

IHS Inc.
Form 10-K
January 13, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended November 30, 2013

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

For the transition period from _____ to _____
Commission file number 001-32511

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

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)
15 Inverness Way East
Englewood, CO 80112
(Address of Principal Executive Offices)
(303) 790-0600
(Registrant's telephone number, including area code)

13-3769440
(IRS Employer
Identification No.)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, \$0.01 par value per share Series A junior participating preferred stock purchase rights (attached to the Class A Common Stock)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes No

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

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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 (§232.405 of this chapter)

Table of Contents

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates, based upon the closing price for the Class A Common Stock as reported on the New York Stock Exchange composite tape on the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$4.4 billion. All executive officers, directors, and holders of five percent or more of the outstanding Class A Common Stock of the registrant have been deemed, solely for purposes of the foregoing calculation, to be "affiliates" of the registrant. As of December 31, 2013, there were 67,404,285 shares of our Class A Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of the Form 10-K, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement on Schedule 14A for the Annual Meeting of Stockholders to be held on April 8, 2014, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the close of the registrant's fiscal year.

Table of Contents

TABLE OF CONTENTS

	Page
<u>Forward-Looking Statements</u>	<u>3</u>
 <u>PART I</u>	
Item 1. <u>Business</u>	<u>4</u>
Item 1A. <u>Risk Factors</u>	<u>12</u>
Item 1B. <u>Unresolved Staff Comments</u>	<u>17</u>
Item 2. <u>Properties</u>	<u>17</u>
Item 3. <u>Legal Proceedings</u>	<u>17</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>17</u>
 <u>PART II</u>	
Item 5. <u>Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>17</u>
Item 6. <u>Selected Financial Data</u>	<u>21</u>
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>36</u>
Item 8. <u>Financial Statements and Supplementary Data</u>	<u>37</u>
Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	<u>76</u>
Item 9A. <u>Controls and Procedures</u>	<u>76</u>
Item 9B. <u>Other Information</u>	<u>77</u>
 <u>PART III</u>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	<u>77</u>
Item 11. <u>Executive Compensation</u>	<u>77</u>
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>77</u>
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>77</u>
Item 14. <u>Principal Accountant Fees and Services</u>	<u>77</u>
 <u>PART IV</u>	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	<u>77</u>
 <u>SIGNATURES</u>	 <u>82</u>

Table of Contents

Cautionary Note Regarding Forward-Looking Statements

This annual report on Form 10-K 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 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; and the other factors described under the caption “Risk Factors” in this annual report on Form 10-K, along with our other filings with the U.S. Securities and Exchange Commission (SEC).

Any forward-looking statement made by us in this annual report on Form 10-K is based only on information currently available to us and speaks only as of the date on which it is made. 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.

* * * *

Fiscal Year End

Our fiscal year ends on November 30 of each year. Unless otherwise indicated, references in this Annual Report to an individual year means the fiscal year ended November 30. For example, “2013” refers to the fiscal year ended November 30, 2013.

Table of Contents

PART I

Item 1. Business

Overview

IHS Inc., a Delaware corporation (NYSE: IHS) (“IHS” or “we” or “us” or “our”), is a leading source of information, insight and analytics in critical areas that shape today's business landscape. Businesses and governments in more than 165 countries around the globe 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’ organization, 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 approximately 8,000 people in more than 31 countries around the world.

Vision

Our vision is to be the Source for Critical Information and Insight that powers growth and value for our customers. We intend to be the source that customers trust, rely upon and come to first when they need to better understand the present and anticipate the future.

Corporate Objectives

To achieve our vision to be the Source for Critical Information and Insight, we have established five inter-dependent objectives upon which we focus our efforts, as described below. We externally benchmark our progress annually against these five objectives. To measure customer satisfaction (which we refer to as Customer Delight) and colleague success, we use third-party surveys and develop goals based on those metrics. For 2014, our corporate objectives remain:

•Improve Customer Delight;

- Foster a culture that enables colleague success;
- Deliver profitable top- and bottom-line growth;
- Provide an opportunity for stockholder success relative to our peer group; and
- Improve corporate sustainability and responsibility.

Customer-Centric Organization with Geographic Segments

To best serve our customers and be as close to them as possible, we are organized by geographies into three business segments. We also prepare our financial reports and analyze our business according to our geographic segments. Our three reporting segments are: Americas, which includes the United States, Canada, and Latin America; EMEA, which includes Europe, the Middle East, and Africa; and APAC, or Asia Pacific.

