

IHS Inc.  
Form 10-Q  
March 21, 2016  
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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 February 29, 2016

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  
(I.R.S. 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 (check one):

Large accelerated filer  Accelerated filer

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

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

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As of February 29, 2016, there were 67,425,324 shares of our Class A Common Stock outstanding.

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## Cautionary Note Regarding Forward-Looking Statements

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

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

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November 30, 2015, along with our other filings with the U.S. Securities and Exchange Commission (SEC).

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

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Website and Social Media Disclosure

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

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## IHS INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except for share and per-share amounts)

|   | As of<br>February 29, 2016<br>(Unaudited) | As of<br>November 30,<br>2015<br>(Audited) |
|---|---|--|
| Assets  |   |  |
| Current assets:   |   |  |
| Cash and cash equivalents   | \$ 60,499                                 | \$ 291,580                                 |
| Accounts receivable, net  | 408,844                                   | 355,913                                    |
| Income tax receivable   | 4,585                                     | 4,585                                      |
| Deferred subscription costs   | 58,977                                    | 52,752                                     |
| Assets held for sale  | 198,824                                   | 193,377                                    |
| Other   | 74,049                                    | 57,135                                     |
| Total current assets  | 805,778                                   | 955,342                                    |
| Non-current assets:   |   |  |
| Property and equipment, net   | 319,339                                   | 314,366                                    |
| Intangible assets, net  | 1,339,396                                 | 1,014,691                                  |
| Goodwill  | 4,062,812                                 | 3,287,459                                  |
| Deferred income taxes   | 6,630                                     | 6,630                                      |
| Other   | 28,483                                    | 22,593                                     |
| Total non-current assets  | 5,756,660                                 | 4,645,739                                  |
| Total assets  | \$ 6,562,438                              | \$ 5,601,081                               |
| Liabilities and stockholders' equity  |   |  |
| Current liabilities:  |   |  |
| Short-term debt   | \$ 588,158                                | \$ 36,019                                  |
| Accounts payable  | 50,244                                    | 59,180                                     |
| Accrued compensation  | 62,834                                    | 105,477                                    |
| Accrued royalties   | 35,582                                    | 33,306                                     |
| Other accrued expenses  | 138,034                                   | 118,217                                    |
| Income tax payable  | 15,280                                    | 23,339                                     |
| Deferred revenue  | 663,258                                   | 552,498                                    |
| Liabilities held for sale   | 42,022                                    | 32,097                                     |
| Total current liabilities   | 1,595,412                                 | 960,133                                    |
| Long-term debt  | 2,410,043                                 | 2,095,183                                  |
| Accrued pension and postretirement liability  | 26,298                                    | 26,745                                     |
| Deferred income taxes   | 317,463                                   | 259,524                                    |
| Other liabilities   | 74,065                                    | 58,619                                     |
| Commitments and contingencies   |   |  |
| Stockholders' equity:   |   |  |
| Class A common stock, \$0.01 par value per share, 160,000,000 shares authorized, 71,078,443 and 70,287,707 shares issued, and 67,425,324 and 67,523,885 shares outstanding at February 29, 2016 and November 30, 2015, respectively | 711                                       | 703  |
| Additional paid-in capital  | 1,071,134                                 | 1,053,141                                  |
|   | (415,680                                  | ) (317,016                                 |
|   |   | )  |

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Treasury stock, at cost: 3,653,119 and 2,763,822 shares at February 29, 2016 and November 30, 2015, respectively

|  |             |             |   |
|--|-------------|-------------|---|
| Retained earnings                          | 1,700,306   | 1,655,262   |   |
| Accumulated other comprehensive loss       | (217,314    | ) (191,213  | ) |
| Total stockholders' equity                 | 2,139,157   | 2,200,877   |   |
| Total liabilities and stockholders' equity | \$6,562,438 | \$5,601,081 |   |

See accompanying notes.

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IHS INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except for per-share amounts)

|  | Three months ended February 29/28, |           |
|--|------------------------------------|-----------|
|  | 2016                               | 2015      |
| Revenue  | \$548,446                          | \$513,876 |
| Operating expenses:  |                                    |           |
| Cost of revenue  | 210,795                            | 200,345   |
| Selling, general and administrative                                  | 186,515                            | 186,448   |
| Depreciation and amortization  | 60,515                             | 50,882    |
| Restructuring charges  | 5,703                              | 13,421    |
| Acquisition-related costs  | 3,782                              | 176       |
| Net periodic pension and postretirement expense                      | 407                                | 496       |
| Other expense (income), net  | 1,217                              | (838)     |
| Total operating expenses   | 468,934                            | 450,930   |
| Operating income   | 79,512                             | 62,946    |
| Interest income  | 264                                | 160       |
| Interest expense   | (28,140)                           | (16,994)  |
| Non-operating expense, net   | (27,876)                           | (16,834)  |
| Income from continuing operations before income taxes                | 51,636                             | 46,112    |
| Provision for income taxes   | (10,409)                           | (8,162)   |
| Income from continuing operations                                    | 41,227                             | 37,950    |
| Income from discontinued operations, net                             | 3,817                              | 1,570     |
| Net income   | \$45,044                           | \$39,520  |
| Basic earnings per share:  |                                    |           |
| Income from continuing operations                                    | \$0.61                             | \$0.55    |
| Income from discontinued operations, net                             | 0.06                               | 0.02      |
| Net income   | \$0.67                             | \$0.58    |
| Weighted average shares used in computing basic earnings per share   | 67,428                             | 68,701    |
| Diluted earnings per share:  |                                    |           |
| Income from continuing operations                                    | \$0.61                             | \$0.55    |
| Income from discontinued operations, net                             | 0.06                               | 0.02      |
| Net income   | \$0.66                             | \$0.57    |
| Weighted average shares used in computing diluted earnings per share | 68,084                             | 69,303    |

See accompanying notes.



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IHS INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)  
 (In thousands)

|  | Three months ended February 29/28, |           |
|--|------------------------------------|-----------|
|  | 2016                               | 2015      |
| Net income   | \$45,044                           | \$39,520  |
| Other comprehensive income (loss), net of tax:       |                                    |           |
| Unrealized loss on hedging activities <sup>(1)</sup> | (3,999                             | ) (1,419  |
| Foreign currency translation adjustment              | (22,102                            | ) (36,464 |
| Total other comprehensive loss                       | (26,101                            | ) (37,883 |
| Comprehensive income                                 | \$18,943                           | \$1,637   |

<sup>(1)</sup> Net of tax benefit of \$2,611 and \$927 for the three months ended February 29, 2016 and February 28, 2015, respectively.

See accompanying notes.

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IHS INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)  
 (In thousands)

|  | Three months ended February 29/28, |           |
|--|------------------------------------|-----------|
|  | 2016                               | 2015      |
| Operating activities:  |                                    |           |
| Net income   | \$45,044                           | \$39,520  |
| Reconciliation of net income to net cash provided by operating activities:                       |                                    |           |
| Depreciation and amortization  | 60,515                             | 55,919    |
| Stock-based compensation expense   | 30,575                             | 33,490    |
| Excess tax benefit from stock-based compensation   | —                                  | (5,128)   |
| Net periodic pension and postretirement expense  | 407                                | 496       |
| Pension and postretirement contributions   | (856)                              | (978)     |
| Deferred income taxes  | 12,891                             | 12,975    |
| Change in assets and liabilities:  |                                    |           |
| Accounts receivable, net   | (41,334)                           | (16,096)  |
| Other current assets   | (26,302)                           | (28,934)  |
| Accounts payable   | (16,463)                           | (19,562)  |
| Accrued expenses   | (14,274)                           | (22,469)  |
| Income tax   | (6,287)                            | 2,949     |
| Deferred revenue   | 101,721                            | 134,358   |
| Other liabilities  | 6,265                              | 1,498     |
| Net cash provided by operating activities  | 151,902                            | 188,038   |
| Investing activities:  |                                    |           |
| Capital expenditures on property and equipment   | (24,490)                           | (38,812)  |
| Acquisitions of businesses, net of cash acquired   | (1,113,440)                        | (168,618) |
| Change in other assets   | 2,059                              | (1,779)   |
| Settlements of forward contracts   | 5,482                              | 1,666     |
| Net cash used in investing activities  | (1,130,389)                        | (207,543) |
| Financing activities:  |                                    |           |
| Proceeds from borrowings   | 1,061,000                          | 170,000   |
| Repayment of borrowings  | (194,001)                          | (39,272)  |
| Payment of debt issuance costs   | (15,430)                           | —         |
| Excess tax benefit from stock-based compensation   | —                                  | 5,128     |
| Repurchases of common stock  | (104,335)                          | (53,271)  |
| Net cash provided by financing activities  | 747,234                            | 82,585    |
| Foreign exchange impact on cash balance  | (695)                              | (6,517)   |
| Net increase (decrease) in cash and cash equivalents   | (231,948)                          | 56,563    |
| Cash and cash equivalents at the beginning of the period   | 293,148                            | 153,156   |
| Cash and cash equivalents at the end of the period   | 61,200                             | 209,719   |
| Less: Cash and cash equivalents associated with discontinued operations at the end of the period | (701)                              | —         |
| Cash and cash equivalents from continuing operations at the end of the period                    | \$60,499                           | \$209,719 |

See accompanying notes.



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IHS INC.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

(In thousands)

|  | Class A Common<br>Stock<br>Shares<br>Outstanding | Amount | 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, 2015<br>(Audited)           | 67,524   | \$703  | \$1,053,141                      | \$(317,016)       | \$1,655,262          | \$(191,213)                                   | \$2,200,877 |
| Stock-based award<br>activity                          | 550  | 8      | 20,099                           | (23,659)          | —                    | —   | (3,552)     |
| Income tax deficit from<br>stock-based<br>compensation | —  | —      | (2,106)                          | —                 | —                    | —   | (2,106)     |
| Repurchases of common<br>stock                         | (649)  | —      | —                                | (75,005)          | —                    | —   | (75,005)    |
| Net income   | —  | —      | —                                | —                 | 45,044               | —   | 45,044      |
| Other comprehensive loss                               | —  | —      | —                                | —                 | —                    | (26,101)                                      | (26,101)    |
| Balance at February 29,<br>2016                        | 67,425   | \$711  | \$1,071,134                      | \$(415,680)       | \$1,700,306          | \$(217,314)                                   | \$2,139,157 |

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, us, or our) 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, 2015. 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. Our fourth quarter typically generates our highest quarterly levels of revenue and profit. Conversely, our first quarter generally has our lowest levels of revenue and profit. We also experience event-driven seasonality in our business; for instance, IHS Energy CERAWeek (CERAWeek), an annual energy executive gathering, was held during our second quarter in 2015 and was held during our first quarter in 2016. Another example is the biennial release of the Boiler Pressure Vessel Code (BPVC) engineering standard, which generates revenue for us predominantly in the third quarter of every other year. We most recently recognized a benefit in connection with the BPVC release in the third quarter of 2015.

Due to the discontinued operations discussed in Note 8, we have adjusted prior period income statement amounts to reflect the impact of discontinued operations.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-08, which changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. The ASU is intended to reduce the frequency of disposals reported as discontinued operations by focusing on strategic shifts that have (or will have) a major effect on an entity's operations and financial results. We adopted this ASU in the first quarter of 2016, and the adoption of the standard did not have any significant impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, which establishes a comprehensive new revenue recognition model designed to depict the transfer of goods or services to a customer in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. The ASU allows for the use of either the full or modified retrospective transition method. In March 2016, the FASB issued ASU 2016-08, which further clarifies the implementation guidance on principal versus agent considerations contained in ASU 2014-09. Both standards will be effective for us in the first quarter of our fiscal year 2019, although early adoption is permitted. We are currently evaluating the impact of these new standards on our consolidated financial statements, as well as which transition method we intend to use.

