IHS Inc.
Form 10-Q
September 24, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 31, 2012

OR

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

For the transition period from to

Commission file number 001-32511

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

Delaware	13-3769440
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

15 Inverness Way East
Englewood, CO 80112
(Address of Principal Executive Offices)
(303) 790-0600
(Registrant's telephone number, including area code)

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

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

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

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

As of August 31, 2012, there were 65,937,011 shares of our Class A Common Stock outstanding.

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

	As of August 31, 2012 (Unaudited)	As of November 30, 2011 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	$298,433	$234,685
Accounts receivable, net	289,548	326,009
Income tax receivable	19,932	25,194
Deferred subscription costs	45,229	43,136
Deferred income taxes	53,026	45,253
Other	27,924	23,801
Total current assets	734,092	698,078
Non-current assets:		
Property and equipment, net	157,995	128,418
Intangible assets, net	578,597	514,949
Goodwill, net	1,959,663	1,722,312
Prepaid pension asset	9,042	—
Other	8,783	9,280
Total non-current assets	2,714,080	2,374,959
Total assets	$3,448,172	$3,073,037
Liabilities and stockholders' equity		
Current liabilities:		
Short-term debt	$170,208	$144,563
Accounts payable	36,795	32,428
Accrued compensation	45,140	57,516
Accrued royalties	19,101	26,178
Other accrued expenses	67,138	69,000
Deferred revenue	516,188	487,172
Total current liabilities	854,570	816,857
Long-term debt	837,503	658,911
Accrued pension liability	7,672	59,460
Accrued postretirement benefits	9,006	9,200
Deferred income taxes	148,234	123,895
Other liabilities	22,548	19,985
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, $0.01 par value per share, 160,000,000 shares authorized, 67,621,367 and 67,527,344 shares issued, and 65,937,011 and 65,121,884 shares outstanding at August 31, 2012 and November 30, 2011, respectively	676	675
Additional paid-in capital	671,378	636,440
Treasury stock, at cost: 1,684,356 and 2,405,460 shares at August 31, 2012 and November 30, 2011, respectively	(101,711)	(133,803)

Retained earnings	1,042,367	930,619
Accumulated other comprehensive loss	(44,071)	(49,202)
Total stockholders’ equity	1,568,639	1,384,729
Total liabilities and stockholders’ equity	$3,448,172	$3,073,037

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 August 31,		Nine Months Ended August 31,	
	2012	2011	2012	2011
Revenue:				
Products	$339,946	$295,328	$964,444	832,006
Services	45,663	43,390	151,067	122,976
Total revenue	385,609	338,718	1,115,511	954,982
Operating expenses:				
Cost of revenue:				
Products	132,577	120,638	392,931	343,437
Services	21,169	23,376	72,676	68,448
Total cost of revenue (includes stock-based compensation expense of $1,488; $854; $4,467 and $2,638 for the three and nine months ended August 31, 2012 and 2011, respectively)	153,746	144,014	465,607	411,885
Selling, general and administrative (includes stock-based compensation expense of $29,050; $21,570; $86,465 and $61,175 for the three and nine months ended August 31, 2012 and 2011, respectively)	138,519	117,352	390,540	324,792
Depreciation and amortization	31,390	23,496	86,683	62,411
Restructuring charges	967	—	12,080	702
Acquisition-related costs	2,104	1,540	3,472	6,089
Net periodic pension and postretirement expense	2,001	835	5,998	2,383
Other expense (income), net	622	(197)	(680)	416
Total operating expenses	329,349	287,040	963,700	808,678
Operating income	56,260	51,678	151,811	146,304
Interest income	255	163	674	654
Interest expense	(5,057)	(2,967)	(14,837)	(6,774)
Non-operating expense, net	(4,802)	(2,804)	(14,163)	(6,120)
Income from continuing operations before income taxes	51,458	48,874	137,648	140,184
Provision for income taxes	(7,384)	(8,183)	(25,908)	(27,951)
Income from continuing operations	44,074	40,691	111,740	112,233
Income from discontinued operations, net	8	118	8	454
Net income	$44,082	$40,809	$111,748	112,687
Basic earnings per share:				
Income from continuing operations	$0.67	$0.63	$1.70	$1.73
Income from discontinued operations, net	$—	$—	$—	$0.01
Net income	$0.67	$0.63	$1.70	$1.74
Weighted average shares used in computing basic earnings per share	65,992	65,022	65,795	64,864

Diluted earnings per share:				
Income from continuing operations	$0.66	$0.62	$1.68	$1.71
Income from discontinued operations, net	$—	$—	$—	$0.01
Net income	$0.66	$0.62	$1.68	$1.72
Weighted average shares used in computing diluted earnings per share	66,808	65,677	66,602	65,555

See accompanying notes.

