

IHS Inc.
Form 10-Q
September 24, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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 August 31, 2010

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 001-32511

IHS INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

13-3769440
(IRS Employer

Identification No.)

15 Inverness Way East

Englewood, CO 80112

(Address of Principal Executive Offices)

(303) 790-0600

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller Reporting Company

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

As of August 31, 2010, there were 64,196,232 shares of our Class A Common Stock outstanding.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****IHS INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except for share and per-share amounts)**

	As of August 31, 2010 (Unaudited)	As of November 30, 2009 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 257,151	\$ 124,201
Accounts receivable, net	189,455	203,500
Deferred subscription costs	37,381	40,279
Deferred income taxes	29,540	30,970
Other	19,751	14,284
Total current assets	533,278	413,234
Non-current assets:		
Property and equipment, net	84,293	74,798
Intangible assets, net	297,446	309,795
Goodwill, net	926,968	875,742
Other	4,101	2,019
Total non-current assets	1,312,808	1,262,354
Total assets	\$ 1,846,086	\$ 1,675,588
Liabilities and stockholders' equity		
Current liabilities:		
Short-term debt	\$ 143,888	\$ 92,577
Accounts payable	29,147	26,470
Accrued compensation	31,604	44,196
Accrued royalties	14,487	25,666
Other accrued expenses	45,642	39,385
Income tax payable	1,896	1,720
Deferred subscription revenue	351,740	319,163
Total current liabilities	618,404	549,177
Long-term debt	95	141
Accrued pension liability	22,224	19,194
Accrued post-retirement benefits	7,845	9,914
Deferred income taxes	71,125	68,334
Other liabilities	17,034	15,150
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, \$0.01 par value per share, 160,000,000 and 80,000,000 shares authorized, 66,184,152 and 64,801,035 shares issued, and 64,196,232 and 63,283,947 shares outstanding at August 31, 2010 and November 30, 2009, respectively	661	648
Additional paid-in capital	523,450	472,791

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Treasury stock, at cost: 1,987,920 and 1,517,088 shares at August 31, 2010 and November 30, 2009, respectively	(100,597)	(75,112)
Retained earnings	819,042	719,182
Accumulated other comprehensive loss	(133,197)	(103,831)
Total stockholders' equity	1,109,359	1,013,678
Total liabilities and stockholders' equity	\$ 1,846,086	\$ 1,675,588

See accompanying notes.

Table of Contents**IHS INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except for per-share amounts)

	Three Months Ended August 31, 2010		Nine Months Ended August 31, 2009	
	2010	2009	2010	2009
	(Unaudited)			
Revenue:				
Products	\$ 240,027	\$ 213,505	\$ 678,149	\$ 618,533
Services	32,032	25,980	101,125	91,639
Total revenue	272,059	239,485	779,274	710,172
Operating expenses:				
Cost of revenue:				
Products	98,446	87,037	279,099	251,476
Services	17,345	14,670	54,836	50,808
Total cost of revenue (includes stock-based compensation expense of \$446; \$450; \$3,203 and \$1,910 for the three and nine months ended August 31, 2010 and 2009, respectively)	115,791	101,707	333,935	302,284
Selling, general and administrative (includes stock-based compensation expense of \$12,336; \$12,371; \$46,521 and \$42,352 for the three and nine months ended August 31, 2010 and 2009, respectively)	86,203	79,369	259,914	248,423
Depreciation and amortization	14,406	12,771	42,505	36,031
Restructuring charges (credits)	9,104		9,022	(416)
Net periodic pension and post-retirement expense (income)	1,191	(679)	3,579	(2,057)
Other expense (income), net	262	60	(852)	(409)
Total operating expenses	226,957	193,228	648,103	583,856
Operating income	45,102	46,257	131,171	126,316
Interest income	188	219	386	782
Interest expense	(413)	(416)	(1,073)	(1,677)
Non-operating loss, net	(225)	(197)	(687)	(895)
Income from continuing operations before income taxes	44,877	46,060	130,484	125,421
Provision for income taxes	(10,314)	(11,322)	(30,494)	(29,250)
Net income from continuing operations	34,563	34,738	99,990	96,171
Loss from discontinued operations, net	(4)	(32)	(130)	(263)
Net income	34,559	34,706	99,860	95,908
Less: Net income attributable to noncontrolling interests				(2,144)
Net income attributable to IHS Inc.	\$ 34,559	\$ 34,706	\$ 99,860	\$ 93,764
Income from continuing operations attributable to IHS Inc. per share:				
Basic	\$ 0.54	\$ 0.55	\$ 1.57	\$ 1.49
Diluted	\$ 0.53	\$ 0.54	\$ 1.55	\$ 1.47