In August 2014, the FASB issued ASU 2014-15, which requires that management evaluate the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. Disclosure is required if there is substantial doubt about the entity's ability to continue as a going concern. The standard will be effective for us in the fourth quarter of our fiscal year 2017, although early adoption is permitted. We do not expect that the adoption of this ASU will have a significant impact on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The standard will be effective for us in the first quarter of our fiscal 2017, although early adoption is permitted. We expect that the only impact of this ASU on our financial statements will be the change in balance sheet presentation of our debt issuance costs.

In April 2015, the FASB issued ASU 2015-05, which provides guidance about a customer's accounting for fees paid in cloud computing arrangements. If a cloud computing arrangement includes a software license, then the customer should account for the software license element consistent with the acquisition of other software licenses. If the arrangement does not contain a software license, the customer should account for the arrangement as a service contract. The standard will be effective for us in the first quarter of our fiscal year 2017, although early adoption is permitted. We anticipate that we will adopt this standard using the prospective transition method, and do not expect that the adoption of this ASU will have a significant impact on our consolidated financial statements.

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In September 2015, the FASB issued ASU 2015-16, which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The standard will be effective for us in the first quarter of our fiscal year 2017, although early adoption is permitted. We do not expect that the adoption of this ASU will have a significant impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, which requires that lease assets and lease liabilities be recognized on the balance sheet, and that key information about leasing arrangements be disclosed. The standard will be effective for us in the first quarter of our fiscal 2020, although early adoption is permitted. We are currently evaluating the impact of this new standard on our consolidated financial statements.

## 2. Business Combinations

During the three months ended February 29, 2016, we completed the following acquisitions:

**CARPROOF.** On December 24, 2015, we acquired CARPROOF, a Canada-based company that offers products and services in vehicle history, appraisal, and valuation for the automotive industry, for approximately \$460 million, net of cash acquired. We expect that this acquisition will allow us to expand our vehicle history report services into Canada. This acquisition will be included in our Transportation segment.

**Oil Price Information Service (OPIS).** On February 10, 2016, we acquired OPIS, an internationally referenced pricing reporting agency that serves the oil, natural gas, and biofuels industries, for \$654 million, net of cash acquired. OPIS information primarily serves the downstream energy market, and we expect that it will help to further diversify our energy portfolio. This acquisition will be included in our Resources segment.

We have preliminarily allocated \$366 million of the aggregate purchase price for these two acquisitions to amortizing intangible assets and \$801 million to goodwill.

## 3. Intangible Assets

The following table presents details of our intangible assets, other than goodwill, as of February 29, 2016 and November 30, 2015 (in thousands):

|  | As of February 29, 2016 |                          |             | As of November 30, 2015 |                          |             |
|--|-------------------------|--------------------------|-------------|-------------------------|--------------------------|-------------|
|  | Gross                   | Accumulated Amortization | Net         | Gross                   | Accumulated Amortization | Net         |
| Intangible assets subject to amortization:     |                         |                          |             |                         |                          |             |
| Information databases                          | \$708,301               | \$(246,229)              | \$462,072   | \$595,219               | \$(233,729)              | \$361,490   |
| Customer relationships                         | 765,718                 | (146,019)                | 619,699     | 540,467                 | (135,352)                | 405,115     |
| Developed computer software                    | 84,677                  | (38,158)                 | 46,519      | 84,918                  | (35,988)                 | 48,930      |
| Trademarks                                     | 183,762                 | (38,954)                 | 144,808     | 166,301                 | (34,777)                 | 131,524     |
| Other  | 16,265                  | (6,813)                  | 9,452       | 14,837                  | (5,802)                  | 9,035       |
| Total  | \$1,758,723             | \$(476,173)              | \$1,282,550 | \$1,401,742             | \$(445,648)              | \$956,094   |
| Intangible assets not subject to amortization: |                         |                          |             |                         |                          |             |
| Trademarks                                     | 56,846                  | —                        | 56,846      | 58,597                  | —                        | 58,597      |
| Total intangible assets                        | \$1,815,569             | \$(476,173)              | \$1,339,396 | \$1,460,339             | \$(445,648)              | \$1,014,691 |





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Intangible assets amortization expense was \$37.0 million for the three months ended February 29, 2016, compared to \$31.1 million for the three months ended February 28, 2015. The following table presents the estimated future amortization expense related to intangible assets held as of February 29, 2016 (in thousands):

| Year              | Amount     |
|-------------------|------------|
| Remainder of 2016 | \$ 124,240 |
| 2017              | \$ 154,313 |
| 2018              | \$ 142,269 |
| 2019              | \$ 126,138 |
| 2020              | \$ 106,605 |
| Thereafter        | \$ 628,985 |

Goodwill, gross intangible assets, and net intangible assets were all subject to foreign currency translation effects. Changes in our goodwill and gross intangible assets from November 30, 2015 to February 29, 2016 were primarily the result of recent acquisitions, net of foreign currency effects. The change in net intangible assets was primarily due to acquisitions made in 2016, partially offset by current year amortization.

## 4. Debt

The following table summarizes total indebtedness as of February 29, 2016 and November 30, 2015 (in thousands):

|                          | February 29, 2016 | November 30, 2015 |
|--------------------------|-------------------|-------------------|
| 2014 revolving facility  | \$ 1,036,000      | \$ 710,000        |
| 2013 term loan:          |                   |                   |
| Tranche A-1              | 656,250           | 665,000           |
| Tranche A-2              | 550,000           | —                 |
| 5% senior notes due 2022 | 750,000           | 750,000           |
| Capital leases           | 5,951             | 6,202             |
| Total debt               | \$ 2,998,201      | \$ 2,131,202      |
| Current portion          | (588,158          | ) (36,019         |
| Total long-term debt     | \$ 2,410,043      | \$ 2,095,183      |

2014 revolving facility. In October 2014, we entered into a \$1.3 billion senior unsecured revolving credit agreement (2014 revolving facility). Subject to certain conditions, the 2014 revolving facility may be expanded by up to an aggregate of \$500 million in additional commitments. Borrowings under the 2014 revolving facility mature in October 2019 and bear interest at the same rates and spreads as the 2013 term loan, as described below. A commitment fee on any unused balance is payable periodically and ranges from 0.13 percent to 0.30 percent based upon our Leverage Ratio. We had approximately \$1.9 million of outstanding letters of credit under the 2014 revolving facility as of February 29, 2016, which reduces the available borrowing under the facility by an equivalent amount.

2013 term loan. In February 2016, we amended and restated our senior unsecured amortizing term loan agreement originally entered into in the third quarter of 2013 (2013 term loan), adding a \$550 million tranche loan (Tranche A-2) to the amount outstanding under the existing tranche loan (Tranche A-1). The 2013 term loan has a maturity date of October 2019. The interest rates for borrowings under the 2013 term loan are the applicable LIBOR plus a spread of 1.00 percent to 2.00 percent, 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 such terms are defined in the term loan agreements.

The 2014 revolving facility and the 2013 term loan contain certain financial and other covenants, including a maximum Leverage Ratio and a minimum Interest Coverage Ratio, as such terms are defined in the respective agreements. Both agreements were amended during the first quarter of 2016 to allow for leverage up to 4.0x for up to four quarters in connection with the OPIS acquisition; thereafter, the agreements return to the original leverage

allowance of 3.5x, with the ability to temporarily increase leverage to 3.75x for up to three quarters for acquisitions.

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5% senior notes due 2022 (5% Notes). In October 2014, we issued \$750 million aggregate principal amount of senior unsecured notes due 2022 in an offering not subject to the registration requirements of the Securities Act of 1933, as amended (the Securities Act). In August 2015, we completed a registered exchange offer for the 5% Notes. The 5% Notes bear interest at a fixed rate of 5.000 percent and mature on November 1, 2022. Interest on the 5% Notes is due semiannually on May 1 and November 1 of each year, commencing May 1, 2015. We may redeem the 5% Notes in whole or in part at a redemption price equal to 100% of the principal amount of the notes plus the Applicable Premium, as defined in the indenture governing the 5% Notes. Additionally, at the option of the holders of the notes, we may be required to purchase all or a portion of the notes upon occurrence of a Change of Control Triggering Event as defined in the indenture, at a price equal to 101 percent of the principal amount thereof, plus accrued and unpaid interest to the date of purchase. The indenture contains covenants that limit our ability to, among other things, incur or create liens and enter into sale and leaseback transactions. In addition, the indenture contains a covenant that limits our ability to consolidate or merge with another entity or to sell all or substantially all of our assets to another entity. The indenture contains customary default provisions.

As of February 29, 2016, we were in compliance with all of our debt covenants. We have classified short-term debt based on principal maturities and expected cash availability over the next 12 months. As of February 29, 2016, we had approximately \$1.036 billion of outstanding borrowings under the 2014 revolving facility at a current annual interest rate of 2.44 percent and approximately \$1.206 billion of outstanding borrowings under the 2013 term loan at a current weighted average annual interest rate of 3.24 percent, including the effect of the interest rate swaps described in Note 5.

The carrying value of our debt instruments other than our 5% Notes approximate their fair value because of the variable interest rates associated with those instruments. The fair value of the 5% Notes as of February 29, 2016 was approximately \$774 million, and was measured using observable inputs in markets that are not active; consequently, we have classified the 5% Notes within Level 2 of the fair value hierarchy.

### 5. Derivatives

Our business is exposed to various market risks, including interest rate and foreign currency risks. We utilize derivative instruments to help us manage these risks. We do not hold or issue derivatives for speculative purposes.

#### Interest Rate Swaps

To mitigate interest rate exposure on our outstanding revolving facility debt, we utilize interest rate derivative contracts that effectively swap \$400 million of floating rate debt at a 2.86 percent weighted-average fixed interest rate, plus the applicable spread on our floating rate debt. We entered into these swap contracts in November 2013 and January 2014, and the contracts expire between May and November 2020.

Because the terms of these swaps and the variable rate debt (as amended or extended over time) 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 income/loss (AOCI) in our consolidated balance sheets.

#### Foreign Currency Forwards

To mitigate foreign currency exposure, we utilize short-term foreign currency forward contracts that manage market risks associated with fluctuations in balances that are denominated in currencies other than the local functional currency. We account for these forward contracts at fair value and recognize the associated realized and unrealized gains and losses in other expense, net, since we have not designated these contracts as hedges for accounting purposes.