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

	Nine Months Ended August 31, 2012	2011
Operating activities:		
Net income	$111,748	$112,687
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	86,683	62,411
Stock-based compensation expense	90,932	63,813
Excess tax benefit from stock-based compensation	(13,181)	(9,182)
Net periodic pension and postretirement expense	5,998	2,110
Pension and postretirement contributions	(67,023)	—
Deferred income taxes	(7,082)	11,120
Change in assets and liabilities:		
Accounts receivable, net	46,177	35,737
Other current assets	(4,435)	(3,471)
Accounts payable	7,806	(7,838)
Accrued expenses	(30,678)	(26,439)
Income tax payable	16,742	(13,874)
Deferred revenue	2,505	25,832
Other liabilities	64	336
Net cash provided by operating activities	246,256	253,242
Investing activities:		
Capital expenditures on property and equipment	(49,699)	(45,373)
Acquisitions of businesses, net of cash acquired	(306,268)	(699,992)
Intangible assets acquired	(3,700)	(2,985)
Change in other assets	1,658	(1,203)
Settlements of forward contracts	(3,058)	(2,849)
Net cash used in investing activities	(361,067)	(752,402)
Financing activities:		
Proceeds from borrowings	680,001	870,000
Repayment of borrowings	(476,399)	(353,368)
Payment of debt issuance costs	(740)	(6,326)
Excess tax benefit from stock-based compensation	13,181	9,182
Proceeds from the exercise of employee stock options	2,938	2,144
Repurchases of common stock	(35,358)	(28,032)
Net cash provided by financing activities	183,623	493,600
Foreign exchange impact on cash balance	(5,064)	7,697
Net increase in cash and cash equivalents	63,748	2,137
Cash and cash equivalents at the beginning of the period	234,685	200,735
Cash and cash equivalents at the end of the period	$298,433	$202,872

See accompanying notes.

IHS INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands)

	Shares of Class A Common Stock	Class A Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at November 30, 2011 (Audited)	65,122	$675	$636,440	$(133,803)	$930,619	$ (49,202)	$1,384,729
Stock-based award activity	815	1	21,757	32,092	—	—	53,850
Excess tax benefit on vested shares	—	—	13,181	—	—	—	13,181
Net income	—	—	—	—	111,748	—	111,748
Other comprehensive income, net of tax:							
Unrealized losses on hedging activities	—	—	—	—	—	(457)	(457)
Foreign currency translation adjustments	—	—	—	—	—	5,588	5,588
Comprehensive income, net of tax	—	—	—	—	—	—	116,879
Balance at August 31, 2012	65,937	$676	$671,378	$(101,711)	$1,042,367	$ (44,071)	$1,568,639

See accompanying notes.

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IHS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation and Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements of IHS Inc. (IHS, we, our, or us) have been prepared on substantially the same basis as our annual consolidated financial statements and should be read in conjunction with our annual report on Form 10-K, as amended, for the year ended November 30, 2011. 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. These trends have been further amplified by the product mix from recent acquisitions, which tend to generate a larger proportion of their sales in the fourth quarter. We also experience event-driven seasonality in our business; for instance, IHS CERAWeek, an annual energy executive gathering, is held during our second quarter. Another example is the triennial release of the Boiler Pressure Vessel Code (BPVC) engineering standard, which generates revenue for us predominantly in the third quarter of every third year. The BPVC benefit most recently occurred in the third quarter of 2010.
Recent Accounting Pronouncements

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

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

In July 2012, the FASB issued guidance on testing indefinite-lived intangible assets for impairment that will become effective for us in the first quarter of 2013; however, early adoption is permitted. The new guidance permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. We are currently evaluating whether we will elect to adopt this new qualitative approach to impairment testing prior to the first quarter of 2013, but we do not expect that the adoption of this standard will have an impact on our consolidated financial statements.