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Loss from discontinued operations per share:				
Basic	\$	\$	\$	\$
Diluted	\$	\$	\$	\$
Net income attributable to IHS Inc. per share:				
Basic	\$ 0.54	\$ 0.55	\$ 1.56	\$ 1.49
Diluted	\$ 0.53	\$ 0.54	\$ 1.55	\$ 1.47
Weighted average shares:				
Basic	64,122	63,160	63,881	62,998
Diluted	64,720	64,024	64,574	63,837

See accompanying notes.

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IHS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

Nine Months Ended August 31,

Davis'
Form 4
filing on
February
20, 2014
is very
interesting
as it
shows in
a single
filing,
both a
transaction
(buying
50,000
shares)
that
would
have
taken his
ownership
above
20%,
coinciding
with a
gift to
RSF
(30,769
shares)
that
reduced
his
holdings
sufficiently
for
Davis to
remain
below
the 20%

threshold.

The
February
18, 2014
gift of
30,769
shares
came
just one
day prior
to Davis'
February
19, 2014
open
market
purchase
of
50,000
shares.

According
to the
trading
data
available
on
nasdaq.com,
Cyanotech's
average
trading
volume
for the
ten
trading
days
prior to
Davis'
February
19, 2014
purchase
was only
4,002
shares.

This
suggests
Davis
knew of
an
opportunity
to make
a large
purchase

and
delayed
that
transaction
until
after he
had
reduced
his
holdings
sufficiently
(via the
gift of
30,769
shares to
RSF) to
allow for
the
purchase
without
going
above
the 20%
threshold.

Nasdaq
rules
define
"parking"
as the
"Illegal
holding
of stock
by a
third
party, or
the
financing
of such a
stock, in
which
the third
party's
sole
reason
for
holding
the stock
is to
conceal
ownership

or
control."

Davis
did not
just
transfer
shares to
RSF
when
necessary
to keep
his
direct
holdings
below
the 20%
threshold,
he also
financed
RSF
purchases.
The
recent
filings
confirm
Meridian's
allegations
concerning
Davis'
involvement
with
RSF's
acquisition
of a
9.7%
block of
stock
from
VitaeLab.
Davis
acknowledged
in his
Schedule
13D that
when he
learned
of the
existence
of the
9.7%

block, he took that information to RSF.

Davis also disclosed that "[i]n or about the same time" he provided RSF with the funds RSF used to acquire the 9.7% block.

Davis has for years been causing RSF to accumulate shares in Cyanotech while at the same time he has entered into agreements with RSF by which he retains an interest in those shares. Cyanotech's 10-Q reports that, "the shares of Company

Common
Stock
owned
by RSF
are held
by RSF
in an
endowment
fund for
the
benefit
of
Ginungagap
Foundation,
a
non-profit
corporation"
and "Mr.
Davis
serves as
the
president
of
Ginungagap."

The
recent
SEC
filings
by
Cyanotech
and
Davis
confirm
the
following:

All of the shares held by RSF are directly traceable to Skywords, a Davis-controlled entity, either as gifts of shares or gifts of cash used to buy shares in a transaction instigated by Davis.