The following table summarizes the notional amounts of these outstanding foreign currency forward contracts as of February 29, 2016 and November 30, 2015 (in thousands):

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|                                   | February 29, 2016 | November 30, 2015 |
|-----------------------------------|-------------------|-------------------|
| Notional amount of currency pair: |                   |                   |
| Contracts to buy USD with CAD     | \$ 121,936        | \$ —              |
| Contracts to buy CAD with USD     | C\$ 12,436        | C\$ 9,290         |
| Contracts to buy USD with EUR     | \$ 14,746         | \$ 8,508          |
| Contracts to buy CHF with USD     | CHF 21,000        | CHF 19,000        |
| Contracts to buy GBP with EUR     | £ —               | £ 3,495           |
| Contracts to buy EUR with GBP     | € 7,000           | € —               |
| Contracts to buy USD with GBP     | \$ 103,071        | \$ —              |
| Contracts to buy GBP with USD     | £ —               | £ 7,231           |
| Contracts to buy NOK with GBP     | NOK 50,000        | NOK —             |

## Fair Value of Derivatives

Since our derivative instruments are not listed on an exchange, we have evaluated fair value by reference to similar transactions in active markets; consequently, we have classified all of our derivative instruments within Level 2 of the fair value measurement hierarchy. The following table shows the classification, location, and fair value of our derivative instruments as of February 29, 2016 and November 30, 2015 (in thousands):

|  | Fair Value of Derivative Instruments |                   | Location on consolidated balance sheets      |
|--|--------------------------------------|-------------------|--|
|  | February 29, 2016                    | November 30, 2015 |  |
| Assets:  |                                      |                   |  |
| Derivatives not designated as accounting hedges: |                                      |                   |  |
| Foreign currency forwards                        | \$2,073                              | \$51              | Other current assets                         |
| Liabilities:                                     |                                      |                   |  |
| Derivatives designated as accounting hedges:     |                                      |                   |  |
| Interest rate swaps                              | \$30,794                             | \$24,345          | Other accrued expenses and other liabilities |
| Derivatives not designated as accounting hedges: |                                      |                   |  |
| Foreign currency forwards                        | 2,873                                | 363               | Other accrued expenses                       |
| Total  | \$33,667                             | \$24,708          |  |

The net (gain) loss on foreign currency forwards that are not designated as hedging instruments for the three months ended February 29, 2016 and the three months ended February 28, 2015, respectively, was as follows (in thousands):

|                           | Amount of (gain) loss recognized in the consolidated statements of operations |          | Location on consolidated statements of operations |
|---------------------------|---|----------|---|
|                           | Three months ended February 29/28, 2016                                       | 2015     |   |
| Foreign currency forwards | \$(4,974  | ) \$(563 | ) Other expense (income), net                     |

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The following table provides information about the cumulative amount of unrecognized hedge losses recorded in AOCI, net of tax, as of February 29, 2016 and February 28, 2015, respectively, as well as the activity on our cash flow hedging instruments for the three months ended February 29, 2016 and the three months ended February 28, 2015, respectively (in thousands):

|   | Three months ended February 29/28, |              |   |
|---|------------------------------------|--------------|---|
|   | 2016                               | 2015         |   |
| Beginning balance   | \$ (14,557                         | ) \$ (9,482  | ) |
| Amount of gain (loss) recognized in AOCI on derivative:   |                                    |              |   |
| Interest rate swaps                                       | (5,405                             | ) (1,805     | ) |
| Foreign currency forwards                                 | —                                  | 512          |   |
| Amount of loss (gain) reclassified from AOCI into income: |                                    |              |   |
| Interest rate swaps <sup>(1)</sup>                        | 1,503                              | 228          |   |
| Foreign currency forwards <sup>(1)</sup>                  | (97                                | ) (354       | ) |
| Ending balance  | \$ (18,556                         | ) \$ (10,901 | ) |

(1) Pre-tax amounts reclassified from AOCI into income related to interest rate swaps are recorded in interest expense, and pre-tax amounts reclassified from AOCI into income related to foreign currency forwards are recorded in revenue.

The unrecognized gains relating to the foreign currency forwards are expected to be reclassified into revenue within the next 12 months, and approximately \$8.3 million of the \$30.8 million unrecognized pre-tax losses relating to the interest rate swaps are expected to be reclassified into interest expense within the next 12 months.

## 6. Restructuring Charges

During the three months ended February 29, 2016, we eliminated 112 positions as we continued the transition to our new segment operating model and continued to leverage our shared services cost structure. We also incurred additional direct and incremental costs related to lease abandonments, as well as revising a lease abandonment estimate because we secured a sub-tenant much earlier than anticipated. We expect to continue to incur costs related to these and other similar activities in future periods, resulting in additional restructuring charges.

During the three months ended February 29, 2016, we recorded approximately \$5.7 million of restructuring charges for these activities. Of these charges, approximately \$2.8 million was recorded in the Resources segment, \$1.1 million was recorded in the Transportation segment, and \$1.8 million was recorded in the CMS segment.

The following table provides a reconciliation of the restructuring liability as of February 29, 2016 (in thousands):

|                                   | Employee<br>Severance and<br>Other<br>Termination<br>Benefits | Contract<br>Termination<br>Costs | Other | Total    |   |
|-----------------------------------|---|----------------------------------|-------|----------|---|
| Balance at November 30, 2015      | \$8,520   | \$6,218                          | \$108 | \$14,846 |   |
| Add: Restructuring costs incurred | 5,557   | 647                              | —     | 6,204    |   |
| Revision to prior estimates       | 10  | (511                             | ) —   | (501     | ) |
| Less: Amount paid                 | (8,241  | ) (573                           | ) —   | (8,814   | ) |
| Balance at February 29, 2016      | \$5,846   | \$5,781                          | \$108 | \$11,735 |   |

As of February 29, 2016, approximately \$6.8 million of the remaining restructuring liability was in the Resources segment, approximately \$3.0 million was in the Transportation segment, and approximately \$1.8 million was in the CMS segment. Approximately \$8.6 million of the balance is expected to be paid within the next 12 months; the

remaining amount relates to lease abandonments that will be paid over the remaining lease periods through 2021.

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## 7. Acquisition-related Costs

During the three months ended February 29, 2016, we recorded approximately \$3.8 million of direct and incremental costs associated with acquisition-related activities. These costs were primarily incurred for legal and professional fees, but also included accruals for cash payments subject to the continuing employment of certain key employees for one year after the acquisition close date. Most of these costs were recorded in the Transportation segment.

The following table provides a reconciliation of the acquisition-related costs accrued liability as of February 29, 2016 (in thousands):

|                              | Employee<br>Severance and<br>Other<br>Termination<br>Benefits | Contract<br>Termination<br>Costs | Other    | Total    |
|------------------------------|---|----------------------------------|----------|----------|
| Balance at November 30, 2015 | \$—   | \$135                            | \$305    | \$440    |
| Add: Costs incurred          | —   | —                                | 3,789    | 3,789    |
| Revision to prior estimates  | —   | (7                               | ) —      | (7       |
| Less: Amount paid            | —   | (43                              | ) (2,861 | ) (2,904 |
| Balance at February 29, 2016 | \$—   | \$85                             | \$1,233  | \$1,318  |

As of February 29, 2016, the remaining acquisition-related costs accrued liability was almost entirely in the Transportation segment. We expect that the remaining liability will be substantially paid within the next 12 months.

## 8. Discontinued Operations

In October 2015, we announced our intent to divest our OE&RM and GlobalSpec product groups, which are components of our CMS segment, due to a recent portfolio evaluation where we determined that these product groups no longer aligned with our strategic goals. We launched the sales process for both product groups in November 2015 and anticipate completion of the divestitures by the end of 2016. Operating results for discontinued operations for the three months ended February 29, 2016 and February 28, 2015, respectively, were as follows (in thousands):

|   | Three months ended February 29/28, |          |
|---|------------------------------------|----------|
|   | 2016                               | 2015     |
| Revenue   | \$26,841                           | \$32,385 |
| Income from discontinued operations before income taxes | \$5,780                            | \$2,480  |
| Tax expense   | (1,963                             | ) (910   |
| Income from discontinued operations, net                | \$3,817                            | \$1,570  |

## 9. Pensions and Postretirement Benefits

Our net periodic pension expense for the three months ended February 29, 2016 and the three months ended February 28, 2015 consisted of the following (in thousands):

|  | Three months ended February 29/28, |          |
|--|------------------------------------|----------|
|  | 2016                               | 2015     |
| Service costs incurred                         | \$391                              | \$495    |
| Interest costs on projected benefit obligation | 2,072                              | 2,077    |
| Expected return on plan assets                 | (2,152                             | ) (2,177 |
| Net periodic pension expense                   | \$311                              | \$395    |



Our net periodic postretirement expense for the three months ended February 29, 2016 and the three months ended February 28, 2015 consisted of the following (in thousands):

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|                                     | Three months ended February 29/28, |       |
|-------------------------------------|------------------------------------|-------|
|                                     | 2016                               | 2015  |
| Service costs incurred              | \$2                                | \$4   |
| Interest costs                      | 94                                 | 97    |
| Net periodic postretirement expense | \$96                               | \$101 |

## 10. Stock-based Compensation

Stock-based compensation expense for the three months ended February 29, 2016 and the three months ended February 28, 2015 was as follows (in thousands):

|  | Three months ended February 29/28, |          |
|--|------------------------------------|----------|
|  | 2016                               | 2015     |
| Cost of revenue                        | \$1,289                            | \$1,414  |
| Selling, general and administrative    | 28,807                             | 30,459   |
| Total stock-based compensation expense | \$30,096                           | \$31,873 |

Total income tax benefits recognized for stock-based compensation arrangements were as follows (in thousands):

|                     | Three months ended February 29/28, |          |
|---------------------|------------------------------------|----------|
|                     | 2016                               | 2015     |
| Income tax benefits | \$9,578                            | \$10,224 |

No stock-based compensation cost was capitalized during the three months ended February 29, 2016 and the three months ended February 28, 2015.

As of February 29, 2016, there was \$142.2 million of unrecognized stock-based compensation cost, adjusted for estimated forfeitures, related to unvested stock-based awards that will be recognized over a weighted-average period of approximately 1.8 years. Total unrecognized stock-based compensation cost will be adjusted for future changes in estimated forfeitures and changes in estimated achievement of performance goals.

Restricted Stock Units (RSUs). The following table summarizes RSU activity during the three months ended February 29, 2016:

|                              | Shares         | Weighted-Average Grant Date Fair Value |
|------------------------------|----------------|--|
|                              | (in thousands) |  |
| Balance at November 30, 2015 | 2,441          | \$108.74                               |
| Granted                      | 505            | \$104.41                               |
| Vested                       | (840)          | ) \$108.73                             |
| Forfeited                    | (67)           | ) \$115.84                             |
| Balance at February 29, 2016 | 2,039          | \$107.44                               |

The total fair value of RSUs that vested during the three months ended February 29, 2016 was \$85.1 million.

## 11. Income Taxes

Our effective tax rate is estimated based upon the effective tax rate expected to be applicable for the full year. Our effective tax rate for the three months ended February 29, 2016 was 20.2 percent, compared to 17.7 percent for the three months ended February 28, 2015, due to an increase in earnings in higher tax jurisdictions.

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## 12. Commitments and Contingencies

From time to time, we are involved in litigation in the ordinary course of our business, including claims or contingencies that may arise related to matters occurring prior to our acquisition of businesses, such as the matter described below. At the present time, primarily because the matters are generally in early stages, we can give no assurance as to the outcome of any pending litigation to which we are currently a party and we are unable to determine the ultimate resolution of or provide a reasonable estimate of the range of possible loss attributable to these matters or the effect they may have on us. However, we do not expect the outcome of such proceedings to have a material adverse effect on our results of operations or financial condition. We have and will continue to vigorously defend ourselves against these claims.

On April 23, 2013 (prior to our acquisition of R.L. Polk & Co.), our CARFAX subsidiary (CARFAX) was served with a complaint filed in the U.S. District Court for the Southern District of New York, purportedly on behalf of certain auto and light truck dealers. The complaint alleges, among other things, that, in violation of antitrust laws, CARFAX entered into exclusive arrangements regarding the sale of CARFAX vehicle history reports with certain auto manufacturers and owners of two websites providing classified listings of used autos and light trucks. The complaint seeks three times the actual damages that a jury finds the plaintiffs have sustained, injunctive relief, costs and attorneys' fees. On October 25, 2013, the plaintiffs served a second amended complaint with similar allegations purporting to name approximately 469 auto dealers as plaintiffs, and counsel for plaintiffs have indicated that there may be additional claimants. There are significant legal and factual issues to be determined. We believe, however, that the probability that the outcome of the litigation will have a material adverse effect on our results of operations or financial condition is remote.

