

IHS Inc.  
Form 10-Q  
September 28, 2011  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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(Mark One)

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

For the quarterly period ended August 31, 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

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IHS INC.  
(Exact name of registrant as specified in its charter)

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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.)

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

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

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

Large accelerated filer  Accelerated filer

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

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

As of August 31, 2011, there were 65,010,669 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>August 31, 2011<br>(Unaudited) | As of<br>November 30,<br>2010<br>(Audited) |
|---|---|--|
| Assets  |   |  |
| Current assets:   |   |  |
| Cash and cash equivalents   | \$202,872                               | \$200,735                                  |
| Accounts receivable, net  | 248,864                                 | 256,552                                    |
| Income tax receivable   | 557                                     | —  |
| Deferred subscription costs   | 40,734                                  | 41,449                                     |
| Deferred income taxes   | 47,066                                  | 33,532                                     |
| Other   | 30,762                                  | 20,466                                     |
| Total current assets  | 570,855                                 | 552,734                                    |
| Non-current assets:   |   |  |
| Property and equipment, net   | 125,496                                 | 93,193                                     |
| Intangible assets, net  | 592,943                                 | 384,568                                    |
| Goodwill, net   | 1,683,641                               | 1,120,830                                  |
| Other   | 7,147                                   | 4,377                                      |
| Total non-current assets  | 2,409,227                               | 1,602,968                                  |
| Total assets  | \$2,980,082                             | \$2,155,702                                |
| Liabilities and stockholders' equity  |   |  |
| Current liabilities:  |   |  |
| Short-term debt   | \$287,078                               | \$19,054                                   |
| Accounts payable  | 30,541                                  | 35,854                                     |
| Accrued compensation  | 39,861                                  | 51,233                                     |
| Accrued royalties   | 17,334                                  | 24,338                                     |
| Other accrued expenses  | 55,604                                  | 51,307                                     |
| Income tax payable  | —                                       | 4,350                                      |
| Deferred revenue  | 473,803                                 | 392,132                                    |
| Total current liabilities   | 904,221                                 | 578,268                                    |
| Long-term debt  | 523,803                                 | 275,095                                    |
| Accrued pension liability   | 30,968                                  | 25,104                                     |
| Accrued post-retirement benefits  | 10,203                                  | 10,056                                     |
| Deferred income taxes   | 136,372                                 | 73,586                                     |
| Other liabilities   | 20,758                                  | 17,512                                     |
| Commitments and contingencies   |   |  |
| Stockholders' equity:   |   |  |
| Class A common stock, \$0.01 par value per share, 160,000,000 shares authorized, 67,365,244 and 66,250,283 shares issued, and 65,010,669 and 64,248,547 shares outstanding at August 31, 2011 and November 30, 2010, respectively | 674                                     | 662  |
| Additional paid-in capital  | 613,836                                 | 541,108                                    |
| Treasury stock, at cost: 2,354,575 and 2,001,736 shares at August 31, 2011 and November 30, 2010, respectively  | (129,586)                               | (101,554)                                  |

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|  |             |             |   |
|--|-------------|-------------|---|
| Retained earnings                          | 969,527     | 860,497     |   |
| Accumulated other comprehensive loss       | (100,694    | ) (124,632  | ) |
| Total stockholders' equity                 | 1,353,757   | 1,176,081   |   |
| Total liabilities and stockholders' equity | \$2,980,082 | \$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 August 31, |            | Nine Months Ended August 31, |            |
|---|-------------------------------|------------|------------------------------|------------|
|   | 2011                          | 2010       | 2011                         | 2010       |
|   | (Unaudited)                   |            | (Unaudited)                  |            |
| Revenue:  |                               |            |                              |            |
| Products  | \$295,328                     | \$239,580  | \$832,006                    | 676,445    |
| Services  | 45,138                        | 32,032     | 128,014                      | 101,125    |
| Total revenue   | 340,466                       | 271,612    | 960,020                      | 777,570    |
| Operating expenses:   |                               |            |                              |            |
| Cost of revenue:  |                               |            |                              |            |
| Products  | 121,866                       | 98,037     | 347,288                      | 277,878    |
| Services  | 23,376                        | 17,345     | 68,448                       | 54,836     |
| Total cost of revenue (includes stock-based compensation expense of \$854; \$446; \$2,638 and \$3,203 for the three and nine months ended August 31, 2011 and 2010, respectively)                       | 145,242                       | 115,382    | 415,736                      | 332,714    |
| Selling, general and administrative (includes stock-based compensation expense of \$21,570; \$12,336; \$61,175 and \$46,521 for the three and nine months ended August 31, 2011 and 2010, respectively) |                               | 86,203     | 324,793                      | 259,914    |
| Depreciation and amortization   | 23,496                        | 14,406     | 62,411                       | 42,505     |
| Restructuring charges   | 356                           | 9,104      | 1,058                        | 9,022      |
| Acquisition-related costs   | 1,540                         | —          | 6,089                        | —          |
| Net periodic pension and post-retirement expense  | 2,792                         | 1,191      | 8,257                        | 3,579      |
| Other expense (income), net   | (197)                         | ) 262      | 416                          | (852)      |
| Total operating expenses  | 290,582                       | 226,548    | 818,760                      | 646,882    |
| Operating income  | 49,884                        | 45,064     | 141,260                      | 130,688    |
| Interest income   | 163                           | 188        | 654                          | 386        |
| Interest expense  | (2,967)                       | ) (413)    | ) (6,774)                    | ) (1,073)  |
| Non-operating expense, net  | (2,804)                       | ) (225)    | ) (6,120)                    | ) (687)    |
| Income from continuing operations before income taxes   | 47,080                        | 44,839     | 135,140                      | 130,001    |
| Provision for income taxes  | (7,505)                       | ) (10,303) | ) (26,050)                   | ) (30,362) |
| Income from continuing operations   | 39,575                        | 34,536     | 109,090                      | 99,639     |
| Income (loss) from discontinued operations, net   | 17                            | 23         | (60)                         | ) 221      |
| Net income  | \$39,592                      | \$34,559   | \$109,030                    | 99,860     |
| Basic earnings per share:   |                               |            |                              |            |
| Income from continuing operations   | \$0.61                        | \$0.54     | \$1.68                       | \$1.56     |
| Income (loss) from discontinued operations, net   | \$—                           | \$—        | \$—                          | \$—        |
| Net income  | \$0.61                        | \$0.54     | \$1.68                       | \$1.56     |
| Weighted average shares used in computing basic earnings per share  | 65,022                        | 64,122     | 64,864                       | 63,881     |

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Diluted earnings per share:

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| Income from continuing operations                                    | \$0.60 | \$0.53 | \$1.66 | \$1.54 |
| Income (loss) from discontinued operations, net                      | \$—    | \$—    | \$—    | \$—    |
| Net income   | \$0.60 | \$0.53 | \$1.66 | \$1.55 |
| Weighted average shares used in computing diluted earnings per share | 65,677 | 64,720 | 65,555 | 64,574 |

See accompanying notes.