Our integrated global organization is designed to make it easier for our customers to do business with us by providing a cohesive, consistent, and effective sales-and-marketing approach in each local region. By structuring our business around customers and the regions in which they reside, we are better able to serve the specific needs of our customers both in their local markets and globally. We believe a regional structure provides a solid foundation for profitable growth as it provides an efficient platform to bring new products and services to customers and supports growth in

existing accounts and with new customers and markets. Within each region, we align sales, marketing, and IHS solutions by industry sectors where we can add distinct value to our customers. As described below, we provide solutions within four customer workflows that target critical customer functions and decision processes that cross each of our industry sectors. This approach allows us to deliver integrated IHS solutions to our customers to support their operating, capital, and strategic decision processes.

Our Core Competency: Transforming Data into Critical Information and Insight

Companies are flooded with data because of the countless sources of information available today, including internal information, Internet, news media, government, and external sources. Business leaders are required to make decisions that will materially affect their company using this unrefined data.

Our core competency is sourcing data and transforming it into critical information and insight that businesses,

Table of Contents

governments, and others use to make high-impact decisions with confidence. We are a sought-after resource for those who require and demand the most accurate and expertly analyzed information available. We are dedicated to providing the information and expert analyses our customers need to make critical decisions that drive growth and value for their operations.

By integrating and connecting our information, analytics, and research and analysis with proprietary and widely used decision-support technology on scalable platforms, we produce critical information and analytical solutions designed to meet our customers' needs. Our product development teams have also created proprietary Web services and application interfaces that enhance access to our information. These services allow our customers to integrate our information with other data, business processes, and applications (such as computer-aided design, enterprise resource planning, supply chain management, and product data/lifecycle management).

Our clients benefit from a concentration of intellectual wealth and thought leadership throughout a variety of industries. Through our single, integrated, global Research and Analysis team of nearly 2,000 researchers, analysts, and economists across key industries, we believe that we are one of the leading independent providers of strategic research to customers around the world.

We convert raw data into critical information through a series of transformational steps that reduce the uncertainty that is inherent in unrefined data. At each step along the way, we work to ensure quality of the data transformation across four dimensions, which we call the "4 Cs":

Correctness	Validate data accuracy through comparison to external reference points.
Currency	Deliver new and updated content in a timely manner.
Completeness	Provide the right data attributes and analysis to ensure that customers have all of the necessary information to make critical decisions.
Consistency	Standardize identifiers and content across databases and products to be sure customers receive consistent information regardless of product platform.

We have standardized the data transformation process into seven steps. The order of the steps and the need to perform quality checks throughout the process is important because the quality of each step is dependent on the quality of all of the preceding steps. The seven-step process we follow in transforming data into critical information and insight involves the following:

Table of Contents

Sourcing	We locate hundreds of possible data sources and then evaluate them for correctness, currency and completeness.
Capture	We collect documents and digital feeds, harvest content from publicly available sources, visit sites for updates, etc. Once the data is aggregated, we validate and normalize the data before loading it into our proprietary databases.
Matching	We link disparate instances of the same attribute. This knowledge-based activity ensures consistency over time and across sources, eliminating unlinked information about a single well, a single part, a single chemical, etc.
Identification	We attach an IHS identifier to matched information to ensure that the matched information stays linked. We also confirm that industry standard identifiers, which often vary over time, are accurate and appropriately matched to the IHS identifier.
Relationships	We identify logical relationships and associations between entities and link those relationships through identification numbers. Examples include corporate parent and subsidiary relationships, leases and associated wells, international standards, and national standards. This step supplies the context for analysis.
Analysis	We use our industry experts to review, analyze, and add context and editorial commentary to the data to transform it into critical information and expert analysis for our customers.
Modeling and Forecasting	We use our critical information and expert analysis to produce additional insight by providing unbiased research and intelligence with proprietary models and forecasting tools. Our experts use their extensive experience to build models and forecasting tools for our customers' use.

Using this seven-step process and the "4 Cs" of quality, we seek to transform data into critical information and insight that is both useful to our customers and available where and when they need it. This process also provides the foundation for our integrated solutions that combine our products and services to create differentiated solutions for our customers in our target industry sectors.

Comprehensive Content and Expertise Enabled by Technology: The Power of IHS

We believe the power of IHS - our comprehensive content and expertise enabled by cutting-edge technology - is manifested in our integrated industry solutions and customer workflows.

We are converging information, tools and technology, and research and analysis in complex, capital-intensive industries in which we are building on our existing scale. Our differentiated solution set of information, technology, and understanding places us at the heart of many of our customers' core workflows. The result is a primarily subscription-based business highlighted by strong renewal rates and stable customer relationships. Many of our clients have been customers of ours for decades.

