

IHS Inc.  
Form 10-Q  
March 22, 2007

**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 28, 2007

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)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**13-3769440**  
(IRS Employer  
Identification No.)

**15 Inverness Way East  
Englewood, CO 80112**

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(Address of Principal Executive Offices)

**(303) 790-0600**

(Registrant's telephone number, including area code)

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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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

As of February 28, 2007, there were 44,826,213 shares of our Class A Common Stock outstanding and 13,750,000 shares of our Class B Common Stock outstanding.

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**SIGNATURE**

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

IHS INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands except share data)

	As of February 28, 2007 (Unaudited)	As of November 30, 2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 186,214	\$ 180,034
Short-term investments	21	2,076
Accounts receivable, net	160,882	151,300
Deferred subscription costs	37,123	33,293
Deferred income taxes	10,001	7,758
Other	7,394	6,461
Total current assets	401,635	380,922
Non-current assets:		
Property and equipment, net	52,281	53,096
Intangible assets, net	66,527	65,962
Goodwill, net	353,870	350,896
Prepaid pension asset	93,161	92,488
Other	976	937
Total non-current assets	566,815	563,379
Total assets	\$ 968,450	\$ 944,301
<b>Liabilities and stockholders equity</b>		
Current liabilities:		
Short-term debt	\$	\$ 500
Accounts payable	36,611	45,622
Accrued compensation	15,222	30,788
Accrued royalties	22,516	22,801
Other accrued expenses	36,848	36,047
Income tax payable	13,183	11,484
Deferred subscription revenue	221,961	191,229
Total current liabilities	346,341	338,471
Long-term debt	37	74
Accrued pension liability	12,737	12,309
Accrued post-retirement benefits	17,468	18,200
Deferred income taxes	4,587	2,788
Other liabilities	6,252	6,891
Minority interests	167	377
Commitments and contingencies		
Stockholders equity:		
Class A common stock, \$0.01 par value per share, 80,000,000 shares authorized, 45,254,550 and 45,265,794 shares issued, 44,826,213 and 45,042,232 shares outstanding at February 28, 2007 and November 30, 2006, respectively	453	453
Class B common stock, \$0.01 par value per share, 13,750,000 shares authorized, issued and outstanding at February 28, 2007 and November 30, 2006	138	138
Additional paid in capital	182,652	175,027
	(15,314)	(7,551)

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Treasury stock, at cost: 428,337 and 223,562 shares at February 28, 2007 and November 30, 2006, respectively			
Retained earnings	418,406		400,029
Accumulated other comprehensive loss	(5,474)	)	(2,905)
Total stockholders' equity	580,861		565,191
Total liabilities and stockholders' equity	\$ 968,450		\$ 944,301

See accompanying notes.

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**IHS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands except per-share amounts)

	Three Months Ended February 28,	
	2007	2006
	(Unaudited)	
<b>Revenue:</b>		
Products	\$ 122,979	\$ 106,582
Services	29,642	23,284
Total revenue	152,621	129,866
<b>Operating expenses:</b>		
Cost of revenue:		
Products	48,733	45,673
Services	17,005	15,190
Total cost of revenue (includes stock-based compensation expense of \$351 and \$1,095 for the three months ended February 28, 2007 and 2006, respectively)	65,738	60,863
Selling, general and administrative (includes stock-based compensation expense of \$6,985 and \$2,571 for the three months ended February 28, 2007 and 2006, respectively)	57,891	45,165
Depreciation and amortization	4,580	3,370
Restructuring and offering charges	(9)	2
Gain on sales of assets, net	(751)	
Net periodic pension and post-retirement benefits	(268)	(516)
Earnings in unconsolidated subsidiaries	(44)	(28)
Other income, net	(400)	(403)
Total operating expenses	126,737	108,453
<b>Operating income</b>	<b>25,884</b>	<b>21,413</b>
Interest income	1,654	914
Interest expense	(133)	(85)
Non-operating income, net	1,521	829
Income from continuing operations before income taxes and minority interests	27,405	22,242
Provision for income taxes	(9,043)	(7,473)
Income from continuing operations before minority interests	18,362	14,769
Minority interests	15	(25)
Income from continuing operations	18,377	14,744
Discontinued operations:		
Loss from discontinued operations, net		(1,280)
<b>Net income</b>	<b>\$ 18,377</b>	<b>\$ 13,464</b>
Income from continuing operations per share:		
Basic (Class A and Class B common stock)	\$ 0.32	\$ 0.26
Diluted (Class A and Class B common stock)	\$ 0.32	\$ 0.26
Loss from discontinued operations per share:		
Basic (Class A and Class B common stock)	\$	(0.02)
Diluted (Class A and Class B common stock)	\$	(0.02)
Net income per share:		
Basic (Class A and Class B common stock)	\$ 0.32	\$ 0.24
Diluted (Class A and Class B common stock)	\$ 0.32	\$ 0.24
Weighted average shares:		
Basic (Class A common stock)	43,844	42,125
Basic (Class B common stock)	13,750	13,750
Diluted (Class A common stock)	57,698	56,062
Diluted (Class B common stock)	13,750	13,750

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See accompanying notes.

**IHS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	Three Months Ended February 28,			
	2007		2006	
	(Unaudited)			
<b>Operating activities</b>				
Net income	\$	18,377	\$	13,464
Reconciliation of net income to net cash provided by operating activities:				
Depreciation and amortization		4,580		3,370
Stock-based compensation expense		7,336		3,920
Gain on sales of assets, net		(751)		)
Impairment of assets of discontinued operations				1,012
Non-cash net periodic pension and post-retirement benefits		(980)		(726)
Undistributed earnings of unconsolidated subsidiaries, net		(44)		)
Minority interests		(206)		)
Deferred income taxes		(447)		)
702				
Change in assets and liabilities:				
Accounts receivable, net		(10,523)		(10,183)
Other current assets		(4,797)		(1,658)
Accounts payable		(8,841)		)
Accrued expenses		(14,662)		(15,629)
Income taxes		1,883		(601)
Deferred subscription revenue		32,172		28,425
<b>Net cash provided by operating activities</b>		<b>23,097</b>		<b>22,508</b>
<b>Investing activities</b>				
Capital expenditures on property and equipment		(3,305)		(2,368)
Change in other assets		(1,137)		)
1,991				
Purchase of investments				(5,113)
Sales and maturities of investments		2,008		6,458
Acquisitions of businesses, net of cash acquired		(8,269)		(32,976)
Proceeds from sales of assets		2,461		)
<b>Net cash used in investing activities</b>		<b>(8,242)</b>		<b>(32,008)</b>
<b>Financing activities</b>				
Net payments on debt		(537)		(16)
Tax benefit from equity compensation plans		104		1,969
Repurchases of common stock		(7,763)		)
<b>Net cash provided by (used in) financing activities</b>		<b>(8,196)</b>		<b>1,953</b>
Foreign exchange impact on cash balance		(479)		)
911				
Net increase (decrease) in cash and cash equivalents		6,180		(6,636)
Cash and cash equivalents at the beginning of the period		180,034		132,365
Cash and cash equivalents at the end of the period	\$	186,214	\$	125,729

See accompanying notes.



IHS INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

(In thousands)

Shares of Class A Common Stock	Class A Common Stock	Shares of Class B Common Stock	Class B Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
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