

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, 2021

or

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

Commission file number: 1-6686



THE INTERPUBLIC GROUP OF COMPANIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

13-1024020

(I.R.S. Employer Identification No.)

909 Third Avenue, New York, New York 10022

(Address of principal executive offices) (Zip Code)

(212)704-1200

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.10 per share	IPG	The 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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 definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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

The number of shares of the registrant's common stock outstanding as of October 15, 2021 was 393,755,260.

INDEX

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (Unaudited)</u>	
<u>Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2021 and 2020</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2021 and 2020</u>	<u>4</u>
<u>Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2021 and 2020</u>	<u>6</u>
<u>Consolidated Statements of Stockholders' Equity for the Three and Nine Months Ended September 30, 2021 and 2020</u>	<u>7</u>
<u>Notes to Consolidated Financial Statements</u>	<u>9</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>24</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>43</u>
Item 4. <u>Controls and Procedures</u>	<u>43</u>
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>44</u>
Item 1A. <u>Risk Factors</u>	<u>44</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>44</u>
Item 6. <u>Exhibits</u>	<u>44</u>
<u>INDEX TO EXHIBITS</u>	<u>45</u>
<u>SIGNATURES</u>	<u>46</u>

INFORMATION REGARDING FORWARD-LOOKING DISCLOSURE

This quarterly report on Form 10-Q contains forward-looking statements. Statements in this report that are not historical facts, including statements about management's beliefs and expectations, constitute forward-looking statements. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "would," "estimate," "continue" or comparable terminology are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and are subject to change based on a number of factors, including those outlined under Item 1A, *Risk Factors*, in our most recent annual report on Form 10-K and our quarterly reports on Form 10-Q. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, the following:

- the effects of a challenging economy on the demand for our advertising and marketing services, on our clients' financial condition and on our business or financial condition;
- the impacts of the COVID-19 pandemic and the measures to contain its spread, including social distancing efforts and restrictions on businesses, social activities and travel, any failure to realize anticipated benefits from the rollout of COVID-19 vaccination campaigns and the resulting impact on the economy, our clients and demand for our services, which may precipitate or exacerbate other risks and uncertainties;
- our ability to attract new clients and retain existing clients;
- our ability to retain and attract key employees;
- risks associated with assumptions we make in connection with our critical accounting estimates, including changes in assumptions associated with any effects of a weakened economy;
- potential adverse effects if we are required to recognize impairment charges or other adverse accounting-related developments;
- risks associated with the effects of global, national and regional economic and political conditions, including counterparty risks and fluctuations in economic growth rates, interest rates and currency exchange rates;
- developments from changes in the regulatory and legal environment for advertising and marketing and communications services companies around the world, including laws and regulations related to data protection and consumer privacy; and
- failure to fully realize the anticipated benefits of our 2020 restructuring actions and other cost-savings initiatives.

Investors should carefully consider these factors and the additional risk factors outlined in more detail under Item 1A, *Risk Factors*, in our most recent annual report on Form 10-K and our quarterly reports on Form 10-Q.

PART I – FINANCIAL INFORMATION**Item 1. Financial Statements (Unaudited)**

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
REVENUE:				
Net revenue	\$ 2,261.7	\$ 1,954.6	\$ 6,559.0	\$ 5,780.1
Billable expenses	280.3	170.9	749.6	730.9
Total revenue	2,542.0	2,125.5	7,308.6	6,511.0
OPERATING EXPENSES:				
Salaries and related expenses	1,511.2	1,269.9	4,389.2	3,998.8
Office and other direct expenses	300.9	307.9	894.8	1,003.1
Billable expenses	280.3	170.9	749.6	730.9
Cost of services	2,092.4	1,748.7	6,033.6	5,732.8
Selling, general and administrative expenses	32.2	9.9	89.8	36.4
Depreciation and amortization	69.4	71.0	208.7	216.9
Restructuring charges	(3.5)	47.3	(2.4)	159.9
Total operating expenses	2,190.5	1,876.9	6,329.7	6,146.0
OPERATING INCOME	351.5	248.6	978.9	365.0
EXPENSES AND OTHER INCOME:				
Interest expense	(42.9)	(50.8)	(135.1)	(145.4)
Interest income	7.4	6.1	21.9	22.7
Other income (expense), net	2.3	(11.3)	(76.9)	(54.6)
Total (expenses) and other income	(33.2)	(56.0)	(190.1)	(177.3)
INCOME BEFORE INCOME TAXES	318.3	192.6	788.8	187.7
Provision for (benefit of) income taxes	73.9	(86.3)	184.4	(50.1)
INCOME OF CONSOLIDATED COMPANIES	244.4	278.9	604.4	237.8
Equity in net income (loss) of unconsolidated affiliates	0.2	(0.4)	0.4	(0.6)
NET INCOME	244.6	278.5	604.8	237.2
Net (income) loss attributable to non-controlling interests	(4.7)	1.2	(9.9)	1.6
NET INCOME AVAILABLE TO IPG COMMON STOCKHOLDERS	\$ 239.9	\$ 279.7	\$ 594.9	\$ 238.8
Earnings per share available to IPG common stockholders:				
Basic	\$ 0.61	\$ 0.72	\$ 1.51	\$ 0.61
Diluted	\$ 0.60	\$ 0.71	\$ 1.49	\$ 0.61
Weighted-average number of common shares outstanding:				
Basic	393.5	389.6	392.8	388.9
Diluted	399.8	393.9	398.3	392.6

The accompanying notes are an integral part of these unaudited financial statements.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Millions)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
NET INCOME	\$ 244.6	\$ 278.5	\$ 604.8	\$ 237.2
OTHER COMPREHENSIVE (LOSS) INCOME				
Foreign currency translation:				
Foreign currency translation adjustments	(51.2)	46.5	(75.6)	(58.3)
Reclassification adjustments recognized in net income	0.5	9.6	(1.0)	9.3
	(50.7)	56.1	(76.6)	(49.0)
Derivative instruments:				
Changes in fair value of derivative instruments	0.9	4.5	15.8	3.6
Recognition of previously unrealized net (gain) loss in net income	(0.3)	0.6	4.6	1.8
Income tax effect	0.1	(1.3)	(2.5)	(1.4)
	0.7	3.8	17.9	4.0
Defined benefit pension and other postretirement plans:				
Net actuarial gains for the period	5.4	0.0	4.2	2.2
Amortization of unrecognized losses, transition obligation and prior service cost included in net income	2.4	1.8	7.2	5.5
Settlement losses included in net income	1.2	0.0	1.2	0.0
Other	0.1	0.4	0.1	(1.0)
Income tax effect	(2.1)	(0.4)	(3.1)	(1.6)
	7.0	1.8	9.6	5.1
Other comprehensive (loss) income, net of tax	(43.0)	61.7	(49.1)	(39.9)
TOTAL COMPREHENSIVE INCOME	201.6	340.2	555.7	197.3
Less: comprehensive income (loss) attributable to non-controlling interests	3.8	(0.8)	9.0	(3.7)
COMPREHENSIVE INCOME ATTRIBUTABLE TO IPG	\$ 197.8	\$ 341.0	\$ 546.7	\$ 201.0

The accompanying notes are an integral part of these unaudited financial statements.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Millions)
(Unaudited)

	September 30, 2021	December 31, 2020
ASSETS:		
Cash and cash equivalents	\$ 2,490.0	\$ 2,509.0
Accounts receivable, net of allowance of \$84.6 and \$98.3, respectively	4,042.5	4,646.4
Accounts receivable, billable to clients	2,150.4	1,820.7
Assets held for sale	3.5	0.8
Other current assets	446.5	390.7
Total current assets	9,132.9	9,367.6
Property and equipment, net of accumulated depreciation and amortization of \$1,196.4 and \$1,133.9, respectively	666.3	690.3
Deferred income taxes	273.7	302.0
Goodwill	4,914.4	4,945.5
Other intangible assets	869.7	933.6
Operating lease right-of-use assets	1,516.5	1,379.3
Other non-current assets	431.8	424.4
TOTAL ASSETS	\$ 17,805.3	\$ 18,042.7
LIABILITIES:		
Accounts payable	\$ 6,844.2	\$ 7,269.7
Accrued liabilities	760.4	832.4
Contract liabilities	622.2	657.8
Short-term borrowings	44.1	48.0
Current portion of long-term debt	500.4	502.5
Current portion of operating leases	270.1	268.5
Liabilities held for sale	7.6	1.6
Total current liabilities	9,049.0	9,580.5
Long-term debt	2,908.3	2,915.8
Non-current operating leases	1,536.1	1,441.0
Deferred compensation	378.9	413.2
Other non-current liabilities	639.1	655.2
TOTAL LIABILITIES	14,511.4	15,005.7
Redeemable non-controlling interests (see Note 5)	72.6	93.1
STOCKHOLDERS' EQUITY:		
Common stock	39.3	39.0
Additional paid-in capital	1,151.6	1,099.3
Retained earnings	2,908.9	2,636.9
Accumulated other comprehensive loss, net of tax	(928.4)	(880.2)
Total IPG stockholders' equity	3,171.4	2,895.0
Non-controlling interests	49.9	48.9
TOTAL STOCKHOLDERS' EQUITY	3,221.3	2,943.9
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 17,805.3	\$ 18,042.7

The accompanying notes are an integral part of these unaudited financial statements.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Millions)
(Unaudited)

	Nine months ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 604.8	\$ 237.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	208.7	216.9
Loss on early extinguishment of debt	74.0	—
Amortization of restricted stock and other non-cash compensation	57.9	56.4
Deferred income tax	34.6	(9.4)
Net losses on sales of businesses	18.6	51.8
Net amortization of bond discounts and deferred financing costs	4.8	8.6
Provision for uncollectible receivables	(6.3)	49.8
Non-cash restructuring charges	(2.2)	95.7
Other	4.1	20.7
Changes in assets and liabilities, net of acquisitions and divestitures, provided (using) cash:		
Accounts receivable	511.5	1,759.9
Accounts receivable, billable to clients	(367.3)	83.0
Other current assets	(66.3)	(60.7)
Accounts payable	(302.1)	(2,014.7)
Accrued liabilities	(65.2)	(61.3)
Contract liabilities	(26.3)	34.1
Other non-current assets and liabilities	(74.7)	(142.9)
Net cash provided by operating activities	<u>608.6</u>	<u>325.1</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(123.4)	(112.0)
Deconsolidation of a subsidiary	(16.3)	—
Acquisitions, net of cash acquired	—	(2.5)
Net proceeds from investments	32.7	5.6
Other investing activities	(8.1)	(23.6)
Net cash used in investing activities	<u>(115.1)</u>	<u>(132.5)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Early extinguishment of long-term debt	(1,066.8)	—
Common stock dividends	(321.4)	(298.6)
Acquisition-related payments	(28.0)	(40.6)
Tax payments for employee shares withheld	(25.0)	(22.2)
Net (decrease) increase in short-term borrowings	(9.4)	1.9
Distributions to non-controlling interests	(9.0)	(13.7)
Proceeds from long-term debt	998.1	646.2
Exercise of stock options	8.0	0.0
Other financing activities	(14.3)	(10.7)
Net cash (used in) provided by financing activities	<u>(467.8)</u>	<u>262.3</u>
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(40.3)	(20.3)
Net (decrease) increase in cash, cash equivalents and restricted cash	(14.6)	434.6
Cash, cash equivalents and restricted cash at beginning of period	2,511.5	1,195.7
Cash, cash equivalents and restricted cash at end of period	<u>\$ 2,496.9</u>	<u>\$ 1,630.3</u>

The accompanying notes are an integral part of these unaudited financial statements.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Amounts in Millions)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Total IPG Stockholders' Equity	Non- controlling Interests	Total Stockholders' Equity
	Shares	Amount						
Balance at June 30, 2021	393.5	\$ 39.3	\$ 1,132.4	\$ 2,777.5	\$ (886.3)	\$ 3,062.9	\$ 48.4	\$ 3,111.3
Net income				239.9		239.9	4.7	244.6
Other comprehensive loss					(42.1)	(42.1)	(0.9)	(43.0)
Reclassifications related to redeemable non-controlling interests							(0.5)	(0.5)
Distributions to non-controlling interests							(2.2)	(2.2)
Change in redemption value of redeemable non-controlling interests				(1.4)		(1.4)		(1.4)
Common stock dividends (\$0.270 per share)				(107.1)		(107.1)		(107.1)
Stock-based compensation	0.1	0.0	19.8			19.8		19.8
Exercise of stock options	0.0	0.0	0.2			0.2		0.2
Shares withheld for taxes	0.0	0.0	(0.8)			(0.8)		(0.8)
Other							0.4	0.4
Balance at September 30, 2021	<u>393.6</u>	<u>\$ 39.3</u>	<u>\$ 1,151.6</u>	<u>\$ 2,908.9</u>	<u>\$ (928.4)</u>	<u>\$ 3,171.4</u>	<u>\$ 49.9</u>	<u>\$ 3,221.3</u>
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Total IPG Stockholders' Equity	Non- controlling Interests	Total Stockholders' Equity
	Shares	Amount						
Balance at December 31, 2020	390.9	\$ 39.0	\$ 1,099.3	\$ 2,636.9	\$ (880.2)	\$ 2,895.0	\$ 48.9	\$ 2,943.9
Net income				594.9		594.9	9.9	604.8
Other comprehensive loss					(48.2)	(48.2)	(0.9)	(49.1)
Reclassifications related to redeemable non-controlling interests							0.1	0.1
Distributions to non-controlling interests							(9.0)	(9.0)
Change in redemption value of redeemable non-controlling interests				(2.1)		(2.1)		(2.1)
Common stock dividends (\$0.810 per share)				(320.8)		(320.8)		(320.8)
Stock-based compensation	3.0	0.3	68.9			69.2		69.2
Exercise of stock options	0.6	0.1	8.5			8.6		8.6
Shares withheld for taxes	(0.9)	(0.1)	(25.1)			(25.2)		(25.2)
Other							0.9	0.9
Balance at September 30, 2021	<u>393.6</u>	<u>\$ 39.3</u>	<u>\$ 1,151.6</u>	<u>\$ 2,908.9</u>	<u>\$ (928.4)</u>	<u>\$ 3,171.4</u>	<u>\$ 49.9</u>	<u>\$ 3,221.3</u>

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Total IPG Stockholders' Equity	Non- controlling Interests	Total Stockholders' Equity
	Shares	Amount						
Balance at June 30, 2020	389.6	\$ 38.9	\$ 996.3	\$ 2,444.3	\$ (1,029.1)	\$ 2,450.4	\$ 40.7	\$ 2,491.1
Net income (loss)				279.7		279.7	(1.2)	278.5
Other comprehensive income					61.3	61.3	0.4	61.7
Reclassifications related to redeemable non-controlling interests							2.9	2.9
Distributions to non-controlling interests							(4.3)	(4.3)
Common stock dividends (\$0.255 per share)				(100.6)		(100.6)		(100.6)
Stock-based compensation	0.2	0.0	23.1			23.1		23.1
Exercise of stock options	0.0	0.0	0.1			0.1		0.1
Shares withheld for taxes	(0.1)	0.0	(0.2)			(0.2)		(0.2)
Other			8.8			8.8	(0.5)	8.3
Balance at September 30, 2020	<u>389.7</u>	<u>\$ 38.9</u>	<u>\$ 1,028.1</u>	<u>\$ 2,623.4</u>	<u>\$ (967.8)</u>	<u>\$ 2,722.6</u>	<u>\$ 38.0</u>	<u>\$ 2,760.6</u>

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Total IPG Stockholders' Equity	Non- controlling Interests	Total Stockholders' Equity
	Shares	Amount						
Balance at December 31, 2019	387.0	\$ 38.7	\$ 977.3	\$ 2,689.9	\$ (930.0)	\$ 2,775.9	\$ 49.7	\$ 2,825.6
Cumulative effect of accounting change				(6.6)		(6.6)		(6.6)
Net income (loss)				238.8		238.8	(1.6)	237.2
Other comprehensive loss					(37.8)	(37.8)	(2.1)	(39.9)
Reclassifications related to redeemable non-controlling interests							5.9	5.9
Distributions to non-controlling interests							(13.7)	(13.7)
Change in redemption value of redeemable non-controlling interests				3.1		3.1		3.1
Common stock dividends (\$0.765 per share)				(301.8)		(301.8)		(301.8)
Stock-based compensation	3.8	0.4	63.7			64.1		64.1
Exercise of stock options	0.0	0.0	0.5			0.5		0.5
Shares withheld for taxes	(1.1)	(0.2)	(22.2)			(22.4)		(22.4)
Other			8.8			8.8	(0.2)	8.6
Balance at September 30, 2020	<u>389.7</u>	<u>\$ 38.9</u>	<u>\$ 1,028.1</u>	<u>\$ 2,623.4</u>	<u>\$ (967.8)</u>	<u>\$ 2,722.6</u>	<u>\$ 38.0</u>	<u>\$ 2,760.6</u>

The accompanying notes are an integral part of these unaudited financial statements.