We develop our products and services based on our customers' needs in the target industry sectors and the additional end markets we serve, in the workflows where our customers work, and where we have expertise. This combination of workflows and target industry sectors and additional end markets forms our customer framework. Our integrated solutions for customers in our target industries are combinations of products from across our workflows and industries that add distinct insight and help our customers be more productive and make better decisions. By connecting our capabilities to our customers' workflows across our target industries, we strive to create new value by uniquely addressing capital and operating decisions across our customers' entire supply chains and each of their target markets globally.

Customer Framework

Industries

6

Table of Contents

We have a diverse customer base, ranging from large entities such as governments and multinational companies to small companies and technical professionals that span many industries, geographies and end markets. We have developed substantial breadth and depth in two broadly defined capital-intensive industry sectors:

- Resources: Energy/Natural Resources and Chemicals sectors
- Industrials: Automotive, Aerospace & Defense, Maritime, and Technology sectors

We support large capital and operating decisions in these large global markets with the significant information, expertise, knowledge, specialized tools, and technologies that we provide. This capability also allows us to support a broad range of additional end markets globally that depend on these six industry sectors as critical elements of their supply chains or investment decisions. This creates large growth potential with a relatively fixed cost structure.

The target industry sectors have many attributes in common. They are large, complex industries on a global scale. They have significant annual capital and operating outlays, in good economic times and bad, measured in the trillions of dollars. These industries rely on information and make critical decisions based on the comprehensive content, expert analysis, and workflow tools and technologies we provide.

Workflows

We focus on how customers within our target industry sectors and end markets make daily operating and capital investment decisions. We identify specific customer functions and the use of information, insight, analysis, tools and technology in their daily workflows. We develop a deep understanding of these workflows and develop the information, expertise, software tools and technologies that integrate seamlessly with their decision processes to enhance their success. This is our daily mission. We focus on four customer workflows that cover the spectrum from executive and strategic decisions to daily operations:

- Strategy, Planning, and Analysis;
- Energy Technical;
- Product Design; and
- Operational Excellence & Risk Management.

By offering a compelling suite of comprehensive information, insight and expert analysis, delivered by powerful and flexible software applications built on scalable platforms that integrate with our customers' functional workflows, we become an important part of our customers' decision processes.

Our targeted workflows and sample roles are outlined below:

Workflow	Sample Roles
Strategy, Planning, and Analysis	Strategic Planning, Corporate Development, M&A, Investment Analysis, Risk Assessment, Business Development, and Trading
Energy Technical	Geo-science, Petroleum Engineering
Product Design	Engineering, Design, Research and Development
Operational Excellence & Risk Management	Sustainability, Regulatory, Environment, Health and Safety, Procurement, Logistics, Operations, and Manufacturing

We reduced the number of workflows from five to four during 2013 by consolidating the Supply Chain workflow and the Environment, Health, Safety & Sustainability workflow into the new Operational Excellence & Risk Management workflow.

Our Industries

We have developed substantial breadth and depth in our capital-intensive industry sectors that are highly inter-dependent and that have significant impact on a broad range of end markets globally. Our target industry sectors include:

Resources: Energy and Natural Resources

Energy and Natural Resources is one of the largest, most capital-intensive industries in the world, investing more than \$3 trillion annually in capital expense. This industry sector includes specific industries such as Oil & Gas, Coal, and Power & Utilities. Our products and services offer unique value and insight to our customers in this industry sector across all four of our

7

Table of Contents

workflows. This industry sector spends more than \$15 trillion, of which nearly 60 percent goes to our six target industry sectors. Energy and Natural Resources is also one of the largest expenses for companies in our other target industry sectors: Chemicals, Technology, and Automotive, Aerospace & Defense, and Maritime.

Resources: Chemicals

The Chemicals industry has supply chains which are highly inter-dependent with other key IHS industry sectors. The Chemicals industry is also a large, global, capital-intensive industry that invests nearly \$1 trillion annually in capital expense. Our products and services offer value to our customers across all of our workflows, except Energy Technical. The total sector spends nearly \$4 trillion, more than half of which goes to our six target industry sectors. Chemicals are a key input, and therefore one of the largest expenses, for customers in the Technology sector.