2. Business Combinations

During the nine months ended August 31, 2012, we completed the following acquisitions:

Acquisitions announced March 5, 2012. On March 5, 2012, we announced the completion of three strategic acquisitions: Displaybank Co., Ltd., a global authority in market research and consulting for the flat-panel display industry; the Computer Assisted Product Selection (CAPS™) electronic components database and tools business, including CAPS Expert, from PartMiner Worldwide; and certain digital oil and gas pipeline and infrastructure information assets from Hild Technology Services. The combined purchase price of the transactions was approximately $44 million. We expect that Displaybank will deepen our Asia Pacific research and analysis capabilities, that the CAPS family of products will significantly enhance our existing electronic parts information business, and that the digital oil and gas pipeline and infrastructure business will help us deliver a more robust product offering for energy producers and refiners in North America.

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IMS Group Holdings Ltd. (IMS Research). On March 22, 2012, we acquired IMS Research, a leading independent provider of market research and consultancy to the global electronics industry, for approximately $44 million in cash, net of cash acquired. The acquisition of IMS Research will help us expand our products and services in the technology, media and telecommunications value chain, and we expect that it will better position us to deliver a more robust product offering to our customers in the global technology marketplace.

BDW Automotive GmbH (BDW). On March 29, 2012, we acquired BDW, a leader in the development of information and planning systems and intelligent processing of vehicle databases for the automotive industry, for approximately $7 million, net of cash acquired. We expect that this acquisition will significantly expand our capabilities in the automotive dealer and aftermarket data and systems market.

XēDAR Corporation (XēDAR). On May 11, 2012, we acquired XēDAR for approximately $28 million in cash, net of cash acquired. XēDAR is a leading developer and provider of geospatial information products and services. We expect that XēDAR’s proprietary geographic and land information system solutions will provide a valuable contribution to our energy technical information and analytical tools.

CyberRegs. On July 2, 2012, we acquired the CyberRegs business from Citation Technologies, Inc., for approximately $11 million in cash. The CyberRegs business is designed to help customers make business decisions about regulatory compliance for Enterprise Sustainability Management. We expect that this acquisition will allow customers to reduce IT system and workflow complexity by reducing the number of vendors they rely on to support their strategies for Enterprise Sustainability Management.

GlobalSpec, Inc. (GlobalSpec). On July 9, 2012, we acquired GlobalSpec, a leading specialized vertical search, product information, and digital media company serving the engineering, manufacturing, and related scientific and technical market segments, from Warburg Pincus LLC, for $136 million, net of cash acquired. We believe that the acquisition of GlobalSpec, Inc., will allow us to improve our product design portfolio and create an expanded destination for our products and services.

Invention Machine. On July 11, 2012, we acquired Invention Machine, a leader in semantic search technology that uncovers relevant insights held within a wealth of internal and external knowledge sources, for approximately $40 million, net of cash acquired. We expect to use Invention Machine's semantic search engine to help customers accelerate innovation and develop, maintain, and produce superior products and services.

The following table summarizes the preliminary purchase price allocation, net of acquired cash, for all acquisitions completed in 2012 (in thousands):

	GlobalSpec	All others	Total
Assets:			
Current assets	$5,512	$11,702	$17,214
Property and equipment	1,880	2,531	4,411
Intangible assets	45,200	75,979	121,179
Goodwill	114,215	118,117	232,332
Other long-term assets	2,157	282	2,439
Total assets	168,964	208,611	377,575
Liabilities:			
Current liabilities	2,374	8,191	10,565
Deferred revenue	12,238	12,926	25,164
Deferred taxes	17,661	17,706	35,367
Other long-term liabilities	211	—	211

Total liabilities	32,484	38,823	71,307
Purchase price	$136,480	$169,788	$306,268

3. Commitments and Contingencies

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From time to time, we are involved in litigation, most of which is incidental to our business. In our opinion, no litigation to which we currently are a party is expected to have a material adverse effect on our results of operations or financial condition.