Notes to Consolidated Financial Statements
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements have been prepared by The Interpublic Group of Companies, Inc. and its subsidiaries (the “Company,” “IPG,” “we,” “us” or “our”) in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for reporting interim financial information on Form 10-Q. Accordingly, they do not include certain information and disclosures required for complete financial statements. The effects of the coronavirus (“COVID-19”) pandemic have impacted and will likely continue to impact our results of operations, cash flows and financial position. The Company’s Consolidated Financial Statements presented herein reflect the latest estimates and assumptions made by management that affect the reported amounts of assets and liabilities and related disclosures as of the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting periods presented. The Company believes it has used reasonable estimates and assumptions to assess the fair values of goodwill, long-lived assets and indefinite-lived intangible assets; assessment of the annual effective tax rate; valuation of deferred income taxes and allowance for expected credit losses on future uncollectible accounts receivable.

Actual results could differ from these estimates and assumptions. The consolidated results for interim periods are not necessarily indicative of results for the full year and should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2020 (the “2020 Annual Report”).

Cost of services is comprised of the expenses of our revenue-producing reportable segments, Integrated Agency Networks (“IAN”) and IPG DXTRA (“DXTRA”), including salaries and related expenses, office and other direct expenses and billable expenses, and includes an allocation of the centrally managed expenses from our “Corporate and Other” group. Office and other direct expenses include rent expense, professional fees, certain expenses incurred by our staff in servicing our clients and other costs directly attributable to client engagements.

Selling, general and administrative expenses are primarily the unallocated expenses from Corporate and Other, excluding depreciation and amortization.

Depreciation and amortization of fixed assets and intangible assets of the Company is disclosed as a separate operating expense.

Restructuring charges in 2021 consist of adjustments to the Company’s restructuring actions taken during 2020 to lower our operating expenses structurally and permanently relative to revenue and to accelerate the transformation of our business, as discussed further in Note 7. Restructuring charges mainly include severance and termination costs and lease impairment costs.

In the opinion of management, these unaudited Consolidated Financial Statements include all adjustments, consisting only of normal and recurring adjustments necessary for a fair statement of the information for each period contained therein. Certain reclassifications and immaterial changes have been made to prior-period financial statements to conform to the current-period presentation.

Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Note 2: Revenue**Disaggregation of Revenue**

We have two reportable segments as of September 30, 2021: IAN and DXTRA, as further discussed in Note 11. IAN principally generates revenue from providing advertising and media services as well as a comprehensive array of global communications, marketing services and data management. DXTRA generates revenue from a comprehensive array of global public relations and communication services as well as providing events, sports and entertainment marketing, corporate and brand identity, and strategic marketing consulting.

Our agencies are located in over 100 countries, including every significant world market. Our geographic revenue breakdown is listed below.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Total revenue:				
United States	\$ 1,612.1	\$ 1,354.8	\$ 4,595.8	\$ 4,234.0
International:				
United Kingdom	224.3	172.4	637.4	528.8
Continental Europe	200.2	174.5	625.6	508.5
Asia Pacific	229.0	198.1	673.1	609.9
Latin America	104.3	83.2	290.1	235.7
Other	172.1	142.5	486.6	394.1
Total International	929.9	770.7	2,712.8	2,277.0
Total Consolidated	<u>\$ 2,542.0</u>	<u>\$ 2,125.5</u>	<u>\$ 7,308.6</u>	<u>\$ 6,511.0</u>

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net revenue:				
United States	\$ 1,459.3	\$ 1,273.4	\$ 4,204.6	\$ 3,820.6
International:				
United Kingdom	195.1	162.0	573.7	474.9
Continental Europe	178.1	158.0	559.4	453.7
Asia Pacific	192.0	166.0	553.6	487.4
Latin America	96.3	78.5	268.6	220.1
Other	140.9	116.7	399.1	323.4
Total International	802.4	681.2	2,354.4	1,959.5
Total Consolidated	<u>\$ 2,261.7</u>	<u>\$ 1,954.6</u>	<u>\$ 6,559.0</u>	<u>\$ 5,780.1</u>

Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

<i>IAN</i>	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Total revenue:				
United States	\$ 1,306.2	\$ 1,130.5	\$ 3,731.4	\$ 3,402.7
International	779.5	653.1	2,283.5	1,872.2
Total IAN	\$ 2,085.7	\$ 1,783.6	\$ 6,014.9	\$ 5,274.9
Net revenue:				
United States	\$ 1,242.3	\$ 1,093.8	\$ 3,581.1	\$ 3,254.1
International	700.4	591.7	2,050.2	1,681.6
Total IAN	\$ 1,942.7	\$ 1,685.5	\$ 5,631.3	\$ 4,935.7
<i>DXTRA</i>				
	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Total revenue:				
United States	\$ 305.9	\$ 224.3	\$ 864.4	\$ 831.3
International	150.4	117.6	429.3	404.8
Total DXTRA	\$ 456.3	\$ 341.9	\$ 1,293.7	\$ 1,236.1
Net revenue:				
United States	\$ 217.0	\$ 179.6	\$ 623.5	\$ 566.5
International	102.0	89.5	304.2	277.9
Total DXTRA	\$ 319.0	\$ 269.1	\$ 927.7	\$ 844.4

Contract Balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	September 30, 2021	December 31, 2020
Accounts receivable, net of allowance of \$84.6 and \$98.3, respectively	\$ 4,042.5	\$ 4,646.4
Accounts receivable, billable to clients	2,150.4	1,820.7
Contract assets	50.2	51.8
Contract liabilities (deferred revenue)	622.2	657.8

Contract assets are primarily comprised of contract incentives that are generally satisfied annually under the terms of our contracts and are transferred to accounts receivable when the right to payment becomes unconditional. Contract liabilities relate to advance consideration received from customers under the terms of our contracts primarily related to reimbursements of third-party expenses, whether we act as principal or agent, and to a lesser extent, periodic retainer fees, both of which are generally recognized shortly after billing.

The majority of our contracts are for periods of one year or less with the exception of our data management contracts. For those contracts with a term of more than one year, we had approximately \$604.4 of unsatisfied performance obligations as of September 30, 2021, which will be recognized as services are performed over the remaining contractual terms through 2027.

Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Note 3: Debt and Credit Arrangements**Long-Term Debt**

A summary of the carrying amounts of our long-term debt is listed below.

	Effective Interest Rate	September 30, 2021	December 31, 2020
3.750% Senior Notes due 2021	3.980%	\$ 500.0	\$ 499.1
4.000% Senior Notes due 2022	4.130%	—	249.3
3.750% Senior Notes due 2023	4.320%	—	498.8
4.200% Senior Notes due 2024 (less unamortized discount and issuance costs of \$0.2 and \$0.5, respectively)	4.240%	249.3	498.3
4.650% Senior Notes due 2028 (less unamortized discount and issuance costs of \$1.3 and \$3.1, respectively)	4.780%	495.6	495.2
4.750% Senior Notes due 2030 (less unamortized discount and issuance costs of \$3.4 and \$5.2, respectively)	4.920%	641.4	640.8
2.400% Senior Notes due 2031 (less unamortized discount and issuance costs of \$0.8 and \$4.4, respectively)	2.512%	494.8	—
3.375% Senior Notes due 2041 (less unamortized discount and issuance costs of \$1.1 and \$5.6, respectively)	3.448%	493.3	—
5.400% Senior Notes due 2048 (less unamortized discount and issuance costs of \$2.7 and \$5.0, respectively)	5.480%	492.3	492.1
Other notes payable and capitalized leases		42.0	44.7
Total long-term debt		3,408.7	3,418.3
Less: current portion		500.4	502.5
Long-term debt, excluding current portion		<u>\$ 2,908.3</u>	<u>\$ 2,915.8</u>

As of September 30, 2021 and December 31, 2020, the estimated fair value of the Company's long-term debt was \$3,875.3 and \$3,995.0, respectively. Refer to Note 12 for details.

Debt Transactions**3.750% Senior Notes due 2021**

Our 3.750% unsecured senior notes in aggregate principal amount of \$500.0 matured on October 1, 2021, and we used cash on hand to fund the principal repayment.

2.400% Senior Notes due 2031

On February 25, 2021, we issued a total of \$500.0 in aggregate principal amount of 2.400% unsecured senior notes (the "2.400% Senior Notes") due March 1, 2031. Upon issuance, the 2.400% Senior Notes were reflected in our unaudited Consolidated Balance Sheets at \$494.5, net of discount of \$0.8 and net of capitalized debt issuance costs, including commissions and offering expenses of \$4.7, both of which will be amortized in interest expense through the maturity date using the effective interest method. Interest is payable semi-annually in arrears on March 1st and September 1st of each year, commencing on September 1, 2021.

3.375% Senior Notes due 2041

On February 25, 2021, we issued a total of \$500.0 in aggregate principal amount of 3.375% unsecured senior notes (the "3.375% Senior Notes") due March 1, 2041. Upon issuance, the 3.375% Senior Notes were reflected in our unaudited Consolidated Balance Sheets at \$493.1, net of discount of \$1.1 and net of capitalized debt issuance costs, including commissions and offering expenses of \$5.8, both of which will be amortized in interest expense through the maturity date using the effective interest method. Interest is payable semi-annually in arrears on March 1st and September 1st of each year, commencing on September 1, 2021.

Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Consistent with our other outstanding debt securities, the newly issued 2.400% Senior Notes and 3.375% Senior Notes include covenants that, among other things, limit our liens and the liens of certain of our consolidated subsidiaries, but do not require us to maintain any financial ratios or specified levels of net worth or liquidity. We may redeem the 2.400% Senior Notes and 3.375% Senior Notes at any time in whole, or from time to time in part, in accordance with the provisions of the indenture, including the applicable supplemental indentures, which contain make-whole provisions, under which the 2.400% Senior Notes and 3.375% Senior Notes were issued. Additionally, upon the occurrence of a change of control repurchase event with respect to the 2.400% Senior Notes and 3.375% Senior Notes, each holder of the 2.400% Senior Notes and 3.375% Senior Notes has the right to require the Company to purchase that holder's 2.400% Senior Notes and 3.375% Senior Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, unless the Company has exercised its option to redeem all the 2.400% Senior Notes and 3.375% Senior Notes. The proceeds of the 2.400% Senior Notes and 3.375% Senior Notes were used in funding the early extinguishment of certain of our senior notes.

4.000% Senior Notes due 2022

In March 2021, we redeemed all \$250.0 in aggregate principal amount of the 4.000% unsecured senior notes due 2022 (the "4.000% Senior Notes"). Total cash paid to redeem the 4.000% Senior Notes was \$258.9. In connection with the redemption of the 4.000% Senior Notes, we recognized a loss on early extinguishment of debt of \$9.2, which included a redemption premium of \$8.6 and the write-off of the remaining unamortized discount and debt issuance costs of \$0.6. The loss on early extinguishment of debt was recorded in *Other income (expense), net*, within our unaudited Consolidated Statement of Operations.

3.750% Senior Notes due 2023

In March 2021, we redeemed all \$500.0 in aggregate principal amount of the 3.750% unsecured senior notes due 2023 (the "3.750% Senior Notes"). Total cash paid to redeem the 3.750% Senior Notes was \$532.9. In connection with the redemption of the 3.750% Senior Notes, we recognized a loss on early extinguishment of debt of \$36.5, which included a redemption premium of \$30.7, the write-off of the remaining unamortized discount and debt issuance costs of \$1.1 and a related deferred loss in other comprehensive income of \$4.7. The loss on early extinguishment of debt was recorded in *Other income (expense), net*, within our unaudited Consolidated Statement of Operations.

4.200% Senior Notes due 2024

In March 2021, we redeemed \$250.0 of the \$500.0 in aggregate principal amount of the 4.200% unsecured senior notes due 2024 (the "4.200% Senior Notes"). Total cash paid to redeem the 4.200% Senior Notes was \$282.2. In connection with the redemption of the 4.200% Senior Notes, we recognized a loss on early extinguishment of debt of \$28.3, which included a redemption premium of \$27.5, and the write-off of half of the remaining unamortized discount and unamortized debt issuance costs of \$0.8. The loss on early extinguishment of debt was recorded in *Other income (expense), net*, within our unaudited Consolidated Statement of Operations.

Credit Arrangements

Credit Agreement

We maintain a committed corporate credit facility, originally dated as of July 18, 2008, which has been amended and restated from time to time (the "Credit Agreement"). We use our Credit Agreement to increase our financial flexibility, to provide letters of credit primarily to support obligations of our subsidiaries and to support our commercial paper program. The Credit Agreement is a revolving facility, expiring in November 2024, under which amounts borrowed by us or any of our subsidiaries designated under the Credit Agreement may be repaid and reborrowed, subject to an aggregate lending limit of \$1,500.0, or the equivalent in other currencies. The Company has the ability to increase the commitments under the Credit Agreement from time to time by an additional amount of up to \$250.0, provided the Company receives commitments for such increases and satisfies certain other conditions. The aggregate available amount of letters of credit outstanding may decrease or increase, subject to a sublimit of \$50.0, or the equivalent in other currencies. Our obligations under the Credit Agreement are unsecured. The Credit Agreement includes covenants that, among other things, (i) limit our liens and the liens of our consolidated subsidiaries, and (ii) limit subsidiary debt. The Credit Agreement also contains a financial covenant that requires us to maintain a certain leverage ratio on a consolidated basis as of the end of each fiscal quarter. As of September 30, 2021, there were no borrowings under the Credit Agreement; however, we had \$10.7 of letters of credit under the Credit Agreement, which reduced our total availability to \$1,489.3. We were in compliance with all of our covenants in the Credit Agreement as of September 30, 2021.