Industrials: Technology

The Technology sector has highly inter-dependent supply chains with the other key IHS industry sectors. Technology is a global, capital-intensive industry that invests nearly \$1 trillion annually in capital expense. This industry sector includes industries such as electronics equipment and parts and media. The products and services we market to the Technology sector offer value to our customers across three of our four workflows. The total sector spends more than \$4 trillion, one-third of which goes to our six target industry sectors. Electronics are a key input to the Automotive, Aerospace & Defense, and Maritime sectors and represents a substantial expense for the Energy and Natural Resources and Chemicals sectors.

Industrials: Automotive, Aerospace & Defense, and Maritime

The Automotive, Aerospace & Defense, and Maritime industries have highly inter-dependent supply chains with our other key industry sectors. Each is also a global, capital-intensive industry with capital investments of nearly \$2 trillion annually. Spending across Automotive, Aerospace & Defense, and Maritime totals \$9 trillion annually, half of which goes to our other target industry sectors. Our products and services add value to our customers across three of our four workflows.

In total, over \$32 trillion annually is invested in and spent by our target industry sectors in capital and operating expense.

Beyond our two broadly defined target industry sectors, we also serve customers across a wide variety of additional end markets including Financials, Retail, Governments, Construction, and Consumer Products. These end markets depend on our target industry sectors as critical elements of their supply chains, cost structures, and investment decisions.

Our Workflows

Strategy, Planning and Analysis

We provide strategic and commercial professionals with information, research, and tools that support a wide range of commercial decisions and processes, including capital investments, country-entry strategies, acquisitions, annual strategic planning processes, and monthly/quarterly production and sales forecasts. We support our customers primarily in heavy-asset industries, in which capital expenditure is significant, external macroeconomic and policy drivers are important, and investment cycles are long. These industries require independent, authoritative, and rigorous third-party market information and analysis as critical inputs into strategic decisions. Our offerings help our customers answer fundamental strategic questions such as “where to play?” and “how to win?” For instance:

Our Energy Insight business provides oil and gas producers with strategic analysis on upstream opportunities, provides downstream operators with forecasts of supply and demand for all petroleum products, and provides the gas and power utility sector with research on energy policy and its impact on power supply and demand.

IHS Automotive provides original equipment manufacturers (OEMs) and the automotive supply chain with authoritative analysis and forecasts of sales and production for light vehicles, medium and heavy commercial vehicles, powertrain, components, and technology systems across all major markets.

We provide comparable solutions to our customers in the Technology, Chemicals, Aerospace & Defense, and Maritime industries.

All of our Strategy, Planning and Analysis solutions are underpinned by our Economic and Country Risk capabilities, which translate high-level macro-political drivers into industry-level demand forecasts and risk factors.

Energy Technical

Table of Contents

Access to cost-effective, reliable, and safe energy sources is one of the most critical issues our society faces. We believe that increased competition for global hydrocarbon energy sources and the increased capital and operational costs required for their exploration, production, transportation, refining, and delivery of the final product to end customers drives demand for connected solutions consisting of raw data, information, insight, and relevant answer products. Supported by a robust service capability, we offer our customers a differentiated solution set that enables accurate, informed, and timely critical decisions. Our offerings include information, software, and services to help our customers arrive at the answers they need, including:

- Production information on more than 90 percent of the world's oil and gas production in more than 100 countries;
- Oil and gas well data including comprehensive geological information on more than five million current and historic wells around the world;
- Energy activity data including comprehensive current and future seismic, drilling and development activities in more than 180 countries and 335 hydrocarbon-producing regions around the world;
- Information and research required for development of unconventional hydrocarbon resources: shale gas, coal bed methane, heavy oil, and more;
- Industry-leading software applications with capabilities across the oil and gas asset chain: strategic planning, reconnaissance, geophysics, geology, production engineering, and production optimization;
- New software applications on mobile platforms to enable flexible access to our products and information; and
- Advisory and technical services provided to all sectors in oil and gas to assist customers in advancing their decisions.

Product Design

Our Product Design solutions provide technical professionals with the information and insight required to more effectively design products, complete engineering projects, solve technical problems, and address the complex supply chain challenges of today's rapidly changing global economy. Our goal is to be the Source for Critical Information and Insight for engineers, scientists, technical professionals, supply chain management and procurement executives, risk managers, and materials management professionals to help them make better decisions and solve complex problems more quickly and execute their strategies to minimize risk and maximize operational efficiency and profitability. Our offerings include:

- IHS Product Design, which is the largest provider of engineering and technical standards, codes, and specifications, with more than 1.5 million documents;
- IHS Engineering Science Data Unit (ESDU), which provides rapid access to industry “best practice” design methodologies and algorithms to enable engineers to deliver higher quality products more quickly;
- IHS GlobalSpec, which was acq