

IHS Inc.  
Form 10-Q  
March 23, 2011  
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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 February 28, 2011

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)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

15 Inverness Way East  
Englewood, CO 80112  
(Address of Principal Executive Offices)  
(303) 790-0600  
(Registrant's telephone number, including area code)

13-3769440  
(IRS Employer  
Identification No.)

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 February 28, 2011, there were 64,838,960 shares of our Class A Common Stock outstanding.

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## 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<br>February 28, 2011<br>(Unaudited) | As of<br>November 30,<br>2010<br>(Audited) |
|---|---|--|
| Assets  |   |  |
| Current assets:   |   |  |
| Cash and cash equivalents   | \$251,677                                 | \$200,735                                  |
| Accounts receivable, net  | 288,155                                   | 256,552                                    |
| Income tax receivable   | 13,627                                    | —  |
| Deferred subscription costs   | 49,623                                    | 41,449                                     |
| Deferred income taxes   | 23,299                                    | 33,532                                     |
| Other   | 28,837                                    | 20,466                                     |
| Total current assets  | 655,218                                   | 552,734                                    |
| Non-current assets:   |   |  |
| Property and equipment, net   | 102,229                                   | 93,193                                     |
| Intangible assets, net  | 377,005                                   | 384,568                                    |
| Goodwill, net   | 1,140,007                                 | 1,120,830                                  |
| Other   | 7,880                                     | 4,377                                      |
| Total non-current assets  | 1,627,121                                 | 1,602,968                                  |
| Total assets  | \$2,282,339                               | \$2,155,702                                |
| Liabilities and stockholders' equity  |   |  |
| Current liabilities:  |   |  |
| Short-term debt   | \$17,115                                  | \$19,054                                   |
| Accounts payable  | 41,220                                    | 35,854                                     |
| Accrued compensation  | 24,312                                    | 51,233                                     |
| Accrued royalties   | 27,768                                    | 24,338                                     |
| Other accrued expenses  | 44,488                                    | 51,307                                     |
| Income tax payable  | —   | 4,350                                      |
| Deferred subscription revenue   | 479,705                                   | 392,132                                    |
| Total current liabilities   | 634,608                                   | 578,268                                    |
| Long-term debt  | 281,303                                   | 275,095                                    |
| Accrued pension liability   | 27,093                                    | 25,104                                     |
| Accrued post-retirement benefits  | 10,157                                    | 10,056                                     |
| Deferred income taxes   | 72,282                                    | 73,586                                     |
| Other liabilities   | 18,923                                    | 17,512                                     |
| Commitments and contingencies   |   |  |
| Stockholders' equity:   |   |  |
| Class A common stock, \$0.01 par value per share, 160,000,000 shares authorized, 67,107,987 and 66,250,283 shares issued, and 64,838,960 and 64,248,547 shares outstanding at February 28, 2011 and November 30, 2010, respectively | 671                                       | 662  |
| Additional paid-in capital  | 570,363                                   | 541,108                                    |
| Treasury stock, at cost: 2,269,027 and 2,001,736 shares at February 28, 2011 and November 30, 2010, respectively  | (123,058)                                 | (101,554)                                  |

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|  |             |             |   |
|--|-------------|-------------|---|
| Retained earnings                          | 891,213     | 860,497     |   |
| Accumulated other comprehensive loss       | (101,216    | ) (124,632  | ) |
| Total stockholders' equity                 | 1,237,973   | 1,176,081   |   |
| Total liabilities and stockholders' equity | \$2,282,339 | \$2,155,702 |   |
| See accompanying notes.                    |             |             |   |

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IHS INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except for per-share amounts)

|  | Three Months Ended February 28, |           |
|--|---------------------------------|-----------|
|  | 2011                            | 2010      |
|  | (Unaudited)                     |           |
| Revenue:   |                                 |           |
| Products   | \$260,869                       | \$212,682 |
| Services   | 34,133                          | 28,053    |
| Total revenue  | 295,002                         | 240,735   |
| Operating expenses:  |                                 |           |
| Cost of revenue:   |                                 |           |
| Products   | 109,558                         | 89,123    |
| Services   | 18,626                          | 16,083    |
| Total cost of revenue (includes stock-based compensation expense of \$854 and \$1,432 for the three months ended February 28, 2011 and 2010, respectively)                   | 128,184                         | 105,206   |
| Selling, general and administrative (includes stock-based compensation expense of \$21,244 and \$17,870 for the three months ended February 28, 2011 and 2010, respectively) | 101,772                         | 84,652    |
| Depreciation and amortization  | 18,201                          | 13,830    |
| Acquisition-related costs  | 3,306                           | —         |
| Net periodic pension and post-retirement expense   | 2,732                           | 1,194     |
| Other expense (income), net  | 505                             | (885)     |
| Total operating expenses   | 254,700                         | 203,997   |
| Operating income   | 40,302                          | 36,738    |
| Interest income  | 185                             | 104       |
| Interest expense   | (1,662)                         | (365)     |
| Non-operating expense, net   | (1,477)                         | (261)     |
| Income from continuing operations before income taxes  | 38,825                          | 36,477    |
| Provision for income taxes   | (8,116)                         | (9,528)   |
| Income from continuing operations  | 30,709                          | 26,949    |
| Income (loss) from discontinued operations, net  | 7                               | (126)     |
| Net income   | \$30,716                        | \$26,823  |
| Basic earnings per share:  |                                 |           |
| Income from continuing operations  | \$0.48                          | \$0.42    |
| Income (loss) from discontinued operations, net  | \$—                             | \$—       |
| Net income   | \$0.48                          | \$0.42    |
| Weighted average shares used in computing basic earnings per share   | 64,485                          | 63,539    |
| Diluted earnings per share:  |                                 |           |
| Income from continuing operations  | \$0.47                          | \$0.42    |
| Income (loss) from discontinued operations, net  | \$—                             | \$—       |
| Net income   | \$0.47                          | \$0.42    |
| Weighted average shares used in computing diluted earnings per share   | 65,415                          | 64,429    |

See accompanying notes.



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IHS INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