## 13. Common Stock and Earnings per Share

Weighted-average shares of Class A common stock outstanding for the three months ended February 29, 2016 and the three months ended February 28, 2015 were calculated as follows (in thousands):

|  | Three months ended February 29/28, |        |
|--|------------------------------------|--------|
|  | 2016                               | 2015   |
| Weighted-average shares outstanding:   |                                    |        |
| Shares used in basic EPS calculation   | 67,428                             | 68,701 |
| Effect of dilutive securities:         |                                    |        |
| Restricted stock units                 | 656                                | 602    |
| Shares used in diluted EPS calculation | 68,084                             | 69,303 |

## Share Repurchase Programs

In June 2015, our board of directors authorized us to repurchase up to \$500 million of our Class A common stock in open market purchases or through privately negotiated transactions in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended (the Exchange Act), subject to market conditions, applicable legal requirements and other relevant factors. The repurchase program does not obligate IHS to repurchase any set dollar amount or number of shares and is scheduled to expire on November 30, 2017, but may be suspended at any time at our discretion. The amount authorized under this program is inclusive of share repurchases of our Class A common stock surrendered by employees in an amount equal to the statutory tax liability associated with the vesting of their equity awards, for which we pay the statutory tax on behalf of the employee. During the first quarter of 2016, we repurchased 648,854 shares on the open market under this program for a total of approximately \$75.0 million, at an average price of approximately \$115.58 per share. Since inception of the program, we have repurchased a total of 1,865,851 shares for approximately \$215.0 million, at an average price of approximately \$115.24 per share.



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## 14. Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in AOCI by component (net of tax) for the three months ended February 29, 2016 (in thousands):

|   | Foreign<br>currency<br>translation | Net pension<br>and OPEB<br>liability | Unrealized<br>losses on<br>hedging<br>activities | Total          |
|---|------------------------------------|--------------------------------------|--|----------------|
| Balance at November 30, 2015                      | \$(163,507                         | ) \$(13,149                          | ) \$(14,557                                      | ) \$(191,213 ) |
| Other comprehensive loss before reclassifications | (22,102                            | ) —                                  | (5,405   | ) (27,507 )    |
| Reclassifications from AOCI to income             | —                                  | —                                    | 1,406  | 1,406          |
| Balance at February 29, 2016                      | \$(185,609                         | ) \$(13,149                          | ) \$(18,556                                      | ) \$(217,314 ) |

## 15. Segment Information

We prepare our financial reports and analyze our business results within our three operating segments: Resources, Transportation, and CMS. 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 product category.

Information about the operations of our three segments is set forth below. No single customer accounted for 10% or more of our total revenue for the three months ended February 29, 2016 and the three months ended February 28, 2015. 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 postretirement expense, corporate-level impairments, and gain (loss) on sale of corporate assets.

|                                      | Resources      | Transportation | CMS       | Shared<br>Services | Consolidated<br>Total |
|--------------------------------------|----------------|----------------|-----------|--------------------|-----------------------|
|                                      | (In thousands) |                |           |                    |                       |
| Three months ended February 29, 2016 |                |                |           |                    |                       |
| Revenue                              | \$215,922      | \$199,676      | \$132,848 | \$—                | \$548,446             |
| Operating income                     | \$59,381       | \$43,055       | \$15,667  | \$(38,591          | ) \$79,512            |
| Depreciation and amortization        | \$24,465       | \$26,032       | \$10,062  | \$(44              | ) \$60,515            |
| Three months ended February 28, 2015 |                |                |           |                    |                       |
| Revenue                              | \$217,569      | \$175,716      | \$120,591 | \$—                | \$513,876             |
| Operating income                     | \$56,459       | \$40,639       | \$5,875   | \$(40,027          | ) \$62,946            |
| Depreciation and amortization        | \$21,149       | \$19,932       | \$9,747   | \$54               | \$50,882              |

Revenue by transaction type was as follows (in thousands):

|                          | Three months ended February 29/28,<br>2016 | 2015      |
|--------------------------|--|-----------|
| Subscription revenue     | \$443,159                                  | \$429,264 |
| Non-subscription revenue | 105,287                                    | 84,612    |
| Total revenue            | \$548,446                                  | \$513,876 |

Revenue by geography was as follows (in thousands):

|               | Three months ended February 29/28,<br>2016 | 2015      |
|---------------|--|-----------|
| Americas      | \$376,135                                  | \$340,830 |
| EMEA          | 118,841                                    | 120,643   |
| APAC          | 53,470                                     | 52,403    |
| Total revenue | \$548,446                                  | \$513,876 |



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16. Subsequent Event

On March 21, 2016, we announced that we had entered into an agreement and plan of merger, dated as of March 20, 2016, with Markit Ltd., a Bermuda company (Markit), and Marvel Merger Sub, Inc., a Delaware corporation and an indirect and wholly-owned subsidiary of Markit (Merger Sub), pursuant to which Merger Sub will merge with and into IHS, with IHS surviving such merger as an indirect wholly-owned subsidiary of Markit. Upon completion of the merger, IHS stockholders will receive 3.5566 common shares of Markit for each share of IHS Class A common stock. The completion of the merger is subject to customary closing conditions, including regulatory approvals and approval by both IHS stockholders and Markit shareholders.

17. Supplemental Guarantor Information

Our 5% Notes are fully and unconditionally guaranteed on a senior unsecured basis, jointly and severally, by the following wholly owned subsidiaries of IHS Inc. (collectively, the Guarantor Subsidiaries):

- IHS Holding Inc.
- IHS Global Inc.
- R.L. Polk & Co.
- CARFAX, Inc.

The guarantees of our 5% Notes by the Guarantor Subsidiaries contain customary release provisions, which provide for the termination of such guarantees upon (i) the sale or other disposition (including by way of consolidation or merger) of the Guarantor Subsidiary or the sale or disposition of all or substantially all the assets of the Guarantor Subsidiary (in each case other than to the parent company (IHS Inc.) or another subsidiary of the parent company), (ii) the defeasance of the 5% Notes, (iii) at such time as the Guarantor Subsidiary ceases to be a guarantor of any significant indebtedness of the company, or (iv) if approved by the holders of the 5% Notes (except as provided in the indenture governing the 5% Notes).

The following supplemental tables present condensed consolidating financial information for the parent company, the Guarantor Subsidiaries on a combined basis, and the non-guarantor subsidiaries on a combined basis.

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## CONDENSED CONSOLIDATING BALANCE SHEET

AS OF FEBRUARY 29, 2016

(In thousands)

|  | IHS Inc.    | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminating<br>Entries | Consolidated |
|--|-------------|---------------------------|-------------------------------|------------------------|--------------|
| Assets                                       |             |                           |                               |                        |              |
| Current assets:                              |             |                           |                               |                        |              |
| Cash and cash equivalents                    | \$—         | \$5,024                   | \$55,475                      | \$—                    | \$60,499     |
| Accounts receivable, net                     | —           | 219,516                   | 189,328                       | —                      | 408,844      |
| Income tax receivable                        | 8,629       | —                         | 4,585                         | (8,629)                | 4,585        |
| Deferred subscription costs                  | —           | 61,695                    | 30,762                        | (33,480)               | 58,977       |
| Intercompany receivables                     | 491,008     | 29,199                    | 187,170                       | (707,377)              | —            |
| Assets held for sale                         | —           | 103,738                   | 95,086                        | —                      | 198,824      |
| Other  | 1,831       | 49,785                    | 22,433                        | —                      | 74,049       |
| Total current assets                         | 501,468     | 468,957                   | 584,839                       | (749,486)              | 805,778      |
| Non-current assets:                          |             |                           |                               |                        |              |
| Property and equipment, net                  | —           | 272,374                   | 46,965                        | —                      | 319,339      |
| Intangible assets, net                       | —           | 758,739                   | 580,657                       | —                      | 1,339,396    |
| Goodwill                                     | —           | 2,320,688                 | 1,742,124                     | —                      | 4,062,812    |
| Deferred income taxes                        | 36,452      | —                         | 6,630                         | (36,452)               | 6,630        |
| Investment in subsidiaries                   | 2,923,101   | 3,631,974                 | —                             | (6,555,075)            | —            |
| Intercompany notes receivable                | —           | 187,741                   | 1,280,749                     | (1,468,490)            | —            |
| Other  | 9,750       | 17,650                    | 1,083                         | —                      | 28,483       |
| Total non-current assets                     | 2,969,303   | 7,189,166                 | 3,658,208                     | (8,060,017)            | 5,756,660    |
| Total assets                                 | \$3,470,771 | \$7,658,123               | \$4,243,047                   | \$(8,809,503)          | \$6,562,438  |
| Liabilities and stockholders' equity         |             |                           |                               |                        |              |
| Current liabilities:                         |             |                           |                               |                        |              |
| Short-term debt                              | \$34,376    | \$553,782                 | \$—                           | \$—                    | \$588,158    |
| Accounts payable                             | —           | 25,374                    | 24,870                        | —                      | 50,244       |
| Accrued compensation                         | —           | 46,899                    | 15,935                        | —                      | 62,834       |
| Accrued royalties                            | —           | 29,523                    | 6,059                         | —                      | 35,582       |
| Other accrued expenses                       | 13,000      | 70,835                    | 54,199                        | —                      | 138,034      |
| Income tax payable                           | —           | —                         | 23,909                        | (8,629)                | 15,280       |
| Deferred revenue                             | —           | 366,987                   | 329,752                       | (33,481)               | 663,258      |
| Intercompany payables                        | —           | 629,942                   | 77,434                        | (707,376)              | —            |
| Liabilities held for sale                    | —           | 26,881                    | 15,141                        | —                      | 42,022       |
| Total current liabilities                    | 47,376      | 1,750,223                 | 547,299                       | (749,486)              | 1,595,412    |
| Long-term debt                               | 1,265,625   | 1,144,418                 | —                             | —                      | 2,410,043    |
| Accrued pension and postretirement liability | 18,517      | 7,971                     | (190)                         | —                      | 26,298       |
| Deferred income taxes                        | —           | 256,062                   | 97,853                        | (36,452)               | 317,463      |
| Intercompany notes payable                   | —           | 1,280,749                 | 187,741                       | (1,468,490)            | —            |
| Other liabilities                            | 96          | 56,677                    | 17,292                        | —                      | 74,065       |
| Total stockholders' equity                   | 2,139,157   | 3,162,023                 | 3,393,052                     | (6,555,075)            | 2,139,157    |
| Total liabilities and stockholders' equity   | \$3,470,771 | \$7,658,123               | \$4,243,047                   | \$(8,809,503)          | \$6,562,438  |





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## CONDENSED CONSOLIDATING BALANCE SHEET

