

IHS Inc.
Form 10-Q
June 24, 2015
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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 May 31, 2015

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
(I.R.S. 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

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As of May 31, 2015, there were 68,428,175 shares of our Class A Common Stock outstanding.

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Cautionary Note Regarding Forward-Looking Statements

This quarterly report on Form 10-Q contains “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: “anticipate,” “intend,” “plan,” “goal,” “seek,” “aim,” “strive,” “believe,” “project,” “predict,” “estimate,” “expect,” “strategy,” “future,” “likely,” “may,” “might,” “should,” “will,” the negative of these terms, and similar references to future performance. Examples of forward-looking statements include, among others, statements we make regarding: guidance and predictions relating to expected operating results, such as revenue growth and earnings; strategic actions, including acquisitions and dispositions, anticipated benefits from strategic actions, and our success in integrating acquired businesses; anticipated levels of capital expenditures in future periods; our belief that we have sufficient liquidity to fund our ongoing business operations; expectations of the effect on our financial condition of claims, litigation, environmental costs, contingent liabilities and governmental and regulatory investigations and proceedings; and our strategy for customer retention, growth, product development, market position, financial results, and reserves.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations, and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: economic and financial conditions, including volatility in interest and exchange rates; our ability to manage system failures, capacity constraints, and cyber risks; our ability to successfully manage risks associated with changes in demand for our products and services as well as changes in our targeted industries; our ability to develop new platforms to deliver our products and services, pricing, and other competitive pressures, and changes in laws and regulations governing our business; the extent to which we are successful in gaining new long-term relationships with customers or retaining existing ones and the level of service failures that could lead customers to use competitors' services; our ability to successfully identify and integrate acquisitions into our existing businesses and manage risks associated therewith; our ability to satisfy our debt obligations and our other ongoing business obligations; and the other factors described under the caption “Risk Factors” in our annual report on Form 10-K for the fiscal year ended

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November 30, 2014, along with our other filings with the U.S. Securities and Exchange Commission (SEC).

Any forward-looking statement made by us in this quarterly report on Form 10-Q is based only on information currently available to us and speaks only as of the date of this report. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments, or otherwise.

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Website and Social Media Disclosure

We use our website (www.ihs.com) and corporate Twitter account (@IHS) as channels of distribution of company information. The information we post through these channels may be deemed material; therefore, investors should monitor these channels in addition to our press releases, SEC filings, and public conference calls and webcasts. None of the information provided on our website or through social media channels is incorporated into, or deemed to be a part of, this quarterly report on Form 10-Q.

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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 May 31, 2015 (Unaudited)	As of November 30, 2014 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$225,879	\$153,156
Accounts receivable, net	365,265	421,374
Income tax receivable	—	2,283
Deferred subscription costs	62,747	51,021
Deferred income taxes	71,288	81,780
Other	70,490	60,973
Total current assets	795,669	770,587
Non-current assets:		
Property and equipment, net	316,999	301,419
Intangible assets, net	1,129,553	1,091,109
Goodwill	3,426,282	3,157,324
Other	24,326	27,991
Total non-current assets	4,897,160	4,577,843
Total assets	\$5,692,829	\$5,348,430
Liabilities and stockholders' equity		
Current liabilities:		
Short-term debt	\$36,001	\$36,257
Accounts payable	52,116	52,245
Accrued compensation	60,545	101,875
Accrued royalties	32,327	37,346
Other accrued expenses	118,956	131,147
Income tax payable	7,772	—
Deferred revenue	680,863	596,187
Total current liabilities	988,580	955,057
Long-term debt	2,093,091	1,806,098
Accrued pension and postretirement liability	27,867	29,139
Deferred income taxes	362,285	347,419
Other liabilities	57,852	51,171
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, \$0.01 par value per share, 160,000,000 shares authorized, 70,000,939 and 69,391,577 shares issued, and 68,428,175 and 68,372,176 shares outstanding at May 31, 2015 and November 30, 2014, respectively	700	694
Additional paid-in capital	985,796	956,381
Treasury stock, at cost: 1,572,764 and 1,019,401 shares at May 31, 2015 and November 30, 2014, respectively	(173,396)	(105,873)
Retained earnings	1,505,541	1,415,069

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Accumulated other comprehensive loss	(155,487) (106,725)
Total stockholders' equity	2,163,154	2,159,546	
Total liabilities and stockholders' equity	\$5,692,829	\$5,348,430	
See accompanying notes.			

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IHS INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except for per-share amounts)

	Three months ended May 31,		Six months ended May 31,	
	2015	2014	2015	2014
Revenue	\$591,407	\$568,008	\$1,137,668	\$1,092,466
Operating expenses:				
Cost of revenue	228,903	224,945	443,849	437,870
Selling, general and administrative	210,480	203,644	406,418	401,360
Depreciation and amortization	58,910	49,142	114,829	98,779
Restructuring charges	7,369	860	21,653	4,035
Acquisition-related costs	301	77	477	1,017
Net periodic pension and postretirement expense	497	2,834	993	5,670
Other expense (income), net	2,018	(267) 1,094	1,308
Total operating expenses	508,478	481,235	989,313	950,039
Operating income	82,929	86,773	148,355	142,427
Interest income	180	235	340	