364-Day Credit Facility

On March 27, 2020, we entered into an agreement for a 364-day revolving credit facility (the "364-Day Credit Facility") that matured on March 26, 2021. The 364-Day Credit Facility was a revolving facility, under which amounts borrowed by us

Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

were to be repaid and reborrowed, subject to an aggregate lending limit of \$500.0. The cost structure of the 364-Day Credit Agreement was based on the Company's credit ratings. The applicable margin for Base Rate Advances (as defined in the 364-Day Credit Facility) was 0.250%, the applicable margin for Eurodollar Rate Advances (as defined in the 364-Day Credit Facility) was 1.250%, and the facility fee payable on a lender's revolving commitment was 0.250%. The leverage ratio and other covenants set forth in the 364-Day Credit Facility were equivalent to the covenants contained in the Company's existing Credit Agreement, which remains in full effect.

Uncommitted Lines of Credit

We also have uncommitted lines of credit with various banks that permit borrowings at variable interest rates and that are primarily used to fund working capital needs. We have guaranteed the repayment of some of these borrowings made by certain subsidiaries. If we lose access to these credit lines, we would have to provide funding directly to some of our operations. As of September 30, 2021, the Company had uncommitted lines of credit in an aggregate amount of \$951.4, under which we had outstanding borrowings of \$44.1 classified as short-term borrowings on our Consolidated Balance Sheet. The average amount outstanding during the third quarter of 2021 was \$72.2 with a weighted-average interest rate of approximately 2.8%.

Commercial Paper

The Company is authorized to issue unsecured commercial paper up to a maximum aggregate amount outstanding at any time of \$1,500.0. Borrowings under the program are supported by the Credit Agreement described above. Proceeds of the commercial paper are used for working capital and general corporate purposes, including the repayment of maturing indebtedness and other short-term liquidity needs. The maturities of the commercial paper vary but may not exceed 397 days from the date of issue. During the third quarter of 2021, there was no commercial paper activity and, as of September 30, 2021, there was no commercial paper outstanding.

Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Note 4: Earnings Per Share

The following sets forth basic and diluted earnings per common share available to IPG common stockholders.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income available to IPG common stockholders	\$ 239.9	\$ 279.7	\$ 594.9	\$ 238.8
Weighted-average number of common shares outstanding - basic	393.5	389.6	392.8	388.9
Dilutive effect of stock options and restricted shares	6.3	4.3	5.5	3.7
Weighted-average number of common shares outstanding - diluted	399.8	393.9	398.3	392.6
Earnings per share available to IPG common stockholders:				
Basic	\$ 0.61	\$ 0.72	\$ 1.51	\$ 0.61
Diluted	\$ 0.60	\$ 0.71	\$ 1.49	\$ 0.61

Note 5: Supplementary Data
Accrued Liabilities

The following table presents the components of accrued liabilities.

	September 30, 2021	December 31, 2020
Salaries, benefits and related expenses	\$ 569.2	\$ 504.6
Interest	44.0	43.6
Office and related expenses	20.4	25.5
Acquisition obligations	15.7	47.9
Restructuring charges	11.5	69.5
Income taxes payable	4.1	50.6
Other	95.5	90.7
Total accrued liabilities	\$ 760.4	\$ 832.4

Other Income (Expense), Net

Results of operations for the three and nine months ended September 30, 2021 and 2020 include certain items that are not directly associated with our revenue-producing operations.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Loss on early extinguishment of debt	\$ —	\$ —	\$ (74.0)	\$ —
Net losses on sales of businesses	(4.4)	(8.6)	(18.6)	(51.8)
Other	6.7	(2.7)	15.7	(2.8)
Total other income (expense), net	\$ 2.3	\$ (11.3)	\$ (76.9)	\$ (54.6)

Loss on early extinguishment of debt – During the first quarter of 2021, we recorded a loss of \$74.0 related to the early extinguishment of all \$250.0 in aggregate principal amount of our 4.000% unsecured senior notes due 2022, all \$500.0 in aggregate principal amount of our 3.750% Senior Notes due 2023, and \$250.0 of the \$500.0 in aggregate principal amount of our 4.200% Senior Notes due 2024. See Note 3 for further information.

Net losses on sales of businesses – During the three and nine months ended September 30, 2021 and 2020, the amounts recognized were related to sales of businesses and the classification of certain assets and liabilities, consisting primarily of cash, as held for sale, within our IAN and DXTRA reportable segments. The businesses held for sale primarily represent unprofitable, non-strategic agencies which are expected to be sold within the next twelve months.

Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Other - During the three and nine months ended September 30, 2021, the amounts recognized were primarily related to a non-cash gain related to the deconsolidation of a previously consolidated entity in which we maintain an equity interest.

Share Repurchase Program

On July 2, 2018, in connection with the announcement of the Acxiom acquisition, we announced that share repurchases will be suspended for a period of time in order to reduce the increased debt levels incurred in conjunction with the acquisition. As of September 30, 2021, \$338.4, excluding fees, remains available for repurchase under the share repurchase programs authorized in previous years, which have no expiration date.

Redeemable Non-controlling Interests

Many of our acquisitions include provisions under which the non-controlling equity owners may require us to purchase additional interests in a subsidiary at their discretion. Redeemable non-controlling interests are adjusted quarterly, if necessary, to their estimated redemption value, but not less than their initial fair value. Any adjustments to the redemption value impact retained earnings or additional paid in capital, except for foreign currency translation adjustments.

The following table presents changes in our redeemable non-controlling interests.

	Nine months ended September 30,	
	2021	2020
Balance at beginning of period	\$ 93.1	\$ 164.7
Change in related non-controlling interests balance	1.1	(6.0)
Changes in redemption value of redeemable non-controlling interests:		
Redemptions	(22.7)	(2.5)
Redemption value adjustments	1.1	(3.4)
Balance at end of period	<u>\$ 72.6</u>	<u>\$ 152.8</u>

Leases

Non-cash activities involving right-of-use assets obtained in exchange for lease liabilities were \$334.1 for the nine months ended September 30, 2021, as compared with \$246.8 for the nine months ended September 30, 2020.

Note 6: Income Taxes

For the three and nine months ended September 30, 2021, our income tax expense was positively impacted by excess tax benefits on employee share-based payments, the majority of which were recognized in the first quarter due to the timing of the vesting of awards, and the revaluation of deferred tax balances resulting from the enactment of tax law changes. This was partially offset by net losses on sales of businesses and the classification of certain assets as held for sale for which we received minimal tax benefit, as well as by losses in certain foreign jurisdictions where we receive no tax benefit due to 100% valuation allowances.

We have various tax years under examination by tax authorities in various countries, and in various states, in which we have significant business operations. It is not yet known whether these examinations will, in the aggregate, result in our paying additional taxes. We believe our tax reserves are adequate in relation to the potential for additional assessments in each of the jurisdictions in which we are subject to taxation. We regularly assess the likelihood of additional tax assessments in those jurisdictions and, if necessary, adjust our reserves as additional information or events require.

With respect to all tax years open to examination by U.S. federal, various state and local, and non-U.S. tax authorities, we currently anticipate that total unrecognized tax benefits will decrease by an amount between \$20.0 and \$30.0 in the next twelve months, a portion of which will affect our effective income tax rate, primarily as a result of the settlement of tax examinations and the lapsing of statutes of limitations.

We are effectively settled with respect to U.S. federal income tax audits through 2016. With limited exceptions, we are no longer subject to state and local income tax audits for years prior to 2013 or non-U.S. income tax audits for years prior to 2009.

Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Note 7: Restructuring Charges

Beginning in the second quarter of 2020, the Company took restructuring actions to lower its operating expenses structurally and permanently relative to revenue and to accelerate the transformation of our business (the “2020 Restructuring Plan”). These actions continued through the fourth quarter, and most were based on our recent experience and learning in the COVID-19 pandemic and a resulting review of our operations to address certain operating expenses such as occupancy expense and salaries and related expenses.

Lease impairment costs, which relate to the office spaces that were vacated as part of the 2020 Restructuring Plan, included impairments of operating lease right-of-use assets and associated leasehold improvements, furniture and asset retirement obligations in addition to losses and gains related to early lease terminations. Lease impairments were calculated based on estimated fair values using market participant assumptions including forecasted net discounted cash flows related to the operating lease right-of-use assets.

All restructuring actions were identified and initiated in 2020, with all actions completed by the end of the fourth quarter of 2020. The amounts for the three and nine months ended September 30, 2021 are adjustments to the actions taken in 2020.

The components of the restructuring charges related to the 2020 Restructuring Plan are listed below.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Severance and termination costs	\$ (2.1)	\$ 17.9	\$ (0.1)	\$ 62.5
Lease impairment costs	(3.2)	26.6	(4.2)	92.3
Other restructuring costs	1.8	2.8	1.9	5.1
Total restructuring charges	<u>\$ (3.5)</u>	<u>\$ 47.3</u>	<u>\$ (2.4)</u>	<u>\$ 159.9</u>

Net restructuring charges were comprised of \$(0.6) at IAN, \$(0.6) at DXTRA and \$(2.3) at Corporate and Other for the three months ended September 30, 2021, which include non-cash lease impairment costs of \$(2.1) at IAN and \$(1.1) at DXTRA. Net restructuring charges were comprised of \$0.0 at IAN, \$(0.1) at DXTRA and \$(2.3) at Corporate and Other for the nine months ended September 30, 2021, which include non-cash lease impairment costs of \$(2.8) at IAN and \$(1.4) at DXTRA.

Net restructuring charges were comprised of \$24.9 at IAN and \$17.2 at DXTRA for the three months ended September 30, 2020, which include non-cash lease impairment costs of \$14.3 and \$12.8, respectively. Net restructuring charges were comprised of \$93.7 at IAN and \$53.9 at DXTRA for the nine months ended September 30, 2020, which include non-cash lease impairment costs of \$50.1 and \$39.6, respectively.

A summary of the restructuring activities taken in the first nine months of 2021 related to the 2020 Restructuring Plan is as follows:

	2020 Restructuring Plan				
	Liability at December 31, 2020	Restructuring Expense	Non-Cash Items	Cash Payments	Liability at September 30, 2021
Severance and termination costs	\$ 74.6	\$ (0.1)	\$ 0.3	\$ 61.4	\$ 12.8
Lease impairment costs	0.0	(4.2)	(4.2)	0.0	0.0
Other restructuring costs	0.0	1.9	1.7	0.2	0.0
Total	<u>\$ 74.6</u>	<u>\$ (2.4)</u>	<u>\$ (2.2)</u>	<u>\$ 61.6</u>	<u>\$ 12.8</u>

Note 8: Incentive Compensation Plans

We issue stock-based compensation and cash awards to our employees under various plans established by the Compensation and Leadership Talent Committee of the Board of Directors (the "Compensation Committee") and approved by our stockholders. We issued the following stock-based awards under the 2019 Performance Incentive Plan (the "2019 PIP") during the nine months ended September 30, 2021.

Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

	Awards	Weighted-average grant-date fair value (per award)
Restricted stock (units)	0.9	\$ 26.67
Performance-based stock (shares)	0.5	\$ 21.98
Stock options (shares)	0.3	\$ 3.94
Total stock-based compensation awards	<u>1.7</u>	

During the nine months ended September 30, 2021, the Compensation Committee granted performance cash awards under the 2019 PIP and restricted cash awards under the 2020 Restricted Cash Plan with a total annual target value of \$40.0 and \$84.6, respectively. Cash awards are expensed over the vesting period, which is typically three years for performance cash awards and two years or three years for restricted cash awards.

Note 9: Accumulated Other Comprehensive Loss, Net of Tax

The following tables present the changes in accumulated other comprehensive loss, net of tax, by component.

	Foreign Currency Translation Adjustments	Derivative Instruments	Defined Benefit Pension and Other Postretirement Plans	Total
Balance as of December 31, 2020	\$ (637.6)	\$ 6.8	\$ (249.4)	\$ (880.2)
Other comprehensive (loss) income before reclassifications	(74.7)	14.4	2.8	(57.5)
Amount reclassified from accumulated other comprehensive loss, net of tax	(1.0)	3.5	6.8	9.3
Balance as of September 30, 2021	<u>\$ (713.3)</u>	<u>\$ 24.7</u>	<u>\$ (239.8)</u>	<u>\$ (928.4)</u>

	Foreign Currency Translation Adjustments	Derivative Instruments	Defined Benefit Pension and Other Postretirement Plans	Total
Balance as of December 31, 2019	\$ (697.7)	\$ (3.5)	\$ (228.8)	\$ (930.0)
Other comprehensive (loss) income before reclassifications	(56.2)	2.7	0.8	(52.7)
Amount reclassified from accumulated other comprehensive loss, net of tax	9.3	1.3	4.3	14.9
Balance as of September 30, 2020	<u>\$ (744.6)</u>	<u>\$ 0.5</u>	<u>\$ (223.7)</u>	<u>\$ (967.8)</u>

Amounts reclassified from accumulated other comprehensive loss, net of tax, for the three and nine months ended September 30, 2021 and 2020 are as follows:

	Three months ended September 30,		Nine months ended September 30,		Affected Line Item in the Consolidated Statements of Operations
	2021	2020	2021	2020	
Foreign currency translation adjustments	\$ 0.5	\$ 9.6	\$ (1.0)	\$ 9.3	Other income (expense), net
Net (gain) loss on derivative instruments	(0.3)	0.6	4.6	1.8	Other income (expense), net, Interest expense
Amortization of defined benefit pension and postretirement plan items	3.6	1.8	8.4	5.5	Other income (expense), net
Tax effect	(0.4)	(0.6)	(2.7)	(1.7)	Provision for (benefit of) income taxes
Total amount reclassified from accumulated other comprehensive loss, net of tax	<u>\$ 3.4</u>	<u>\$ 11.4</u>	<u>\$ 9.3</u>	<u>\$ 14.9</u>	

Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Note 10: Employee Benefits

We have a defined benefit pension plan that covers certain U.S. employees (the “Domestic Pension Plan”). We also have numerous funded and unfunded plans outside the U.S. The Interpublic Limited Pension Plan in the U.K. is a defined benefit plan and is our most material foreign pension plan in terms of the benefit obligation and plan assets. Some of our domestic and foreign subsidiaries provide postretirement health benefits and life insurance to eligible employees and, in certain cases, their dependents. The domestic postretirement benefit plan is our most material postretirement benefit plan in terms of the benefit obligation. Certain immaterial foreign pension and postretirement benefit plans have been excluded from the table below.

The components of net periodic cost for the Domestic Pension Plan, the significant foreign pension plans and the domestic postretirement benefit plan are listed below.