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IHS INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

|  | Nine Months Ended August 31, |            |
|--|------------------------------|------------|
|  | 2011                         | 2010       |
|  | (Unaudited)                  |            |
| Operating activities:  |                              |            |
| Net income   | \$ 109,030                   | \$ 99,860  |
| Reconciliation of net income to net cash provided by operating activities: |                              |            |
| Depreciation and amortization  | 62,411                       | 42,505     |
| Stock-based compensation expense   | 63,813                       | 49,724     |
| Excess tax benefit from stock-based compensation                           | (9,182                       | ) (5,024   |
| Non-cash net periodic pension and post-retirement expense                  | 7,809                        | 2,555      |
| Deferred income taxes  | 8,898                        | 347        |
| Change in assets and liabilities:  |                              |            |
| Accounts receivable, net   | 35,737                       | 14,591     |
| Other current assets   | (3,471                       | ) (1,098   |
| Accounts payable   | (7,838                       | ) 2,221    |
| Accrued expenses   | (26,439                      | ) (17,363  |
| Income tax payable   | (13,874                      | ) 2,825    |
| Deferred revenue   | 25,831                       | 30,770     |
| Other liabilities  | 517                          | (598       |
| Net cash provided by operating activities                                  | 253,242                      | 221,315    |
| Investing activities:  |                              |            |
| Capital expenditures on property and equipment                             | (45,373                      | ) (23,187  |
| Acquisitions of businesses, net of cash acquired                           | (699,992                     | ) (83,567  |
| Intangible assets acquired   | (2,985                       | ) —        |
| Change in other assets   | (1,203                       | ) (889     |
| Settlements of forward contracts   | (2,849                       | ) (71      |
| Net cash used in investing activities                                      | (752,402                     | ) (107,714 |
| Financing activities:  |                              |            |
| Proceeds from borrowings   | 870,000                      | 95,000     |
| Repayment of borrowings  | (353,368                     | ) (43,270  |
| Payment of debt issuance costs   | (6,326                       | ) —        |
| Excess tax benefit from stock-based compensation                           | 9,182                        | 5,024      |
| Proceeds from the exercise of employee stock options                       | 2,144                        | 618        |
| Repurchases of common stock  | (28,032                      | ) (25,485  |
| Net cash provided by financing activities                                  | 493,600                      | 31,887     |
| Foreign exchange impact on cash balance                                    | 7,697                        | (12,538    |
| Net increase in cash and cash equivalents                                  | 2,137                        | 132,950    |
| Cash and cash equivalents at the beginning of the period                   | 200,735                      | 124,201    |
| Cash and cash equivalents at the end of the period                         | \$ 202,872                   | \$ 257,151 |

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                | 762                                     | 12                         | 63,546                           | (28,032)          | —                    | —   | 35,526      |
| Excess tax benefit on<br>vested shares       | —                                       | —                          | 9,182                            | —                 | —                    | —   | 9,182       |
| Net income                                   | —                                       | —                          | —                                | —                 | 109,030              | —   | 109,030     |
| Other comprehensive<br>income:               |   |                            |                                  |                   |                      |   |             |
| Unrealized losses on<br>hedging activities   | —                                       | —                          | —                                | —                 | —                    | (2,290)                                       | (2,290)     |
| Foreign currency<br>translation adjustments  | —                                       | —                          | —                                | —                 | —                    | 26,228  | 26,228      |
| Comprehensive income,<br>net of tax          | —                                       | —                          | —                                | —                 | —                    | —   | 132,968     |
| Balance at August 31,<br>2011                | 65,011                                  | \$674                      | \$613,836                        | \$(129,586)       | \$969,527            | \$(100,694)                                   | \$1,353,757 |
| See accompanying notes.                      |   |                            |                                  |                   |                      |   |             |

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IHS INC.

NOTES TO 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.

Our business has 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. Our fourth quarter revenue and profits are modestly higher than the other three quarters.

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.

In June 2011, the FASB issued guidance on the presentation of comprehensive income that will become effective for us in the first quarter of 2013. Under the new guidance, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance does not change the components that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. We are evaluating our presentation options under this ASU; however, we do not expect these changes to impact the consolidated financial statements other than the change in presentation.

In September 2011, the FASB issued guidance on testing goodwill for impairment that will become effective for us in the first quarter of 2013; however, early adoption is permitted. Under the new guidance, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the entity determines that this threshold is not met, then performing the two-step impairment test is unnecessary. We are currently evaluating whether we will elect to use this new qualitative approach to impairment testing and when we would adopt.

2. Business Combinations

During the nine months ended August 31, 2011, we completed the following acquisitions, among others:

ODS-Petrodata (Holdings) Ltd. (ODS-Petrodata). On April 16, 2011, we acquired ODS-Petrodata for approximately \$75 million in cash, net of cash acquired. ODS-Petrodata is a premier provider of data, information, and market intelligence to the offshore energy industry.

Dyadem International, Ltd. (Dyadem). On April 26, 2011, we acquired Dyadem for approximately \$49 million in cash, net of cash acquired. Dyadem is a market leader in Operational Risk Management and Quality Risk Management solutions.

Chemical Market Associates, Inc. (CMAI). On May 2, 2011, we acquired CMAI for approximately \$73 million in cash, net of cash acquired. CMAI is a leading provider of market and business advisory services for the worldwide petrochemical, specialty chemicals, fertilizer, plastics, fibers, and chlor-alkali industries.

Seismic Micro-Technology (SMT). On August 10, 2011, we acquired SMT for approximately \$501 million in cash, net of cash acquired. SMT is a global leader in Windows-based exploration and production software, and its solutions are used by

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geoscientists worldwide to evaluate potential reservoirs and plan field development. As a result of the acquisition, we expect to provide a more robust, valuable, and integrated solution set of information, software, and insight to support our energy customers worldwide.

The following table summarizes the initial purchase price allocation, net of acquired cash, for all acquisitions completed in the nine months of 2011 (in thousands):

|                        | SMT        | ODS-Petrodata | CMAI      | All others | Total      |
|------------------------|------------|---------------|-----------|------------|------------|
| Assets:                |            |               |           |            |            |
| Current assets         | \$ 12,886  | \$ 5,450      | \$ 6,364  | \$ 6,940   | \$ 31,640  |
| Property and equipment | 2,303      | 710           | 1,799     | 1,697      | 6,509      |
| Intangible assets      | 164,690    | 21,950        | 34,170    | 28,162     | 248,972    |
| Goodwill               | 405,867    | 61,535        | 62,749    | 25,791     | 555,942    |
| Other long-term assets | 1,259      | 1,359         | 2,369     | —          | 4,987      |
| Total assets           | 587,005    | 91,004        | 107,451   | 62,590     | 848,050    |
| Liabilities:           |            |               |           |            |            |
| Current liabilities    | 7,353      | 2,606         | 5,462     | 5,775      | 21,196     |
| Deferred revenue       | 17,403     | 9,814         | 15,735    | 4,521      | 47,473     |
| Deferred taxes         | 61,569     | 3,423         | 12,930    | 1,467      | 79,389     |
| Total liabilities      | 86,325     | 15,843        | 34,127    | 11,763     | 148,058    |
| Purchase price         | \$ 500,680 | \$ 75,161     | \$ 73,324 | \$ 50,827  | \$ 699,992 |

We have included revenue and expenses from acquisition operations in the appropriate geographic segment from the date of each respective acquisition. The acquisitions have contributed \$27.1 million and \$35.5 million of revenue for the three and nine months of 2011, respectively, and \$2.3 million and \$1.9 million of income from continuing operations for the same respective periods.