The timing of the Davis gifts corresponds with Davis' need to manage his direct holdings to maintain an ownership level below 20%.

RSF holds and serves as the reporting entity for all of the shares it acquired via Davis' actions, but did not spend any of its own capital on the shares and does not

hold the shares for its own benefit, but rather for the benefit of Ginungagap. Ginungagap, like Skywords, is a Davis-controlled entity.

Undisclosed "Group"

According to the SEC, a "group" is formed "[w]hen two or more persons agree to act together for the purpose of acquiring, holding, voting or disposing of equity securities" of a public company. When a "group" is present, the "group" must report its combined holdings on the applicable

schedule.

Here is
what
Cyanotech
and
Davis
have
disclosed
about
Davis'
relationship
with
RSF:

Agreement
relating to the
holding of
securities: From
Cyanotech's Form
10-Q: "the shares
of Company
Common Stock
owned by RSF are
held by RSF in an
endowment fund
for the benefit of
Ginungagap
Foundation, a
non-profit
corporation" and
· "Mr. Davis serves
as the president of
Ginungagap."
"The terms of the
written agreement
between
Ginungagap and
RSF regarding the
endowment
permit
Ginungagap to
make non-binding
recommendations
to RSF with
regards to the
investment of the
endowment fund".
· Agreement
relating to the
acquisition of

securities:
From Davis'
Schedule 13D:
"In 2011, Davis
learned that a
significant
Cyanotech
customer and
shareholder
wished to sell
its shares of
Common Stock
(approximately
9% of the
Issuer). He put
the shareholder
in touch with
RSF. In or
about the same
time, Skywords
donated
approximately
\$2.5 million to
RSF with the
understanding
that RSF may
use some or all
of the funds to
attempt to
purchase shares
of Common
Stock."

Agreement
relating to the
disposal of
securities: From
Davis' 13D: "The
terms of the
[agreement]
permit
Ginungagap to
make non-binding
recommendations
to RSF with
regards to the
investment of the
[endowment] and
to request grants
from that fund to
Ginungagap".

The
special
committee's
summary
report on
Form
8-K
acknowledged
the
presence
of group
elements:
"The
Special
Committee
notes
that
certain
of the
facts
relating
to the
relationship
between
Mr.
Davis
and RSF
could be
consistent
with the
existence
a
"group"
and the
Special
Committee
"has
therefore
recommended
that
Mr. Davis
consider
whether
or not a
"group"
exists
and, in
any case,
that Mr.
Davis
include

additional disclosures in his filings under the Exchange Act regarding the relationship between Mr. Davis and RSF"

In his subsequent Schedule 13D filing, Davis and his related entities "expressly disclaim that a "group" within the meaning of Section 13(d)(3) of the Act exists between any of [Davis and such entities] and RSF." This claim by Davis appears inconsistent with the

other recent disclosures made by Davis and Cyanotech (cited above), and with the following:

RSF has never acted with respect to the acquisition or holding of Cyanotech stock without the instigation and direct involvement of Davis. RSF has never expended any of its own capital to acquire shares of Cyanotech; every share held by RSF was originally acquired or paid for by Davis. Other than the \$2.5 million provided by Davis that was used by RSF to acquire

the 9.7%
block,
there is no
record
that Davis
has made
cash
donations
to RSF.
Other than
with respect
to
Cyanotech,
RSF has
never held
more than a
5% equity
interest in
any public
company.