Three Months Ended September 30,	Domestic Pension Plan		Foreign Pension Plans		Domestic Postretirement Benefit Plan	
	2021	2020	2021	2020	2021	2020
Service cost	\$ 0.0	\$ 0.0	\$ 1.1	\$ 1.2	\$ 0.0	\$ 0.0
Interest cost	0.7	0.9	2.0	2.4	0.2	0.2
Expected return on plan assets	(1.4)	(1.4)	(5.2)	(4.7)	0.0	0.0
Settlements	1.2	0.0	0.0	0.0	0.0	0.0
Amortization of:						
Prior service cost (credit)	0.0	0.0	0.0	0.0	0.0	(0.1)
Unrecognized actuarial losses	0.5	0.4	1.7	1.4	0.2	0.1
Net periodic cost	<u>\$ 1.0</u>	<u>\$ (0.1)</u>	<u>\$ (0.4)</u>	<u>\$ 0.3</u>	<u>\$ 0.4</u>	<u>\$ 0.2</u>

Nine Months Ended September 30,	Domestic Pension Plan		Foreign Pension Plans		Domestic Postretirement Benefit Plan	
	2021	2020	2021	2020	2021	2020
Service cost	\$ 0.0	\$ 0.0	\$ 3.3	\$ 3.5	\$ 0.0	\$ 0.0
Interest cost	2.2	2.8	6.0	7.0	0.5	0.6
Expected return on plan assets	(4.2)	(4.2)	(15.7)	(14.0)	0.0	0.0
Settlements	1.2	0.0	0.0	0.0	0.0	0.0
Amortization of:						
Prior service cost (credit)	0.0	0.0	0.1	0.1	0.0	(0.1)
Unrecognized actuarial losses	1.3	1.2	5.1	4.1	0.7	0.2
Net periodic cost	<u>\$ 0.5</u>	<u>\$ (0.2)</u>	<u>\$ (1.2)</u>	<u>\$ 0.7</u>	<u>\$ 1.2</u>	<u>\$ 0.7</u>

The components of net periodic cost other than the service cost component are included in the line item “Other income (expense), net” in the Consolidated Statements of Operations.

During the nine months ended September 30, 2021, we contributed \$2.0 and \$13.8 of cash to our domestic and foreign pension plans, respectively. For the remainder of 2021, we expect to contribute approximately \$0.0 and \$5.0 of cash to our domestic and foreign pension plans, respectively.

Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Note 11: Segment Information

As of September 30, 2021, we have two reportable segments: IAN and DXTRA. IAN is comprised of McCann Worldgroup; Foote, Cone & Belding ("FCB"); MullenLowe Group; Media, Data Services and Tech, which includes IPG Mediabrands, Acxiom and Kinesso; our digital specialist agencies; and our domestic integrated agencies. DXTRA is comprised of a number of our specialist marketing services offerings including Weber Shandwick, DeVries, Golin, FutureBrand, Jack Morton and Octagon Worldwide. We also report results for the Corporate and Other group. We continue to evaluate our financial reporting structure, and the profitability measure, employed by our chief operating decision maker for allocating resources to operating divisions and assessing operating division performance, is segment EBITA. Summarized financial information concerning our reportable segments is shown in the following table.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Total revenue:				
IAN	\$ 2,085.7	\$ 1,783.6	\$ 6,014.9	\$ 5,274.9
DXTRA	456.3	341.9	1,293.7	1,236.1
Total	<u>\$ 2,542.0</u>	<u>\$ 2,125.5</u>	<u>\$ 7,308.6</u>	<u>\$ 6,511.0</u>
Net revenue:				
IAN	\$ 1,942.7	\$ 1,685.5	\$ 5,631.3	\$ 4,935.7
DXTRA	319.0	269.1	927.7	844.4
Total	<u>\$ 2,261.7</u>	<u>\$ 1,954.6</u>	<u>\$ 6,559.0</u>	<u>\$ 5,780.1</u>
Segment EBITA ¹:				
IAN	\$ 352.0	\$ 260.0	\$ 989.2	\$ 459.4
DXTRA	53.3	25.9	148.4	21.9
Corporate and Other	(32.3)	(16.0)	(94.0)	(51.9)
Total	<u>\$ 373.0</u>	<u>\$ 269.9</u>	<u>\$ 1,043.6</u>	<u>\$ 429.4</u>
Amortization of acquired intangibles:				
IAN	\$ 20.4	\$ 20.2	\$ 61.3	\$ 61.2
DXTRA	1.1	1.1	3.4	3.2
Corporate and Other	0.0	0.0	0.0	0.0
Total	<u>\$ 21.5</u>	<u>\$ 21.3</u>	<u>\$ 64.7</u>	<u>\$ 64.4</u>
Depreciation and amortization ²:				
IAN	\$ 41.5	\$ 43.8	\$ 125.0	\$ 133.8
DXTRA	3.9	5.0	12.5	15.5
Corporate and Other	2.5	0.9	6.5	3.2
Total	<u>\$ 47.9</u>	<u>\$ 49.7</u>	<u>\$ 144.0</u>	<u>\$ 152.5</u>
Capital expenditures:				
IAN	\$ 52.5	\$ 31.7	\$ 101.7	\$ 85.2
DXTRA	2.4	1.2	4.7	4.1
Corporate and Other	6.4	7.2	17.0	22.7
Total	<u>\$ 61.3</u>	<u>\$ 40.1</u>	<u>\$ 123.4</u>	<u>\$ 112.0</u>

¹ Adjusted EBITA is calculated as net income available to IPG common stockholders before provision for (benefit of) incomes taxes, total (expenses) and other income, equity in net income (loss) of unconsolidated affiliates, net (income) loss attributable to non-controlling interests and amortization of acquired intangibles.

² Excludes amortization of acquired intangibles.

Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

	September 30, 2021	December 31, 2020
Total assets:		
IAN	\$ 14,286.1	\$ 14,784.5
DXTRA	1,577.2	1,549.2
Corporate and Other	1,942.0	1,709.0
Total	<u>\$ 17,805.3</u>	<u>\$ 18,042.7</u>

The following table presents the reconciliation of segment EBITA to Income before income taxes.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
IAN EBITA	\$ 352.0	\$ 260.0	\$ 989.2	\$ 459.4
DXTRA EBITA	53.3	25.9	148.4	21.9
Corporate and Other EBITA	(32.3)	(16.0)	(94.0)	(51.9)
Less: consolidated amortization of acquired intangibles	21.5	21.3	64.7	64.4
Operating income	351.5	248.6	978.9	365.0
Total (expenses) and other income	(33.2)	(56.0)	(190.1)	(177.3)
Income before income taxes	<u>\$ 318.3</u>	<u>\$ 192.6</u>	<u>\$ 788.8</u>	<u>\$ 187.7</u>

Note 12: Fair Value Measurements

Authoritative guidance for fair value measurements establishes a fair value hierarchy which requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1** Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Financial Instruments that are Measured at Fair Value on a Recurring Basis

We primarily apply the market approach to determine the fair value of financial instruments that are measured at fair value on a recurring basis. There were no changes to our valuation techniques used to determine the fair value of financial instruments during the nine months ended September 30, 2021. The following tables present information about our financial instruments measured at fair value on a recurring basis as of September 30, 2021 and December 31, 2020, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value.

Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

	September 30, 2021				Total	Balance Sheet Classification
	Level 1	Level 2	Level 3	Total		
Assets						
Cash equivalents	\$ 1,572.1	\$ 0.0	\$ 0.0	\$ 1,572.1		Cash and cash equivalents
Liabilities						
Contingent acquisition obligations ¹	\$ 0.0	\$ 0.0	\$ 34.3	\$ 34.3		Accrued liabilities and Other non-current liabilities
December 31, 2020						
	Level 1	Level 2	Level 3	Total		Balance Sheet Classification
Assets						
Cash equivalents	\$ 1,507.4	\$ 0.0	\$ 0.0	\$ 1,507.4		Cash and cash equivalents
Liabilities						
Contingent acquisition obligations ¹	\$ 0.0	\$ 0.0	\$ 95.5	\$ 95.5		Accrued liabilities and Other non-current liabilities

¹ Contingent acquisition obligations includes deferred acquisition payments and unconditional obligations to purchase additional non-controlling equity shares of consolidated subsidiaries. Fair value measurement of the obligations is based upon actual and projected operating performance targets as specified in the related agreements. The decrease in this balance of \$61.2 from December 31, 2020 to September 30, 2021 is primarily due to payments related to our deferred acquisitions payments from prior-year acquisitions and the effect of the deconsolidation of a previously consolidated entity, partially offset by the exercises of redeemable non-controlling interest and valuation adjustments in our consolidated subsidiaries. The amounts payable within the next twelve months are classified in accrued liabilities; any amounts payable thereafter are classified in other non-current liabilities.

Financial Instruments that are not Measured at Fair Value on a Recurring Basis

The following table presents information about our financial instruments that are not measured at fair value on a recurring basis as of September 30, 2021 and December 31, 2020, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

	September 30, 2021				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Total long-term debt	\$ 0.0	\$ 3,834.5	\$ 40.8	\$ 3,875.3	\$ 0.0	\$ 3,951.1	\$ 43.9	\$ 3,995.0

Our long-term debt is comprised of senior notes and other notes payable. The fair value of our senior notes, which are traded over-the-counter, is based on quoted prices in markets that are not active. Therefore, these senior notes are classified as Level 2. Our other notes payable are not actively traded, and their fair value is not solely derived from readily observable inputs. The fair value of our other notes payable is determined based on a discounted cash flow model and other proprietary valuation methods, and therefore is classified as Level 3. See Note 3 for further information on our long-term debt.

The discount rates used as significant unobservable inputs in the Level 3 fair value measurements of our contingent acquisition obligations and long-term debt as of September 30, 2021 ranged from 1.0% to 4.0% and 0.4% to 3.4%, respectively.

Non-financial Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

Certain non-financial assets and liabilities are measured at fair value on a nonrecurring basis, primarily goodwill (Level 3), intangible assets, and property and equipment. Accordingly, these assets are not measured and adjusted to fair value on an ongoing basis but are subject to periodic evaluations for potential impairment.

Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Note 13: Commitments and Contingencies***Guarantees***

As discussed in our 2020 Annual Report, we have guaranteed certain obligations of our subsidiaries relating principally to operating leases, uncommitted lines of credit and cash pooling arrangements. As of September 30, 2021 and December 31, 2020, the amount of parent company guarantees on lease obligations was \$577.0 and \$630.8, respectively, the amount of parent company guarantees relating to uncommitted lines of credit was \$424.0 and \$399.6, respectively, and the amount of parent company guarantees related to daylight overdrafts, primarily utilized to manage intra-day overdrafts due to timing of transactions under cash pooling arrangements without resulting in incremental borrowings, was \$105.5 and \$109.2, respectively. In the event of non-payment by the applicable subsidiary of the obligations covered by a guarantee, we would be obligated to pay the amounts covered by that guarantee. As of September 30, 2021, there were no material assets pledged as security for such parent company guarantees.

Legal Matters

We are involved in various legal proceedings, and subject to investigations, inspections, audits, inquiries and similar actions by governmental authorities, arising in the normal course of business. The types of allegations that arise in connection with such legal proceedings vary in nature, but can include claims related to contract, employment, tax and intellectual property matters. We evaluate all cases each reporting period and record liabilities for losses from legal proceedings when we determine that it is probable that the outcome in a legal proceeding will be unfavorable and the amount, or potential range, of loss can be reasonably estimated. In certain cases, we cannot reasonably estimate the potential loss because, for example, the litigation is in its early stages. While any outcome related to litigation or such governmental proceedings in which we are involved cannot be predicted with certainty, management believes that the outcome of these matters, individually and in the aggregate, will not have a material adverse effect on our financial condition, results of operations or cash flows.

Note 14: Recent Accounting Standards

Accounting pronouncements not listed below were assessed and determined to be not applicable or are expected to have minimal impact on our Consolidated Financial Statements.

Income Taxes

In December 2019, the Financial Accounting Standards Board issued amended guidance to simplify the accounting for income taxes by removing certain exceptions and amending certain sections of existing guidance under ASC 740. This amended guidance was effective beginning January 1, 2021. The adoption of this amended guidance did not have a material impact on our Consolidated Financial Statements.

Management’s Discussion and Analysis of Financial Condition and Results of Operations
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

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

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to help you understand The Interpublic Group of Companies, Inc. and its subsidiaries (the “Company,” “IPG,” “we,” “us” or “our”). MD&A should be read in conjunction with our unaudited Consolidated Financial Statements and the accompanying notes included in this report and our Annual Report on Form 10-K for the year ended December 31, 2020 (the “2020 Annual Report”), as well as our other reports and filings with the Securities and Exchange Commission (the “SEC”). Our 2020 Annual Report includes additional information about our significant accounting policies and practices as well as details about the most significant risks and uncertainties associated with our financial and operating results. Our MD&A includes the following sections:

EXECUTIVE SUMMARY provides a discussion about our strategic outlook, factors influencing our business and an overview of our results of operations.

RESULTS OF OPERATIONS provides an analysis of the consolidated and segment results of operations for the periods presented.

LIQUIDITY AND CAPITAL RESOURCES provides an overview of our cash flows, funding requirements, financing and sources of funds, and debt credit ratings.

CRITICAL ACCOUNTING ESTIMATES provides an update to the discussion in our 2020 Annual Report of our accounting policies that require critical judgment, assumptions and estimates.

RECENT ACCOUNTING STANDARDS, by reference to Note 14 to the unaudited Consolidated Financial Statements, provides a discussion of certain accounting standards that have been recently adopted or that have not yet been required to be implemented and may be applicable to our future operations.

NON-GAAP FINANCIAL MEASURE, provides a reconciliation of non-GAAP financial measure with the most directly comparable generally accepted accounting principles in the United States (“U.S. GAAP”) financial measures and sets forth the reasons we believe that presentation of the non-GAAP financial measure contained therein provides useful information to investors regarding our results of operations and financial condition.

EXECUTIVE SUMMARY

Our Business

We are one of the world’s premier global advertising and marketing services companies. With approximately 54,600 employees and operations in all major world markets, we help our clients’ businesses and brands thrive in a consumer economy increasingly defined by digital media, data and continuous change. At IPG, we combine the power of creativity with the benefits of technology, fueling our offerings with a deep understanding of audiences at the individual level, driven by ethical business practices. We have exceptionally talented people, across a balanced portfolio of strong agency brands, who together have set a standard for growth in our industry in recent years.

Our companies specialize in consumer advertising, digital marketing, communications planning and media buying, public relations, specialized communications disciplines and data science. Our networks create customized marketing solutions for clients that range in scale from large global marketers to regional and local clients. Comprehensive global services are critical to effectively serve our multinational and local clients in markets throughout the world as they seek to build brands, increase sales of their products and services, and gain market share.

We operate in a marketing and media landscape that continues to evolve at a rapid pace. Media channels continue to fragment, and clients face an increasingly complex consumer environment. To stay ahead of these challenges and to achieve our objectives, we have made and continue to make investments in creative, strategic and technology talent in areas including fast-growth digital marketing channels, high-growth geographic regions and strategic world markets. We consistently invest in opportunities within our Company to enhance the professional skills of our employees and encourage intra-company collaboration. As appropriate, we also make acquisitions, enter into strategic alliances, and develop relationships with technology and media companies that are building leading-edge marketing tools that complement our agencies’ skill sets and capabilities.

Our financial goals include competitive organic net revenue growth and expansion of Adjusted EBITA margin, as defined and discussed within the Non-GAAP Financial Measure section of this MD&A, which we expect will further strengthen our balance sheet and total liquidity and increase value to our stakeholders. Accordingly, we remain focused on meeting the evolving needs of our clients while concurrently managing our cost structure. We continually seek greater efficiency in the

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

delivery of our services, focusing on more effective resource utilization, including the productivity of our employees, real estate, information technology and shared services, such as finance, human resources and legal. The improvements we have made and continue to make in our financial reporting and business information systems in recent years allow us more timely and actionable insights from our global operations. Our disciplined approach to our balance sheet and liquidity provides us with a solid financial foundation and financial flexibility to manage and grow our business. We believe that our strategy and execution position us to meet our financial goals and to deliver long-term value to all of our stakeholders.