The following unaudited pro forma information has been prepared as if all acquisitions completed in 2011 had been consummated at December 1, 2009. This information is presented for informational purposes only, and is not necessarily indicative of the operating results that would have occurred if the acquisitions had been consummated as of that date. This information should not be used as a predictive measure of our future financial position, results of operations, or liquidity.

| Supplemental pro forma financial information<br>(Unaudited) | Three Months Ended August<br>31, |         | Nine Months Ended August 31, |         |
|---|----------------------------------|---------|------------------------------|---------|
|   | 2011                             | 2010    | 2011                         | 2010    |
|   | (In thousands)                   |         |                              |         |
| Total revenue   | 353,436                          | 305,078 | 1,042,523                    | 869,127 |
| Income from continuing operations                           | 40,908                           | 32,976  | 108,514                      | 88,838  |
| Diluted earnings per share                                  | 0.62                             | 0.51    | 1.66                         | 1.38    |

### 3. 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.

### 4. Comprehensive Income

Our comprehensive income for the three and nine months ended August 31, 2011 and 2010, was as follows:

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|   | Three Months Ended August 31, |          | Nine Months Ended August 31, |          |
|---|-------------------------------|----------|------------------------------|----------|
|   | 2011                          | 2010     | 2011                         | 2010     |
|   | (In thousands)                |          |                              |          |
| Net income                              | \$39,592                      | \$34,559 | \$109,030                    | \$99,860 |
| Other comprehensive income (loss):      |                               |          |                              |          |
| Unrealized losses on hedging activities | (1,660                        | ) —      | (2,290                       | ) —      |
| Foreign currency translation adjustment | (3,129                        | ) 13,882 | 26,228                       | (29,366  |
| Total comprehensive income              | \$34,803                      | \$48,441 | \$132,968                    | \$70,494 |

## 5. 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.

During the third quarter of 2011, we approved a plan to sell the assets of a small print-and-advertising business focused on a narrow, declining market. The sale of this business included certain intellectual property.

Operating results of these discontinued operations for the three and nine months ended August 31, 2011 and 2010, respectively, were as follows:

|  | Three Months Ended August 31, |       | Nine Months Ended August 31, |         |
|--|-------------------------------|-------|------------------------------|---------|
|  | 2011                          | 2010  | 2011                         | 2010    |
|  | (In thousands)                |       |                              |         |
| Revenue  | \$365                         | \$446 | \$930                        | \$1,703 |
| Income (loss) from discontinued operations before income taxes | 23                            | 32    | (82                          | ) 318   |
| Tax benefit (expense)  | (6                            | ) (9  | ) 22                         | (97     |
| Income (loss) from discontinued operations, net \$17           |                               | \$23  | \$(60                        | ) \$221 |

## 6. Acquisition-related Costs

During the nine months ended August 31, 2011, we incurred costs to complete acquisitions and to leverage synergies from recent business combinations. As a result of these activities, we eliminated approximately 40 positions and closed one of the acquired offices. The changes only affected the Americas and EMEA segments.

The acquisition-related charges that we have recorded consist of direct and incremental costs associated with severance, outplacement, and other employee-related benefits; facility closure and other contract termination costs; and legal, investment banking, due diligence, and valuation service fees associated with the recent acquisitions that were incurred during the nine months ended August 31, 2011. Approximately \$5.7 million of the charge related to our Americas segment and \$0.4 million pertained to our EMEA segment. The charge was comprised of the following:

|   | Three Months Ended | Nine Months Ended |
|---|--------------------|-------------------|
|   | August 31, 2011    | August 31, 2011   |
|   | (In thousands)     |                   |
| Employee severance and other termination benefits | \$691              | \$2,971           |
| Contract termination costs                        | 100                | 706               |
| Other   | 749                | 2,412             |
| Total   | \$1,540            | \$6,089           |

A reconciliation of the related accrued liability as of August 31, 2011 is as follows:

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|   | 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   | 2,971   | 706                              | 2,412     | 6,089     |
| Less: Amount paid during the nine<br>months ended August 31, 2011 | (2,371)   | ) (135)                          | ) (1,866) | ) (4,372) |
| Balance at August 31, 2011  | \$600   | \$571                            | \$546     | \$1,717   |

As of August 31, 2011, the entire remaining \$1.7 million liability was in the Americas segment.

## 7. Restructuring Charges

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   | 108     |
| Total   | \$9,104 |

In the second quarter of 2011, we recorded an additional \$0.7 million of net restructuring costs in the Americas segment, which represents a revision to our third quarter 2010 estimate of cost to exit space in one of our facilities, partially offset by favorable resolution of employee severance costs. In the third quarter of 2011, we recorded \$0.4 million of restructuring charges for severance costs associated with our election to exit a minor government-services business. We expect to reclassify the third quarter 2011 restructuring costs to discontinued operations in the fourth quarter of 2011, when the abandonment of that business is complete.

The following table provides a reconciliation of the restructuring liability as of August 31, 2011:

|   | 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                                 | 356   | —                                | —     | 356       |
| Revision to prior estimates                                       | (394)   | ) 1,143                          | (47)  | ) 702     |
| Less: Amount paid during the nine<br>months ended August 31, 2011 | (892)   | ) (1,265)                        | ) —   | ) (2,157) |



|                            |       |     |     |       |
|----------------------------|-------|-----|-----|-------|
| Balance at August 31, 2011 | \$356 | \$— | \$— | \$356 |
|----------------------------|-------|-----|-----|-------|

As of August 31, 2011, the entire remaining \$0.4 million liability was in the Americas segment.

#### 8. Stock-based Compensation

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Stock-based compensation expense for the three and nine months ended August 31, 2011 and 2010, respectively, was as follows:

|  | Three Months Ended August 31, |          | Nine Months Ended August 31, |          |
|--|-------------------------------|----------|------------------------------|----------|
|  | 2011                          | 2010     | 2011                         | 2010     |
|  | (In thousands)                |          |                              |          |
| Cost of revenue                        | \$854                         | \$446    | \$2,638                      | \$3,203  |
| Selling, general and administrative    | 21,570                        | 12,336   | 61,175                       | 46,521   |
| Total stock-based compensation expense | \$22,424                      | \$12,782 | \$63,813                     | \$49,724 |

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

|                     | Three Months Ended August 31, |         | Nine Months Ended August 31, |          |
|---------------------|-------------------------------|---------|------------------------------|----------|
|                     | 2011                          | 2010    | 2011                         | 2010     |
|                     | (In thousands)                |         |                              |          |
| Income tax benefits | \$7,842                       | \$4,444 | \$22,444                     | \$18,113 |

No stock-based compensation cost was capitalized during the three or nine months ended August 31, 2011 and 2010. As of August 31, 2011, there was \$106.4 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 1.3 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 nine months ended August 31, 2011.

|                             | Shares         | Weighted-Average Grant Date Fair Value |
|-----------------------------|----------------|--|
|                             | (in thousands) |  |
| Balances, November 30, 2010 | 2,732          | \$48.40                                |
| Granted                     | 1,295          | \$80.54                                |
| Vested                      | (1,065         | ) \$54.05                              |
| Forfeited                   | (164           | ) \$58.88                              |
| Balances, August 31, 2011   | 2,798          | \$64.96                                |

The total fair value of nonvested shares that vested during the nine months ended August 31, 2011 was \$84.8 million based on the weighted-average fair value on the vesting date.

## 9. Income Taxes

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 and nine months ended August 31, 2011 was 15.9% and 19.3% , respectively, compared to 23.0% and 23.4% for the same respective periods of 2010. The 2011 rates reflect the benefits from discrete period items, including a reduction in the statutory tax rate in the United Kingdom.

As of August 31, 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 nine months of 2011.

## 10. Debt

On January 5, 2011, we entered into a \$1 billion syndicated bank credit agreement 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

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defined in the Credit Facility. The old revolving credit agreement was retired immediately upon consummation of the new financing.

As of August 31, 2011, we were in compliance with all of the covenants in the Credit Facility and had approximately \$520 million of outstanding borrowings under the revolver and \$289 million of outstanding borrowings under the term loan, both at a current annual interest rate of 1.5%. We have classified \$250 million of revolver borrowings as long-term and \$270 million as short-term based upon our current estimate of expected repayments for the next twelve months. Short-term debt also includes \$15 million of scheduled term loan principal repayments over the next twelve months. We had approximately \$0.6 million of outstanding letters of credit under the agreement as of August 31, 2011.

Our debt as of August 31, 2011 also included approximately \$2 million of non-interest bearing notes that were issued to the sellers of Prime Publications Limited, a company that we purchased in 2008. These notes are due upon demand and are therefore recorded in short-term debt in the consolidated balance sheets.