AS OF NOVEMBER 30, 2015

(In thousands)

|  | IHS Inc.    | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminating<br>Entries | Consolidated |
|--|-------------|---------------------------|-------------------------------|------------------------|--------------|
| Assets                                       |             |                           |                               |                        |              |
| Current assets:                              |             |                           |                               |                        |              |
| Cash and cash equivalents                    | \$—         | \$21,048                  | \$ 270,532                    | \$—                    | \$291,580    |
| Accounts receivable, net                     | —           | 192,889                   | 163,024                       | —                      | 355,913      |
| Income tax receivable                        | 42,663      | —                         | 3,021                         | (41,099 )              | 4,585        |
| Deferred subscription costs                  | —           | 52,210                    | 30,082                        | (29,540 )              | 52,752       |
| Intercompany receivables                     | 465,915     | 38,381                    | 179,798                       | (684,094 )             | —            |
| Assets held for sale                         | —           | 99,743                    | 93,634                        | —                      | 193,377      |
| Other  | 1,681       | 38,220                    | 17,234                        | —                      | 57,135       |
| Total current assets                         | 510,259     | 442,491                   | 757,325                       | (754,733 )             | 955,342      |
| Non-current assets:                          |             |                           |                               |                        |              |
| Property and equipment, net                  | —           | 267,422                   | 46,944                        | —                      | 314,366      |
| Intangible assets, net                       | —           | 768,029                   | 246,662                       | —                      | 1,014,691    |
| Goodwill                                     | —           | 2,274,422                 | 1,013,037                     | —                      | 3,287,459    |
| Deferred income taxes                        | 58,471      | —                         | 6,630                         | (58,471 )              | 6,630        |
| Investment in subsidiaries                   | 2,416,961   | 3,045,096                 | —                             | (5,462,057 )           | —            |
| Intercompany notes receivable                | —           | —                         | 724,778                       | (724,778 )             | —            |
| Other  | 10,181      | 11,130                    | 1,282                         | —                      | 22,593       |
| Total non-current assets                     | 2,485,613   | 6,366,099                 | 2,039,333                     | (6,245,306 )           | 4,645,739    |
| Total assets                                 | \$2,995,872 | \$6,808,590               | \$ 2,796,658                  | \$(7,000,039 )         | \$5,601,081  |
| Liabilities and stockholders' equity         |             |                           |                               |                        |              |
| Current liabilities:                         |             |                           |                               |                        |              |
| Short-term debt                              | \$—         | \$36,019                  | \$—                           | \$—                    | \$36,019     |
| Accounts payable                             | 5           | 39,689                    | 19,486                        | —                      | 59,180       |
| Accrued compensation                         | —           | 69,889                    | 35,588                        | —                      | 105,477      |
| Accrued royalties                            | —           | 25,985                    | 7,321                         | —                      | 33,306       |
| Other accrued expenses                       | 3,453       | 74,055                    | 40,709                        | —                      | 118,217      |
| Income tax payable                           | —           | 64,077                    | 362                           | (41,100 )              | 23,339       |
| Deferred revenue                             | —           | 321,766                   | 260,272                       | (29,540 )              | 552,498      |
| Intercompany payables                        | 22,721      | 549,783                   | 122,855                       | (695,359 )             | —            |
| Liabilities held for sale                    | —           | 12,402                    | 19,695                        | —                      | 32,097       |
| Total current liabilities                    | 26,179      | 1,193,665                 | 506,288                       | (765,999 )             | 960,133      |
| Long-term debt                               | 750,000     | 1,345,183                 | —                             | —                      | 2,095,183    |
| Accrued pension and postretirement liability | 18,260      | 8,188                     | 297                           | —                      | 26,745       |
| Deferred income taxes                        | —           | 259,764                   | 46,965                        | (47,205 )              | 259,524      |
| Intercompany notes payable                   | —           | 724,778                   | —                             | (724,778 )             | —            |
| Other liabilities                            | 556         | 40,755                    | 17,308                        | —                      | 58,619       |
| Total stockholders' equity                   | 2,200,877   | 3,236,257                 | 2,225,800                     | (5,462,057 )           | 2,200,877    |
| Total liabilities and stockholders' equity   | \$2,995,872 | \$6,808,590               | \$ 2,796,658                  | \$(7,000,039 )         | \$5,601,081  |

Table of ContentsCONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2016

(In thousands)

|   | IHS Inc.  | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminating<br>Entries | Consolidated |
|---|-----------|---------------------------|-------------------------------|------------------------|--------------|
| Revenue   | \$—       | \$403,813                 | \$ 160,807                    | \$(16,174 )            | \$548,446    |
| Operating expenses:   |           |                           |                               |                        |              |
| Cost of revenue   | —         | 217,957                   | 9,012                         | (16,174 )              | 210,795      |
| Selling, general and administrative                             | 3,085     | 117,949                   | 65,481                        | —                      | 186,515      |
| Depreciation and amortization                                   | —         | 43,039                    | 17,476                        | —                      | 60,515       |
| Restructuring charges   | —         | 3,700                     | 2,003                         | —                      | 5,703        |
| Acquisition-related costs                                       | —         | 656                       | 3,126                         | —                      | 3,782        |
| Net periodic pension and postretirement<br>expense              | 8         | 510                       | (111 )                        | —                      | 407          |
| Other expense, net  | —         | 1,100                     | 117                           | —                      | 1,217        |
| Total operating expenses  | 3,093     | 384,911                   | 97,104                        | (16,174 )              | 468,934      |
| Operating income (loss)   | (3,093 )  | 18,902                    | 63,703                        | —                      | 79,512       |
| Interest income   | —         | 1,790                     | 264                           | (1,790 )               | 264          |
| Interest expense  | (9,806 )  | (19,172 )                 | (952 )                        | 1,790                  | (28,140 )    |
| Non-operating expense, net                                      | (9,806 )  | (17,382 )                 | (688 )                        | —                      | (27,876 )    |
| Income (loss) from continuing operations<br>before income taxes | (12,899 ) | 1,520                     | 63,015                        | —                      | 51,636       |
| Benefit (provision) for income taxes                            | 5,095     | (600 )                    | (14,904 )                     | —                      | (10,409 )    |
| Income (loss) from continuing operations                        | (7,804 )  | 920                       | 48,111                        | —                      | 41,227       |
| Income from discontinued operations, net                        | —         | 1,851                     | 1,966                         | —                      | 3,817        |
| Equity in net income of subsidiaries                            | 52,848    | 50,077                    | —                             | (102,925 )             | —            |
| Net income  | \$45,044  | \$52,848                  | \$ 50,077                     | \$(102,925 )           | \$45,044     |

Table of ContentsCONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE THREE MONTHS ENDED FEBRUARY 28, 2015

(In thousands)

|   | IHS Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminating<br>Entries | Consolidated |
|---|----------|---------------------------|-------------------------------|------------------------|--------------|
| Revenue   | \$—      | \$364,375                 | \$ 165,649                    | \$(16,148 )            | \$513,876    |
| Operating expenses:   |          |                           |                               |                        |              |
| Cost of revenue   | —        | 204,738                   | 11,755                        | (16,148 )              | 200,345      |
| Selling, general and administrative                             | 4,054    | 118,961                   | 63,433                        | —                      | 186,448      |
| Depreciation and amortization                                   | —        | 35,784                    | 15,098                        | —                      | 50,882       |
| Restructuring charges   | —        | 7,662                     | 5,759                         | —                      | 13,421       |
| Acquisition-related costs                                       | —        | 126                       | 50                            | —                      | 176          |
| Net periodic pension and postretirement<br>expense              | 7        | 568                       | (79 )                         | —                      | 496          |
| Other expense (income), net                                     | —        | (1,762 )                  | 924                           | —                      | (838 )       |
| Total operating expenses  | 4,061    | 366,077                   | 96,940                        | (16,148 )              | 450,930      |
| Operating income (loss)   | (4,061 ) | (1,702 )                  | 68,709                        | —                      | 62,946       |
| Interest income   | 3,907    | 39                        | 871                           | (4,657 )               | 160          |
| Interest expense  | (9,791 ) | (7,682 )                  | (4,178 )                      | 4,657                  | (16,994 )    |
| Non-operating expense, net                                      | (5,884 ) | (7,643 )                  | (3,307 )                      | —                      | (16,834 )    |
| Income (loss) from continuing operations<br>before income taxes | (9,945 ) | (9,345 )                  | 65,402                        | —                      | 46,112       |
| Benefit (provision) for income taxes                            | 3,928    | 3,687                     | (15,777 )                     | —                      | (8,162 )     |
| Income (loss) from continuing operations                        | (6,017 ) | (5,658 )                  | 49,625                        | —                      | 37,950       |
| Income from discontinued operations, net                        | —        | 677                       | 893                           | —                      | 1,570        |
| Equity in net income of subsidiaries                            | 45,537   | 50,518                    | —                             | (96,055 )              | —            |
| Net income  | \$39,520 | \$45,537                  | \$ 50,518                     | \$(96,055 )            | \$39,520     |

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## CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

|                                      | IHS Inc.  | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminating<br>Entries | Consolidated |
|--------------------------------------|-----------|---------------------------|-------------------------------|------------------------|--------------|
| Three months ended February 29, 2016 |           |                           |                               |                        |              |
| Comprehensive income                 | \$ 18,943 | \$ 26,844                 | \$ 27,878                     | \$(54,722 )            | \$ 18,943    |
| Three months ended February 28, 2015 |           |                           |                               |                        |              |
| Comprehensive income                 | \$ 1,637  | \$ 7,495                  | \$ 14,213                     | \$(21,708 )            | \$ 1,637     |

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FOR THE THREE MONTHS ENDED FEBRUARY 29, 2016

(In thousands)

|  | IHS Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminating<br>Entries | Consolidated |
|--|----------|---------------------------|-------------------------------|------------------------|--------------|
| Net cash provided by operating activities  | \$—      | \$98,925                  | \$ 52,977                     | \$—                    | \$ 151,902   |
| Investing activities:  |          |                           |                               |                        |              |
| Capital expenditures on property and equipment   | —        | (23,236 )                 | (1,254 )                      | —                      | (24,490 )    |
| Acquisitions of businesses, net of cash acquired   | —        | (653,906 )                | (459,534 )                    | —                      | (1,113,440 ) |
| Change in other assets   | —        | 2,059                     | —                             | —                      | 2,059        |
| Settlements of forward contracts   | —        | —                         | 5,482                         | —                      | 5,482        |
| Advances provided to other subsidiaries  | —        | (190,749 )                | (555,000 )                    | 745,749                | —            |
| Investment in subsidiaries   | —        | (551,351 )                | —                             | 551,351                | —            |
| Net cash used in investing activities  | —        | (1,417,183 )              | (1,010,306 )                  | 1,297,100              | (1,130,389 ) |
| Financing activities:  |          |                           |                               |                        |              |
| Proceeds from borrowings   | —        | 1,061,000                 | —                             | —                      | 1,061,000    |
| Repayment of borrowings  | —        | (194,001 )                | —                             | —                      | (194,001 )   |
| Payment of debt issuance costs   | —        | (15,430 )                 | —                             | —                      | (15,430 )    |
| Repurchases of common stock  | —        | (104,335 )                | —                             | —                      | (104,335 )   |
| Advances received from other subsidiaries  | —        | 555,000                   | 190,749                       | (745,749 )             | —            |
| Proceeds from issuance of intercompany equity  | —        | —                         | 551,351                       | (551,351 )             | —            |
| Net cash provided by financing activities  | —        | 1,302,234                 | 742,100                       | (1,297,100 )           | 747,234      |
| Foreign exchange impact on cash balance  | —        | —                         | (695 )                        | —                      | (695 )       |
| Net decrease in cash and cash equivalents  | —        | (16,024 )                 | (215,924 )                    | —                      | (231,948 )   |
| Cash and cash equivalents at the beginning of the period   | —        | 21,048                    | 272,100                       | —                      | 293,148      |
| Cash and cash equivalents at the end of the period   | —        | 5,024                     | 56,176                        | —                      | 61,200       |
| Less: Cash and cash equivalents associated with discontinued operations at the end of the period | —        | —                         | (701 )                        | —                      | (701 )       |
| Cash and cash equivalents from continuing operations at the end of the period                    | \$—      | \$5,024                   | \$ 55,475                     | \$—                    | \$60,499     |