Impact of COVID-19

In March 2020, the World Health Organization categorized the disease caused by the coronavirus ("COVID-19") as a pandemic, and it continues to spread extensively throughout the United States and the rest of the world. The outbreak of COVID-19 and public and private sector measures to reduce its transmission, such as forced business closures and limits on operations, the imposition of social distancing and orders to work from home, stay at home and shelter in place, adversely impacted our business and demand for our services in 2020. Some businesses adjusted, reduced or suspended operating activities, which negatively impacted the markets we serve and our results of operations, cash flows and financial position throughout 2020. More recently, despite the economic and health impacts from the spread of the Delta variant of the COVID-19 virus, we have positively benefited from the effects of robust economic recovery in many of our principal markets as vaccination efforts continue and the overall public health situation improves in many markets. We continue to believe that our focus on our strategic strengths, which include talent, our differentiated go-to-market strategy, data management capabilities, and the relevance of our offerings, position us well to navigate a rapidly changing marketplace. The future course of the pandemic is unpredictable, and the extent of its impact on our results of operations, cash flows and financial position will vary depending on the duration and severity of the continuing economic and operational impacts of COVID-19. The impact of the Delta variant and the pace of improvements in health and economic conditions has not been uniform across all geographies and could be threatened by such factors as the continued spread of the Delta or other variants to the COVID-19 virus and limitations on the effectiveness of mass vaccination and other public health efforts to mitigate the impact of the pandemic.

At the outset of the COVID-19 pandemic, we responded swiftly in support of our people, our clients and our communities. To protect our employees, and to do our part in stopping the spread of COVID-19, within days, 95 percent of our global workforce had moved to a remote work environment. A significant portion of our workforce has begun to return to the office at least part of the time, although much of our worldwide workforce continues to work from home. We recognized the importance of regular communication to reassure employees and to keep them updated on our plans as the pandemic unfolded, and IPG was recognized with top honors at the Corporate Content Awards North America for its outstanding communication during the pandemic. We have adopted an approach of "organized flexibility" and continue to adjust our policies and practices to facilitate the new working environments and take into account the need of many employees to work during non-traditional hours and juggle home lives and work responsibilities.

We believe we have had significant success in maintaining and continuing to advance the quality of our services notwithstanding extensive changes required by the pandemic. With respect to managing costs, we undertook multiple initiatives to align our expenses with changes in revenue. The steps we took in 2020 across our agencies and corporate group included deferred merit increases, freezes on hiring and temporary labor, major cuts in non-essential spending, staff reductions, furloughs in markets where that option was available and salary reductions, including voluntary salary reductions for our senior corporate management team. These actions have been discontinued in 2021 as revenue growth returns.

Starting in the second quarter of 2020 and continuing through the year 2020, the Company also took restructuring actions to lower our operating expenses structurally and permanently relative to revenue and to accelerate the transformation of our business. Most of these actions were based on our experience and learning in the COVID-19 pandemic and a resulting review of our operations. Notably, we foresee a greater role for work-from-home in a hybrid office-home model to deliver and support our services in a post-COVID world.

Our Financial Information

When we analyze period-to-period changes in our operating performance, we determine the portion of the change that is attributable to changes in foreign currency rates and the net effect of acquisitions and divestitures, and the remainder we call organic change, which indicates how our underlying business performed. We exclude the impact of billable expenses in analyzing our operating performance as the fluctuations from period to period are not indicative of the performance of our underlying businesses and have no impact on our operating income or net income.

The change in our operating performance attributable to changes in foreign currency rates is determined by converting the prior-period reported results using the current-period exchange rates and comparing these prior-period adjusted amounts to the

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

prior-period reported results. Although the U.S. Dollar is our reporting currency, a substantial portion of our revenues and expenses are generated in foreign currencies. Therefore, our reported results are affected by fluctuations in the currencies in which we conduct our international businesses. Our exposure is mitigated as the majority of our revenues and expenses in any given market are generally denominated in the same currency. Both positive and negative currency fluctuations against the U.S. Dollar affect our consolidated results of operations, and the magnitude of the foreign currency impact to our operations related to each geographic region depends on the significance and operating performance of the region. Our results during the first nine months of 2021 were most favorably impacted by the British Pound Sterling, Euro, Canadian Dollar and Australian Dollar.

For purposes of analyzing changes in our operating performance attributable to the net effect of acquisitions and divestitures, transactions are treated as if they occurred on the first day of the quarter during which the transaction occurred. During the past few years, we have acquired companies that we believe will enhance our offerings and disposed of businesses that are not consistent with our strategic plan.

The metrics that we use to evaluate our financial performance include organic change in net revenue as well as the change in certain operating expenses, and the components thereof, expressed as a percentage of consolidated net revenue, as well as Adjusted EBITA. These metrics are also used by management to assess the financial performance of our reportable segments, Integrated Agency Networks ("IAN") and IPG DXTRA ("DXTRA"). In certain of our discussions, we analyze net revenue by geographic region and by business sector, in which we focus on our top 500 clients, which typically constitute approximately 80% to 85% of our annual consolidated net revenues.

Results for the three and nine months ended September 30, 2021, are not indicative of the results that may be expected for the fiscal year ending December 31, 2021. The Consolidated Financial Statements and MD&A presented herein reflect the latest estimates and assumptions made by us that affect the reported amounts of assets and liabilities and related disclosures as of the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting periods presented. We believe we have used reasonable estimates and assumptions to assess the fair values of goodwill, long-lived assets and indefinite-lived intangible assets; assessment of the annual effective tax rate; valuation of deferred income taxes and allowance for expected credit losses on future uncollectible accounts receivable. If actual market conditions vary significantly from those currently projected, these estimates and assumptions could materially change resulting in adjustments to the carrying values of our assets and liabilities.

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

The following table presents a summary of our financial performance for the three and nine months ended September 30, 2021 and 2020.

Statement of Operations Data	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% Increase/ (Decrease)	2021	2020	% Increase/ (Decrease)
REVENUE:						
Net revenue	\$ 2,261.7	\$ 1,954.6	15.7 %	\$ 6,559.0	\$ 5,780.1	13.5 %
Billable expenses	280.3	170.9	64.0 %	749.6	730.9	2.6 %
Total revenue	<u>\$ 2,542.0</u>	<u>\$ 2,125.5</u>	19.6 %	<u>\$ 7,308.6</u>	<u>\$ 6,511.0</u>	12.3 %
OPERATING INCOME	\$ 351.5	\$ 248.6	41.4 %	\$ 978.9	\$ 365.0	>100%
Adjusted EBITA ¹	\$ 373.0	\$ 269.9	38.2 %	\$ 1,043.6	\$ 429.4	>100%
NET INCOME AVAILABLE TO IPG COMMON STOCKHOLDERS	\$ 239.9	\$ 279.7		\$ 594.9	\$ 238.8	
Earnings per share available to IPG common stockholders:						
Basic	\$ 0.61	\$ 0.72		\$ 1.51	\$ 0.61	
Diluted	\$ 0.60	\$ 0.71		\$ 1.49	\$ 0.61	
Operating Ratios						
Organic change in net revenue	15.0 %	(3.7)%		12.0 %	(4.5)%	
Operating margin on net revenue	15.5 %	12.7 %		14.9 %	6.3 %	
Operating margin on total revenue	13.8 %	11.7 %		13.4 %	5.6 %	
Adjusted EBITA margin on net revenue ¹	16.5 %	13.8 %		15.9 %	7.4 %	
Expenses as a % of net revenue:						
Salaries and related expenses	66.8 %	65.0 %		66.9 %	69.2 %	
Office and other direct expenses	13.3 %	15.8 %		13.6 %	17.4 %	
Selling, general and administrative expenses	1.4 %	0.5 %		1.4 %	0.6 %	
Depreciation and amortization	3.1 %	3.6 %		3.2 %	3.8 %	
Restructuring charges ²	(0.2)%	2.4 %		0.0 %	2.8 %	

¹ Adjusted EBITA is a financial measure that is not defined by U.S. GAAP. Adjusted EBITA is calculated as net income available to IPG common stockholders before provision for (benefit of) incomes taxes, total (expenses) and other income, equity in net income (loss) of unconsolidated affiliates, net (income) loss attributable to non-controlling interests and amortization of acquired intangibles. Refer to the "Non-GAAP Financial Measure" section of this MD&A for additional information and for a reconciliation to U.S. GAAP measures.

² For the three and nine months ended September 30, 2021, results include net restructuring charges of (\$3.5) and (\$2.4), respectively. For the three and nine months ended September 30, 2020, results include restructuring charges of \$47.3 and \$159.9, respectively. See "Restructuring Charges" in this MD&A and Note 7 to the unaudited Consolidated Financial Statements for further information.

Our organic net revenue increase of 15.0% for the third quarter of 2021 was driven by net higher spending from existing clients across all sectors, most notably in the healthcare, auto and transportation, and technology and telecom sectors, which also each increased from net client wins. During the third quarter of 2021, our Adjusted EBITA margin increased to 16.5% from 13.8% in the prior-year period as the increase in net revenue, discussed below in the "Results of Operations" section, outpaced the overall increase in our operating expenses, excluding billable expenses and amortization of acquired intangibles.

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Our organic net revenue increase of 12.0% for the first nine months of 2021 was driven by higher spending from existing clients across all sectors, most notably in the healthcare, retail, and auto and transportation sectors, which also each increased from net client wins. During the first nine months of 2021, our Adjusted EBITA margin increased to 15.9% from 7.4% in the prior-year period as the increase in net revenue, discussed below in the “*Results of Operations*” section, outpaced the overall increase in our operating expenses, excluding billable expenses and amortization of acquired intangibles.

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

RESULTS OF OPERATIONS
Consolidated Results of Operations – Three and Nine Months Ended September 30, 2021 Compared to Three and Nine Months Ended September 30, 2020
Net Revenue

Our net revenue is directly impacted by the retention and spending levels of existing clients and by our ability to win new clients. Most of our expenses are recognized ratably throughout the year and are therefore less seasonal than revenue. Our net revenue is typically lowest in the first quarter and highest in the fourth quarter, reflecting the seasonal spending of our clients.

	Components of Change				Change		
	Three months ended September 30, 2020	Foreign Currency	Net Acquisitions/ (Divestitures)	Organic	Three months ended September 30, 2021	Organic	Total
Consolidated	\$ 1,954.6	\$ 22.4	\$ (7.6)	\$ 292.3	\$ 2,261.7	15.0 %	15.7 %
Domestic	1,273.4	—	(1.4)	187.3	1,459.3	14.7 %	14.6 %
International	681.2	22.4	(6.2)	105.0	802.4	15.4 %	17.8 %
United Kingdom	162.0	11.6	0.0	21.5	195.1	13.3 %	20.4 %
Continental Europe	158.0	2.2	(0.8)	18.7	178.1	11.8 %	12.7 %
Asia Pacific	166.0	3.0	(5.9)	28.9	192.0	17.4 %	15.7 %
Latin America	78.5	(0.4)	2.3	15.9	96.3	20.3 %	22.7 %
Other	116.7	6.0	(1.8)	20.0	140.9	17.1 %	20.7 %

The 14.7% organic increase during the third quarter of 2021 in our domestic market was driven by growth across all disciplines, most notably in our advertising and media businesses. In our international markets, the 15.4% organic increase was driven by double-digit organic growth from all geographic regions, bolstered by strong performance at our media and advertising businesses in addition to our digital project-based offerings across all geographic regions.

	Components of Change				Change		
	Nine months ended September 30, 2020	Foreign Currency	Net Acquisitions/ (Divestitures)	Organic	Nine months ended September 30, 2021	Organic	Total
Consolidated	\$ 5,780.1	\$ 109.8	\$ (27.0)	\$ 696.1	\$ 6,559.0	12.0 %	13.5 %
Domestic	3,820.6	—	(13.6)	397.6	4,204.6	10.4 %	10.1 %
International	1,959.5	109.8	(13.4)	298.5	2,354.4	15.2 %	20.2 %
United Kingdom	474.9	43.1	0.9	54.8	573.7	11.5 %	20.8 %
Continental Europe	453.7	29.9	(2.7)	78.5	559.4	17.3 %	23.3 %
Asia Pacific	487.4	23.6	(14.2)	56.8	553.6	11.7 %	13.6 %
Latin America	220.1	(6.3)	4.4	50.4	268.6	22.9 %	22.0 %
Other	323.4	19.5	(1.8)	58.0	399.1	17.9 %	23.4 %

The 10.4% organic increase in our domestic market and the 15.2% organic increase in our international markets during the first nine months of 2021 was mainly due to factors similar to those noted above for the third quarter of 2021.

Refer to the segment discussion later in this MD&A for information on changes in net revenue by segment.

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Salaries and Related Expenses

	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% Increase/ (Decrease)	2021	2020	% Increase/ (Decrease)
Salaries and related expenses	\$ 1,511.2	\$ 1,269.9	19.0 %	\$ 4,389.2	\$ 3,998.8	9.8 %

As a % of net revenue:

	2021	2020	2021	2020
Salaries and related expenses	66.8 %	65.0 %	66.9 %	69.2 %
Base salaries, benefits and tax	53.9 %	55.0 %	54.9 %	58.6 %
Incentive expense	5.8 %	4.4 %	5.5 %	4.1 %
Severance expense	0.8 %	0.8 %	0.5 %	1.6 %
Temporary help	5.0 %	3.5 %	4.7 %	3.7 %
All other salaries and related expenses	1.3 %	1.3 %	1.3 %	1.2 %

Net revenue growth of 15.7% was outpaced by the increase in salaries and related expenses of 19.0% during the third quarter of 2021 as compared to the prior-year period, primarily driven by increased performance-based employee compensation expense and increased temporary labor expense supporting our revenue growth, which is partially offset by leverage in base salaries, benefits and payroll tax expenses.

Net revenue growth of 13.5% outpaced the increase in salaries and related expenses of 9.8% during the first nine months of 2021 as compared to the prior-year period, primarily driven by leverage in base salaries, benefits and tax that includes the benefit of initiatives taken during 2020.

Office and Other Direct Expenses

	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% Increase/ (Decrease)	2021	2020	% Increase/ (Decrease)
Office and other direct expenses	\$ 300.9	\$ 307.9	(2.3)%	\$ 894.8	\$ 1,003.1	(10.8)%

As a % of net revenue:

	2021	2020	2021	2020
Office and other direct expenses	13.3 %	15.8 %	13.6 %	17.4 %
Occupancy expense	5.0 %	6.3 %	5.2 %	6.5 %
All other office and other direct expenses ¹	8.3 %	9.5 %	8.4 %	10.9 %

¹ Includes client service costs, non-pass through production expenses, travel and entertainment, professional fees, spending to support new business activity, telecommunications, office supplies, bad debt expense, adjustments to contingent acquisition obligations, foreign currency losses (gains) and other expenses.