## 11. 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 was 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 and nine months ended August 31, 2011 and 2010, respectively, was comprised of the following:

|   | Three Months Ended August 31, 2011 |             |       |         | Three Months Ended August 31, 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                              | \$35        | \$35  | \$2,179 | \$2,004                            | \$158       | \$53  | 2,215   |
| Interest costs on projected benefit obligation  | 2,969                              | 478         | 99    | 3,546   | 2,993                              | 443         | 104   | 3,540   |
| Expected return on plan assets                  | (4,830)                            | (577)       | —     | (5,407) | (5,038)                            | (533)       | —     | (5,571) |
| Amortization of prior service cost              | (336)                              | —           | (2)   | (338)   | (120)                              | —           | 10    | (110)   |
| Amortization of actuarial loss (gain)           | 2,463                              | 10          | 42    | 2,515   | 1,497                              | 49          | 46    | 1,592   |
| Amortization of transitional obligation/(asset) | —                                  | —           | 10    | 10      | —                                  | —           | 10    | 10      |
| Special termination benefits                    | —                                  | —           | 60    | 60      | —                                  | —           | —     | —       |
| Net periodic pension expense (income)           | \$2,375                            | \$(54)      | \$244 | \$2,565 | \$1,336                            | \$117       | \$223 | \$1,676 |



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|   | Nine Months Ended August 31, 2011 |             |       |           | Nine Months Ended August 31, 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                          | 6,328                             | \$108       | \$105 | \$6,541   | \$6,012                           | \$477       | \$159 | 6,648     |
| Interest costs on projected benefit obligation  | 8,907                             | 1,463       | 297   | 10,667    | 8,979                             | 1,333       | 312   | 10,624    |
| Expected return on plan assets                  | (14,490 )                         | (1,767 )    | —     | (16,257 ) | (15,114 )                         | (1,604 )    | —     | (16,718 ) |
| Amortization of prior service cost              | (1,008 )                          | —           | (6 )  | (1,014 )  | (358 )                            | —           | 32    | (326 )    |
| Amortization of actuarial loss (gain)           | 7,389                             | 30          | 126   | 7,545     | 4,490                             | 148         | 137   | 4,775     |
| Amortization of transitional obligation/(asset) | —                                 | —           | 32    | 32        | —                                 | —           | 30    | 30        |
| Special termination benefits                    | —                                 | —           | 60    | 60        | —                                 | —           | —     | —         |
| Net periodic pension expense (income)           | \$7,126                           | \$(166 )    | \$614 | \$7,574   | \$4,009                           | \$354       | \$670 | \$5,033   |

Our net periodic post-retirement expense (income) was comprised of the following for the three and nine months ended August 31, 2011 and 2010, respectively:

|  | Three Months Ended August 31, |          | Nine Months Ended August 31, |            |
|--|-------------------------------|----------|------------------------------|------------|
|  | 2011                          | 2010     | 2011                         | 2010       |
|  | (In thousands)                |          |                              |            |
| Service costs incurred                         | \$7                           | \$12     | \$21                         | \$36       |
| Interest costs on projected benefit obligation | 132                           | 140      | 396                          | 420        |
| Amortization of prior service cost             | (81 )                         | (809 )   | (243 )                       | (2,425 )   |
| Amortization of net actuarial loss             | 169                           | 172      | 509                          | 515        |
| Net periodic post-retirement expense (income)  | \$227                         | \$(485 ) | \$683                        | \$(1,454 ) |

## 12. 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 and nine months ended August 31, 2011 and 2010, respectively, were calculated as follows:

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|   | Three Months Ended August 31, |        | Nine Months Ended August 31, |        |
|---|-------------------------------|--------|------------------------------|--------|
|   | 2011                          | 2010   | 2011                         | 2010   |
|   | (In thousands)                |        |                              |        |
| Weighted average common shares outstanding: |                               |        |                              |        |
| Shares used in basic EPS calculation        | 65,022                        | 64,122 | 64,864                       | 63,881 |
| Effect of dilutive securities:              |                               |        |                              |        |
| Restricted stock units                      | 616                           | 463    | 609                          | 562    |
| Stock options and other stock-based awards  | 39                            | 135    | 82                           | 131    |
| Shares used in diluted EPS calculation      | 65,677                        | 64,720 | 65,555                       | 64,574 |

## 13. Derivatives

In April and June 2011, to mitigate interest rate exposure on our \$300 million term loan, we entered into four-year interest rate derivative contracts that effectively swap \$100 million of floating rate debt for fixed rate debt. Because the terms of the swaps and the variable rate debt coincide, we do not expect any ineffectiveness. We have designated and accounted for these instruments as cash flow hedges, with changes in fair value being deferred in accumulated other comprehensive loss in the consolidated balance sheets.

Since our swaps are not listed on an exchange, we have evaluated fair value by reference to similar transactions in active markets; consequently, we have classified the swaps within Level 2 of the fair value measurement hierarchy. As of August 31, 2011, the fair market value of our swaps was a loss of \$3.7 million, and the current mark-to-market loss position is recorded in other liabilities in the consolidated balance sheets.

## 14. Goodwill and Intangible Assets

The following table presents details of our intangible assets, other than goodwill, as of August 31, 2011 and November 30, 2010:

|  | As of          | August 31, 2011          |             | As of     | November 30, 2010        |             |
|--|----------------|--------------------------|-------------|-----------|--------------------------|-------------|
|  | Gross          | Accumulated Amortization | Net         | Gross     | Accumulated Amortization | Net         |
|  | (In thousands) |                          |             |           |                          |             |
| Intangible assets subject to amortization:     |                |                          |             |           |                          |             |
| Information databases                          | \$265,799      | \$(99,263)               | ) \$166,536 | \$237,888 | \$(73,815)               | ) \$164,073 |
| Customer relationships                         | 207,731        | (38,636)                 | ) 169,095   | 132,878   | (28,533)                 | ) 104,345   |
| Non-compete agreements                         | 11,088         | (7,629)                  | ) 3,459     | 9,551     | (5,934)                  | ) 3,617     |
| Developed computer software                    | 186,423        | (23,975)                 | ) 162,448   | 52,258    | (15,926)                 | ) 36,332    |
| Other  | 33,839         | (14,978)                 | ) 18,861    | 14,944    | (10,273)                 | ) 4,671     |
| Total  | \$704,880      | \$(184,481)              | ) \$520,399 | \$447,519 | \$(134,481)              | ) \$313,038 |
| Intangible assets not subject to amortization: |                |                          |             |           |                          |             |
| Trademarks                                     | 71,328         | —                        | ) 71,328    | 70,366    | —                        | ) 70,366    |
| Perpetual licenses                             | 1,216          | —                        | ) 1,216     | 1,164     | —                        | ) 1,164     |
| Total intangible assets                        | \$777,424      | \$(184,481)              | ) \$592,943 | \$519,049 | \$(134,481)              | ) \$384,568 |

Intangible assets amortization expense was \$16.6 million for the three months and \$44.3 million for the nine months ended August 31, 2011, as compared with \$9.6 million for the three months and \$28.7 million for the nine months ended August 31, 2010. The following table presents the estimated future amortization expense related to intangible

assets held as of August 31, 2011:

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| Year              | Amount (in thousands) |
|-------------------|-----------------------|
| Remainder of 2011 | \$19,938              |
| 2012              | 76,224                |
| 2013              | 70,389                |
| 2014              | 60,013                |
| 2015              | 55,700                |

Changes in our goodwill and gross intangible assets from November 30, 2010 to August 31, 2011 were primarily the result of our recent acquisition activities, in addition to foreign currency translation. Net intangibles increased primarily because of the addition of intangible assets associated with the acquisitions described in Note 2, Business Combinations.