Table of ContentsCONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDED FEBRUARY 28, 2015

(In thousands)

|  | IHS Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminating<br>Entries | Consolidated |
|--|----------|---------------------------|-------------------------------|------------------------|--------------|
| Net cash provided by operating activities  | \$—      | \$76,763                  | \$ 111,275                    | \$—                    | \$188,038    |
| Investing activities:  |          |                           |                               |                        |              |
| Capital expenditures on property and equipment   | —        | (35,984 )                 | (2,828 )                      | —                      | (38,812 )    |
| Acquisitions of businesses, net of cash acquired   | —        | (122,845 )                | (45,773 )                     | —                      | (168,618 )   |
| Change in other assets   | —        | (1,779 )                  | —                             | —                      | (1,779 )     |
| Settlements of forward contracts   | —        | —                         | 1,666                         | —                      | 1,666        |
| Investment in subsidiaries   | —        | (100 )                    | —                             | 100                    | —            |
| Net cash used in investing activities  | —        | (160,708 )                | (46,935 )                     | 100                    | (207,543 )   |
| Financing activities:  |          |                           |                               |                        |              |
| Proceeds from borrowings   | —        | 170,000                   | —                             | —                      | 170,000      |
| Repayment of borrowings  | —        | (38,987 )                 | (285 )                        | —                      | (39,272 )    |
| Excess tax benefit from stock-based compensation   | —        | 5,128                     | —                             | —                      | 5,128        |
| Repurchases of common stock  | —        | (53,271 )                 | —                             | —                      | (53,271 )    |
| Proceeds from issuance of intercompany equity  | —        | —                         | 100                           | (100 )                 | —            |
| Net cash provided by (used in) financing activities  | —        | 82,870                    | (185 )                        | (100 )                 | 82,585       |
| Foreign exchange impact on cash balance  | —        | —                         | (6,517 )                      | —                      | (6,517 )     |
| Net increase (decrease) in cash and cash equivalents   | —        | (1,075 )                  | 57,638                        | —                      | 56,563       |
| Cash and cash equivalents at the beginning of the period   | —        | 32,314                    | 120,842                       | —                      | 153,156      |
| Cash and cash equivalents at the end of the period   | —        | 31,239                    | 178,480                       | —                      | 209,719      |
| Less: Cash and cash equivalents associated with discontinued operations at the end of the period | —        | —                         | —                             | —                      | —            |
| Cash and cash equivalents from continuing operations at the end of the period                    | \$—      | \$31,239                  | \$ 178,480                    | \$—                    | \$209,719    |

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader understand the financial condition and results of operations of IHS Inc. (IHS, we, us, or our) as of and for the periods presented. The following discussion should be read in conjunction with our annual report on Form 10-K for the year ended November 30, 2015 and the Condensed Consolidated Financial Statements and accompanying notes included in this quarterly report on Form 10-Q. References to 2016 are to our fiscal year 2016, which began on December 1, 2015 and ends on November 30, 2016.

#### Executive Summary

#### Business Overview

We are a leading source of information, insight, and analytics in critical areas that shape today's business landscape. Businesses and governments in more than 140 countries rely on our comprehensive content, expert independent analysis, and flexible delivery methods. Our aim is to embed our solutions within the entire spectrum of our customers' organizations, enabling executive-level capital deployment strategies and following decision-making activities throughout their organizations to front-line employees tasked with managing their company's complex core daily operations. We have been in business since 1959 and became a publicly traded company on the New York Stock Exchange in 2005. Headquartered in Englewood, Colorado, USA, we are committed to sustainable, profitable growth and employ nearly 9,000 people in 33 countries around the world.

To best serve our customers, we recently reorganized our business into the following three industry- and workflow-focused segments:

- Resources, which includes our Energy and Chemicals product offerings;
- Transportation, which includes our Automotive; Maritime & Trade; and Aerospace, Defense & Security product offerings; and
- Consolidated Markets & Solutions, which includes our Product Design; Technology, Media & Telecom (TMT); and Economics & Country Risk (ECR) product offerings.

We believe that this sales and operating model helps our customers do business with us by providing a cohesive, consistent, and effective product, sales, and marketing approach by segment.

Subscriptions represented approximately 81 percent of our total revenue in the first quarter of 2016. Our subscription agreements are typically annual and non-cancellable for the term of the subscription and may contain provisions for minimum monthly payments. Our subscription revenue is generally stable and predictable, and we have long-term relationships with many of our customers.

Our business has seasonal aspects. Our fourth quarter typically generates our highest quarterly levels of revenue and profit. Conversely, our first quarter generally has our lowest levels of revenue and profit. We also experience event-driven seasonality in our business; for instance, IHS Energy CERAWeek (CERAWeek), an annual energy executive gathering, was held during our second quarter in 2015 and was held during our first quarter in 2016. Another example is the biennial release of the Boiler Pressure Vessel Code (BPVC) engineering standard, which generates revenue for us predominantly in the third quarter of every other year. We most recently recognized a benefit in connection with the BPVC release in the third quarter of 2015.

In 2016, we expect to better align and focus our operations through our new operating segment structure, which we believe will simplify our operating model and improve our operational performance by driving greater speed, clarity,



and accountability. We are specifically focused on aligning our organizational structure, optimizing product platforms, and simplifying our capital allocation.

#### Key Performance Indicators

We believe that revenue growth, Adjusted EBITDA (both in dollars and margin), and free cash flow are key financial measures of our success. Adjusted EBITDA and free cash flow are financial measures that are not prepared in accordance with U.S. generally accepted accounting principles (non-GAAP).

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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 in which we operate. 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 movements. 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 or enhanced product 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. We also include the impact of divestitures in this growth metric.

**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 believe it is important to measure the impact of foreign currency movements on revenue.

In addition to measuring and reporting revenue by segment, we also measure and report revenue by transaction type and geography. Understanding revenue by transaction type helps us identify broad changes in product mix, while revenue by geography provides us with information about regional dynamics. We summarize our transaction type revenue into the following two categories:

**Subscription revenue** represents the significant majority of our revenue, and consists of subscriptions to our various information offerings and software maintenance.

**Non-subscription revenue** represents consulting (e.g., research and analysis, modeling, and forecasting), services, single-document product sales, software license sales and associated services, conferences and events, and advertising. Our non-subscription products and services are an important part of our business because they complement our subscription business in creating strong and comprehensive customer relationships.

**Non-GAAP measures.** We use non-GAAP financial measures such as EBITDA, Adjusted EBITDA, and free cash flow in our operational and financial decision-making. We believe 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 these 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 website ([www.ihs.com](http://www.ihs.com)), we provide reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures.

**EBITDA and Adjusted EBITDA.** EBITDA and Adjusted EBITDA are used by many of our investors, research analysts, investment bankers, and lenders to assess our operating performance. For example, a measure similar to Adjusted EBITDA is required by the lenders under our term loan and revolving credit agreements. 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 primarily non-cash items and other items that we do not consider to be useful in assessing our operating performance (e.g., stock-based compensation expense, restructuring charges,

acquisition-related costs, asset impairment charges, gain or loss on sale of assets, gain or loss on debt extinguishment, pension mark-to-market and settlement expense, and income or loss from discontinued operations).

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

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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.

## Strategic Acquisitions and Divestitures

We paid a total purchase price of approximately \$1.1 billion for the two acquisitions we completed during the first quarter of 2016, reflecting our narrowed focus on fewer, larger deals. Our consolidated financial statements include the results of operations and cash flows for these business combinations beginning on their respective dates of acquisition.

During 2015, we conducted a complete review of our entire business portfolio. As a result of that review, we determined that the OE&RM and GlobalSpec product offerings no longer fit with our strategic goals, and in the fourth quarter of 2015, we decided to divest those product groups. We are currently marketing these product groups for sale. These product groups have been classified as discontinued operations in the accompanying financial statements and footnotes. We will continue to evaluate the long-term potential and strategic fit of all of our assets.

For a more detailed description of our recent acquisition and divestiture activity, see Notes 2 and 8 of "Item 1 - Financial Statements - Notes to Consolidated Financial Statements" in Part I of this Form 10-Q.

## Global Operations

Approximately 40 percent of our revenue is transacted outside of the United States; however, only about 20 percent 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 historically resulted in a negative impact on our revenue; conversely, a weakening U.S. dollar has historically resulted in 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 are the British Pound, the Canadian Dollar, and the Euro.

## Results of Operations

## Total Revenue

First quarter 2016 revenue increased 7 percent compared to the first quarter of 2015. The table below displays the percentage change in revenue due to organic, acquisitive, and foreign currency factors when comparing the three months ended February 29, 2016 to the three months ended February 28, 2015.

| (All amounts represent percentage points) | Change in Total Revenue |             |                  | )% |
|---|-------------------------|-------------|------------------|----|
|   | Organic                 | Acquisitive | Foreign Currency |    |
| First quarter 2016 vs. first quarter 2015 | 3                       | % 5         | % (2             | )% |

Organic growth for the three months ended February 29, 2016, compared to the three months ended February 28, 2015, was attributable to 1 percent subscription organic growth and 14 percent non-subscription organic growth. Non-subscription organic revenue growth benefited by approximately \$14 million from our CERAWEEK event that was held in the first quarter this year versus the second quarter last year. Normalizing for the timing of that event, our non-subscription organic revenue growth was negative 3 percent and our total organic revenue growth was 1 percent. Our Transportation segment continues to perform very well, with organic revenue growth of 10 percent, offset by negative Resources organic revenue growth from continued market pressure in our energy product offerings. Our CMS organic revenue growth was stable at 4 percent for the quarter.

Acquisitive revenue growth for the three months ended February 29, 2016, compared to the three months ended February 28, 2015, was due to acquisitions we made in the last 12 months, including the following:

- Dataium and RootMetrics in the second quarter of 2015, and
- CARPROOF and OPIS in the first quarter of 2016.

Foreign currency had an adverse effect on our year-over-year revenue growth as the U.S. dollar continued to maintain its strength against foreign currencies. We continue to see significant uncertainty in the foreign currency markets.

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## Revenue by Segment

| (In thousands, except percentages) | Three months ended February 29/28,<br>2016 |  | 2015      |  | Percentage<br>Change |
|------------------------------------|--|--|-----------|--|----------------------|
| Revenue:                           |  |  |           |  |                      |
| Resources                          | \$215,922                                  |  | \$217,569 |  | (1)%                 |
| Transportation                     | 199,676                                    |  | 175,716   |  | 14%                  |
| CMS                                | 132,848                                    |  | 120,591   |  | 10%                  |
| Total revenue                      | \$548,446                                  |  | \$513,876 |  | 7%                   |
| As a percent of total revenue:     |  |  |           |  |                      |
| Resources                          | 39   |  | % 42      |  | %                    |
| Transportation                     | 36   |  | % 34      |  | %                    |
| CMS                                | 24   |  | % 23      |  | %                    |

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

| (All amounts represent percentage points) | Increase (decrease) in revenue<br>First quarter 2016 vs. first quarter 2015 |             |                     |
|---|---|-------------|---------------------|
|   | Organic   | Acquisitive | Foreign<br>Currency |
| Resources                                 | (2)   | )% 3        | % (2)               |
| Transportation                            | 10  | % 5         | % (1)               |
| CMS                                       | 4   | % 8         | % (2)               |

Resources revenue for the three months ended February 29, 2016, compared to the three months ended February 28, 2015, continues to be negatively affected by the significant headwinds in the energy industries, experiencing a negative 7 percent organic subscription growth rate. During the first quarter of 2016, on a constant currency basis, our Resources organic subscription base, which represents the annualized value of subscription contracts, declined approximately \$20 million, or about 3 percent, on a subscription base of approximately \$700 million as of the beginning of the year. We anticipate continued pressure on our Resources organic subscription base through the second quarter of 2016 as we continue to cycle through a full year of renewals in the challenged energy environment. The negative Resources organic subscription growth was partially offset by a 28 percent non-subscription organic growth rate related to the timing of the CERAWEEK event. Normalizing for the timing impact of that event, Resources non-subscription organic growth was a negative 23 percent and total Resources organic revenue growth was a negative 9 percent for the quarter.