Office and other direct expenses decreased by 2.3% compared to the net revenue increase of 15.7% during the third quarter of 2021 as compared to the prior-year period. The decrease was mainly due to lower bad debt expense and a reduction in the year-over-year change in contingent acquisition obligations, as well as a savings on occupancy expense as a result of real estate restructuring actions taken in 2020.

Office and other direct expenses decreased by 10.8% compared to the net revenue increase of 13.5% during the first nine months of 2021 as compared to the prior-year period. The decrease in office and other direct expenses was mainly due to factors similar to those noted above for the third quarter of 2021 in addition to a decrease in travel and entertainment expenses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") are primarily the unallocated expenses of our "Corporate and Other" group, as detailed further in the segment discussion later in this MD&A, excluding depreciation and amortization. For the three months ended September 30, 2021, SG&A as a percentage of net revenue increased as compared to the prior-year

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

period, primarily due to increases in performance-based incentive compensation expense and employee insurance expense. For the first nine months of 2021, SG&A as a percentage of net revenue increased as compared to the prior-year period, primarily due to factors similar to those noted for the third quarter of 2021 in addition to an increase in base salaries as the prior year benefited from temporary cost saving actions that have since unwound as well as higher other office and other direct expenses.

Depreciation and Amortization

During the third quarter and first nine months of 2021, depreciation and amortization expenses decreased compared to the prior-year periods.

Restructuring Charges

Beginning in the second quarter of 2020, the Company took restructuring actions to lower its operating expenses structurally and permanently relative to revenue and to accelerate the transformation of our business (the "2020 Restructuring Plan"). These actions continued through the fourth quarter and most were based on our recent experience and learning in the COVID-19 pandemic and a resulting review of our operations to address certain operating expenses such as occupancy expense and salaries and related expenses.

Lease impairment costs, which relate to the office spaces that were vacated as part of the 2020 Restructuring Plan, included impairments of operating lease right-of-use assets and associated leasehold improvements, furniture and asset retirement obligations in addition to losses and gains related to early lease terminations. Lease impairments were calculated based on estimated fair values using market participant assumptions including forecasted net discounted cash flows related to the operating lease right-of-use assets.

All restructuring actions were identified and initiated in 2020, with all actions completed by the end of the fourth quarter of 2020. The amounts for the three and nine months ended September 30, 2021 are adjustments to the actions taken in 2020.

The components of the restructuring charges related to the 2020 Restructuring Plan are listed below.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Severance and termination costs	\$ (2.1)	\$ 17.9	\$ (0.1)	\$ 62.5
Lease impairment costs	(3.2)	26.6	(4.2)	92.3
Other restructuring costs	1.8	2.8	1.9	5.1
Total restructuring charges	<u>\$ (3.5)</u>	<u>\$ 47.3</u>	<u>\$ (2.4)</u>	<u>\$ 159.9</u>

Net restructuring charges were comprised of \$(0.6) at IAN, \$(0.6) at DXTRA and \$(2.3) at Corporate and Other for the three months ended September 30, 2021, which include non-cash lease impairment costs of \$(2.1) at IAN and \$(1.1) at DXTRA. Net restructuring charges were comprised of \$0.0 at IAN, \$(0.1) at DXTRA and \$(2.3) at Corporate and Other for the nine months ended September 30, 2021, which include non-cash lease impairment costs of \$(2.8) at IAN and \$(1.4) at DXTRA.

Net restructuring charges were comprised of \$24.9 at IAN and \$17.2 at DXTRA for the three months ended September 30, 2020, which include non-cash lease impairment costs of \$14.3 and \$12.8, respectively. Net restructuring charges were comprised of \$93.7 at IAN and \$53.9 at DXTRA for the nine months ended September 30, 2020, which include non-cash lease impairment costs of \$50.1 and \$39.6, respectively.

A summary of the restructuring activities taken in the first nine months of 2021 related to the 2020 Restructuring Plan is as follows:

	2020 Restructuring Plan					
	Liability at December 31, 2020	Restructuring Expense	Non-Cash Items	Cash Payments	Liability at September 30, 2021	Liability at September 30, 2020
Severance and termination costs	\$ 74.6	\$ (0.1)	\$ 0.3	\$ 61.4	\$ 12	\$ 12
Lease impairment costs	0.0	(4.2)	(4.2)	0.0	0	0
Other restructuring costs	0.0	1.9	1.7	0.2	0	0
Total	<u>\$ 74.6</u>	<u>\$ (2.4)</u>	<u>\$ (2.2)</u>	<u>\$ 61.6</u>	<u>\$ 12</u>	<u>\$ 12</u>

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

EXPENSES AND OTHER INCOME

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Cash interest on debt obligations	\$ (42.0)	\$ (48.5)	\$ (130.8)	\$ (140.4)
Non-cash interest	(0.9)	(2.3)	(4.3)	(5.0)
Interest expense	(42.9)	(50.8)	(135.1)	(145.4)
Interest income	7.4	6.1	21.9	22.7
Net interest expense	(35.5)	(44.7)	(113.2)	(122.7)
Other income (expense), net	2.3	(11.3)	(76.9)	(54.6)
Total (expenses) and other income	\$ (33.2)	\$ (56.0)	\$ (190.1)	\$ (177.3)

Net interest expense decreased by \$9.2 and \$9.5 for the three and nine months ended September 30, 2021, respectively, compared to a year ago, primarily attributable to decreased cash interest expense as a result of our \$500.0 in aggregate principal amount 3.500% unsecured senior notes that matured in the fourth quarter of 2020.

Other Income (Expense), Net

Results of operations for the three and nine months ended September 30, 2021 and 2020 include certain items that are not directly associated with our revenue-producing operations.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Loss on early extinguishment of debt	\$ —	\$ —	\$ (74.0)	\$ —
Net losses on sales of businesses	(4.4)	(8.6)	(18.6)	(51.8)
Other	6.7	(2.7)	15.7	(2.8)
Total other income (expense), net	\$ 2.3	\$ (11.3)	\$ (76.9)	\$ (54.6)

Loss on early extinguishment of debt – During the first quarter of 2021, we recorded a loss of \$74.0 related to the early extinguishment of our \$250.0 in aggregate principal amount 4.000% unsecured senior notes due 2022, \$500.0 in aggregate principal amount 3.750% unsecured senior notes due 2023, and \$250.0 of the \$500.0 in aggregate principal amount 4.200% unsecured senior notes due 2024. See Note 3 in Item 1, unaudited Consolidated Financial Statements, for further information.

Net losses on sales of businesses – During the three and nine months ended September 30, 2021 and 2020, the amounts recognized were related to sales of businesses and the classification of certain assets and liabilities, consisting primarily of cash, as held for sale, within our IAN and DXTRA reportable segments. The businesses held for sale primarily represent unprofitable, non-strategic agencies which are expected to be sold within the next twelve months.

Other - During the three and nine months ended September 30, 2021, the amounts recognized were primarily related to a non-cash gain related to the deconsolidation of a previously consolidated entity in which we maintain an equity interest.

INCOME TAXES

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
INCOME BEFORE INCOME TAXES	\$ 318.3	\$ 192.6	\$ 788.8	\$ 187.7
Provision for (benefit of) income taxes	\$ 73.9	\$ (86.3)	\$ 184.4	\$ (50.1)

Our tax rates are affected by many factors, including our worldwide earnings from various countries, changes in legislation and tax characteristics of our income. For the three and nine months ended September 30, 2021, our income tax expense was positively impacted by excess tax benefits on employee share-based payments, the majority of which were recognized in the

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

first quarter due to the timing of the vesting of awards, and the revaluation of deferred tax balances resulting from the enactment of tax law changes. This was partially offset by net losses on sales of businesses and the classification of certain assets as held for sale for which we received minimal tax benefit, as well as by losses in certain foreign jurisdictions where we receive no tax benefit due to 100% valuation allowances.

For the three and nine months ended September 30, 2020, our income tax benefit was positively impacted by the settlement of the 2006 through 2016 U.S. Federal income tax audit, partially offset by losses in certain foreign jurisdictions where we received no tax benefit due to 100% valuation allowances, by net losses on sales of businesses and the classification of certain assets as held for sale for which we received minimal tax benefit and by tax expense associated with the change to our assertion regarding the permanent reinvestment of undistributed earnings attributable to certain foreign subsidiaries.

As of September 30, 2021, we have valuation allowances recorded in certain international and domestic jurisdictions related to deferred tax assets. Evaluating the need for and the amount of a valuation allowance for deferred tax assets often requires significant judgment and extensive analysis of all available evidence to determine whether it is more likely than not that these assets will be realized. Release of a valuation allowance would result in a decrease to income tax expense for the period in which the release is recorded. The exact timing and amount of a valuation allowance release, if any, is based on the level of profitability we are able to realize. We intend to continue maintaining a full valuation allowance on certain of our deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of these allowances. However, given our current earnings and anticipated future earnings, primarily due to the benefits of the 2020 Restructuring Plan as well as the disposals of unprofitable, non-strategic agencies, we believe there is a reasonable possibility that in the near term, sufficient positive evidence may become available to allow us to reach a conclusion that a valuation allowance in a certain jurisdiction in Continental Europe will no longer be needed.

EARNINGS PER SHARE

Basic earnings per share available to IPG common stockholders for the three and nine months ended September 30, 2021 was \$0.61 and \$1.51, respectively, compared to earnings per share of \$0.72 and \$0.61 for the three and nine months ended September 30, 2020, respectively. Diluted earnings per share available to IPG common stockholders for the three and nine months ended September 30, 2021 was \$0.60 and \$1.49, respectively, compared to diluted earnings per share of \$0.71 and \$0.61 for the three and nine months ended September 30, 2020, respectively.

Basic and diluted earnings per share for the three months ended September 30, 2021 included a negative impact of \$0.04 from the amortization of acquired intangibles, a positive impact of \$0.01 from restructuring charges, a negative impact of \$0.01 from net losses on sales of businesses and the classification of certain assets as held for sale and a positive impact of \$0.01 from the deconsolidation of a previously consolidated entity.

Basic and diluted earnings per share for the nine months ended September 30, 2021 included a negative impact of \$0.13 from the amortization of acquired intangibles, a positive impact of \$0.01 from restructuring charges, a negative impact of \$0.04 from net losses on sales of businesses and the classification of certain assets as held for sale, a positive impact of \$0.01 from the deconsolidation of a previously consolidated entity and a negative impact of \$0.14 from the loss on early extinguishment of debt.

Basic and diluted earnings per share for the three months ended September 30, 2020 included a negative impact of \$0.04 from the amortization of acquired intangibles, a negative impact of \$0.09 from restructuring charges, a negative impact of \$0.02 from net losses on sales of businesses and the classification of certain assets as held for sale and a net positive impact of \$0.34 from discrete tax items.

Basic and diluted earnings per share for the nine months ended September 30, 2020 included a negative impact of \$0.13 from the amortization of acquired intangibles, a negative impact of \$0.32 from restructuring charges, negative impacts of \$0.13 and \$0.12, respectively, from net losses on sales of businesses and the classification of certain assets as held for sale and net positive impacts of \$0.32 and \$0.31, respectively, from discrete tax items.

Segment Results of Operations – Three and Nine Months Ended September 30, 2021 Compared to Three and Nine Months Ended September 30, 2020

As discussed in Note 11 to the unaudited Consolidated Financial Statements, we have two reportable segments as of September 30, 2021: IAN and DXTRA. We also report results for the “Corporate and Other” group.

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

IAN
Net Revenue

	Components of Change				Change		
	Three months ended September 30, 2020	Foreign Currency	Net Acquisitions/ (Divestitures)	Organic	Three months ended September 30, 2021	Organic	Total
Consolidated	\$ 1,685.5	\$ 18.5	\$ (3.6)	\$ 242.3	\$ 1,942.7	14.4 %	15.3 %
Domestic	1,093.8	—	0.0	148.5	1,242.3	13.6 %	13.6 %
International	591.7	18.5	(3.6)	93.8	700.4	15.9 %	18.4 %

The organic increase during the third quarter of 2021 was driven by net higher spending from existing clients across nearly all sectors, most notably in the healthcare, technology and telecom, retail and auto and transportation sectors, which also each increased due to net client wins. The 13.6% organic increase during the third quarter of 2021 in our domestic market was driven by growth across all disciplines, most notably in our advertising and media businesses. In our international markets, the 15.9% organic increase was driven by strong performance at our media and advertising businesses as well as our digital project-based offerings throughout all geographic regions.

	Components of Change				Change		
	Nine months ended September 30, 2020	Foreign Currency	Net Acquisitions/ (Divestitures)	Organic	Nine months ended September 30, 2021	Organic	Total
Consolidated	\$ 4,935.7	\$ 89.9	\$ (14.7)	\$ 620.4	\$ 5,631.3	12.6 %	14.1 %
Domestic	3,254.1	0.0	(8.1)	335.1	3,581.1	10.3 %	10.0 %
International	1,681.6	89.9	(6.6)	285.3	2,050.2	17.0 %	21.9 %

The organic increase during the first nine months of 2021 was mainly attributable to a combination of higher spending from existing clients and net client wins in the healthcare, retail, auto and transportation, and technology and telecom sectors. The organic increases during the first nine months of 2021 in our domestic market of 10.3% and our international market of 17.0% were primarily driven by factors similar to those noted above for the third quarter of 2021.

Segment EBITA

	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	Change	2021	2020	Change
Segment EBITA ¹	\$ 352.0	\$ 260.0	35.4 %	\$ 989.2	\$ 459.4	>100%
Segment EBITA margin on net revenue ¹	18.1 %	15.4 %		17.6 %	9.3 %	

¹ Segment EBITA and Segment EBITA margin on net revenue include restructuring charges of \$(0.6) and \$0.0 in the three and nine months ended September 30, 2021, respectively, and restructuring charges of \$24.9 and \$93.7 in the three and nine months ended September 30, 2020, respectively. See "Restructuring Charges" in this MD&A and Note 7 to the unaudited Consolidated Financial Statements for further information.

Segment EBITA margin expanded during the third quarter of 2021 compared to the prior-year period, as the increase in net revenue, as discussed above, outpaced the overall increase in our operating expense, excluding billable expenses and amortization of acquired intangibles. Net revenue growth of 15.3% was outpaced by the increase in salaries and related expenses as compared to the prior-year period, primarily driven by increased performance-based employee compensation expense and increased temporary labor expense supporting our revenue growth, which is partially offset by leverage in base salaries, benefits and payroll tax expenses. Office and other direct expense decreased mainly due to lower bad debt expense and a reduction in year-over-year contingent acquisition obligations, as well as savings on occupancy expense as a result of our real estate restructuring actions taken in 2020. During the third quarter of 2021, segment EBITA included restructuring charges of \$(0.6) compared to restructuring charges of \$24.9 during the third quarter of 2020.

Segment EBITA margin increased during the first nine months of 2021 when compared to the prior-year period, as the increase in net revenue, as discussed above, outpaced the overall increase in our operating expenses, excluding billable expenses and amortization of acquired intangibles. Net revenue growth of 14.1% outpaced the increase in salaries and related expenses as compared to the prior year period primarily driven by leverage in base salaries, benefits and tax that includes the benefit of initiatives taken in 2020. Office and other direct expenses decreased mainly due to factors similar to those noted above for the third quarter of 2021 in addition to a decrease in travel and entertainment expenses. During the first nine months

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

of 2021, segment EBITA included restructuring charges of \$0.0, compared to restructuring charges of \$93.7 during the first nine months of 2020.