## 15. 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 and nine months ended August 31, 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.

|                                    | Americas       | EMEA      | APAC     | Shared Services | Consolidated Total |
|------------------------------------|----------------|-----------|----------|-----------------|--------------------|
|                                    | (In thousands) |           |          |                 |                    |
| Three Months Ended August 31, 2011 |                |           |          |                 |                    |
| Revenue                            | \$207,477      | \$95,945  | \$37,044 | \$—             | \$340,466          |
| Operating income *                 | 58,003         | 18,842    | 10,911   | (37,872)        | ) 49,884           |
| Depreciation and amortization      | 18,082         | 4,772     | 48       | 594             | 23,496             |
| Three Months Ended August 31, 2010 |                |           |          |                 |                    |
| Revenue                            | \$170,359      | \$76,011  | \$25,242 | \$—             | \$271,612          |
| Operating income                   | 46,812         | 15,439    | 8,857    | (26,044)        | ) 45,064           |
| Depreciation and amortization      | 10,042         | 3,796     | 24       | 544             | 14,406             |
|                                    | Americas       | EMEA      | APAC     | Shared Services | Consolidated Total |
|                                    | (In thousands) |           |          |                 |                    |
| Nine Months Ended August 31, 2011  |                |           |          |                 |                    |
| Revenue                            | \$585,227      | \$275,446 | \$99,347 | \$—             | \$960,020          |
| Operating income *                 | 162,108        | 55,057    | 29,037   | (104,942)       | ) 141,260          |
| Depreciation and amortization      | 47,510         | 13,062    | 134      | 1,705           | 62,411             |
| Nine Months Ended August 31, 2010  |                |           |          |                 |                    |
| Revenue                            | \$490,381      | \$218,198 | \$68,991 | \$—             | \$777,570          |
| Operating income                   | 147,910        | 44,987    | 23,033   | (85,242)        | ) 130,688          |
| Depreciation and amortization      | 29,213         | 11,614    | 74       | 1,604           | 42,505             |

\* See "Operating Income by Segment (geography)" in Management's Discussion and Analysis in this Form 10-Q for discussion of changes to segment allocations.

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Revenue by transaction type was as follows:

|                      | Three Months Ended August 31, |           | Nine Months Ended August 31, |           |
|----------------------|-------------------------------|-----------|------------------------------|-----------|
|                      | 2011                          | 2010      | 2011                         | 2010      |
|                      | (In thousands)                |           |                              |           |
| Subscription revenue | \$263,915                     | \$209,073 | \$747,907                    | \$609,916 |
| Consulting revenue   | 24,353                        | 16,330    | 59,822                       | 43,300    |
| Transaction revenue  | 16,697                        | 21,070    | 44,335                       | 44,585    |
| Other revenue        | 35,501                        | 25,139    | 107,956                      | 79,769    |
| Total revenue        | \$340,466                     | \$271,612 | \$960,020                    | \$777,570 |

Revenue by information domain was as follows:

|   | Three Months Ended August 31, |           | Nine Months Ended August 31, |           |
|---|-------------------------------|-----------|------------------------------|-----------|
|   | 2011                          | 2010      | 2011                         | 2010      |
|   | (In thousands)                |           |                              |           |
| Energy revenue  | \$142,607                     | \$117,391 | \$403,703                    | \$350,440 |
| Product Lifecycle (PLC) revenue                       | 115,889                       | 90,750    | 326,162                      | 248,659   |
| Security revenue                                      | 32,204                        | 28,444    | 88,570                       | 79,539    |
| Environment revenue                                   | 25,235                        | 13,315    | 68,778                       | 37,913    |
| Macroeconomic Forecasting and<br>Intersection revenue | 24,531                        | 21,712    | 72,807                       | 61,019    |
| Total revenue   | \$340,466                     | \$271,612 | \$960,020                    | \$777,570 |

## 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

### Business Overview

IHS is a leading source of information and insight in critical areas that shape today's business landscape, including energy and power; design and supply chain; defense, risk and security; environmental, health and safety (EHS) and sustainability; country and industry forecasting; and commodities, pricing and cost. Businesses and governments in more than 165 countries 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 with speed and confidence. IHS has been in business since 1959 and became a publicly traded company on the New York Stock Exchange in 2005.

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Headquartered in Englewood, Colorado, USA, IHS employs more than 5,100 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

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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.

Our business has 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. Fourth quarter revenues and profits are modestly higher than the other three quarters.

## 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 from continuing operations for 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 the corresponding 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 financial decision-making, believing that such measures allow us to focus on what we deem to be more reliable indicators of ongoing operating performance (Adjusted EBITDA) and our ability to generate cash flow from operations (free cash flow). 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,

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investment bankers, and lenders to assess our operating performance. For example, a measure similar to Adjusted 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

Third quarter 2011 revenue increased 25% compared to the third quarter of 2010, and our year-to-date 2011 revenue increased 23% compared to the same period of 2010. The table below displays the percentage point change in revenue due to organic, acquisitive, and foreign currency factors when comparing the three and nine months ended August 31, 2011 to the three and nine months ended August 31, 2010.

| (All amounts represent percentage points) | Three Month Change |             |                  | Nine Month Change |             |                  |   |
|---|--------------------|-------------|------------------|-------------------|-------------|------------------|---|
|   | Organic *          | Acquisitive | Foreign Currency | Organic *         | Acquisitive | Foreign Currency |   |
| Increase in total revenue                 | 6                  | % 19        | % 3              | % 7               | % 15        | % 2              | % |

\* Excludes approximately \$7 million of revenue associated with the BPVC engineering standard in the third quarter of 2010. The unadjusted organic growth for the three months was 3%, and the unadjusted growth for the nine months was 6%.

The 6% organic revenue growth for the third quarter of 2011 was broad-based in nature, with most transaction types and domains contributing to the growth. We experienced an 8% organic revenue increase in our subscription-based business, which continues to demonstrate its strength. We had mixed results in our non-subscription business, which led to a combined adjusted decrease of 1% in the organic growth rate in the third quarter of 2011.

The 7% organic revenue growth for the nine months ended August 31, 2011 was also broad-based in nature, with all transaction types and all domains contributing to the growth. The subscription-based business increased 8% organically, and the non-subscription businesses all contributed positively to the overall growth.

The acquisition-related revenue growth for the quarter and year-to-date periods was primarily due to acquisitions we have made in the last twelve months, including the following:

- 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;
-

ODS-Petrodata (Holdings) Ltd.; Dyadem International, Ltd.; and Chemical Market Associates, Inc. in the second quarter of 2011; and  
Seismic Micro-Technology in the third quarter of 2011.

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 August 31, |           |    | Percentage Change | Nine Months Ended August 31, |           |    | Percentage Change |
|------------------------------------|-------------------------------|-----------|----|-------------------|------------------------------|-----------|----|-------------------|
|                                    | 2011                          | 2010      |    |                   | 2011                         | 2010      |    |                   |
| Americas revenue                   | \$207,477                     | \$170,359 | 22 | %                 | \$585,227                    | \$490,381 | 19 | %                 |
| As a percent of total revenue      | 61                            | % 63      | %  |                   | 61                           | % 63      | %  |                   |
| EMEA revenue                       | 95,945                        | 76,011    | 26 | %                 | 275,446                      | 218,198   | 26 | %                 |
| As a percent of total revenue      | 28                            | % 28      | %  |                   | 29                           | % 28      | %  |                   |
| APAC revenue                       | 37,044                        | 25,242    | 47 | %                 | 99,347                       | 68,991    | 44 | %                 |
| As a percent of total revenue      | 11                            | % 9       | %  |                   | 10                           | % 9       | %  |                   |
| Total revenue                      | \$340,466                     | \$271,612 | 25 | %                 | \$960,020                    | \$777,570 | 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 |             |                  | Nine Month Change |             |                  |   |
|---|--------------------|-------------|------------------|-------------------|-------------|------------------|---|
|   | Organic *          | Acquisitive | Foreign Currency | Organic *         | Acquisitive | Foreign Currency |   |
| Americas revenue                          | 7                  | % 17        | % 1              | % 7               | % 13        | % 1              | % |
| EMEA revenue                              | 2                  | % 22        | % 5              | % 5               | % 18        | % 4              | % |
| APAC revenue                              | 16                 | % 28        | % 4              | % 17              | % 24        | % 3              | % |

\* Excludes approximately \$7 million of revenue associated with the BPVC engineering standard.