|  | Three Months Ended February 28, |           |
|--|---------------------------------|-----------|
|  | 2011                            | 2010      |
|  | (Unaudited)                     |           |
| Operating activities:  |                                 |           |
| Net income   | \$30,716                        | \$26,823  |
| Reconciliation of net income to net cash provided by operating activities: |                                 |           |
| Depreciation and amortization  | 18,201                          | 13,830    |
| Stock-based compensation expense   | 22,098                          | 19,302    |
| Excess tax benefit from stock-based compensation                           | (7,925)                         | (4,471)   |
| Non-cash net periodic pension and post-retirement expense                  | 2,603                           | 851       |
| Deferred income taxes  | 7,868                           | 7,901     |
| Change in assets and liabilities:  |                                 |           |
| Accounts receivable, net   | (30,683)                        | (36,425)  |
| Other current assets   | (13,971)                        | (8,282)   |
| Accounts payable   | 4,327                           | 3,696     |
| Accrued expenses   | (24,365)                        | (25,697)  |
| Income tax payable   | (10,045)                        | (6,831)   |
| Deferred subscription revenue  | 80,384                          | 65,519    |
| Other liabilities  | 60                              | (804)     |
| Net cash provided by operating activities                                  | 79,268                          | 55,412    |
| Investing activities:  |                                 |           |
| Capital expenditures on property and equipment                             | (15,541)                        | (7,172)   |
| Acquisitions of businesses, net of cash acquired                           | —                               | (18,500)  |
| Intangible assets acquired   | (2,400)                         | —         |
| Change in other assets   | (547)                           | (986)     |
| Settlements of forward contracts   | (145)                           | (819)     |
| Net cash used in investing activities                                      | (18,633)                        | (27,477)  |
| Financing activities:  |                                 |           |
| Proceeds from borrowings   | 320,000                         | 20,000    |
| Repayment of borrowings  | (315,832)                       | (3,224)   |
| Payment of debt issuance costs   | (6,302)                         | —         |
| Excess tax benefit from stock-based compensation                           | 7,925                           | 4,471     |
| Proceeds from the exercise of employee stock options                       | 1,504                           | 189       |
| Repurchases of common stock  | (21,504)                        | (18,151)  |
| Net cash provided by (used in) financing activities                        | (14,209)                        | 3,285     |
| Foreign exchange impact on cash balance                                    | 4,516                           | (5,979)   |
| Net increase in cash and cash equivalents                                  | 50,942                          | 25,241    |
| Cash and cash equivalents at the beginning of the period                   | 200,735                         | 124,201   |
| Cash and cash equivalents at the end of the period                         | \$251,677                       | \$149,442 |

See accompanying notes.



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IHS INC.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

(In thousands)

|  | Shares of<br>Class A<br>Common<br>Stock | Class A<br>Common<br>Stock | Additional<br>Paid-In<br>Capital | Treasury<br>Stock | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Total       |
|--|---|----------------------------|----------------------------------|-------------------|----------------------|---|-------------|
| Balance at<br>November 30, 2010<br>(Audited) | 64,249                                  | \$662                      | \$541,108                        | \$(101,554)       | \$860,497            | \$(124,632)                                   | \$1,176,081 |
| Stock-based award<br>activity                | 590                                     | 9                          | 21,330                           | (21,504)          | —                    | —   | (165)       |
| Excess tax benefit on<br>vested shares       | —                                       | —                          | 7,925                            | —                 | —                    | —   | 7,925       |
| Net income                                   | —                                       | —                          | —                                | —                 | 30,716               | —   | 30,716      |
| Other comprehensive<br>income:               |   |                            |                                  |                   |                      |   |             |
| Foreign currency<br>translation adjustments  | —                                       | —                          | —                                | —                 | —                    | 23,416  | 23,416      |
| Comprehensive income,<br>net of tax          | —                                       | —                          | —                                | —                 | —                    | —   | 54,132      |
| Balance at February 28,<br>2011              | 64,839                                  | \$671                      | \$570,363                        | \$(123,058)       | \$891,213            | \$(101,216)                                   | \$1,237,973 |

See accompanying notes.

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IHS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## 1. Basis of Presentation and Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements of IHS Inc. (IHS, we, our, or us) have been prepared on substantially the same basis as our annual consolidated financial statements and should be read in conjunction with our annual report on Form 10-K for the year ended November 30, 2010. In our opinion, these condensed consolidated financial statements reflect all adjustments necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented, and such adjustments are of a normal, recurring nature.

Historically, our business has had seasonal aspects. For instance, our second quarter results benefit from the inclusion of revenue from CERAWEEK, an annual energy executive gathering. In addition, every three years, our third quarter benefits from the inclusion of revenue generated by the triennial release of the Boiler Pressure Vessel Code (BPVC) engineering standard. The BPVC benefit most recently occurred in the third quarter of 2010.

## Recent Accounting Pronouncements

In October 2009, the FASB issued guidance on revenue recognition that became effective for us in the first quarter of 2011. Under the new guidance, when vendor specific objective evidence (VSOE) or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. The new guidance includes new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. The adoption of the update did not have a material impact on our financial position or results of operations.

## 2. Commitments and Contingencies

We are a party to various legal proceedings that arise in the ordinary course of business. In the opinion of management, none of these actions, either individually or in the aggregate, is expected to have a material adverse affect on our financial condition, liquidity, or results of operations.

## 3. Comprehensive Income

Our comprehensive income for the three months ended February 28, 2011 and 2010, was as follows:

|   | Three Months Ended February 28, |          |
|---|---------------------------------|----------|
|   | 2011                            | 2010     |
|   | (In thousands)                  |          |
| Net income                              | \$30,716                        | \$26,823 |
| Other comprehensive income (loss):      |                                 |          |
| Foreign currency translation adjustment | 23,416                          | (26,568) |
| Total comprehensive income              | \$54,132                        | \$255    |

## 4. Discontinued Operations

Effective December 31, 2009, we sold our small non-core South African business for approximately \$2 million with no gain or loss on sale. The sale of this business included a building and certain intellectual property. In exchange for the sale of these assets, we received two three-year notes receivable, one secured by a mortgage on the building and the second secured by a pledge on the shares of the South African company. In December 2010, we received full

payment of the note receivable that was secured by a mortgage on the building. Operating results of the discontinued operations for the three months ended February 28, 2011 and 2010, respectively, were as follows:

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|   | Three Months Ended February 28, |          |
|---|---------------------------------|----------|
|   | 2011                            | 2010     |
|   | (In thousands)                  |          |
| Income (loss) from discontinued operations      | \$ 11                           | \$(159 ) |
| Tax benefit (expense)                           | (4 )                            | 33 )     |
| Income (loss) from discontinued operations, net | \$ 7                            | \$(126 ) |

## 5. Acquisition-related Costs

During the first quarter of 2011, we incurred acquisition-related costs designed to leverage synergies from recent business combinations. As a result, we eliminated approximately 25 positions and closed one of the acquired offices. The changes only affected the Americas and EMEA segments.

The acquisition-related charge that we recorded consists of direct and incremental costs associated with severance, outplacement, and other employee related benefits; facility closure costs; and legal and valuation service fees associated with the recent acquisitions that were incurred during the quarter. The entire \$3.3 million charge was recorded during the first quarter of 2011. Approximately \$3.2 million of the charge related to our Americas segment and \$0.1 million pertained to our EMEA segment. The charge was comprised of the following (in thousands):

|   |         |
|---|---------|
| Employee severance and other termination benefits | \$2,280 |
| Contract termination costs                        | 606     |
| Other   | 420     |
| Total   | \$3,306 |

A reconciliation of the related accrued liability as of February 28, 2011 was as follows:

|   | Employee<br>Severance and<br>Other<br>Termination<br>Benefits<br>(In thousands) | Contract<br>Termination<br>Costs | Other  | Total   |
|---|---|----------------------------------|--------|---------|
| Balance at November 30, 2010                                    | \$—   | \$—                              | \$—    | \$—     |
| Add: Costs incurred   | 2,280   | 606                              | 420    | 3,306   |
| Less: Amount paid during the quarter<br>ended February 28, 2011 | (301 )  | —                                | (420 ) | (721 )  |
| Balance at February 28, 2011                                    | \$1,979   | \$606                            | \$—    | \$2,585 |

## 6. Restructuring Charge

During the third quarter of 2010, we announced various plans to streamline operations and merge functions. As a result, we reduced our aggregate workforce by approximately 3% and consolidated several locations. The changes primarily affected the Americas and EMEA segments.