Transportation revenue for the three months ended February 29, 2016, compared to the three months ended February 28, 2015, experienced solid organic subscription and non-subscription growth at 10 percent and 9 percent, respectively. We continue to see strong organic growth in our automotive product category and stable organic growth in the other Transportation product categories.

CMS revenue for the three months ended February 29, 2016, compared to the three months ended February 28, 2015, experienced stable organic subscription growth at 4 percent and organic non-subscription growth at 3 percent.

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## Revenue by Transaction Type

| (in thousands, except percentages) | Three months ended February 29/28, |           | Percent change |         |   |
|------------------------------------|------------------------------------|-----------|----------------|---------|---|
|                                    | 2016                               | 2015      | Total          | Organic |   |
| Revenue:                           |                                    |           |                |         |   |
| Subscription                       | \$443,159                          | \$429,264 | 3              | % 1     | % |
| Non-subscription                   | 105,287                            | 84,612    | 24             | % 14    | % |
| Total revenue                      | \$548,446                          | \$513,876 | 7              | % 3     | % |
| As a percent of total revenue:     |                                    |           |                |         |   |
| Subscription                       | 81                                 | % 84      | %              |         |   |
| Non-subscription                   | 19                                 | % 16      | %              |         |   |

Subscription revenue grew at 1 percent organically for the three months ended February 29, 2016, compared to the three months ended February 28, 2015, with Transportation subscription offerings providing the largest contribution to the growth, CMS subscription offerings growing at a steady pace, and Resources subscription offerings declining as a result of the reduction in the energy subscription base in 2015 and into 2016. We expect continued pressure on our Resources organic subscription growth rate throughout 2016.

Non-subscription revenue increased 14 percent organically for the three months ended February 29, 2016, compared to the three months ended February 28, 2015, primarily due to the CERAWeek event in the first quarter of 2016. Normalizing for the timing of that event, our non-subscription organic revenue growth was negative 3 percent, which was entirely due to softness in the energy offerings in our Resources segment.

## Revenue by Region

| (in thousands, except percentages) | Three months ended February 29/28, |           | Percent change |         |   |
|------------------------------------|------------------------------------|-----------|----------------|---------|---|
|                                    | 2016                               | 2015      | Total          | Organic |   |
| Revenue:                           |                                    |           |                |         |   |
| Americas                           | \$376,135                          | \$340,830 | 10             | % 4     | % |
| EMEA                               | 118,841                            | 120,643   | (1)            | )% —    | % |
| APAC                               | 53,470                             | 52,403    | 2              | % 3     | % |
| Total revenue                      | \$548,446                          | \$513,876 | 7              | % 3     | % |
| As a percent of total revenue:     |                                    |           |                |         |   |
| Americas                           | 69                                 | % 66      | %              |         |   |
| EMEA                               | 22                                 | % 23      | %              |         |   |
| APAC                               | 10                                 | % 10      | %              |         |   |

Americas organic revenue growth increased 4 percent for the three months ended February 29, 2016, compared to the three months ended February 28, 2015, and included organic subscription growth of 2 percent and organic non-subscription growth of 14 percent, largely due to the CERAWeek timing.

EMEA organic revenue growth was flat for the three months ended February 29, 2016, compared to the three months ended February 28, 2015, and included organic subscription growth of negative 2 percent and organic non-subscription growth of 16 percent, again largely due to the CERAWeek timing. Total revenue growth was negatively affected by the strong U.S. dollar, as foreign currency exchange rates had a negative 3 percent impact on EMEA revenue growth.

APAC organic revenue growth increased 3 percent for the three months ended February 29, 2016, compared to the three months ended February 28, 2015, and included organic subscription growth of 2 percent and organic

non-subscription growth of 9 percent. The organic non-subscription growth was again largely due to the CERAWeek timing.



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## Operating Expenses

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

| (In thousands, except percentages)     | Three months ended February 29/28, |           | Percentage |   |
|--|------------------------------------|-----------|------------|---|
|  | 2016                               | 2015      | Change     |   |
| Operating expenses:                    |                                    |           |            |   |
| Cost of revenue                        | \$210,795                          | \$200,345 | 5          | % |
| SG&A expense                           | 186,515                            | 186,448   | —          | % |
| Total cost of revenue and SG&A expense | \$397,310                          | \$386,793 | 3          | % |
| Depreciation and amortization expense  | \$60,515                           | \$50,882  | 19         | % |
| As a percent of revenue:               |                                    |           |            |   |
| Total cost of revenue and SG&A expense | 72                                 | % 75      |            | % |
| Depreciation and amortization expense  | 11                                 | % 10      |            | % |

## Cost of Revenue and SG&amp;A Expense

In managing our business, we evaluate our costs by type (e.g., salaries) rather than by income statement classification. As a percent of revenue, cost of revenue and SG&A expense decreased primarily because of ongoing cost management in a lower revenue growth environment, the transition to our new segment operating model and associated simplification and reduction of centralized functions, and reductions in equity compensation, as further discussed below. We have also seen an improvement in this percentage as we seek to increase our subscription-based offerings, which typically carry higher margins than our non-subscription offerings. The decrease was partially offset by an increase in cost of revenue associated with the CERAWEEK event that was held in the first quarter this year versus the second quarter last year.

Within our cost of revenue and SG&A expense, stock-based compensation expense declined primarily as a result of reducing the number of awards granted to employees.

## Depreciation and Amortization Expense

For the three months ended February 29, 2016, compared to the three months ended February 28, 2015, depreciation and amortization expense increased primarily as a result of an increase in depreciable and amortizable assets from capital expenditures and acquisitions.

## Restructuring Charges

Please refer to Note 6 to the Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q for a discussion of our restructuring activities. During the three months ended February 29, 2016, we incurred approximately \$5.7 million of restructuring charges, primarily for severance related to resource refinement and alignment across our new segment structure, as well as other restructuring costs related to lease abandonments.

During the three months ended February 29, 2016, we eliminated 112 positions related to these activities. We expect to continue to incur costs related to similar activities in future periods, resulting in additional restructuring charges.

## Acquisition-related Costs

Please refer to Note 7 to the Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q for a discussion of costs associated with our integration and other acquisition-related activities. During the three months ended February 29, 2016, we recorded approximately \$3.8 million of direct and incremental costs associated with acquisition-related activities, primarily legal and professional fees, as well as accruals for cash payments subject to the continuing employment of certain key employees.

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## Operating Income by Segment

| (In thousands, except percentages) | Three months ended February 29/28, |           | Percentage |   |
|------------------------------------|------------------------------------|-----------|------------|---|
|                                    | 2016                               | 2015      | Change     |   |
| Operating income:                  |                                    |           |            |   |
| Resources                          | \$59,381                           | \$56,459  | 5          | % |
| Transportation                     | 43,055                             | 40,639    | 6          | % |
| CMS                                | 15,667                             | 5,875     | 167        | % |
| Shared services                    | (38,591                            | ) (40,027 | )          |   |
| Total operating income             | \$79,512                           | \$62,946  | 26         | % |
| As a percent of segment revenue:   |                                    |           |            |   |
| Resources                          | 28                                 | % 26      |            | % |
| Transportation                     | 22                                 | % 23      |            | % |
| CMS                                | 12                                 | % 5       |            | % |

For the three months ended February 29, 2016, compared to the three months ended February 28, 2015, operating income as a percentage of revenue for the Resources segment increased primarily because of the impact of the movement of CERAWEEK to the first quarter of 2016. For the three months ended February 29, 2016, compared to the three months ended February 28, 2015, Transportation segment operating income as a percentage of revenue decreased primarily as a result of increased depreciation and amortization expense associated with recent acquisitions and capital expenditures, as well as higher acquisition-related costs. For the three months ended February 29, 2016, compared to the three months ended February 28, 2015, CMS segment operating income as a percentage of revenue increased primarily as a result of increased sales and higher margins, the acquisition of RootMetrics, and lower restructuring charges.

## Provision for Income Taxes

Our effective tax rate for the three months ended February 29, 2016 was 20.2 percent, compared to 17.7 percent for the three months ended February 28, 2015, due to an increase in earnings in higher tax jurisdictions.

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## EBITDA and Adjusted EBITDA (non-GAAP measures)

The following table provides reconciliations of our net income to EBITDA and Adjusted EBITDA for the three months ended February 29, 2016 and February 28, 2015.

| (In thousands, except percentages)         | Three months ended February 29/28, |           | Percentage |   |
|--|------------------------------------|-----------|------------|---|
|  | 2016                               | 2015      | Change     | % |
| Net income                                 | \$45,044                           | \$39,520  | 14         | % |
| Interest income                            | (264                               | ) (160    | )          |   |
| Interest expense                           | 28,140                             | 16,994    |            |   |
| Provision for income taxes                 | 10,409                             | 8,162     |            |   |
| Depreciation                               | 23,536                             | 19,797    |            |   |
| Amortization                               | 36,979                             | 31,085    |            |   |
| EBITDA                                     | \$143,844                          | \$115,398 | 25         | % |
| Stock-based compensation expense           | 30,096                             | 31,873    |            |   |
| Restructuring charges                      | 5,703                              | 13,421    |            |   |
| Acquisition-related costs                  | 3,782                              | 176       |            |   |
| Income from discontinued operations, net   | (3,817                             | ) (1,570  | )          |   |
| Adjusted EBITDA                            | \$179,608                          | \$159,298 | 13         | % |
| Adjusted EBITDA as a percentage of revenue | 32.7                               | % 31.0    | %          |   |

Our Adjusted EBITDA for the three months ended February 29, 2016, compared to the three months ended February 28, 2015, increased primarily because of our increased efforts on managing costs in a lower revenue growth environment. We expect to continue improving margins as a result of the recent realignment to our new segment structure and other operating efficiencies, including reductions in marketing, sales operations, and sales support.

## Financial Condition

| (In thousands, except percentages) | As of February 29,<br>2016 | As of November 30,<br>2015 | Dollar change | Percent change |    |
|------------------------------------|----------------------------|----------------------------|---------------|----------------|----|
| Accounts receivable, net           | \$408,844                  | \$355,913                  | \$52,931      | 15             | %  |
| Accrued compensation               | \$62,834                   | \$105,477                  | \$(42,643)    | (40)           | )% |
| Deferred revenue                   | \$663,258                  | \$552,498                  | \$110,760     | 20             | %  |

The increase in accounts receivable is primarily due to the fact that we typically have the highest level of subscription renewals in our first and fourth quarters, and this trend has continued in 2016. The decrease in accrued compensation is primarily due to the 2015 bonus payout made in the first quarter of 2016, partially offset by the current year accrual. The increase in deferred revenue is primarily due to timing of billings in 2016.