4. Comprehensive Income

Our comprehensive income for the three and nine months ended August 31, 2012 and 2011, was as follows (in thousands):

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2012	2011	2012	2011
Net income	$44,082	$40,809	$111,748	$112,687
Other comprehensive income (loss):				
Unrealized losses on hedging activities	(292)	(1,660)	(457)	(2,290)
Foreign currency translation adjustments	15,458	(3,129)	5,588	26,228
Total comprehensive income	$59,248	$36,020	$116,879	$136,625

5. Restructuring Charges

In the fourth quarter of 2011, we began to consolidate positions to our recently established accounting and customer care Centers of Excellence (COE) locations. During the first nine months of 2012, we have continued to consolidate positions to the COEs, as well as eliminating positions related to other identified operational efficiencies. We also began consolidating legacy data centers in 2012, including incurring certain contract termination costs. We expect to continue to incur costs related to these and other similar activities in future periods, resulting in additional restructuring charges.

During the first nine months of 2012, we recorded approximately $12.1 million of restructuring charges for direct and incremental costs associated with these activities. The activities included the movement or elimination of approximately 190 positions. During the nine months ended August 31, 2012, approximately $9.9 million of the charge was recorded in the Americas segment, $1.9 million was recorded in the EMEA segment, and $0.2 million was recorded in the APAC segment.

The following table provides a reconciliation of the restructuring liability as of August 31, 2012 (in thousands):

	Employee Severance and Other Termination Benefits	Contract Termination Costs	Other	Total
Balance at November 30, 2011	$540	$—	$—	$540
Add: Restructuring costs incurred	9,177	2,228	597	12,002
Revision to prior estimates	78	—	—	78
Less: Amounts paid	(7,599)	(723)	(538)	(8,860)
Balance at August 31, 2012	$2,196	$1,505	$59	$3,760

As of August 31, 2012, approximately $3.0 million of the remaining liability was in the Americas segment and $0.8 million was in the EMEA segment.

6. Acquisition-related Costs

During the first nine months of 2012, we recorded approximately $3.5 million of direct and incremental costs associated with recent acquisitions, including legal and professional fees, the elimination of certain positions, and a facility closure. Substantially all of the costs were incurred within the Americas segment.

The following table provides a reconciliation of the acquisition-related costs accrued liability as of August 31, 2012 (in thousands):

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	Employee Severance and Other Termination Benefits	Contract Termination Costs	Other	Total
Balance at November 30, 2011	$1,619	$469	$185	$2,273
Add: Costs incurred	1,485	54	1,933	3,472
Less: Amounts paid	(1,976)	(523)	(2,086)	(4,585)
Balance at August 31, 2012	$1,128	$—	$32	$1,160

As of August 31, 2012, the entire remaining $1.2 million liability was in the Americas segment.

7. Discontinued Operations

Effective December 31, 2009, we sold our small non-core South African business. We have one remaining three-year note receivable that is secured by a pledge on the shares of the South African company.

During the fourth quarter of 2011, we discontinued operations of a small print-and-advertising business focused on a narrow, declining market. The abandonment of this business included certain intellectual property. We also discontinued a minor government-services business during that period.

Operating results of these discontinued operations for the three and nine months ended August 31, 2012 and 2011, respectively, were as follows (in thousands):

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2012	2011	2012	2011
Revenue	$—	$2,114	$—	$5,970
Income from discontinued operations before income taxes	18	185	18	747
Tax expense	(10)	(67)	(10)	(293)
Income from discontinued operations, net	$8	$118	$8	$454

8. Stock-based Compensation

Stock-based compensation expense for the three and nine months ended August 31, 2012 and 2011, respectively, was as follows (in thousands):

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2012	2011	2012	2011
Cost of revenue	$1,488	$854	$4,467	$2,638
Selling, general and administrative	29,050	21,570	86,465	61,175
Total stock-based compensation expense	$30,538	$22,424	$90,932	$63,813

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

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2012	2011	2012	2011
Income tax benefits	$10,797	$7,842	$32,151	$22,444

No stock-based compensation cost was capitalized during the three or nine months ended August 31, 2012 and 2011. As of August 31, 2012, there was $121.8 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to nonvested stock-based awards that will be recognized over a weighted average period of approximately 1.2 years. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures.

Restricted Stock Units (RSUs). The following table summarizes RSU activity during the nine months ended August 31, 2012.