The restructuring charge that we recorded consisted of direct and incremental costs associated with restructuring and related activities, including severance, outplacement and other employee related benefits; facility closures and relocations; and legal expenses associated with employee terminations incurred during the quarter. The entire \$9.1 million restructuring charge was recorded during the third quarter of 2010. Approximately \$7.7 million of the charge related to our Americas segment and \$1.3 million pertained to our EMEA segment, with the remainder in APAC. The restructuring charge was comprised of the following (in thousands):

|   |         |
|---|---------|
| Employee severance and other termination benefits | \$8,024 |
| Contract termination costs                        | 972     |

Other  
Total

108  
\$9,104

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A reconciliation of the related accrued restructuring liability as of February 28, 2011 was as follows:

|   | Employee<br>Severance and<br>Other<br>Termination<br>Benefits<br>(In thousands) | Contract<br>Termination<br>Costs | Other | Total   |
|---|---|----------------------------------|-------|---------|
| Balance at November 30, 2010                                    | \$1,286   | \$122                            | \$47  | \$1,455 |
| Add: Restructuring costs incurred                               | —   | —                                | —     | —       |
| Less: Amount paid during the quarter<br>ended February 28, 2011 | (892  | ) —                              | —     | (892    |
| Balance at February 28, 2011                                    | \$394   | \$122                            | \$47  | \$563   |

## 7. Stock-based Compensation

A little more than a third of our nonvested shares have performance-based vesting provisions. We evaluate our performance-based vesting awards each quarter to identify any required adjustments to the expected vesting schedule, remaining unrecognized compensation cost, and stock-based compensation expense. Stock-based compensation expense for the three months ended February 28, 2011 and 2010, respectively, was as follows:

|  | Three Months Ended February 28,<br>2011 | 2010     |
|--|---|----------|
|  | (In thousands)                          |          |
| Cost of revenue                        | \$854                                   | \$1,432  |
| Selling, general and administrative    | 21,244                                  | 17,870   |
| Total stock-based compensation expense | \$22,098                                | \$19,302 |

Total income tax benefits recognized for stock-based compensation arrangements were as follows:

|                     | Three Months Ended February 28,<br>2011 | 2010    |
|---------------------|---|---------|
|                     | (In thousands)                          |         |
| Income tax benefits | \$7,787                                 | \$7,142 |

No stock-based compensation cost was capitalized during the three months ended February 28, 2011 and 2010. As of February 28, 2011, there was \$136.2 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to nonvested stock-based awards that will be recognized over a weighted average period of approximately 1.7 years. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures.

Nonvested Shares. The following table summarizes changes in nonvested shares during the three months ended February 28, 2011.

|                             | Shares         | Weighted-<br>Average Grant<br>Date Fair Value |
|-----------------------------|----------------|---|
|                             | (in thousands) |   |
| Balances, November 30, 2010 | 2,732          | \$48.40                                       |
| Granted                     | 1,101          | \$80.33                                       |
| Vested                      | (812           | ) \$52.91                                     |
| Forfeited                   | (31            | ) \$56.16                                     |
| Balances, February 28, 2011 | 2,990          | \$63.01                                       |

The total fair value of nonvested shares that vested during the three months ended February 28, 2011 was \$65.4 million based on the weighted-average fair value on the vesting date and \$42.9 million based on the weighted-average fair value on the grant date.

8. Income Taxes

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Our effective tax rate is estimated based upon the effective tax rate expected to be applicable for the full fiscal year. Our effective tax rate for the three months ended February 28, 2011 was 20.9% compared to 26.1% for the same period in 2010. The 2011 effective tax rate reflects the full-year benefit from a tax election made during the second quarter of 2010.

As of February 28, 2011, the total amount of unrecognized tax benefits was \$1.8 million, of which \$0.2 million related to interest. Unrecognized tax benefits increased less than \$0.1 million during the first three months of 2011.

## 9. Debt

On January 5, 2011, we entered into a \$1 billion syndicated bank credit facility consisting of a \$300 million term loan and a \$700 million revolver (collectively, the Credit Facility). All borrowings under the Credit Facility are unsecured. The loan and revolver included in the Credit Facility have a five-year term ending in January 2016. The interest rates for borrowings under the Credit Facility will be the applicable LIBOR plus 1.25% to 2.00%, depending upon our Leverage Ratio, which is defined as the ratio of Consolidated Funded Indebtedness to rolling four-quarter Consolidated Earnings Before Interest Expense, Taxes, Depreciation and Amortization (EBITDA), as defined in the Credit Facility. A commitment fee on any unused balance is payable periodically and ranges from 0.20% to 0.35% based upon our Leverage Ratio. The Credit Facility contains certain financial and other covenants, including a maximum Leverage Ratio and a maximum Interest Coverage Ratio, as defined in the Credit Facility. The old revolving credit agreement was retired immediately upon consummation of the new financing.

As of February 28, 2011, we were in compliance with all of the covenants in the Credit Facility and had \$296 million of outstanding borrowings at a current annual interest rate of 1.56%. We also had approximately \$0.3 million of outstanding letters of credit under the agreement as of February 28, 2011.

Our debt as of February 28, 2011 also included approximately \$2.0 million of non-interest bearing notes that were issued to the sellers of Prime Publications Limited, a company that we purchased in 2008.

## 10. Pensions and Post-retirement Benefits

Our defined-benefit plans consist of a non-contributory retirement plan for all of our U.S. employees with at least one year of service (U.S. RIP), a pension plan that covers certain employees of one of our United Kingdom-based subsidiaries (U.K. RIP), and a supplemental income plan (SIP) for certain US employees who earn over a federally stipulated amount. During 2010, we approved a plan design change to the U.S. RIP that will be effective March 1, 2011, and we also made the decision to discontinue future benefit accruals under the U.K. RIP. Our net periodic pension expense (income) for the three months ended February 28, 2011 and 2010, respectively, was comprised of the following:

|  | Three Months Ended February 28, 2011 |             |      |         | Three Months Ended February 28, 2010 |             |      |         |
|--|--------------------------------------|-------------|------|---------|--------------------------------------|-------------|------|---------|
|  | U.S.<br>RIP                          | U.K.<br>RIP | SIP  | Total   | U.S.<br>RIP                          | U.K.<br>RIP | SIP  | Total   |
|  | (In thousands)                       |             |      |         |                                      |             |      |         |
| Service costs incurred                         | 2,109                                | \$37        | \$35 | \$2,181 | \$2,004                              | \$161       | \$53 | 2,218   |
| Interest costs on projected benefit obligation | 2,969                                | 496         | 99   | 3,564   | 2,993                                | 450         | 104  | 3,547   |
| Expected return on plan assets                 | (4,830)                              | (599)       | —    | (5,429) | (5,038)                              | (541)       | —    | (5,579) |
| Amortization of prior service cost             | (336)                                | —           | (2)  | (338)   | (119)                                | —           | 11   | (108)   |
| Amortization of actuarial loss                 | 2,463                                | 10          | 42   | 2,515   | 1,496                                | 50          | 45   | 1,591   |