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## Liquidity and Capital Resources

As of February 29, 2016, we had cash and cash equivalents of \$60 million, of which approximately \$52 million was held by our foreign subsidiaries. Cash held by our foreign subsidiaries could be subject to U.S. federal income tax if we were to decide to repatriate any of that cash to the U.S.; however, our intent is to permanently reinvest these funds outside of the U.S. and our current plans do not indicate a need to repatriate cash to fund our operations in jurisdictions outside of where such cash is held. We also had approximately \$3.00 billion of debt as of February 29, 2016, consisting primarily of \$750 million of senior notes, \$1.04 billion of revolving facility debt, and \$1.21 billion of term loan debt. As of February 29, 2016, we had approximately \$264 million available under our revolving credit facility.

Our interest expense for the three months ended February 29, 2016, compared to the three months ended February 28, 2015, increased primarily because of a higher portion of fixed rate debt, as well as a higher average debt balance as a result of acquisitions and share repurchases. We expect that our interest expense will continue to be higher in 2016 primarily due to the full-year impact of our \$400 million floating-to-fixed interest rate swaps, higher floating rate costs due to recent rate increases and an elevated leverage ratio, and higher debt balance.

In June 2015, we announced a \$500 million repurchase program for share repurchases through November 2017. This new repurchase program does not obligate us to repurchase any set dollar amount or number of shares. The amount authorized under the program includes open market share repurchases, as well as repurchases for stock surrendered by employees in an amount equal to the statutory tax liability associated with the vesting of their equity awards, for which we pay the statutory tax on behalf of the employee. Since inception of the program, we have repurchased approximately \$215 million of share value. As a result of our acquisitions of CARPROOF and OPIS, we have suspended our open market share repurchases as we focus on reducing our leverage ratio. As of February 29, 2016, our Leverage Ratio was 3.7x.

Because of our cash, debt, and cash flow positions, we believe we will have sufficient liquidity to meet our ongoing working capital and capital expenditure needs. Our future capital requirements will depend on many factors, including the number and magnitude of future acquisitions and share repurchase programs, the need for additional facilities or facility improvements, the timing and extent of spending to support product development efforts, information technology infrastructure investments, investments in our internal business applications, and the continued market acceptance of our offerings. We could be required, or could elect, to seek additional funding through public or private equity or debt financings; however, additional funds may not be available on terms acceptable to us. We expect that our capital expenditures for 2015 will be approximately 5 percent of revenue.

## Cash Flows

| (In thousands, except percentages)        | Three months ended February 29/28, |              |               |                |
|---|------------------------------------|--------------|---------------|----------------|
|   | 2016                               | 2015         | Dollar change | Percent change |
| Net cash provided by operating activities | \$151,902                          | \$188,038    | \$(36,136 )   | (19 )%         |
| Net cash used in investing activities     | \$(1,130,389 )                     | \$(207,543 ) | \$(922,846 )  | 445 %          |
| Net cash provided by financing activities | \$747,234                          | \$82,585     | \$664,649     | 805 %          |

The decrease in net cash provided by operating activities was primarily due to increased cash payments associated with interest expense in 2016, as well as less favorable working capital generation due to reduced Energy sales.

The increase in net cash used in investing activities was principally due to the acquisitions of CARPROOF and OPIS in the first quarter of 2016.

The increase in net cash provided by financing activities in 2016 was principally used to help finance our acquisitions and share repurchase activities in the first quarter of 2016.

Free Cash Flow (non-GAAP measure)

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

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| (In thousands, except percentages)             | Three months ended February 29/28, |            |               |                |
|--|------------------------------------|------------|---------------|----------------|
|  | 2016                               | 2015       | Dollar change | Percent change |
| Net cash provided by operating activities      | \$ 151,902                         | \$ 188,038 |               |                |
| Capital expenditures on property and equipment | (24,490                            | ) (38,812  | )             |                |
| Free cash flow                                 | \$ 127,412                         | \$ 149,226 | \$(21,814     | ) (15          |

The decrease in free cash flow was due to moderating working capital generation in the first quarter of 2016, compared to 2015. Our free cash flow has historically been positive due to the robust cash generation attributes of our business model, 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.

**Credit Facility and Other Debt**

Please refer to Note 4 to the Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q for a discussion of the current status of our debt arrangements.

**Share Repurchase Programs**

Please refer to Note 13 to the Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q and 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 of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in our annual report on Form 10-K for fiscal year 2015 for a discussion of the estimates and judgments necessary in our accounting for revenue recognition, business combinations, goodwill and other intangible assets, income taxes, pension and postretirement benefits, and stock-based compensation.

**Recent Accounting Pronouncements**

Please refer to Note 1 to the Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q for a discussion of recent accounting pronouncements and their anticipated effect on our business.

**Item 3. Quantitative and Qualitative Disclosures 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 2015.

Borrowings under the 2014 revolving facility and 2013 term loan are subject to variable interest rates. We use interest rate swaps in order to fix a portion of our variable rate debt as part of our overall interest rate risk management strategy. As of February 29, 2016, we had approximately \$2.242 billion of floating-rate debt at a 2.47 percent weighted-average interest rate, of which \$400 million was subject to effective floating-to-fixed interest rate swaps. A hypothetical increase in interest rates of 100 basis points applied to our floating rate indebtedness would increase our

annual interest expense by approximately \$18 million (\$22 million without giving effect to any of our interest rate swaps).



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Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our 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 Exchange Act, as of the end of the period covered by this report. Based on that evaluation, our 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 SEC'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 quarterly report on 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

Please refer to Note 12 to the Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q for information about legal proceedings.

Item 1A. Risk Factors

There have been no material changes to the risk factors associated with our business previously disclosed in Part I of our annual report on Form 10-K for fiscal year 2015.

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## 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 February 29, 2016.

|                                 | Total<br>Number of<br>Shares<br>Purchased | Average<br>Price Paid<br>per Share | Total Number of Shares<br>Purchased as Part of<br>Publicly Announced<br>Plans or Programs | Maximum Dollar<br>Value of Shares That<br>May Yet Be Purchased<br>Under the Plans or<br>Programs (in<br>thousands) |
|---------------------------------|---|------------------------------------|---|--|
| December 1 - December 31, 2015: |   |                                    |   |  |
| Share repurchase programs (1)   | 395,654                                   | \$ 117.05                          | 395,654   | \$ 341,793   |
| Employee transactions (2)       | 9,940                                     | \$ 119.92                          | N/A   | N/A  |
| January 1 - January 31, 2016:   |   |                                    |   |  |
| Share repurchase programs (1)   | 253,200                                   | \$ 113.28                          | 253,200   | \$ 296,363   |
| Employee transactions (2)       | 168,464                                   | \$ 99.41                           | N/A   | N/A  |
| February 1 - February 29, 2015: |   |                                    |   |  |
| Share repurchase programs (1)   | —   | \$ —                               | —   | \$ 284,972   |
| Employee transactions (2)       | 111,279                                   | \$ 102.36                          | N/A   | N/A  |
| Total share repurchases         | 938,537                                   | \$ 111.16                          | 648,854   |  |

(1) In June 2015, our board of directors authorized us to repurchase up to \$500 million of our Class A common stock (the June 2015 Program). We may repurchase shares in open market purchases or through privately negotiated transactions in compliance with Rule 10b-18 of the Exchange Act, subject to market conditions, applicable legal requirements, and other relevant factors. The June 2015 Program does not obligate us to repurchase any set dollar amount or number of shares and is scheduled to expire on November 30, 2017, but may be suspended at any time at our discretion. The amount authorized under the June 2015 Program is inclusive of share repurchases of our Class A common stock surrendered by employees in an amount equal to the statutory tax liability associated with the vesting of their equity awards, for which we pay the statutory tax on behalf of the employee, as previously approved by our board of directors.

(2) Amounts represent common shares 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.

## Item 5. Other Information

## Iran Threat Reduction and Syria Human Rights Act Disclosure

Under the Iran Threat Reduction and Syrian Human Rights Act of 2012, which added Section 13(r) of the Exchange Act, we are required to include certain disclosures in our periodic reports if we or any of our affiliates knowingly engaged in certain specified activities during the period covered by the report. Disclosure is generally required even if the transactions or dealings were conducted in compliance with applicable law and regulations. During the third quarter of 2014, we acquired Global Trade Information Services, a Virginia corporation (“GTIS”). GTIS publishes the Global Trade Atlas (the “GTA”), an online trade data system offering global merchandise trade statistics such as import and export data from official sources in more than 65 countries. Included in the GTA is certain trade data sourced from Iran for which GTIS pays an annual fee of approximately \$30,000. The procurement of this information is exempt from applicable economic sanctions laws and regulations as a funds transfer related to the exportation or importation of information and informational materials. Sales attributable to this Iranian trade data represented approximately \$75,000 in gross revenue for GTIS in the first quarter of 2016 and would have represented approximately 0.01 percent of our first quarter 2016 consolidated revenues and gross profits. Subject to any changes

in the exempt status of such activities, we intend to continue these business activities as permissible under applicable export control and economic sanctions laws and regulations.

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## Item 6. Exhibits

## (a) Index of Exhibits

The following exhibits are filed as part of this report:

| Exhibit Number | Description   |
|----------------|---|
| 10.1           | Second Amendment to Credit Agreement by and among IHS Inc., certain of its subsidiaries, Bank of America, N.A., Bank of America, N.A. (Canada Branch), JPMorgan Chase Bank, N.A., JPMorgan Chase Bank, N.A., Toronto Branch, Royal Bank of Canada, Wells Fargo Bank N.A., Compass Bank, TD Bank, N.A., Citizens Bank, N.A., PNC Bank, National Association, U.S. Bank National Association, Goldman Sachs Bank USA, HSBC Bank USA, N.A., Sumitomo Mitsui Banking Corporation, BNP Paribas, Bank of the West, SunTrust Bank, Morgan Stanley Bank, N.A. and The Bank of Tokyo-Mitsubishi UFJ, Ltd., dated as of February 10, 2016 |
| 10.2           | Second Amendment to Credit Agreement by and among IHS Inc., IHS Global Inc., Bank of America, N.A., JPMorgan Chase Bank, N.A., Royal Bank of Canada, Wells Fargo Bank N.A., Compass Bank, TD Bank, N.A., Sumitomo Mitsui Banking Corporation, Citizens Bank, N.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd., PNC Bank, National Association, U.S. Bank National Association, Goldman Sachs Bank USA, HSBC Bank USA, N.A., BNP Paribas, Bank of the West, and SunTrust Bank, dated as of February 10, 2016   |
| 10.3           | Employment Agreement by and between IHS Inc. and Jonathan Gear, dated as of June 1, 2014  |
| 10.4           | Summary of Nonemployee Director Compensation Program  |
| 31.1           | Certification of the Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act   |
| 31.2           | Certification of the Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act   |
| 32             | Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002   |
| 101.INS        | XBRL Instance Document  |
| 101.SCH        | XBRL Taxonomy Extension Schema Document   |
| 101.CAL        | XBRL Taxonomy Extension Calculation Linkbase Document   |
| 101.DEF        | XBRL Taxonomy Extension Definition Linkbase Document  |
| 101.LAB        | XBRL Taxonomy Extension Label Linkbase Document   |
| 101.PRE        | XBRL Taxonomy Extension Presentation Linkbase Document  |



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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 21, 2016.

IHS INC.

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