The transaction in
which RSF acquired
the 9.7% block – an
international,
privately-negotiated
block trade of nearly
10% of a public
company – is unusual
for a non-profit and
involved not a
random company,
but a company in
which Michael
Davis was already
the largest
shareholder, with
such transaction
resulting in RSF
becoming the
company's second
largest shareholder.
Around the same
time Davis and RSF
collaborated on the
purchase of the
9.7% block, Davis
became chairman of
the board of
Cyanotech.
All of RSF's
shares are the

result of gifts
from Davis'
Skywords
Foundation.
All the shares
held by RSF
are held for
the benefit of
Ginungagap.
Michael
Davis is the
president of
both
Skywords and
Ginungagap
and both
Skywords and
Ginungagap
share office
space with
Michael
Davis in
Tiburon,
California.

Meridian
is
always
interested
in
hearing
from
fellow
stockholders
and has
created a
special
email
address
to help
Cyanotech
stockholders
contact
us.

Email
Meridian
at:
moredalga@meridianohc.com

FORWARD-LOOKING STATEMENTS

This
filing
contains
"forward-looking
statements"
within
the
meaning
of the
federal
securities
laws. All
statements
other
than
statements
of
historical
facts
contained
in this

report,
including
statements
regarding
Meridian's
beliefs
about
Cyanotech's
prospects,
product
market
position,
future
revenues
and
future
stock
price,
are
forward-looking
statements.
In many
cases,
you can
identify
forward-looking
statements
by terms
such as
"may,"
"will,"
"should,"
"expect,"
"plan,"
"anticipate,"
"could,"
"intend,"
"target,"
"project,"
"contemplate,"
"believe,"
"estimate,"
"predict,"
"potential"
or
"continue"
or other
similar
words.

These forward-looking statements are only predictions.

These statements relate to future events and involve known and unknown risks, uncertainties and other important factors that may cause Cyanotech's actual results, levels of activity, performance or achievements to materially differ from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Actual results may

differ materially due to action or inaction by Cyanotech's board of directors and management, Cyanotech's inability to overcome its production problems and other risks, some of which may be unknown. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as guarantees of future events.

The forward-looking statements in this report represent the views of the Reporting Entities as of the date of this filing. Subsequent events and developments may cause those views to change.

Item 5. Interest in Securities of the Issuer. No change.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer. Pursuant to Rule 13d-1(k) promulgated under

the Act,
the
Reporting
Entities
have
entered
into an
agreement
with
respect
to the
joint
filing of
this
statement,
and any
amendment
or
amendments
hereto.

A copy
of such
agreement
was filed
as
Exhibit
A to the
Schedule
13D
filing of
the
Reporting
entities
on May
9, 2016.

Item
7. Material
to Be
Filed as
Exhibits.
Exhibit
A – Joint
Filing
Agreement
dated
May 9,
2016,
signed
by each
of the
Reporting

Entities
in order
to
confirm
that this
Schedule
13D is
being
filed on
behalf of
each of
the
Reporting
Entities.(1).

(1)
Incorporated
by
reference
to
Schedule
13D
filed on
May 9,
2016.

SIGNATURE

After
reasonable
inquiry
and to
the best
of my
knowledge
and
belief, I
certify
that the
information
set forth
in this
statement
is true,
complete
and
correct.
Meridian
OHC
Partners,
L.P.

By:
TSV
Investment
Partners,
L.L.C.
Its:
General
Partner

By: /s/
Scott
Shuda

-
Name:
Scott
Shuda
Title:
Managing
Director

Meridian
TSV II,
L.P.

By:
TSV
Investment
Partners,
L.L.C.
Its:
General
Partner

By: /s/
Scott
Shuda

Name:
Scott
Shuda
Title:
Managing
Director

TSV
Investment
Partners,
L.L.C.

By: /s/
Scott
Shuda

Name:
Scott
Shuda
Title:
Managing
Director

BlueLine
Capital
Partners
II, L.P.

By:
BlueLine
Partners,
L.L.C.
Its:
General
Partner

By: /s/
Scott
Shuda

Name:
Scott
Shuda
Title:
Managing
Director

BlueLine
Partners,
L.L.C.

By: /s/
Scott
Shuda

Name:
Scott
Shuda
Title:
Managing
Director