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|                    |         |       |         |         |         |       |       |         |
|--------------------|---------|-------|---------|---------|---------|-------|-------|---------|
| (gain)             |         |       |         |         |         |       |       |         |
| Amortization of    |         |       |         |         |         |       |       |         |
| transitional       | —       | —     | 11      | 11      | —       | —     | 10    | 10      |
| obligation/(asset) |         |       |         |         |         |       |       |         |
| Net periodic       |         |       |         |         |         |       |       |         |
| pension expense    | \$2,375 | \$(56 | ) \$185 | \$2,504 | \$1,336 | \$120 | \$223 | \$1,679 |
| (income)           |         |       |         |         |         |       |       |         |

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Our net periodic post-retirement expense (income) was comprised of the following for the three months ended February 28, 2011 and 2010, respectively:

|   | Three Months Ended February 28, |        |
|---|---------------------------------|--------|
|   | 2011                            | 2010   |
|   | (In thousands)                  |        |
| Service costs incurred                        | \$7                             | \$12   |
| Interest costs                                | 132                             | 140    |
| Amortization of prior service amounts         | (81                             | ) (808 |
| Amortization of net actuarial loss            | 170                             | 171    |
| Net periodic post-retirement expense (income) | \$228                           | \$(485 |

## 11. Earnings per Share

Basic earnings per share (EPS) is computed on the basis of the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common shares.

Weighted average common shares outstanding for the three months ended February 28, 2011 and 2010, respectively, were calculated as follows:

|   | Three Months Ended February 28, |        |
|---|---------------------------------|--------|
|   | 2011                            | 2010   |
|   | (In thousands)                  |        |
| Weighted average common shares outstanding: |                                 |        |
| Shares used in basic EPS calculation        | 64,485                          | 63,539 |
| Effect of dilutive securities:              |                                 |        |
| Deferred stock units                        | 86                              | 97     |
| Restricted stock units                      | 788                             | 737    |
| Stock options                               | 56                              | 56     |
| Shares used in diluted EPS calculation      | 65,415                          | 64,429 |

## 12. Goodwill and Intangible Assets

The following table presents details of our intangible assets, other than goodwill, as of February 28, 2011 and November 30, 2010:

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|  | As of          | February 28, 2011           |             | As of     | November 30, 2010           |             |
|--|----------------|-----------------------------|-------------|-----------|-----------------------------|-------------|
|  | Gross          | Accumulated<br>Amortization | Net         | Gross     | Accumulated<br>Amortization | Net         |
|  | (In thousands) |                             |             |           |                             |             |
| Intangible assets subject to amortization:     |                |                             |             |           |                             |             |
| Information databases                          | \$243,193      | \$(83,338)                  | ) \$159,855 | \$237,888 | \$(73,815)                  | ) \$164,073 |
| Customer relationships                         | 133,910        | (31,447)                    | ) 102,463   | 132,878   | (28,533)                    | ) 104,345   |
| Non-compete agreements                         | 9,616          | (6,485)                     | ) 3,131     | 9,551     | (5,934)                     | ) 3,617     |
| Developed computer software                    | 52,357         | (17,753)                    | ) 34,604    | 52,258    | (15,926)                    | ) 36,332    |
| Other  | 15,054         | (10,697)                    | ) 4,357     | 14,944    | (10,273)                    | ) 4,671     |
| Total  | \$454,130      | \$(149,720)                 | ) \$304,410 | \$447,519 | \$(134,481)                 | ) \$313,038 |
| Intangible assets not subject to amortization: |                |                             |             |           |                             |             |
| Trademarks                                     | 71,379         | —                           | ) 71,379    | 70,366    | —                           | ) 70,366    |
| Perpetual licenses                             | 1,216          | —                           | ) 1,216     | 1,164     | —                           | ) 1,164     |
| Total intangible assets                        | \$526,725      | \$(149,720)                 | ) \$377,005 | \$519,049 | \$(134,481)                 | ) \$384,568 |

Intangible assets amortization expense was \$13.2 million for the three months ended February 28, 2011, as compared with \$9.3 million for the three months ended February 28, 2010. The following table presents the estimated future amortization expense related to intangible assets held as of February 28, 2011:

| Year              | Amount (in thousands) |
|-------------------|-----------------------|
| Remainder of 2011 | \$37,840              |
| 2012              | 49,080                |
| 2013              | 43,989                |
| 2014              | 36,944                |
| 2015              | 34,934                |

Changes in our goodwill and gross intangible assets from November 30, 2010 to February 28, 2011 were primarily the result of foreign currency translation. Net intangibles decreased primarily because of amortization expense.

### 13. Segment Information

We prepare our financial reports and analyze our business results within our three reportable geographic segments: Americas, EMEA, and APAC. We evaluate segment performance primarily at the revenue and operating profit level for each of these three segments. We also evaluate revenues by transaction type and information domain.

As our APAC operations have evolved, the management structure of the region has also evolved and now includes responsibility for overseeing India. Accordingly, we have included India's 2011 results in the APAC geographic segment, and we have reclassified India's 2010 results from EMEA to APAC.

Information about the operations of our three segments is set forth below. No single customer accounted for 10% or more of our total revenue for the three months ended February 28, 2011 and 2010. There are no material inter-segment revenues for any period presented. Certain corporate transactions are not allocated to the reportable segments, including such items as stock-based compensation expense, net periodic pension and post-retirement expense (income), corporate-level impairments, and gain (loss) on sale of corporate assets.

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|                                      | Americas       | EMEA      | APAC      | Shared Services | Consolidated Total |
|--------------------------------------|----------------|-----------|-----------|-----------------|--------------------|
|                                      | (In thousands) |           |           |                 |                    |
| Three Months Ended February 28, 2011 |                |           |           |                 |                    |
| Revenue                              | \$ 181,191     | \$ 84,438 | \$ 29,373 | \$—             | \$ 295,002         |
| Operating income                     | 49,319         | 16,497    | 8,261     | (33,775)        | 40,302             |
| Depreciation and amortization        | 14,109         | 3,492     | 39        | 561             | 18,201             |
| Three Months Ended February 28, 2010 |                |           |           |                 |                    |
| Revenue                              | \$ 151,968     | \$ 68,196 | \$ 20,571 | \$—             | \$ 240,735         |
| Operating income                     | 46,668         | 12,681    | 6,301     | (28,912)        | 36,738             |
| Depreciation and amortization        | 9,216          | 4,060     | 25        | 529             | 13,830             |

Revenue by transaction type was as follows:

|                      | Three Months Ended February 28, 2011 | Three Months Ended February 28, 2010 |
|----------------------|--------------------------------------|--------------------------------------|
|                      | (In thousands)                       |                                      |
| Subscription revenue | \$ 233,772                           | \$ 195,486                           |
| Consulting revenue   | 16,516                               | 11,885                               |
| Transaction revenue  | 13,338                               | 11,390                               |
| Other revenue        | 31,376                               | 21,974                               |
| Total revenue        | \$ 295,002                           | \$ 240,735                           |

Revenue by information domain was as follows:

|  | Three Months Ended February 28, 2011 | Three Months Ended February 28, 2010 |
|--|--------------------------------------|--------------------------------------|
|  | (In thousands)                       |                                      |
| Energy revenue                                     | \$ 121,651                           | \$ 109,935                           |
| Product Lifecycle (PLC) revenue                    | 101,780                              | 74,734                               |
| Security revenue                                   | 26,820                               | 25,399                               |
| Environment revenue                                | 20,975                               | 11,207                               |
| Macroeconomic Forecasting and Intersection revenue | 23,776                               | 19,460                               |
| Total revenue                                      | \$ 295,002                           | \$ 240,735                           |

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

In addition to historical information, this quarterly report on Form 10-Q contains forward-looking statements. These forward-looking statements generally are identified by the use of the words “may,” “might,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” or “continue,” the negative of these terms, and other similar expressions. Forward-looking statements are based on current expectations, assumptions, and projections that are subject to risks and uncertainties, which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is outlined under the “Risk Factors” section of our 2010 annual report on Form 10-K. We are under no obligation to update or publicly revise these forward-looking statements, whether as a result of new information, future events, or otherwise.