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	Shares	Weighted-Average Grant Date Fair Value
	(in thousands)	
Balances, November 30, 2011	2,898	$66.74
Granted	1,308	$87.51
Vested	(1,119)	$61.01
Forfeited	(142)	$75.60
Balances, August 31, 2012	2,945	$77.71

The total fair value of RSUs that vested during the nine months ended August 31, 2012 was $103.7 million based on the weighted-average fair value on the vesting date.

9. Income Taxes

Our effective tax rate is estimated based upon the effective tax rate expected to be applicable for the full fiscal year. Our effective tax rate for the three and nine months ended August 31, 2012 was 14.3 percent and 18.8 percent, respectively, compared to 16.7 percent and 19.9 percent for the same periods of 2011. The lower 2012 rates reflect the benefits from discrete period items, including a reduction in the statutory tax rate in the United Kingdom, as well as domestic pre-tax income being a lesser portion of global pre-tax income in the period.

10. Debt

On August 29, 2012, we exercised an expansion feature under our syndicated bank credit agreement (the Credit Facility) to increase our borrowing capacity under the revolver to $1.0 billion. We also increased our term loan borrowings under the Credit Facility to $513 million. All borrowings under the Credit Facility are unsecured. The loan and revolver included in the Credit Facility have a five-year term ending in January 2016. The interest rates for borrowings under the Credit Facility will be the applicable LIBOR plus 1.00% to 1.75%, depending upon our Leverage Ratio, which is defined as the ratio of Consolidated Funded Indebtedness to rolling four-quarter Consolidated Earnings Before Interest Expense, Taxes, Depreciation and Amortization (EBITDA), as defined in the Credit Facility. A commitment fee on any unused balance is payable periodically and ranges from 0.15% to 0.30% based upon our Leverage Ratio. The Credit Facility contains certain financial and other covenants, including a maximum Leverage Ratio and a maximum Interest Coverage Ratio, as defined in the Credit Facility.

On August 29, 2012, we also entered into a new $250 million interest-only term loan agreement. The loan has a two-and-a-half year term ending in March 2015, and borrowings under the loan are unsecured. The interest for borrowing under the term loan, as well as certain financial and other covenants, including a maximum Leverage Ratio and a maximum Interest Coverage ratio, are identical to the existing Credit Facility term loan.

As of August 31, 2012, we were in compliance with all of the covenants in the Credit Facility and had approximately $250 million of outstanding borrowings under the revolver at a current annual interest rate of 1.50% and approximately $756 million of outstanding borrowings under the term loans at a current weighted average annual interest rate of 1.53%. We have classified $127 million of revolver borrowings as long-term and $123 million as short-term based upon our current estimate of expected repayments for the next twelve months. Short-term debt also includes $46 million of scheduled term loan principal repayments over the next twelve months. We had approximately $0.5 million of outstanding letters of credit under the Credit Facility as of August 31, 2012.

The carrying value of our short-term and long-term debt approximates their fair value.

11. Pensions and Postretirement Benefits

We sponsor a non-contributory, defined-benefit retirement plan (the U.S. RIP) for all of our U.S. employees who have at least one year of service and who were hired or acquired before January 1, 2012. We also have a frozen defined-benefit pension plan (the U.K. RIP) that covers certain employees of a subsidiary based in the United Kingdom. We also have an unfunded Supplemental Income Plan (SIP), which is a non-qualified pension plan, for certain U.S. employees who earn over a federally stipulated amount. Benefits for all three plans are generally based on years of service and either average or cumulative base compensation. Plan funding strategies are influenced by employee benefit laws and tax laws. The U.K. RIP includes a provision for employee contributions and inflation-based benefit increases for retirees.

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During the fourth quarter of 2011, we changed our method of accounting for actuarial gains and losses related to our pension and other postretirement benefit plans. Under the new method, the net actuarial gains or losses in excess of a corridor amount will be recognized immediately in our operating results during the fourth quarter of each fiscal year.

During the first quarter of 2012, we accelerated plan funding by contributing $65 million to the U.S. RIP. Approximately $57 million of this contribution allowed us to bring all deficit funding current through November 30, 2011 and pay fees and expenses associated with the third-party annuity contracts, with the remaining $8 million used to fund estimated 2012 pension service costs.

