

MDC PARTNERS INC  
Form 10-Q  
May 05, 2006

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

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**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2006

Or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-13178

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**MDC Partners Inc.**

(Exact name of registrant as specified in its charter)

**Canada**

(State or other jurisdiction of  
incorporation or organization)

**98-0364441**

(IRS Employer Identification No.)

**45 Hazelton Avenue  
Toronto, Ontario, Canada**  
(Address of principal executive offices)

**M5R 2E3**  
(Zip Code)

**(416) 960-9000**

Registrant's telephone number, including area code:

**950 Third Avenue, New York, New York 10022  
(646) 429-1809**

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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12(b)-2 of the Exchange Act (check one)

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

### APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Act subsequent to the distributions of securities under a plan confirmed by a court. Yes  No

The numbers of shares outstanding as of May 1, 2006 were: 24,118,876 Class A subordinate voting shares and 2,502 Class B multiple voting shares.

### Website Access to Company Reports

MDC Partners Inc. s Internet website address is [www.mdc-partners.com](http://www.mdc-partners.com). The Company s annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act, will be made available free of charge through the Company s website as soon as reasonably practical after those reports are electronically filed with, or furnished to, the Securities and Exchange Commission.

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**MDC PARTNERS INC.**

**QUARTERLY REPORT ON FORM 10-Q**

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## Item 1. Financial Statements

**MDC PARTNERS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)**  
(thousands of United States dollars, except share and per share amounts)

	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
<b>Revenue:</b>		
Services	\$ 98,074	\$ 73,710
Products	18,566	17,171
	116,640	90,881
<b>Operating Expenses:</b>		
Cost of services sold (1)	59,740	47,191
Cost of products sold	11,839	10,883
Office and general expenses (2)	35,802	29,254
Depreciation and amortization	7,904	4,513
	115,285	91,841
Operating profit (loss)	1,355	(960)
<b>Other Income (Expenses):</b>		
Other income	657	237
Interest expense	(3,282)	(1,336)
Interest income	118	62
	(2,507)	(1,037)
Loss from continuing operations before income taxes, equity in affiliates and minority interests	(1,152)	(1,997)
Income tax recovery	497	911
Loss from continuing operations before equity in affiliates and minority interests	(655)	(1,086)
Equity in earnings of non-consolidated affiliates	274	183
Minority interests in income of consolidated subsidiaries	(4,751)	(2,809)
Loss from continuing operations	(5,132)	(3,712)
Discontinued operations		(71)
Net loss	\$ (5,132)	\$ (3,783)
<b>Loss Per Common Share:</b>		
<b>Basic:</b>		
Continuing operations	\$ (0.22)	\$ (0.17)
Discontinued operations		(0.0)
Net loss	\$ (0.22)	\$ (0.17)
<b>Diluted:</b>		
Continuing operations	\$ (0.22)	\$ (0.17)
Discontinued operations		(0.0)
Net loss	\$ (0.22)	\$ (0.17)
<b>Weighted Average Number of Common Shares Outstanding:</b>		
Basic	23,777,590	22,207,229
Diluted	23,777,590	22,207,229

(1) Includes non cash stock-based compensation of \$2,564 and \$35, respectively in 2006 and 2005.

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(2) *Includes non cash stock-based compensation of \$961 and \$957, respectively in 2006 and 2005.*

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

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**MDC PARTNERS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(thousands of United States dollars)

	March 31, 2006 (Unaudited)	December 31, 2005
<b>ASSETS</b>		
Current Assets:		