Management's discussion and analysis is intended to help the reader understand the financial condition and results of operations for IHS Inc. The following discussion should be read in conjunction with our annual report on Form 10-K for the year ended November 30, 2010, the Condensed Consolidated Financial Statements and accompanying notes included in this quarterly report on Form 10-Q, and important information and disclosure that we routinely post to our

website ([www.ihs.com](http://www.ihs.com)).

Executive Summary

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### Business Overview

IHS is a leading source of information and insight in pivotal areas that shape today's business landscape: energy, economics, geopolitical risk, sustainability and supply chain management. Businesses and governments around the globe rely on the comprehensive content, expert independent analysis and flexible delivery methods of IHS to make high-impact decisions and develop strategies. IHS has been in business since 1959 and became a publicly traded company on the New York Stock Exchange in 2005. Headquartered in Englewood, Colorado, USA, IHS employs more than 4,400 people in more than 30 countries around the world. We source raw data and transform it into information through a series of transformational steps that reduce the uncertainty that is inherent in unrefined data and enhances its usefulness.

Inherent in all of our strategies is a firm commitment to put our customers first in everything that we do. We believe that maintaining a disciplined "outside-in" approach will allow us to better serve our customers and our shareholders. To achieve that goal, we have organized our business around our customers and the geographies in which they reside: Americas, EMEA, and APAC. This structure allows us to tailor and expand the solutions we offer to meet the unique needs of our customers both globally and in local markets.

We sell our offerings primarily through subscriptions, which tend to generate recurring revenue and cash flow for us. Our subscriptions are usually for one-year periods, and we have historically seen high renewal rates. Subscriptions are generally paid in full within one or two months after the subscription period commences; as a result, the timing of our cash flows generally precedes the recognition of revenue and income.

Historically, our business has had seasonal aspects. For instance, our second quarter results benefit from the inclusion of revenue from CERAWEEK, an annual energy executive gathering. In addition, every three years, our third quarter benefits from the inclusion of revenue generated by the triennial release of the Boiler Pressure Vessel Code (BPVC) engineering standard. The BPVC benefit most recently occurred in the third quarter of 2010.

### Global Operations

Approximately 50% of our revenue is transacted outside of the United States; however, only about 30% of our revenue is transacted in currencies other than the U.S. dollar. As a result, a strengthening U.S. dollar relative to certain currencies has a negative impact on our revenue; conversely, a weakening U.S. dollar has a positive impact on our revenue. However, the impact on operating income is diminished due to certain operating expenses denominated in currencies other than the U.S. dollar. Our largest foreign currency exposures, in order of magnitude, are the British Pound, the Canadian Dollar, and the Euro.

### Key Performance Indicators

We believe that revenue growth, adjusted EBITDA (both in dollars and margin), and free cash flow are the key measures of our success. Adjusted EBITDA and free cash flow are non-GAAP financial measures (as defined by the rules of the Securities and Exchange Commission) that are further discussed in the following paragraphs.

Revenue growth. We review year-over-year revenue growth in our segments as a key measure of our success in addressing customer needs in each region of the world. We measure revenue growth in terms of organic, acquisitive, and foreign currency impacts. We define these components as follows:

- Organic – We define organic revenue growth as total revenue growth due to all factors other than acquisitions and foreign currency. We drive this type of revenue growth through value realization (pricing), expanding wallet share

of existing customers through up-selling and cross-selling efforts, securing new customer business, and through the sale of new offerings.

Acquisitive – We define acquisition-related revenue as the revenue generated from acquired products and services

- from the date of acquisition to the first anniversary date of that acquisition. This type of growth comes as a result of our strategy to purchase, integrate, and leverage the value of assets we acquire.

Foreign currency – We define the foreign currency impact on revenue as the difference between current revenue at

- current exchange rates and current revenue at prior period exchange rates. Due to the significance of revenue transacted in foreign currencies, we measure the impact of foreign currency movements on revenue.

Non-GAAP measures. We use non-GAAP measures such as adjusted EBITDA and free cash flow in our operational and

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financial decision-making, believing that such measures allow us to focus on what we deem to be more reliable indicators of ongoing operating performance and our ability to generate cash flow from operations. We also believe that investors may find non-GAAP financial measures useful for the same reasons, although we caution readers that non-GAAP financial measures are not a substitute for GAAP financial measures or disclosures. None of these non-GAAP financial measures are recognized terms under GAAP and do not purport to be an alternative to net income or operating cash flow as an indicator of operating performance or any other GAAP measure. Throughout this section on management's discussion and analysis and on our IHS website, we provide reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures.

**Adjusted EBITDA.** EBITDA and adjusted EBITDA are used by many of our investors, research analysts, investment bankers, and lenders to assess our operating performance. For example, a measure similar to EBITDA is required by the lenders under our term loan and revolving credit agreement. We define EBITDA as net income plus or minus net interest, plus provision for income taxes, depreciation, and amortization. Our definition of adjusted EBITDA further excludes (i) non-cash items (e.g., stock-based compensation expense and non-cash pension and post-retirement expense) and (ii) items that management does not consider to be useful in assessing our operating performance (e.g., acquisition-related costs, restructuring charges, income or loss from discontinued operations, and gain or loss on sale of assets).

**Free Cash Flow.** We define free cash flow as net cash provided by operating activities less capital expenditures.

Because not all companies use identical calculations, our presentation of non-GAAP financial measures may not be comparable to other similarly titled measures of other companies. However, these measures can still be useful in evaluating our performance against our peer companies because we believe the measures provide users with valuable insight into key components of GAAP financial disclosures. For example, a company with higher GAAP net income may not be as appealing to investors if its net income is more heavily comprised of gains on asset sales. Likewise, eliminating the effects of interest income and expense moderates the impact of a company's capital structure on its performance.

## Results of Operations

### Total Revenue

First quarter 2011 revenue increased 23% compared to the first quarter of 2010. The table below displays the percentage point change in revenue due to organic, acquisitive, and foreign currency factors when comparing the three months ended February 28, 2011 to the three months ended February 28, 2010.

| (All amounts represent percentage points) | Three Month Change |             |                  |   |
|---|--------------------|-------------|------------------|---|
|   | Organic            | Acquisitive | Foreign Currency |   |
| Increase in total revenue                 | 9                  | % 13        | % 0              | % |

The 9% organic revenue growth for the first quarter of 2011 was broad-based in nature, with all transaction types and domains contributing to the growth. We experienced an 8% organic revenue increase in our subscription-based business, which improved for the fourth consecutive quarter. We also benefited from positive organic growth within all three components of our non-subscription business, which led to a combined 10% organic growth rate for the non-subscription business in the first quarter of 2011.