Our net periodic pension expense (income) for the three and nine months ended August 31, 2012 and 2011, respectively, was comprised of the following (in thousands):

	Three Months Ended August 31, 2012				Three Months Ended August 31, 2011			
	U.S. RIP	U.K. RIP	SIP	Total	U.S. RIP	U.K. RIP	SIP	Total
Service costs incurred	2,544	$33	$47	$2,624	$2,109	$25	$36	2,170
Interest costs on projected benefit obligation	1,736	422	97	2,255	2,969	484	99	3,552
Expected return on plan assets	(2,122)	(551)	—	(2,673)	(4,096)	(581)	—	(4,677)
Amortization of prior service cost	(336)	—	(2)	(338)	(337)	—	(2)	(339)
Amortization of transitional obligation/(asset)	—	—	11	11	—	—	11	11
Special termination benefits	—	—	—	—	—	—	60	60
Net periodic pension expense (income)	$1,822	$(96)	$153	$1,879	$645	$(72)	$204	$777

	Nine Months Ended August 31, 2012				Nine Months Ended August 31, 2011			
	U.S. RIP	U.K. RIP	SIP	Total	U.S. RIP	U.K. RIP	SIP	Total
Service costs incurred	7,632	$99	$141	$7,872	$6,328	$79	$105	6,512
Interest costs on projected benefit obligation	5,208	1,277	291	6,776	8,907	1,463	297	10,667
Expected return on plan assets	(6,366)	(1,666)	—	(8,032)	(12,291)	(1,757)	—	(14,048)
Amortization of prior service cost	(1,008)	—	(6)	(1,014)	(1,008)	—	(6)	(1,014)
Amortization of transitional obligation/(asset)	—	—	31	31	—	—	32	32
	—	—	—	—	—	—	60	60

Special termination benefits								
Net periodic pension expense (income)	$5,466	$(290	)	$457	$5,633	$1,936	$(215	)	$488	$2,209

We sponsor a contributory postretirement medical plan. The plan grants access to group rates for retiree-medical coverage for all U.S. employees who leave IHS after age 55 with at least 10 years of service. Additionally, we subsidize the cost of coverage for retiree-medical coverage for certain grandfathered employees. Our subsidy is capped at different rates per

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month depending on individual retirees' Medicare eligibility.
Our net periodic postretirement expense was comprised of the following for the three and nine months ended August 31, 2012 and 2011, respectively (in thousands):

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2012	2011	2012	2011
Service costs incurred	$4	$7	$13	$21
Interest costs on projected benefit obligation	118	132	352	396
Amortization of prior service cost	—	(81)	—	(243)
Net periodic postretirement expense	$122	$58	$365	$174

12. Earnings per Share

Basic earnings per share (EPS) is computed on the basis of the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common shares.
Weighted average common shares outstanding for the three and nine months ended August 31, 2012 and 2011, respectively, were calculated as follows (in thousands):

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2012	2011	2012	2011
Weighted average common shares outstanding:				
Shares used in basic EPS calculation	65,992	65,022	65,795	64,864
Effect of dilutive securities:				
Restricted stock units	790	616	770	609
Stock options and other stock-based awards	26	39	37	82
Shares used in diluted EPS calculation	66,808	65,677	66,602	65,555

13. Derivatives

In April and June 2011, to mitigate interest rate exposure on our outstanding credit facility debt, we entered into two interest rate derivative contracts that effectively swap $100 million of floating rate debt for fixed rate debt at a 3.05% weighted average interest rate, which rate includes the current credit facility spread. Both of these interest rate swaps expire in July 2015. Because the terms of the swaps and the variable rate debt coincide, we do not expect any ineffectiveness. We have designated and accounted for these instruments as cash flow hedges, with changes in fair value being deferred in accumulated other comprehensive loss in the consolidated balance sheets.

Since our swaps are not listed on an exchange, we have evaluated fair value by reference to similar transactions in active markets; consequently, we have classified the swaps within Level 2 of the fair value measurement hierarchy. As of August 31, 2012, the fair market value of our swaps was a loss of $3.8 million, and the current mark-to-market loss position is recorded in other liabilities in the consolidated balance sheets.