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 and nine 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. We have doubled our presence in Latin America and APAC through acquisitions and investment during 2011 in an effort to take advantage of these high-opportunity markets.

## Revenue by Transaction Type

| (In thousands, except percentages) | Three Months Ended August 31, |           |      | Percentage Change | Nine Months Ended August 31, |           |     | Percentage Change |
|------------------------------------|-------------------------------|-----------|------|-------------------|------------------------------|-----------|-----|-------------------|
|                                    | 2011                          | 2010      |      |                   | 2011                         | 2010      |     |                   |
| Subscription revenue               | \$263,915                     | \$209,073 | 26   | %                 | \$747,907                    | \$609,916 | 23  | %                 |
| As a percent of total revenue      | 78                            | % 77      | %    |                   | 78                           | % 78      | %   |                   |
| Consulting revenue                 | 24,353                        | 16,330    | 49   | %                 | 59,822                       | 43,300    | 38  | %                 |
| As a percent of total revenue      | 7                             | % 6       | %    |                   | 6                            | % 6       | %   |                   |
| Transaction revenue                | 16,697                        | 21,070    | (21) | )%                | 44,335                       | 44,585    | (1) | )%                |
| As a percent of total revenue      | 5                             | % 8       | %    |                   | 5                            | % 6       | %   |                   |
| Other revenue                      | 35,501                        | 25,139    | 41   | %                 | 107,956                      | 79,769    | 35  | %                 |
| As a percent of total revenue      | 10                            | % 9       | %    |                   | 11                           | % 10      | %   |                   |
| Total revenue                      | \$340,466                     | \$271,612 | 25   | %                 | \$960,020                    | \$777,570 | 23  | %                 |

We summarize our transaction type revenue by the following categories:

Subscription revenue represents the significant majority of our revenue, and is comprised of subscriptions to our various information databases and software maintenance.

Consulting revenue represents customer relationships where we are engaged to perform various professional services such as research and analysis, modeling and forecasting, and other similar work. Our consulting offerings are primarily focused on Energy/Resources, Manufacturing/Services, and the Public Sector.

Transaction revenue represents single-document product sales, which are typically sold through ecommerce and telesales channels. We usually deliver these products to our customers as part of a one-time, unique sale.

Other revenue consists of a variety of revenue streams, including software license sales and associated services, conferences and events, advertising, and data storage services.

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Relative to the 26% subscription revenue growth for the third quarter, approximately 8% is due to organic growth. This trend is especially important for us, as 78% of our revenue currently comes from our subscription base. The non-subscription portion of our business decreased 1% organically during the quarter, excluding the impact of the BPVC engineering standard. We believe this decrease was partially due to the fact that the non-subscription portion of our business has more macro-economic exposure than our subscription-based business.

Relative to the 23% subscription revenue growth for the nine months of 2011, approximately 8% is due to organic growth. Year-to-date, excluding the BPVC engineering standard impact, all three components of the non-subscription part of the business had positive organic growth, which signals to us that our business continues to grow in all areas, even in these difficult economic times. We think it is important to understand that our non-subscription products and services are critical to us, as they complement our subscription business in creating strong and comprehensive customer relationships.

## Revenue by Information Domain

| (In thousands, except percentages)                 | Three Months Ended August 31, |           |                   | Nine Months Ended August 31, |           |                   |  |
|--|-------------------------------|-----------|-------------------|------------------------------|-----------|-------------------|--|
|  | 2011                          | 2010      | Percentage Change | 2011                         | 2010      | Percentage Change |  |
| Energy revenue                                     | \$142,607                     | \$117,391 | 21 %              | \$403,703                    | \$350,440 | 15 %              |  |
| As a percent of total revenue                      | 42                            | % 43      | %                 | 42                           | % 45      | %                 |  |
| Product Lifecycle (PLC) revenue                    | 115,889                       | 90,750    | 28 %              | 326,162                      | 248,659   | 31 %              |  |
| As a percent of total revenue                      | 34                            | % 33      | %                 | 34                           | % 32      | %                 |  |
| Security revenue                                   | 32,204                        | 28,444    | 13 %              | 88,570                       | 79,539    | 11 %              |  |
| As a percent of total revenue                      | 9                             | % 10      | %                 | 9                            | % 10      | %                 |  |
| Environment revenue                                | 25,235                        | 13,315    | 90 %              | 68,778                       | 37,913    | 81 %              |  |
| As a percent of total revenue                      | 7                             | % 5       | %                 | 7                            | % 5       | %                 |  |
| Macroeconomic Forecasting and Intersection revenue | 24,531                        | 21,712    | 13 %              | 72,807                       | 61,019    | 19 %              |  |
| As a percent of total revenue                      | 7                             | % 8       | %                 | 8                            | % 8       | %                 |  |
| Total revenue                                      | \$340,466                     | \$271,612 | 25 %              | \$960,020                    | \$777,570 | 23 %              |  |

For the three and nine months of 2011, our Energy domain revenue is still our most significant source of revenue, and our revenue growth in that domain highlights the continued broad-based strength of our Energy offerings across all geographic segments. Product Lifecycle revenue increases were primarily due to the fourth quarter 2010 acquisition of iSuppli. Security revenue continues to be particularly strengthened by our maritime offerings. Environment's increases are primarily due to recent acquisitions, with year-to-date results also benefiting from modest organic growth. The Macroeconomic Forecasting and Intersection revenue supports all of the other domains, and has experienced above average organic growth in both the three and nine months of 2011.

## 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 nine months of 2011, we incurred costs to complete acquisitions and 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.

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| (In thousands, except percentages)              | Three Months Ended August 31, |           |    | Percentage Change | Nine Months Ended August 31, |           |    | Percentage Change |
|---|-------------------------------|-----------|----|-------------------|------------------------------|-----------|----|-------------------|
|   | 2011                          | 2010      |    |                   | 2011                         | 2010      |    |                   |
| Operating expenses:                             |                               |           |    |                   |                              |           |    |                   |
| Cost of revenue                                 | \$145,242                     | \$115,382 | 26 | %                 | \$415,736                    | \$332,714 | 25 | %                 |
| As a percent of revenue                         | 43                            | % 42      | %  |                   | 43                           | % 43      | %  |                   |
| SG&A expense                                    | \$117,353                     | \$86,203  | 36 | %                 | \$324,793                    | \$259,914 | 25 | %                 |
| As a percent of revenue                         | 34                            | % 32      | %  |                   | 34                           | % 33      | %  |                   |
| Depreciation and amortization expense           | \$23,496                      | \$14,406  | 63 | %                 | \$62,411                     | \$42,505  | 47 | %                 |
| As a percent of revenue                         | 7                             | % 5       | %  |                   | 7                            | % 5       | %  |                   |
| Supplemental information:                       |                               |           |    |                   |                              |           |    |                   |
| SG&A expense excluding stock-based compensation | \$95,783                      | \$73,867  | 30 | %                 | \$263,618                    | \$213,393 | 24 | %                 |
| As a percent of revenue                         | 28                            | % 27      | %  |                   | 27                           | % 27      | %  |                   |