The acquisition-related revenue growth was primarily due to acquisitions we have made in the last twelve months, including the following:



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- Emerging Energy Research (EER) in the first quarter of 2010;
- CSM Worldwide (CSM) and Quantitative Micro Software (QMS) in the second quarter of 2010; and
- Certain chemical and energy portfolio business assets of Access Intelligence, as well as the acquisition of Atrion International Inc., Syntex Management Systems, Inc., and iSuppli Inc. in the fourth quarter of 2010.

We evaluate revenue by segment in order to better understand our customers' needs in the geographies where they reside. We also supplementally review revenue by transaction type and information domain. Understanding revenue by transaction type helps us identify changes related to recurring revenue and product margin, while revenue by information domain helps us understand performance based on our defined capabilities.

Revenue by Segment (geography)

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| (In thousands, except percentages) | Three Months Ended February 28, |           | Percentage |   |
|------------------------------------|---------------------------------|-----------|------------|---|
|                                    | 2011                            | 2010      | Change     |   |
| Americas revenue                   | \$181,191                       | \$151,968 | 19         | % |
| As a percent of total revenue      | 61                              | % 63      | %          |   |
| EMEA revenue                       | 84,438                          | 68,196    | 24         | % |
| As a percent of total revenue      | 29                              | % 28      | %          |   |
| APAC revenue                       | 29,373                          | 20,571    | 43         | % |
| As a percent of total revenue      | 10                              | % 9       | %          |   |
| Total revenue                      | \$295,002                       | \$240,735 | 23         | % |

The percentage change in each geography segment is due to the factors described in the following table.

| (All amounts represent percentage points) | Three Month Change |             |                  |    |
|---|--------------------|-------------|------------------|----|
|   | Organic            | Acquisitive | Foreign Currency |    |
| Americas revenue                          | 8                  | % 11        | % 1              | %  |
| EMEA revenue                              | 9                  | % 16        | % (1             | )% |
| APAC revenue                              | 15                 | % 27        | % 1              | %  |

As our APAC operations have evolved, the management structure of the region has also evolved and now includes responsibility for overseeing India. Accordingly, we have included India's 2011 results in the APAC geographic segment, and we have reclassified India's 2010 results from EMEA to APAC.

For the three months of 2011, we experienced broad-based organic revenue growth in all three geographies, with subscription-based revenue and Energy domain revenue providing key contributions to the growth.

## Revenue by Transaction Type

| (In thousands, except percentages) | Three Months Ended February 28, |           | Percentage |   |
|------------------------------------|---------------------------------|-----------|------------|---|
|                                    | 2011                            | 2010      | Change     |   |
| Subscription revenue               | \$233,772                       | \$195,486 | 20         | % |
| As a percent of total revenue      | 79                              | % 81      | %          |   |
| Consulting revenue                 | 16,516                          | 11,885    | 39         | % |
| As a percent of total revenue      | 6                               | % 5       | %          |   |
| Transaction revenue                | 13,338                          | 11,390    | 17         | % |
| As a percent of total revenue      | 5                               | % 5       | %          |   |
| Other revenue                      | 31,376                          | 21,974    | 43         | % |
| As a percent of total revenue      | 11                              | % 9       | %          |   |
| Total revenue                      | \$295,002                       | \$240,735 | 23         | % |

Relative to the 20% subscription revenue growth for the first quarter, approximately 8% is due to organic growth, which continues the four-quarter trend of sequentially stronger quarters for subscription revenue. This trend is especially important for us, as 79% of our revenue currently comes from our subscription base. Each of the three components of our non-subscription business also contributed positively to the overall revenue growth, with a combined 10% organic growth rate due to solid 2011 performance in the Consulting business, which also benefited in part from an easier year-over-year comparison.

## Revenue by Information Domain

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| (In thousands, except percentages)                 | Three Months Ended February 28, |           | Percentage |   |
|--|---------------------------------|-----------|------------|---|
|  | 2011                            | 2010      | Change     |   |
| Energy revenue                                     | \$121,651                       | \$109,935 | 11         | % |
| As a percent of total revenue                      | 41                              | % 46      | %          |   |
| Product Lifecycle (PLC) revenue                    | 101,780                         | 74,734    | 36         | % |
| As a percent of total revenue                      | 35                              | % 31      | %          |   |
| Security revenue                                   | 26,820                          | 25,399    | 6          | % |
| As a percent of total revenue                      | 9                               | % 11      | %          |   |
| Environment revenue                                | 20,975                          | 11,207    | 87         | % |
| As a percent of total revenue                      | 7                               | % 5       | %          |   |
| Macroeconomic Forecasting and Intersection revenue | 23,776                          | 19,460    | 22         | % |
| As a percent of total revenue                      | 8                               | % 8       | %          |   |
| Total revenue                                      | \$295,002                       | \$240,735 | 23         | % |

Our Energy domain revenue is still our most significant source of revenue, and our revenue growth in that domain highlights the continued strength of our Energy offerings across all geographic segments. Product Lifecycle revenue increases were partially due to the fourth quarter 2010 acquisition of iSuppli, as well as steady performance in the other PLC offerings. Although Security revenue is not growing as quickly as some of the other domains, we believe that the revenue is healthy despite more exposure to governments and the aerospace and defense industries. Our maritime offerings have been particularly strong performers in the Security domain. Environment's increases are primarily due to recent acquisitions, with solid organic growth contributing to the increase as well. The Macroeconomic Forecasting and Intersection revenue supports all of the other domains, and increased consistent with the increases we saw in the other domains, as well as contributions from recent acquisitions.

## Operating Expenses

We continuously evaluate our operating expenses and look for opportunities to improve margins and manage expenses. In 2010, we eliminated approximately three percent of our worldwide workforce. In the first quarter of 2011, we incurred acquisition-related costs designed to leverage synergies from recent business combinations. We continue to make progress on our Vanguard initiative, which is our plan for consolidating and standardizing billing systems, general ledgers, sales-force automation capabilities, and all supporting business processes. We are also in the process of reducing the number of global data centers that we employ to manage our business.

The following table shows our operating expenses and the associated percentages of revenue.

| (In thousands, except percentages)              | Three Months Ended February 28, |           | Percentage |   |
|---|---------------------------------|-----------|------------|---|
|   | 2011                            | 2010      | Change     |   |
| Operating expenses:                             |                                 |           |            |   |
| Cost of revenue                                 | \$128,184                       | \$105,206 | 22         | % |
| As a percent of revenue                         | 43                              | % 44      | %          |   |
| SG&A expense                                    | \$101,772                       | \$84,652  | 20         | % |
| As a percent of revenue                         | 34                              | % 35      | %          |   |
| Depreciation and amortization expense           | \$18,201                        | \$13,830  | 32         | % |
| As a percent of revenue                         | 6                               | % 6       | %          |   |
| Supplemental information:                       |                                 |           |            |   |
| SG&A expense excluding stock-based compensation | \$80,528                        | \$66,782  | 21         | % |
| As a percent of revenue                         | 27                              | % 28      | %          |   |

## Cost of Revenue and Sales Margins

For the three months ended February 28, 2011, compared to 2010, cost of revenue increased in line with the increase in revenue. Sales margins, which we define as revenue less cost of sales, divided by total sales, were also largely unchanged in total for the three month periods. The following table shows the sales margin percentages and percentage point change by

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operating segment.

| (Percentages)         | Three Months Ended February 28, |        | Percentage |    |
|-----------------------|---------------------------------|--------|------------|----|
|                       | 2011                            | 2010   | Change     |    |
| Americas sales margin | 58.5                            | % 58.2 | % 0.3      | %  |
| EMEA sales margin     | 53.0                            | % 53.9 | % (0.9)    | )% |
| APAC sales margin     | 58.8                            | % 60.3 | % (1.5)    | )% |
| Total sales margin    | 56.5                            | % 56.3 | % 0.2      | %  |

In general, sales margins generated by our recent acquisitions caused decreases in each of the segment margins, but were offset to some degree by operational improvements, including organic growth increases and cost control.