14. Goodwill and Intangible Assets

The following table presents details of our intangible assets, other than goodwill, as of August 31, 2012 and November 30, 2011 (in thousands):

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	As of August 31, 2012			As of November 30, 2011		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization:						
Information databases	$290,490	$(130,523)	$159,967	$259,524	$(105,078)	$154,446
Customer relationships	269,110	(57,835)	211,275	210,940	(43,468)	167,472
Non-compete agreements	4,571	(2,414)	2,157	8,515	(5,754)	2,761
Developed computer software	141,686	(42,560)	99,126	123,566	(25,718)	97,848
Other	51,512	(11,125)	40,387	27,667	(5,958)	21,709
Total	$757,369	$(244,457)	$512,912	$630,212	$(185,976)	$444,236
Intangible assets not subject to amortization:						
Trademarks	64,498	—	64,498	69,539	—	69,539
Perpetual licenses	1,187	—	1,187	1,174	—	1,174
Total intangible assets	$823,054	$(244,457)	$578,597	$700,925	$(185,976)	$514,949

Intangible assets amortization expense was $21.7 million for the three months and $60.8 million for the nine months ended August 31, 2012, as compared with $16.6 million for the three months and $44.3 million for the nine months ended August 31, 2011. The following table presents the estimated future amortization expense related to intangible assets held as of August 31, 2012 (in thousands):

Year	Amount
Remainder of 2012	$21,750
2013	82,810
2014	72,016
2015	66,292
2016	64,991
Thereafter	205,053

Changes in our goodwill and gross intangible assets from November 30, 2011 to August 31, 2012 were primarily the result of our recent acquisition activities, in addition to foreign currency translation. The change in net intangible assets was primarily due to the addition of intangible assets associated with the acquisitions described in Note 2, Business Combinations, partially offset by current year amortization.

15. Segment Information

We prepare our financial reports and analyze our business results within our three reportable geographic segments: Americas, EMEA, and APAC. We evaluate segment performance primarily at the revenue and operating profit level for each of these three segments. We also evaluate revenues by transaction type and information domain. Information about the operations of our three segments is set forth below. No single customer accounted for 10% or more of our total revenue for the three and nine months ended August 31, 2012 and 2011. 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 (income), corporate-level impairments, and gain (loss) on sale of corporate assets.

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	Americas	EMEA	APAC	Shared Services	Consolidated Total
	(In thousands)				
Three Months Ended August 31, 2012					
Revenue	$232,369	$108,505	$44,735	$—	$385,609
Operating income	70,086	24,590	10,001	(48,417)	56,260
Depreciation and amortization	23,281	5,988	390	1,731	31,390
Three Months Ended August 31, 2011					
Revenue	$205,728	$95,946	$37,044	$—	$338,718
Operating income	57,484	18,858	10,911	(35,575)	51,678
Depreciation and amortization	18,082	4,772	48	594	23,496

	Americas	EMEA	APAC	Shared Services	Consolidated Total
	(In thousands)				
Nine Months Ended August 31, 2012					
Revenue	$669,757	$321,438	$124,316	$—	$1,115,511
Operating income	190,071	69,553	29,489	(137,302)	151,811
Depreciation and amortization	65,039	16,169	711	4,764	86,683
Nine Months Ended August 31, 2011					
Revenue	$580,189	$275,446	$99,347	$—	$954,982
Operating income	161,459	55,104	29,037	(99,296)	146,304
Depreciation and amortization	47,510	13,062	134	1,705	62,411

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

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2012	2011	2012	2011
Subscription revenue	$294,516	$263,916	$855,160	$747,907
Non-subscription revenue	91,093	74,802	260,351	207,075
Total revenue	$385,609	$338,718	$1,115,511	$954,982

Revenue by information domain was as follows (in thousands):

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2012	2011	2012	2011
Energy revenue	$180,072	$142,608	$520,958	$403,703
Product Lifecycle (PLC) revenue	129,475	114,140	364,295	321,124
Security revenue	30,280	32,204	87,524	88,570
Environment revenue	24,738	25,235	71,878	68,778
Macroeconomic Forecasting and Intersection revenue	21,044	24,531	70,856	72,807
Total revenue	$385,609	$338,718	$1,115,511	$954,982

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Opera