Depreciation and amortization, excluding amortization of acquired intangibles, as a percentage of net revenue was 2.1% and 2.2% during the third quarter and first nine months of 2021, respectively, which decreased compared to the prior-year periods.

DXTRA

Net Revenue

	Components of Change				Change		
	Three months ended September 30, 2020	Foreign Currency	Net Acquisitions/ (Divestitures)	Organic	Three months ended September 30, 2021	Organic	Total
Consolidated	\$ 269.1	\$ 3.9	\$ (4.0)	\$ 50.0	\$ 319.0	18.6 %	18.5 %
Domestic	179.6	—	(1.4)	38.8	217.0	21.6 %	20.8 %
International	89.5	3.9	(2.6)	11.2	102.0	12.5 %	14.0 %

The organic increase during the third quarter of 2021 was mainly attributable to net higher spending from existing clients in the auto and transportation, food and beverage and consumer goods sectors. The organic increase during the third quarter of 2021 in our domestic market was driven by revenue increases across all disciplines, most notably at our public relations agencies and experiential and sports marketing businesses. In our international market, the organic increase was driven by growth across all disciplines, most notably in the United Kingdom and Continental Europe regions.

	Components of Change				Change		
	Nine months ended September 30, 2020	Foreign Currency	Net Acquisitions/ (Divestitures)	Organic	Nine months ended September 30, 2021	Organic	Total
Consolidated	\$ 844.4	\$ 19.9	\$ (12.3)	\$ 75.7	\$ 927.7	9.0 %	9.9 %
Domestic	566.5	—	(5.5)	62.5	623.5	11.0 %	10.1 %
International	277.9	19.9	(6.8)	13.2	304.2	4.7 %	9.5 %

The organic increase during the first nine months of 2021 was mainly attributable to net higher spending from existing clients in the auto and transportation and food and beverage sectors. The organic increase during the first nine months of 2021 in both our domestic and international markets were driven by the factors similar to those noted above for the third quarter of 2021.

Segment EBITA

	Three months ended September 30,			Change	Nine months ended September 30,		
	2021	2020			2021	2020	Change
Segment EBITA ¹	\$ 53.3	\$ 25.9		>100%	\$ 148.4	\$ 21.9	>100%
Segment EBITA margin on net revenue ¹	16.7 %	9.6 %			16.0 %	2.6 %	

¹ Segment EBITA and Segment EBITA margin on net revenue include restructuring charges of \$(0.6) and \$(0.1) in the three and nine months ended September 30, 2021, respectively and restructuring charges of \$17.2 and \$53.9 in the three and nine months ended September 30, 2020, respectively. See "Restructuring Charges" in this MD&A and Note 7 to the unaudited Consolidated Financial Statements for further information.

Segment EBITA margin increased during the third quarter of 2021 compared to the prior-year period, as net revenue increased, as discussed above, and our operating expenses, excluding billable expenses and amortization of acquired intangibles, decreased. Net revenue growth of 18.5% was outpaced by the increase in salaries and related expenses, as compared to the prior-year period, primarily driven by increased performance-based employee compensation expense and increased temporary labor expense supporting our revenue growth, which is partially offset by leverage in base salaries, benefits and payroll tax expenses. Additionally, incentive expense increased primarily related to better-than-projected financial performance. Office and other direct expense decreased mainly due to a reduction in the year-over-year change in contingent acquisition obligations, as well as savings on occupancy expense as a result of our real estate restructuring actions taken in 2020. During the third quarter of 2021, segment EBITA included restructuring charges of \$(0.6) compared to restructuring charges of \$17.2 during the third quarter of 2020.

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Segment EBITA margin increased during the first nine months of 2021 when compared to the prior-year period, as net revenue increased 9.9% while operating expenses, excluding billable expenses and amortization of acquired intangibles, decreased. Net revenue growth outpaced the increase in salaries and related expenses as compared to the prior year period, mainly due to leverage in base salaries, benefits and tax that includes the benefit of initiatives taken during 2020. Office and other direct expenses decreased mainly due to factors similar to those noted above for the third quarter of 2021, in addition to a decrease in new business and promotion expenses and travel and entertainment expense. During the first nine months of 2021, segment EBITA included restructuring charges of \$(0.1) compared to the restructuring charges of \$53.9 during the first nine months of 2020.

Depreciation and amortization, excluding amortization of acquired intangibles, as a percentage of net revenue was 1.3% during the third quarter and first nine months of 2021, which decreased as compared to the prior-year periods.

CORPORATE AND OTHER

Corporate and Other is primarily comprised of selling, general and administrative expenses including corporate office expenses as well as shared service center and certain other centrally managed expenses that are not fully allocated to operating divisions; salaries, long-term incentives, annual bonuses and other miscellaneous benefits for corporate office employees; professional fees related to internal control compliance, financial statement audits and legal, information technology and other consulting services that are engaged and managed through the corporate office; and rental expense for properties occupied by corporate office employees. A portion of centrally managed expenses is allocated to operating divisions based on a formula that uses the planned revenues of each of the operating units. Amounts allocated also include specific charges for information technology-related projects, which are allocated based on utilization.

During the third quarter of 2021, Corporate and Other expenses increased by \$16.3 to \$32.3 compared to the prior-year period, primarily due to increases in performance-based incentive compensation expense and employee insurance expense. During the first nine months of 2021, Corporate and Other expenses increased by \$42.1 to \$94.0 compared to the prior-year period, primarily attributable to factors similar to those noted for the third quarter of 2021 in addition to an increase in base salaries as the prior year benefited from temporary cost saving actions that have since unwound as well as higher other office and other direct expenses.

During both the third quarter and first nine months of 2021, Corporate and Other expense included \$(2.3) of restructuring charges, compared to \$5.2 and \$12.3 of restructuring charges during the third quarter and first nine months of 2020.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW OVERVIEW

The following tables summarize key financial data relating to our liquidity, capital resources and uses of capital.

Cash Flow Data	Nine months ended September 30,	
	2021	2020
Net income, adjusted to reconcile to net cash provided by operating activities ¹	\$ 999.0	\$ 727.7
Net cash used in working capital ²	(315.7)	(259.7)
Changes in other assets and liabilities using cash	(74.7)	(142.9)
Net cash provided by operating activities	\$ 608.6	\$ 325.1
Net cash used in investing activities	(115.1)	(132.5)
Net cash (used in) provided by financing activities	(467.8)	262.3

¹ Reflects net income adjusted primarily for depreciation and amortization of fixed assets and intangible assets, loss on early extinguishment of debt, amortization of restricted stock and other non-cash compensation, deferred income taxes, net losses on sales of businesses, provision for uncollectible receivables, and non-cash restructuring charges.

² Reflects changes in accounts receivable, other current assets, accounts payable, accrued liabilities and contract liabilities.

Operating Activities

Due to the seasonality of our business, we typically use cash from working capital in the first nine months of a year, with the largest impact in the first quarter, and generate cash from working capital in the fourth quarter, driven by the seasonally strong media spending by our clients. Quarterly and annual working capital results are impacted by the fluctuating annual

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

media spending budgets of our clients as well as their changing media spending patterns throughout each year across various countries.

The timing of media buying on behalf of our clients across various countries affects our working capital and operating cash flow and can be volatile. In most of our businesses, our agencies enter into commitments to pay production and media costs on behalf of clients. To the extent possible, we pay production and media charges after we have received funds from our clients. The amounts involved, which substantially exceed our revenues, primarily affect the level of accounts receivable, accounts payable, accrued liabilities and contract liabilities. Our assets include both cash received and accounts receivable from clients for these pass-through arrangements, while our liabilities include amounts owed on behalf of clients to media and production suppliers. Our accrued liabilities are also affected by the timing of certain other payments. For example, while annual cash incentive awards are accrued throughout the year, they are generally paid during the first quarter of the subsequent year.

Net cash provided by operating activities during the first nine months of 2021 was \$608.6, which was an increase of \$283.5 as compared to the first nine months of 2020, primarily due to our increase in net income, partially offset by an increase in working capital usage of \$56.0. Working capital was impacted by the spending levels of our clients and was primarily attributable to our media business.

Investing Activities

Net cash used in investing activities during the first nine months of 2021 was \$115.1, which was a decrease of \$17.4 as compared to the first nine months of 2020, primarily due to an increase in capital expenditures and the impact of the deconsolidation of a subsidiary, partially offset by an increase in net proceeds from investments. The payments for capital expenditures were \$123.4 and \$112.0 in the first nine months of 2021 and 2020, respectively and consisted primarily of increases in computer hardware.

Financing Activities

Net cash used in financing activities during the first nine months of 2021 was \$467.8, primarily driven by payment for the early extinguishment of long-term debt of \$1,066.8 in the first quarter of 2021 and the payment of common stock dividends of \$321.4, partially offset by the net proceeds of \$998.1 from the issuance of our \$500.0 aggregate principal amount of 2.400% unsecured senior notes due 2031 (the "2.400% Senior Notes") and \$500.0 aggregate principal amount of 3.375% unsecured senior notes due 2041 in the first quarter of 2021. See Note 3 in Item 1, *Financial Statements*, for further information.

Net cash provided by financing activities during the first nine months of 2020 was primarily driven by the net proceeds of \$646.2 from the issuance of our 4.750% unsecured senior notes due 2030, partially offset by the payment of common stock dividends of \$298.6.

Foreign Exchange Rate Changes

The effect of foreign exchange rate changes on cash, cash equivalents and restricted cash included in the unaudited Consolidated Statements of Cash Flows resulted in a net decrease of \$40.3 during the first nine months of 2021. The decrease was primarily a result of the U.S. Dollar being stronger than several foreign currencies, including the Euro and Australian Dollar as of September 30, 2021 as compared to December 31, 2020.

LIQUIDITY OUTLOOK

We expect our cash flow from operations and existing cash and cash equivalents to be sufficient to meet our anticipated operating requirements at a minimum for the next twelve months. We also have a commercial paper program, a committed corporate credit facility, and uncommitted lines of credit to support our operating needs. Borrowings under our commercial paper program are supported by our committed corporate credit agreement. We continue to maintain a disciplined approach to managing liquidity, with flexibility over significant uses of cash, including our capital expenditures, cash used for new acquisitions, our common stock repurchase program and our common stock dividends.

From time to time, we evaluate market conditions and financing alternatives for opportunities to raise additional funds or otherwise improve our liquidity profile, enhance our financial flexibility and manage market risk. Our ability to access the capital markets depends on a number of factors, which include those specific to us, such as our credit ratings, and those related to the financial markets, such as the amount or terms of available credit. There can be no guarantee that we would be able to access new sources of liquidity, or continue to access existing sources of liquidity, on commercially reasonable terms, or at all.

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Funding Requirements

Our most significant funding requirements include our operations, non-cancelable operating lease obligations, capital expenditures, acquisitions, common stock dividends, taxes, and debt service. Additionally, we may be required to make payments to minority shareholders in certain subsidiaries if they exercise their options to sell us their equity interests.

Notable funding requirements include:

- Debt service – Our 3.750% unsecured senior notes in aggregate principal amount of \$500.0 matured on October 1, 2021. We used cash on hand to fund the principal repayment. As of September 30, 2021, we had outstanding short-term borrowings of \$44.1 from our uncommitted lines of credit used primarily to fund short-term working capital needs. The remainder of our debt is primarily long-term, with maturities scheduled from 2024 through 2048.
- Acquisitions – We paid deferred payments of \$67.1 for prior-year acquisitions as well as ownership increases in our consolidated subsidiaries in the first nine months of 2021. In addition to potential cash expenditures for new acquisitions, we expect to pay approximately \$16.0 over the next twelve months related to all completed acquisitions as of September 30, 2021. We may also be required to pay approximately \$24.0 related to redeemable non-controlling interest held by minority shareholders, if exercised, over the next twelve months. We will continue to evaluate strategic opportunities to grow and continue to strengthen our market position, particularly in our digital and marketing services offerings, and to expand our presence in high-growth and key strategic world markets.
- Dividends – In the first nine months of 2021, we paid a quarterly cash dividend of \$0.270 per share on our common stock, which corresponded to an aggregate dividend payment of \$321.4. Assuming we pay a quarterly dividend of \$0.270 per share, and there is no significant change in the number of outstanding shares as of September 30, 2021, we would expect to pay approximately \$425.0 over the next twelve months. Whether to declare and the amount of any such future dividend is at the discretion of our Board of Directors and will depend upon factors such as our earnings, financial position and cash requirements.
- Restructuring – All restructuring charges were identified and initiated in 2020, with all actions completed by the end of the fourth quarter of 2020. Restructuring charges of (\$2.4) during the first nine months of 2021 are adjustments to the actions taken in 2020. As of September 30, 2021, our remaining liability related to restructuring actions was \$12.8.

Share Repurchase Program

On July 2, 2018, in connection with the announcement of the Acxiom acquisition, we announced that share repurchases will be suspended for a period of time in order to reduce the increased debt levels incurred in conjunction with the acquisition. As of September 30, 2021, \$338.4, excluding fees, remains available for repurchase under the share repurchase programs authorized in previous years, which have no expiration date.

FINANCING AND SOURCES OF FUNDS

Substantially all of our operating cash flow is generated by our agencies. Our cash balances are held in numerous jurisdictions throughout the world, including at the holding company level. Below is a summary of our sources of liquidity.

Credit Arrangements

We maintain a committed corporate credit facility, originally dated as of July 18, 2008, which has been amended and restated from time to time (the "Credit Agreement"). We use our Credit Agreement to increase our financial flexibility, to provide letters of credit primarily to support obligations of our subsidiaries and to support our commercial paper program. The Credit Agreement is a revolving facility, expiring in November 2024, under which amounts borrowed by us or any of our subsidiaries designated under the Credit Agreement may be repaid and reborrowed, subject to an aggregate lending limit of \$1,500.0, or the equivalent in other currencies. The Company has the ability to increase the commitments under the Credit Agreement from time to time by an additional amount of up to \$250.0, provided the Company receives commitments for such increases and satisfies certain other conditions. The aggregate available amount of letters of credit outstanding may decrease or increase, subject to a sublimit of \$50.0, or the equivalent in other currencies. Our obligations under the Credit Agreement are unsecured. As of September 30, 2021, there were no borrowings under the Credit Agreement; however, we had \$10.7 of letters of credit under the Credit Agreement, which reduced our total availability to \$1,489.3.

On March 27, 2020, we entered into an agreement for a 364-day revolving credit facility (the "364-Day Credit Facility") that matured on March 26, 2021. The 364-Day Credit Facility is a revolving facility, under which amounts borrowed by us were to be repaid and reborrowed, subject to an aggregate lending limit of \$500.0. The cost structure of the 364-Day Credit Agreement was based on our credit ratings. The applicable margin for Base Rate Advances (as defined in the 364-Day Credit

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Facility) was 0.250%, the applicable margin for Eurodollar Rate Advances (as defined in the 364-Day Credit Facility) was 1.250%, and the facility fee payable on a lender's revolving commitment was 0.250%. The leverage ratio and other covenants set forth in the 364-Day Credit Facility were equivalent to the covenants contained in the Company's existing Credit Agreement, which remains in full effect.