## Cost of Revenue and Sales Margins

For the three and nine months ended August 31, 2011, compared to 2010, cost of revenue increased in line with the increase in revenue. Total sales margins, which we define as revenue less cost of sales, divided by total sales, are modestly lower in the three and nine months of 2011, primarily because of lower sales margins in our recent acquisitions. The following table shows the sales margin percentages and percentage point change by operating segment.

| (Percentages)         | Three Months Ended August 31, |        |         | Percentage Change | Nine Months Ended August 31, |        |         | Percentage Change |
|-----------------------|-------------------------------|--------|---------|-------------------|------------------------------|--------|---------|-------------------|
|                       | 2011                          | 2010   |         |                   | 2011                         | 2010   |         |                   |
| Americas sales margin | 58.4                          | % 58.7 | % (0.3) | %                 | 57.9                         | % 58.6 | % (0.7) | %                 |
| EMEA sales margin     | 54.3                          | % 54.7 | % (0.4) | %                 | 54.1                         | % 54.9 | % (0.8) | %                 |
| APAC sales margin     | 62.3                          | % 62.1 | % 0.2   | %                 | 60.6                         | % 61.7 | % (1.1) | %                 |
| Total sales margin    | 57.3                          | % 57.5 | % (0.2) | %                 | 56.7                         | % 57.2 | % (0.5) | %                 |

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. We continue to make solid progress driving improvement in the acquisitions that we have made over the last 12 months.

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

We evaluate our SG&A expense excluding stock-based compensation expense. We are investing more heavily in our colleagues, with enhanced 2011 compensation and increased training and development opportunities. Even with this increased focus on our people, we continue to manage the cost structure of our business, and SG&A expense has consequently remained relatively flat as a percentage of revenue compared to the prior-year periods.

## Depreciation and Amortization Expense

For the three and nine months ended August 31, 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 6 to the Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q for a discussion of our year-to-date 2011 costs incurred for integration and other acquisition-related activities. We incurred \$1.5 million of costs in the third quarter of 2011, and have incurred \$6.1 million of costs year-to-date 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 7 to the Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q for a

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discussion of our restructuring activities. We incurred \$9.1 million of restructuring charges in the third quarter of 2010. In the second quarter of 2011, we increased our restructuring cost estimate by a net \$0.7 million, which represented increased contract termination costs to exit space in one of our facilities, partially offset by favorable resolution of employee severance costs. In the third quarter of 2011, we incurred an additional \$0.4 million of restructuring charges for severance costs associated with our election to exit a minor government-services business. We expect to reclassify the third quarter 2011 restructuring costs to discontinued operations in the fourth quarter of 2011, when the abandonment of that business is complete.

## Operating Income by Segment (geography)

| (In thousands, except percentages)  | Three Months Ended August 31, |           |        | Nine Months Ended August 31, |           |        | Percentage Change |  |
|-------------------------------------|-------------------------------|-----------|--------|------------------------------|-----------|--------|-------------------|--|
|                                     | 2011                          | 2010      | Change | 2011                         | 2010      | Change |                   |  |
| Americas operating income *         | \$58,003                      | \$46,812  | 24 %   | \$162,108                    | \$147,910 | 10 %   |                   |  |
| As a percent of segment revenue     | 28                            | % 27      | %      | 28                           | % 30      | %      |                   |  |
| EMEA operating income               | 18,842                        | 15,439    | 22 %   | 55,057                       | 44,987    | 22 %   |                   |  |
| As a percent of segment revenue     | 20                            | % 20      | %      | 20                           | % 21      | %      |                   |  |
| APAC operating income               | 10,911                        | 8,857     | 23 %   | 29,037                       | 23,033    | 26 %   |                   |  |
| As a percent of segment revenue     | 29                            | % 35      | %      | 29                           | % 33      | %      |                   |  |
| Shared services operating expense * | (37,872 )                     | (26,044 ) |        | (104,942 )                   | (85,242 ) |        |                   |  |
| Total operating income              | \$49,884                      | \$45,064  | 11 %   | \$141,260                    | \$130,688 | 8 %    |                   |  |
| As a percent of total revenue       | 15                            | % 17      | %      | 15                           | % 17      | %      |                   |  |

\* Subsequent to our third quarter 2011 earnings release furnished on Form 8-K, we determined that approximately \$5 million of operating expense for the three and nine months ended August 31, 2011, that was previously included in shared service expense should be allocated to Americas' operating income, and have adjusted the operating income lines above to reflect the change.

For the three months ended August 31, 2011, compared to 2010, operating income as a percentage of revenue for the Americas segment increased primarily because we did not have a restructuring event in the third quarter of 2011 as we did in 2010. For the first nine months of 2011, compared to 2010, the Americas continues to see pressure on operating income because of recent acquisition activity, particularly in the form of increased depreciation and amortization associated with acquired intangible assets, as well as integration and other acquisition-related costs. For the three and nine months ended August 31, 2011, compared to 2010, the EMEA segment has remained relatively flat, with an increase in depreciation and amortization largely offset by the lack of a third quarter 2011 restructuring event similar to last year. For the three and nine months ended August 31, 2011, APAC operating income as a percentage of revenue has decreased as a result of an increase in SG&A investment to drive growth opportunities in this emerging market.

## Provision for Income Taxes

Our effective tax rate for the three and nine months ended August 31, 2011 was 15.9% and 19.3%, respectively, compared to 23.0% and 23.4% for the same respective periods of 2010. The 2011 rates reflect the benefits from discrete period items, including a reduction in the statutory tax rate in the United Kingdom. We currently expect our full year 2011 effective tax rate to be in the 20-21% 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.



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| (In thousands, except percentages)                        | Three Months Ended August 31, |          | Percentage Change | Nine Months Ended August 31, |           | Percentage Change |   |
|---|-------------------------------|----------|-------------------|------------------------------|-----------|-------------------|---|
|   | 2011                          | 2010     |                   | 2011                         | 2010      |                   |   |
| Net income  | \$39,592                      | \$34,559 | 15                | % \$109,030                  | \$99,860  | 9                 | % |
| Interest income   | (163)                         | (188)    |                   | (654)                        | (386)     |                   |   |
| Interest expense  | 2,967                         | 413      |                   | 6,774                        | 1,073     |                   |   |
| Provision for income taxes                                | 7,505                         | 10,303   |                   | 26,050                       | 30,362    |                   |   |
| Depreciation and amortization                             | 23,496                        | 14,406   |                   | 62,411                       | 42,505    |                   |   |
| EBITDA  | \$73,397                      | \$59,493 | 23                | % \$203,611                  | \$173,414 | 17                | % |
| Stock-based compensation expense                          | 22,424                        | 12,782   |                   | 63,813                       | 49,724    |                   |   |
| Restructuring charges (credits)                           | 356                           | 9,104    |                   | 1,058                        | 9,022     |                   |   |
| Acquisition-related costs                                 | 1,540                         | —        |                   | 6,089                        | —         |                   |   |
| Non-cash net periodic pension and post-retirement expense | 2,602                         | 851      |                   | 7,809                        | 2,555     |                   |   |
| (Income) loss from discontinued operations, net           | (17)                          | (23)     |                   | 60                           | (221)     |                   |   |
| Adjusted EBITDA   | \$100,302                     | \$82,207 | 22                | % \$282,440                  | \$234,494 | 20                | % |
| Adjusted EBITDA as a percentage of revenue                | 29.5                          | % 30.3   | %                 | 29.4                         | % 30.2    | %                 |   |

Our Adjusted EBITDA for 2011 increased primarily because of our organic revenue growth, acquisitions, and the leverage in our business model. We continue to invest substantially in both the core business and in key transformative initiatives. Although acquisitions continue to weigh on our margins, we are starting to see a marked improvement in acquisition-related margins. We typically tend to see margin expansion accelerate after the first three or four quarters of ownership. In the first half of 2011, the collective margins of our fourth quarter 2010 acquisitions was in the mid-teens; during the third quarter of 2011, that margin increased to the mid-twenties. We expect to see continued improvement in the margins of our recent acquisitions over the next several quarters.

