: October 27, 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 September 30, 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: October 27, 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.