We were in compliance with all of our covenants in the Credit Agreement as of September 30, 2021. The Credit Agreement includes covenants that, among other things, (i) limit our liens and the liens of our consolidated subsidiaries, and (ii) limit subsidiary debt. The financial covenant in the Credit Agreement requires that we maintain, as of the end of each fiscal quarter, a certain leverage ratio for the four quarters then ended. The table below sets forth the financial covenant in effect as of September 30, 2021.

Financial Covenant	Four Quarters Ended	Credit Agreement EBITDA Reconciliation	Four Quarters Ended
	September 30, 2021		September 30, 2021
Leverage ratio (not greater than) ^{1, 2}	3.50x	Net income available to IPG common stockholders	\$ 707.2
Actual leverage ratio	2.01x	Non-operating adjustments ³	495.1
		Operating income	1,202.3
		Add:	
		Depreciation and amortization	387.1
		Other non-cash charges reducing operating income	131.6
		Credit Agreement EBITDA ¹	\$ 1,721.0

¹ The leverage ratio is defined as debt as of the last day of such fiscal quarter to EBITDA (as defined in the Credit Agreement) for the four quarters then ended.

² Pursuant to Amendment No.1 to the Credit Agreement, our maximum leverage ratio decreased from 4.25x to 3.50x as of the quarter ended September 30, 2021.

³ Includes adjustments of the following items from our Consolidated Statements of Operations: provision for income taxes, total (expenses) and other income, equity in net income (loss) of unconsolidated affiliates, and net (income) loss attributable to non-controlling interests.

Uncommitted Lines of Credit

We also have uncommitted lines of credit with various banks that permit borrowings at variable interest rates and that are primarily used to fund working capital needs. We have guaranteed the repayment of some of these borrowings made by certain subsidiaries. If we lose access to these credit lines, we would have to provide funding directly to some of our operations. As of September 30, 2021, the Company had uncommitted lines of credit in an aggregate amount of \$951.4, under which we had outstanding borrowings of \$44.1 classified as short-term borrowings on our Consolidated Balance Sheet. The average amount outstanding during the third quarter of 2021 was \$72.2 with weighted-average interest rate of approximately 2.8%.

Commercial Paper

The Company is authorized to issue unsecured commercial paper up to a maximum aggregate amount outstanding at any time of \$1,500.0. Borrowings under the program are supported by the Credit Agreement described above. Proceeds of the commercial paper are used for working capital and general corporate purposes, including the repayment of maturing indebtedness and other short-term liquidity needs. The maturities of the commercial paper vary but may not exceed 397 days from the date of issue. During the third quarter of 2021, there was no commercial paper activity, and as of September 30, 2021, there was no commercial paper outstanding.

Cash Pooling

We aggregate our domestic cash position on a daily basis. Outside the United States, we use cash pooling arrangements with banks to help manage our liquidity requirements. In these pooling arrangements, several IPG agencies agree with a single bank that the cash balances of any of the agencies with the bank will be subject to a full right of set-off against amounts other agencies owe the bank, and the bank provides for overdrafts as long as the net balance for all agencies does not exceed an agreed-upon level. Typically, each agency pays interest on outstanding overdrafts and receives interest on cash balances. Our unaudited Consolidated Balance Sheets reflect cash, net of bank overdrafts, under all of our pooling arrangements, and as of September 30, 2021, the amount netted was \$2,685.4.

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

DEBT CREDIT RATINGS

Our debt credit ratings as of October 15, 2021, are listed below.

	Moody's Investors Service	S&P Global Ratings	Fitch Ratings
Short-term rating	P-2	A-2	F2
Long-term rating	Baa2	BBB	BBB+
Outlook	Stable	Stable	Stable

The most recent update to our outlook occurred in April 2021 when Moody's Investor Service changed from Negative to Stable. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning credit rating agency. The rating of each credit rating agency should be evaluated independently of any other rating. Credit ratings could have an impact on liquidity, either adverse or favorable, because, among other things, they could affect funding costs in the capital markets or otherwise. For example, our Credit Agreement fees and borrowing rates are based on a credit ratings grid, and our access to the commercial paper market is contingent on our maintenance of sufficient short-term debt ratings.

CRITICAL ACCOUNTING ESTIMATES

Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements for the year ended December 31, 2020, included in our 2020 Annual Report. As summarized in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in our 2020 Annual Report, we believe that certain of these policies are critical because they are important to the presentation of our financial condition and results of operations, and they require management's most difficult, subjective or complex judgments, often as a result of the need to estimate the effect of matters that are inherently uncertain. These critical estimates relate to revenue recognition, income taxes, goodwill and other intangible assets, and pension and postretirement benefits. We base our estimates on historical experience and various other factors that we believe to be relevant under the circumstances. Estimation methodologies are applied consistently from year to year, and there have been no significant changes in the application of critical accounting estimates since December 31, 2020, other than as noted below. Actual results may differ from these estimates under different assumptions or conditions.

RECENT ACCOUNTING STANDARDS

See Note 14 to the unaudited Consolidated Financial Statements for further information on certain accounting standards that have been recently adopted or that have not yet been required to be implemented and may be applicable to our future operations.

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

NON-GAAP FINANCIAL MEASURE

This MD&A includes both financial measures in accordance with U.S. GAAP, as well as a non-GAAP financial measure. The non-GAAP financial measure represents Net Income Available to IPG Common Stockholders before Provision for (Benefit of) Income Taxes, Total (Expenses) and Other Income, Equity in Net Income (Loss) of Unconsolidated Affiliates, Net (Income) Loss Attributable to Non-controlling Interests and Amortization of Acquired Intangibles, which we refer to as "Adjusted EBITA".

Adjusted EBITA should be viewed as supplemental to, and not as an alternative for Net Income Available to IPG Common Stockholders calculated in accordance with U.S. GAAP ("net income") or operating income calculated in accordance with U.S. GAAP ("operating income"). This section also includes reconciliation of this non-GAAP financial measure to the most directly comparable U.S. GAAP financial measures, as presented below.

Adjusted EBITA is used by our management as an additional measure of our Company's performance for purposes of business decision-making, including developing budgets, managing expenditures and evaluating potential acquisitions or divestitures. Period-to-period comparisons of Adjusted EBITA help our management identify additional trends in our Company's financial results that may not be shown solely by period-to-period comparisons of net income or operating income. In addition, we use Adjusted EBITA in the incentive compensation programs applicable to some of our employees in order to evaluate our Company's performance. Our management recognizes that Adjusted EBITA has inherent limitations because of the excluded items, particularly those items that are recurring in nature. Management also reviews operating income and net income as well as the specific items that are excluded from Adjusted EBITA, but included in net income or operating income, as well as trends in those items. The amounts of those items are set forth, for the applicable periods, in the reconciliation of Adjusted EBITA to net income that accompany our disclosure documents containing non-GAAP financial measures, including the reconciliations contained in this MD&A.

We believe that the presentation of Adjusted EBITA is useful to investors in their analysis of our results for reasons similar to the reasons why our management finds it useful and because it helps facilitate investor understanding of decisions made by management in light of the performance metrics used in making those decisions. In addition, as more fully described below, we believe that providing Adjusted EBITA, together with a reconciliation of this non-GAAP financial measure to net income, helps investors make comparisons between our Company and other companies that may have different capital structures, different effective income tax rates and tax attributes, different capitalized asset values and/or different forms of employee compensation. However, Adjusted EBITA is intended to provide a supplemental way of comparing our Company with other public companies and is not intended as a substitute for comparisons based on net income or operating income. In making any comparisons to other companies, investors need to be aware that companies may use different non-GAAP measures to evaluate their financial performance. Investors should pay close attention to the specific definition being used and to the reconciliation between such measures and the corresponding U.S. GAAP measures provided by each company under the applicable rules of the SEC.

The following is an explanation of the items excluded by us from Adjusted EBITA but included in net income:

- **Total (Expense) and Other Income, Provision for (Benefit of) Income Taxes, Equity in Net Income (Loss) of Unconsolidated Affiliates and Net (Income) Loss Attributable to Non-controlling Interests.** We exclude these items (i) because these items are not directly attributable to the performance of our business operations and, accordingly, their exclusion assists management and investors in making period-to-period comparisons of operating performance and (ii) to assist management and investors in making comparisons to companies with different capital structures. Investors should note that these items will recur in future periods.
- **Amortization of Acquired Intangibles.** Amortization of acquired intangibles is a non-cash expense relating to intangible assets arising from acquisitions that are expensed on a straight-line basis over the estimated useful life of the related assets. We exclude amortization of acquired intangibles because we believe that (i) the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations and (ii) such expenses can vary significantly between periods as a result of new acquisitions and full amortization of previously acquired intangible assets. Accordingly, we believe that this exclusion assists management and investors in making period-to-period comparisons of operating performance. Investors should note that the use of intangible assets contributed to revenue in the periods presented and will contribute to future revenue generation and should also note that such expense may recur in future periods.

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

The following table presents the reconciliation of Net Income Available to IPG Common Stockholders to Adjusted EBITA for the three and nine months ended September 30, 2021 and 2020.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net Revenue	\$ 2,261.7	\$ 1,954.6	\$ 6,559.0	\$ 5,780.1
Adjusted EBITA Reconciliation:				
Net Income Available to IPG Common Stockholders ¹	\$ 239.9	\$ 279.7	\$ 594.9	\$ 238.8
Add Back:				
Provision for (benefit of) income taxes	73.9	(86.3)	184.4	(50.1)
Subtract:				
Total (expenses) and other income	(33.2)	(56.0)	(190.1)	(177.3)
Equity in net income (loss) of unconsolidated affiliates	0.2	(0.4)	0.4	(0.6)
Net (income) loss attributable to non-controlling interests	(4.7)	1.2	(9.9)	1.6
Operating Income ¹	351.5	248.6	978.9	365.0
Add Back:				
Amortization of acquired intangibles	21.5	21.3	64.7	64.4
Adjusted EBITA ¹	\$ 373.0	\$ 269.9	\$ 1,043.6	\$ 429.4
<i>Adjusted EBITA Margin on Net Revenue</i>	<i>16.5 %</i>	<i>13.8 %</i>	<i>15.9 %</i>	<i>7.4 %</i>

¹ Calculations include restructuring charges of \$(3.5) and \$(2.4) for the three and nine months ended September 30, 2021 and \$47.3 and \$159.9 for the three and nine months ended September 30, 2020, respectively. See "Restructuring Charges" in this MD&A and Note 7 in Item 1, *Financial Statements*, for further information.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, we are exposed to market risks related to interest rates, foreign currency rates and certain balance sheet items. From time to time, we use derivative instruments, pursuant to established guidelines and policies, to manage some portion of these risks. Derivative instruments utilized in our hedging activities are viewed as risk management tools and are not used for trading or speculative purposes. There has been no significant change in our exposure to market risk during the third quarter of 2021. Our exposure to market risk for changes in interest rates primarily relates to the fair market value and cash flows of our debt obligations. As of September 30, 2021 and December 31, 2020, approximately 98% and 97%, respectively, of our debt obligations bore fixed interest rates. For further discussion of our exposure to market risk, refer to Item 7A, *Quantitative and Qualitative Disclosures About Market Risk*, in our 2020 Annual Report.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2021, the Company’s disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Changes in Internal Control Over Financial Reporting

There has been no change in internal control over financial reporting in the quarter ended September 30, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION**Item 1. Legal Proceedings**

Information about our legal proceedings is set forth in Note 13 to the unaudited Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Item 1A, *Risk Factors*, in our 2020 Annual Report on Form 10-K (the “2020 Annual Report”), which could materially affect our business, financial condition or future results. In the third quarter of 2021, there have been no material changes in the risk factors we have previously disclosed in Item 1A, *Risk Factors*, in our 2020 Annual Report. The risks described in our 2020 Annual Report, which include the impacts from the COVID-19 pandemic on the Company’s business, financial condition and results of operations, are not the only risks we face, and additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect the Company’s business, financial condition and/or operating results.

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

(c) The following table provides information regarding our purchases of our equity securities during the period from July 1, 2021 to September 30, 2021:

	Total Number of Shares (or Units) Purchased ¹	Average Price Paid per Share (or Unit) ²	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs ³	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs ³
July 1 - 31	13,771	\$ 35.11	—	\$ 338,421,933
August 1 - 31	8,489	\$ 36.68	—	\$ 338,421,933
September 1 - 30	841	\$ 37.21	—	\$ 338,421,933
Total	23,101	\$ 35.76	—	

¹ The total number of shares of our common stock, par value \$0.10 per share, purchased were withheld under the terms of grants under employee stock-based compensation plans to offset tax withholding obligations that arose upon vesting and release of restricted shares (the “Withheld Shares”).

² The average price per share for each of the months in the fiscal quarter and for the three-month period was calculated by dividing (a) the sum for the applicable period of the aggregate value of the tax withholding obligations by (b) the sum of the number of Withheld Shares.

³ In February 2017, the Company’s Board of Directors (the “Board”) authorized a share repurchase program to repurchase from time to time up to \$300.0 million, excluding fees, of our common stock (the “2017 Share Repurchase Program”). In February 2018, the Board authorized a share repurchase program to repurchase from time to time up to \$300.0 million, excluding fees, of our common stock, which was in addition to any amounts remaining under the 2017 Share Repurchase Program. On July 2, 2018, in connection with the announcement of the Acxiom acquisition, we announced that share repurchases will be suspended for a period of time in order to reduce the increased debt levels incurred in conjunction with the acquisition, and no shares were repurchased pursuant to the share repurchase programs in the periods reflected. There are no expiration dates associated with the share repurchase programs.

Item 6. Exhibits

All exhibits required pursuant to Item 601 of Regulation S-K to be filed as part of this report or incorporated herein by reference to other documents are listed in the Index to Exhibits below.

INDEX TO EXHIBITS

Exhibit No.	Description
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
32	Certification of the Chief Executive Officer and the Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended.
101	Interactive Data File, for the period ended September 30, 2021. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
104	Cover Page Interactive Data File. The cover page XBRL tags are embedded within the inline XBRL document and are included 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.

THE INTERPUBLIC GROUP OF COMPANIES, INC.

By /s/ Philippe Krakowsky
Philippe Krakowsky
Chief Executive Officer

Date: October 26, 2021

By /s/ Christopher F. Carroll
Christopher F. Carroll
Senior Vice President, Controller and
Chief Accounting Officer
(Principal Accounting Officer)

Date: October 26, 2021

CERTIFICATION

I, Philippe Krakowsky, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Interpublic Group of Companies, 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(s) 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(s) 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.

/s/ Philippe Krakowsky

Philippe Krakowsky
Chief Executive Officer

Date: October 26, 2021

CERTIFICATION

I, Ellen Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Interpublic Group of Companies, 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(s) 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(s) 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.

/s/ Ellen Johnson

Ellen Johnson
Executive Vice President and
Chief Financial Officer

Date: October 26, 2021

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of The Interpublic Group of Companies, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

The quarterly report on Form 10-Q for the quarter ended September 30, 2021 of the Company 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 quarterly report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Philippe Krakowsky

Philippe Krakowsky

Chief Executive Officer

Dated: October 26, 2021

/s/ Ellen Johnson

Ellen Johnson

Executive Vice President and Chief Financial Officer

Dated: October 26, 2021