## Discontinued Operations

In the first quarter of 2010, we sold our small non-core South Africa business. In the third quarter of 2011, we discontinued a small print-and-advertising business focused on a narrow, declining market. In the third quarter of 2011, we have also taken steps to discontinue a minor government-services business, which will be reported as a discontinued operation when it is fully abandoned during the fourth quarter of 2011.

We are currently undertaking a formal and structured review of our product portfolio, with a focus on assessing the growth profile and strategic fit of all of our offerings, ensuring they support core businesses, enable sustainable high growth rates, and provide a scalable market capability. The total group of assets we are reviewing, including the two businesses described above, represents approximately five percent of our total annual revenue for 2011. Some of these businesses may be treated as discontinued operations if we ultimately decide to sell or abandon them, providing they meet the accounting criteria for treatment as discontinued operations.

## Financial Condition

| (In thousands, except percentages) | As of August 31, 2011 | As of November 30, 2010 | Dollar change | Percent change |
|------------------------------------|-----------------------|-------------------------|---------------|----------------|
| Accounts receivable, net           | \$248,864             | \$ 256,552              | \$(7,688)     | (3)%           |

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|                      |         |         |         |       |    |
|----------------------|---------|---------|---------|-------|----|
| Accrued compensation | 39,861  | 51,233  | (11,372 | ) (22 | )% |
| Deferred revenue     | 473,803 | 392,132 | 81,671  | 21    | %  |

We have historically experienced seasonal decreases in our accounts receivable balance in the second and third quarters, as we typically have the most subscription renewals in our fiscal first and fourth quarters. This trend continued in 2011. The change in accrued compensation is primarily due to the 2010 bonus payout made in early 2011, partially offset by current year accruals. The increase in deferred revenue was primarily attributable to acquisition-related growth, with a portion of the

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increase due to organic growth. The organic growth rate within deferred revenue was approximately 12% as of August 31, 2011. This organic growth rate metric is a directional, and not a precise, indicator of future revenue performance.

Liquidity and Capital Resources

As of August 31, 2011, we had cash and cash equivalents of \$203 million, of which approximately \$155 million is currently held by our foreign subsidiaries. We also had \$811 million of debt as of August 31, 2011, which has contributed to an increase in interest expense in 2011, and which will continue to result in increased interest expense for the near future. 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 66%. The conversion ratio was held down by increased capital expenditures, interest costs, restructuring charges, and acquisition-related costs. Because of our cash, debt, and cash flow positions, as well as the 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. Historically, we have not been required to make cash contributions to our U.S. RIP pension plan because of the overfunded status of the plan. However, due to the global economic downturn, which has negatively impacted the returns on our pension assets, we will now be required to make a cash contribution to our U.S. RIP in fiscal 2012. 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. We expect to finish 2011 with approximately \$55-60 million in capital expenditures used to fund critical projects, product development efforts, and total capital needs from our recent acquisitions.

## Cash Flows

| (In thousands, except percentages)        | Nine Months Ended August 31, |            |               |                |
|---|------------------------------|------------|---------------|----------------|
|   | 2011                         | 2010       | Dollar change | Percent change |
| Net cash provided by operating activities | \$253,242                    | \$221,315  | \$31,927      | 14 %           |
| Net cash used in investing activities     | (752,402 )                   | (107,714 ) | (644,688 )    | 599 %          |
| Net cash provided by financing activities | 493,600                      | 31,887     | 461,713       | 1,448 %        |

The increase in net cash provided by operating activities was principally due to increased billings and collections in the first nine months of 2011. Our subscription-based business model continues to be a cash flow generator that is aided by positive working capital characteristics that do not generally require substantial working capital increases to support our growth, as well as relatively low levels of required capital expenditures.

The increase in net cash used in investing activities was principally due to significant acquisition activities in the second and third quarters of 2011, particularly the acquisition of SMT. We also significantly increased capital expenditures for various investment initiatives in our facilities and infrastructure.

The increase in net cash provided by financing activities for the nine months of 2011 was principally due to borrowings against our credit facility to fund the acquisition of SMT.

## 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) | Nine Months Ended August 31, |      |               |                |
|------------------------------------|------------------------------|------|---------------|----------------|
|                                    | 2011                         | 2010 | Dollar change | Percent change |

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|  |           |           |         |   |   |
|--|-----------|-----------|---------|---|---|
| Net cash provided by operating activities      | \$253,242 | \$221,315 |         |   |   |
| Capital expenditures on property and equipment | (45,373   | ) (23,187 | )       |   |   |
| Free cash flow                                 | \$207,869 | \$198,128 | \$9,741 | 5 | % |

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

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### Credit Facility and Other Debt

Please refer to Note 10 to the Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q for a discussion of the current status of our 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.

Our \$300 million term loan is subject to variable interest rates. In April and June of 2011, we entered into four-year interest rate derivative contracts that swap variable interest rates for fixed on \$100 million of the term loan. Our credit facility borrowings are also subject to variable interest rates. A hypothetical 10% adverse movement in interest rates related to the term loan, credit facility borrowings, or derivative contracts would not have a material impact on our financial position and results of operations.

### 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.

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## 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

The following table provides detail about our share repurchases during the three months ended August 31, 2011.

|                            | Total Number<br>of Shares<br>Purchased (1) | Average<br>Price Paid<br>per Share | Total Number of Shares<br>Purchased as Part of<br>Publicly Announced Plans<br>or Programs | Maximum Number of<br>Shares That May Yet Be<br>Purchased Under the Plans<br>or Programs (2) |
|----------------------------|--|------------------------------------|---|---|
| June 1 - June 30, 2011     | 728  | \$86.33                            | —   | 1,000,000   |
| July 1 - July 31, 2011     | 25,403                                     | 83.61                              | —   | 1,000,000   |
| August 1 - August 31, 2011 | 50,968                                     | 70.53                              | —   | 1,000,000   |
| Total share repurchases    | 77,099                                     | \$74.99                            | —   |   |

(1) Amounts represent shares of common stock surrendered by employees in an amount equal to the statutory tax liability associated with the vesting of their equity awards. We then pay the statutory tax on behalf of the employee. Our board of directors approved this program in 2006 in an effort to reduce the dilutive effects of employee equity grants.

(2) To more fully offset the dilutive effect of our employee equity programs, in March 2011, our board of directors approved a plan authorizing us to buy back up to one million shares per year in the open market. We may execute on this program at our 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:

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| Exhibit Number | Description  |
|----------------|--|
| 2.1*           | Agreement and Plan of Merger by and among IHS Global Inc., Nirvana Sub Inc., and SMT Holding Corp., dated as of July 26, 2011  |
| 10.1*          | Termination Agreement by and between IHS Inc. and Michael Sullivan, dated August 10, 2011  |
| 10.2*          | Release Agreement by and between IHS Inc. and Michael Sullivan, dated as of August 10, 2011  |
| 10.3*          | Employment Agreement by and between IHS Inc. and Richard Walker, dated as of October 31, 2007  |
| 10.4*          | Amendment to Employment Agreement by and between IHS Inc. and Richard Walker, dated as of October 22, 2009   |
| 10.5*          | Amendment to Employment Agreement by and between IHS Inc. and Richard Walker, 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   |

\* 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 September 28, 2011.

IHS INC.

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