## Selling, General and Administrative (SG&amp;A) Expense

We evaluate our SG&A expense excluding stock-based compensation expense. The improvements in this category, based on its percentage of our total revenue, for the three months ended February 28, 2011, compared to 2010, demonstrate our continued focus on the cost structure of our business.

## Depreciation and Amortization Expense

For the three months ended February 28, 2011, compared to 2010, depreciation and amortization expense increased primarily due to the increase in depreciable and amortizable assets from capital expenditures and acquisitions.

## Acquisition-related Costs

Please refer to Note 5 to the Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q for a discussion of our first quarter 2011 costs incurred for integration and other acquisition-related activities. We incurred \$3.3 million of costs this quarter for these activities. Because acquisitions are a key component of our growth strategy, we expect that we will continue to perform similar activities for future acquisitions, and we intend to identify these costs in a separate line item of our financial statements.

## Restructuring

Please refer to Note 6 to the Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q for a discussion of our third quarter 2010 restructuring activities. We incurred \$9.1 million of restructuring charges in the third quarter of 2010, and we expect to realize an \$8-10 million improvement annually to pre-tax income and adjusted EBITDA as a result of our actions.

## Operating Income by Segment (geography)

| (In thousands, except percentages) | Three Months Ended February 28, |           | Percentage |   |
|------------------------------------|---------------------------------|-----------|------------|---|
|                                    | 2011                            | 2010      | Change     |   |
| Americas operating income          | \$49,319                        | \$46,668  | 6          | % |
| As a percent of segment revenue    | 27                              | % 31      | %          |   |
| EMEA operating income              | 16,497                          | 12,681    | 30         | % |
| As a percent of segment revenue    | 20                              | % 19      | %          |   |
| APAC operating income              | 8,261                           | 6,301     | 31         | % |
| As a percent of segment revenue    | 28                              | % 31      | %          |   |
| Shared services operating income   | (33,775                         | ) (28,912 | )          |   |
| Total operating income             | \$40,302                        | \$36,738  | 10         | % |
| As a percent of total revenue      | 14                              | % 15      | %          |   |

The increase in Americas operating income was primarily due to the flowthrough of organic revenue growth, partially offset by the acquisition-related costs incurred in the first quarter of 2011. The increase in EMEA and APAC operating income is driven by a combination of acquisitions and organic growth.

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## Provision for Income Taxes

Our effective tax rate for the three months ended February 28, 2011 was 20.9%, compared to 26.1% for the same period in 2010. The 2011 effective tax rate reflects the full-year benefit from a tax election made during the second quarter of 2010. We currently expect our full year 2011 GAAP tax rate to be in the 21-22% range.

## Adjusted EBITDA (non-GAAP measure)

All of the reconciling items included in the following table are either (i) non-cash items (e.g., depreciation and amortization, stock-based compensation, non-cash pension and post-retirement expense) or (ii) items that we do not consider to be useful in assessing our operating performance (e.g., income taxes, acquisition-related costs, restructuring charges, income or loss from discontinued operations, and gain or loss on sale of assets). In the case of the non-cash items, we believe that investors can better assess our operating performance if the measures are presented without such items because, unlike cash expenses, these adjustments do not affect our ability to generate free cash flow or invest in our business. For example, by eliminating depreciation and amortization from EBITDA, users can compare operating performance without regard to different accounting determinations such as useful life. In the case of the other items, we believe that investors can better assess operating performance if the measures are presented without these items because their financial impact does not reflect ongoing operating performance.

| (In thousands, except percentages)                        | Three Months Ended February 28, |          | Percentage |   |
|---|---------------------------------|----------|------------|---|
|   | 2011                            | 2010     | Change     |   |
| Net income  | \$30,716                        | \$26,823 | 15         | % |
| Interest income   | (185)                           | (104)    |            |   |
| Interest expense  | 1,662                           | 365      |            |   |
| Provision for income taxes                                | 8,116                           | 9,528    |            |   |
| Depreciation and amortization                             | 18,201                          | 13,830   |            |   |
| EBITDA  | \$58,510                        | \$50,442 | 16         | % |
| Stock-based compensation expense                          | 22,098                          | 19,302   |            |   |
| Acquisition-related costs                                 | 3,306                           | —        |            |   |
| Non-cash net periodic pension and post-retirement expense | 2,603                           | 851      |            |   |
| (Income) loss from discontinued operations, net           | (7)                             | 126      |            |   |
| Adjusted EBITDA   | \$86,510                        | \$70,721 | 22         | % |
| Adjusted EBITDA as a percentage of revenue                | 29.3                            | % 29.4   | %          |   |

Our adjusted EBITDA for 2011 increased primarily because of our improving organic revenue growth, the acquisitions we have made, our focus on costs, and the leverage in our business model. The acquisitions we completed in the fourth quarter of 2010 suppressed margins by about 150 basis points during the first quarter of 2011. After adjusting for this impact, our operational margin expansion was roughly 140 basis points. While we are making progress on raising the margins of our recent acquisitions, we do expect these acquisitions and the current currency environment to suppress our overall margins, although we do expect higher margins for the balance of the year.

## Financial Condition

| (In thousands, except percentages) | As of February 28, 2011 | As of November 30, 2010 | Dollar change | Percent change |    |
|------------------------------------|-------------------------|-------------------------|---------------|----------------|----|
| Accounts receivable, net           | \$ 288,155              | \$ 256,552              | \$ 31,603     | 12             | %  |
| Accrued compensation               | 24,312                  | 51,233                  | (26,921)      | (53)           | )% |
|                                    | 479,705                 | 392,132                 | 87,573        | 22             | %  |

Deferred subscription  
revenue

We typically have the most subscription renewals in our first and fourth fiscal quarters, and this trend has continued in 2011. The change in accrued compensation is primarily due to the 2010 bonus payout made in early 2011. The increase in deferred subscription revenue was primarily attributable to organic growth, with acquisition-related growth also contributing significantly to the increase. The organic growth rate within deferred subscription revenue was approximately 14% as of February 28, 2011. This metric is a directional, and not a precise, indicator of future revenue performance.



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## Liquidity and Capital Resources

As of February 28, 2011, we had cash and cash equivalents of \$252 million and \$298 million of debt. We have generated strong cash flows from operations over the last few years. On a trailing twelve-month basis, our conversion of Adjusted EBITDA to free cash flow was 73%. Because of our cash, debt, and cash flow positions, as well as the new financing that we secured in January 2011, we believe we will have sufficient cash to meet our working capital and capital expenditure needs.

Our future capital requirements will depend on many factors, including the level of future acquisitions, the need for additional facilities or facility improvements, the timing and extent of spending to support product development efforts, the expansion of sales and marketing activities, the timing of introductions of new products, changing technology, investments in our internal business applications and the continued market acceptance of our offerings. We could be required, or could elect, to seek additional funding through public or private equity or debt financing for any possible future acquisitions; however, additional funds may not be available on terms acceptable to us or at all. We expect to incur approximately \$40 million in capital expenditures in 2011.

## Cash Flows

| (In thousands, except percentages)                  | Three Months Ended February 28, |          |               |                |
|---|---------------------------------|----------|---------------|----------------|
|   | 2011                            | 2010     | Dollar change | Percent change |
| Net cash provided by operating activities           | \$79,268                        | \$55,412 | \$23,856      | 43 %           |
| Net cash used in investing activities               | (18,633)                        | (27,477) | 8,844         | (32)%          |
| Net cash provided by (used in) financing activities | (14,209)                        | 3,285    | (17,494)      | (533)%         |

The increase in net cash provided by operating activities was principally due to increased billings and collections in the first three months of 2011. Our subscription-based business model continues to be a cash flow generator that is aided by the following factors:

- positive working capital characteristics that do not generally require substantial working capital increases to support our growth;
- relatively low levels of required capital expenditures;
- a cash-for-tax rate that remains low; and
- our well-capitalized balance sheet.

The decrease in net cash used in investing activities was principally due to not having any acquisition activity in the first quarter of 2011, compared to the 2010 first quarter acquisition of EER. This decrease was partially offset by increased capital expenditures in support of our various investment initiatives for 2011.

The increase in net cash used in financing activities was principally due to reduced net borrowings and payment of debt issuance costs in 2011, as well as an increase in repurchases of our common stock through our share repurchase program used for statutory withholding requirements associated with the vesting of shares under our employee stock program.

## Free Cash Flow (non-GAAP measure)

The following table reconciles our non-GAAP free cash flow measure to net cash provided by operating activities.

| (In thousands, except percentages)        | Three Months Ended February 28, |          |               |                |
|---|---------------------------------|----------|---------------|----------------|
|   | 2011                            | 2010     | Dollar change | Percent change |
| Net cash provided by operating activities | \$79,268                        | \$55,412 |               |                |

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|  |          |   |          |   |          |    |   |
|--|----------|---|----------|---|----------|----|---|
| Capital expenditures on property and equipment | (15,541  | ) | (7,172   | ) |          |    |   |
| Free cash flow                                 | \$63,727 |   | \$48,240 |   | \$15,487 | 32 | % |

Our free cash flow has historically been very healthy, and we expect that it will continue to be a significant source of funding our business strategy of growth through organic and acquisitive means.

Credit Facility and Other Debt

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Please refer to Note 9 to the Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q for a discussion of the current status of our new term loan and revolving credit agreement.

### Share Repurchase Program

Please refer to Part II, Item 2 in this quarterly report on Form 10-Q for a discussion of our share repurchase programs.

### Off-Balance Sheet Transactions

We have no off-balance sheet transactions.

### Critical Accounting Policies

Our management makes a number of significant estimates, assumptions and judgments in the preparation of our financial statements. See “Management’s Discussion and Analysis and Results of Operations—Critical Accounting Policies and Estimates” in our Annual Report on Form 10-K for fiscal year 2010 for a discussion of the estimates and judgments necessary in our accounting for revenue recognition, valuation of long-lived and intangible assets and goodwill, income taxes, pension and post-retirement benefits, and stock-based compensation.

### Item 3. Quantitative and Qualitative Disclosure About Market Risk

For information regarding our exposure to certain market risks, see Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” in our Annual Report on Form 10-K for fiscal year 2010. There were no material changes to our market risk exposure during the first three months of fiscal 2011.

### Item 4. Controls and Procedures

#### (a) Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to 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 report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act are effective at a reasonable assurance level to ensure that information required to be disclosed in the reports required to be filed or submitted under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

#### (b) Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the period covered by this Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

From time to time, we are involved in litigation, most of which is incidental to our business. In our opinion, no litigation to which we currently are a party is likely to have a material adverse effect on our results of operations or financial condition.

Item 1A. Risk Factors

There have been no material changes to the risk factors associated with the business previously disclosed in Part I, Item 1A of our 2010 Annual Report on Form 10-K.

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

During 2006, our board of directors approved a program to reduce the dilutive effects of employee equity grants by

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allowing employees to surrender shares to IHS in an amount equal to their statutory tax liability. IHS then pays the statutory tax on behalf of the employee. The table below summarizes share purchase activity associated with this program for the three months ended February 28, 2011.

|                                | Three Months Ended February 28, 2011   |                                    |  |
|--------------------------------|--|------------------------------------|--|
|                                | Total Number of<br>Shares<br>Purchased | Average<br>Price Paid<br>per Share | Total Dollar<br>Value Paid<br>for Shares |
| December 1 - December 31, 2010 | 40,632                                 | \$78.27                            | \$3,180,416                              |
| January 1 - January 31, 2011   | 83,532                                 | 79.32                              | 6,626,141                                |
| February 1 - February 28, 2011 | 143,127                                | 81.73                              | 11,697,908                               |
| Total share repurchases        | 267,291                                | \$80.45                            | \$21,504,465                             |

To more fully offset the dilutive effect of our employee equity programs, in March 2011, our board of directors approved a plan authorizing IHS to buy back up to one million shares per year in the open market. IHS may execute on this program at its discretion, balancing dilution offset with other investment opportunities of the business, including acquisitions. This plan does not have an expiration date.

## Item 6. Exhibits

## (a) Index of Exhibits

The following exhibits are filed as part of this report:

| Exhibit<br>Number | Description  |
|-------------------|--|
| 10.24*            | Agreement between IHS Inc. and Jeffrey R. Tarr, dated October 29, 2010.  |
| 10.25*            | Amendment to Employment Agreement by and between IHS Inc. and Michael J. Sullivan, dated as of December 3, 2010.   |
| 10.26*            | Amendment to Employment Agreement by and between IHS Inc. and Scott Key, dated as of December 3, 2010.   |
| 31.1*             | Certification of the Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act.   |
| 31.2*             | Certification of the Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act.   |
| 32*               | Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS**         | XBRL Instance Document   |
| 101.SCH**         | XBRL Taxonomy Extension Schema Document  |
| 101.CAL**         | XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.DEF**         | XBRL Taxonomy Extension Definition Linkbase Document   |

101.LAB\*\* XBRL Taxonomy Extension Label Linkbase Document

101.PRE\*\* XBRL Taxonomy Extension Presentation Linkbase Document

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\* Filed electronically herewith.

\*\* XBRL (Extensible Business Reporting Language) information is furnished and not filed herewith, is not a part of a registration statement or Prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) 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, on March 23, 2011.

IHS INC.

By: /s/ Heather Matzke-Hamlin  
Name: Heather Matzke-Hamlin  
Title: Senior Vice President and Chief Accounting Officer

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