

IHS Inc.
Form 10-Q
June 23, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 31, 2010

OR

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

For the transition period from to

Commission file number 001-32511

IHS INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

13-3769440
(IRS Employer

Identification No.)

15 Inverness Way East

Englewood, CO 80112

(Address of Principal Executive Offices)

(303) 790-0600

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer

Accelerated filer

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

Smaller Reporting Company

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

As of May 31, 2010, there were 64,078,595 shares of our Class A Common Stock outstanding.

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

	As of May 31, 2010 (Unaudited)	As of November 30, 2009 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 202,822	\$ 124,201
Accounts receivable, net	178,390	203,500
Income tax receivable	4,359	
Deferred subscription costs	43,971	40,279
Deferred income taxes	23,956	30,970
Other	19,775	14,284
Total current assets	473,273	413,234
Non-current assets:		
Property and equipment, net	81,737	74,798
Intangible assets, net	302,978	309,795
Goodwill, net	914,777	875,742
Other	3,900	2,019
Total non-current assets	1,303,392	1,262,354
Total assets	\$ 1,776,665	\$ 1,675,588
Liabilities and stockholders equity		
Current liabilities:		
Short-term debt	\$ 123,804	\$ 92,577
Accounts payable	26,061	26,470
Accrued compensation	26,031	44,196
Accrued royalties	20,184	25,666
Other accrued expenses	39,750	39,385
Income tax payable		1,720
Deferred subscription revenue	371,688	319,163
Total current liabilities	607,518	549,177
Long-term debt	153	141
Accrued pension liability	20,957	19,194
Accrued post-retirement benefits	8,533	9,914
Deferred income taxes	71,809	68,334
Other liabilities	16,811	15,150
Commitments and contingencies		
Stockholders equity:		

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Class A common stock, \$0.01 par value per share, 160,000,000 shares authorized, 66,016,704 and 64,801,035 shares issued, 64,078,595 and 63,283,947 shares outstanding at May 31, 2010 and November 30, 2009, respectively

	661	648
Additional paid-in capital	510,392	472,791
Treasury stock, at cost: 1,938,109 and 1,517,088 shares at May 31, 2010 and November 30, 2009, respectively	(97,573)	(75,112)
Retained earnings	784,483	719,182
Accumulated other comprehensive loss	(147,079)	(103,831)
Total stockholders' equity	1,050,884	1,013,678
Total liabilities and stockholders' equity	\$ 1,776,665	\$ 1,675,588

See accompanying notes.

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

(In thousands, except for per-share amounts)

	Three Months Ended May 31,		Six Months Ended May 31,	
	2010	2009	2010	2009
	(Unaudited)			
Revenue:				
Products	\$ 225,440	\$ 205,170	\$ 438,122	\$ 405,028
Services	41,040	30,106	69,093	65,659
Total revenue	266,480	235,276	507,215	470,687
Operating expenses:				
Cost of revenue:				
Products	91,530	81,553	180,653	164,439
Services	21,408	16,307	37,491	36,138
Total cost of revenue (includes stock-based compensation expense of \$1,325; \$781; \$2,757 and \$1,460 for the three and six months ended May 31, 2010 and 2009, respectively)	112,938	97,860	218,144	200,577
Selling, general and administrative (includes stock-based compensation expense of \$16,315; \$14,190; \$34,185 and \$29,981 for the three and six months ended May 31, 2010 and 2009, respectively)	89,059	82,598	173,711	169,054
Depreciation and amortization	14,269	11,636	28,099	23,260
Restructuring credits	(82)	(61)	(82)	(416)
Net periodic pension and post-retirement expense (benefit)	1,194	(689)	2,388	(1,378)
Other expense (income), net	(229)	1,605	(1,114)	(469)
Total operating expenses	217,149	192,949	421,146	390,628
Operating income	49,331	42,327	86,069	80,059
Interest income	94	209	198	563
Interest expense	(295)	(512)	(660)	(1,261)
Non-operating loss, net	(201)	(303)	(462)	(698)
Income from continuing operations before income taxes	49,130	42,024	85,607	79,361
Provision for income taxes	(10,652)	(8,893)	(20,180)	(17,928)
Net income from continuing operations	38,478	33,131	65,427	61,433
Loss from discontinued operations, net		(73)	(126)	(231)
Net income	38,478	33,058	65,301	61,202
Less: Net income attributable to noncontrolling interests		(1,104)		(2,144)
Net income attributable to IHS Inc.	\$ 38,478	\$ 31,954	\$ 65,301	\$ 59,058
Income from continuing operations attributable to IHS Inc. per share:				
Basic	\$ 0.60	\$ 0.51	\$ 1.03	\$ 0.94
Diluted	\$ 0.60	\$ 0.50	\$ 1.01	\$ 0.93

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Loss from discontinued operations per share:				
Basic	\$	\$	\$	\$
Diluted	\$	\$	\$	\$
Net income attributable to IHS Inc. per share:				
Basic	\$ 0.60	\$ 0.51	\$ 1.02	\$ 0.94
Diluted	\$ 0.60	\$ 0.50	\$ 1.01	\$ 0.93
Weighted average shares:				
Basic	63,981	63,014	63,759	62,916
Diluted	64,569	63,829	64,498	63,748

See accompanying notes.

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IHS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS