

IMS Health



Q1 2014 Earnings Call

May 1, 2014

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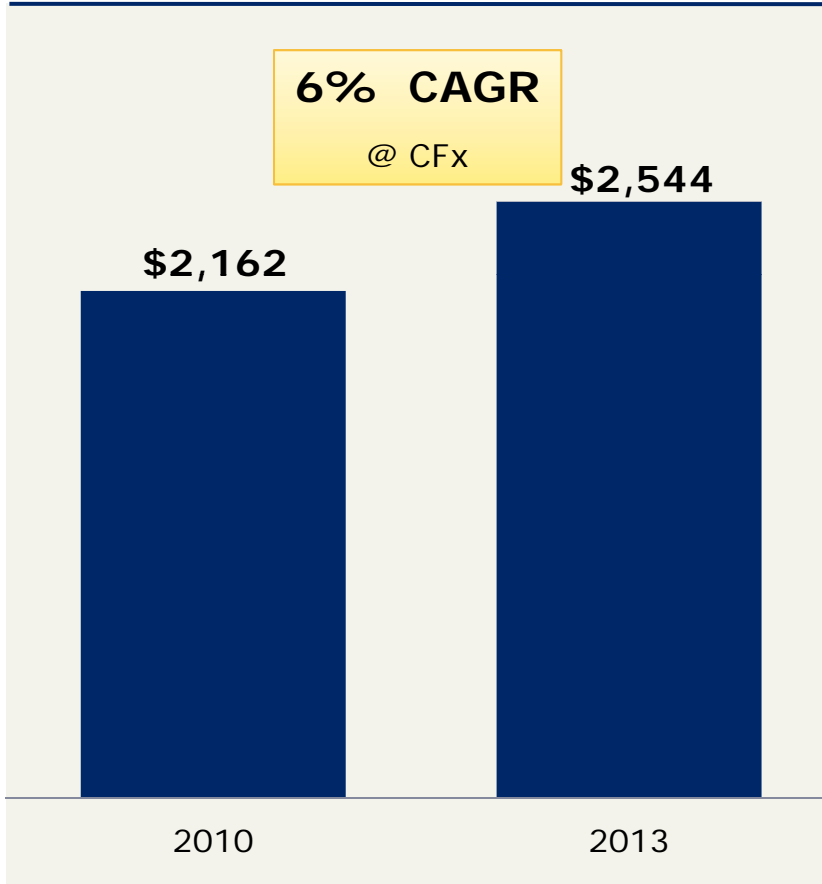
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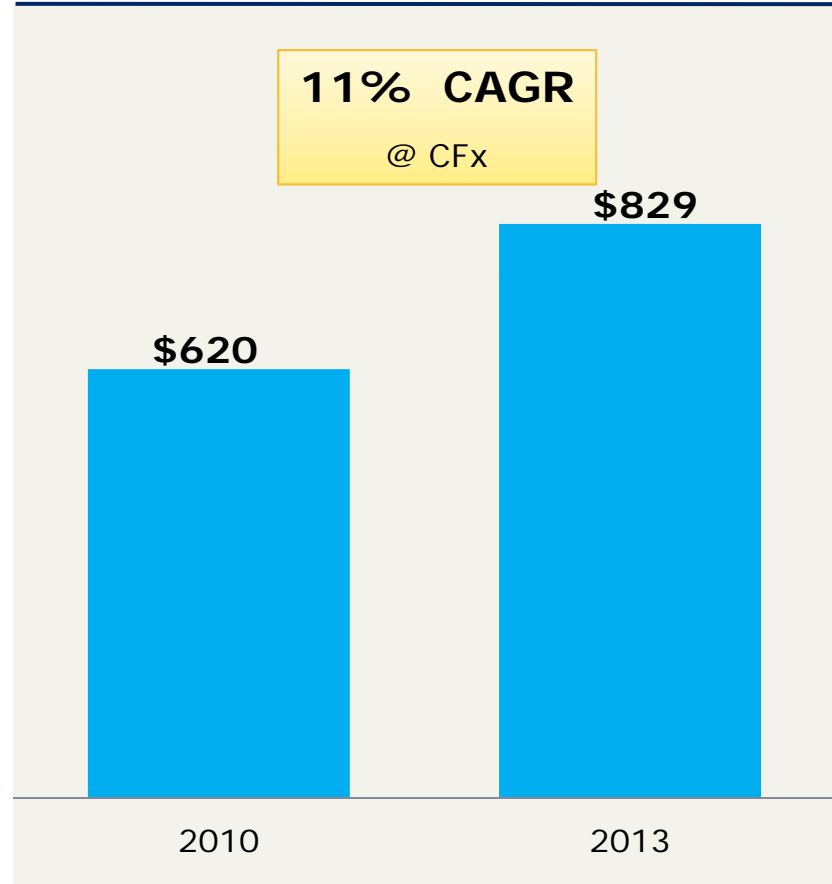
Financial Performance

\$M, 2010 - 2013

Revenue



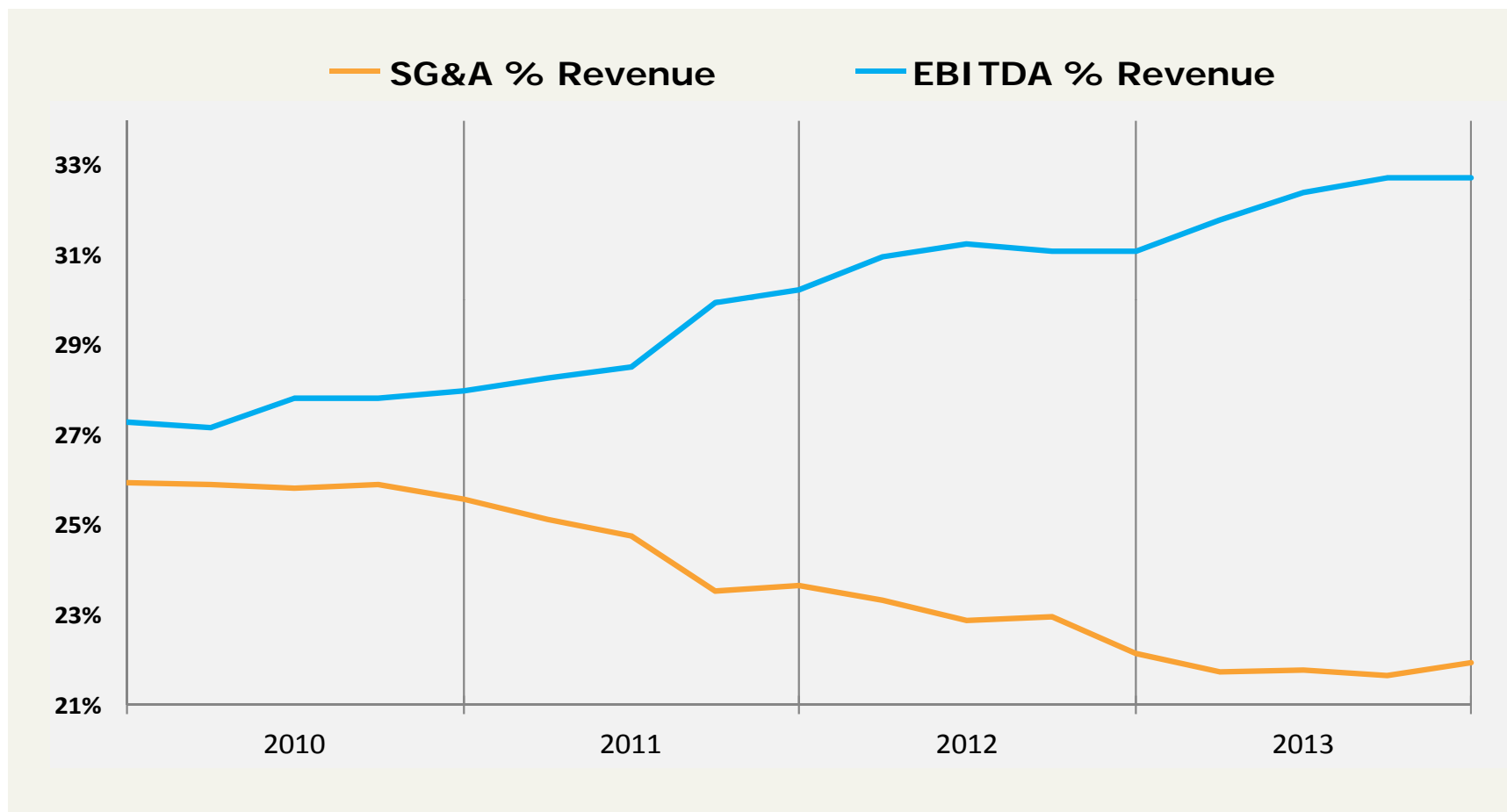
EBITDA



Dollars are actual foreign exchange rates. EBITDA is "Adjusted EBITDA" as defined in the IMS Health financial statements. CFX is constant currency.

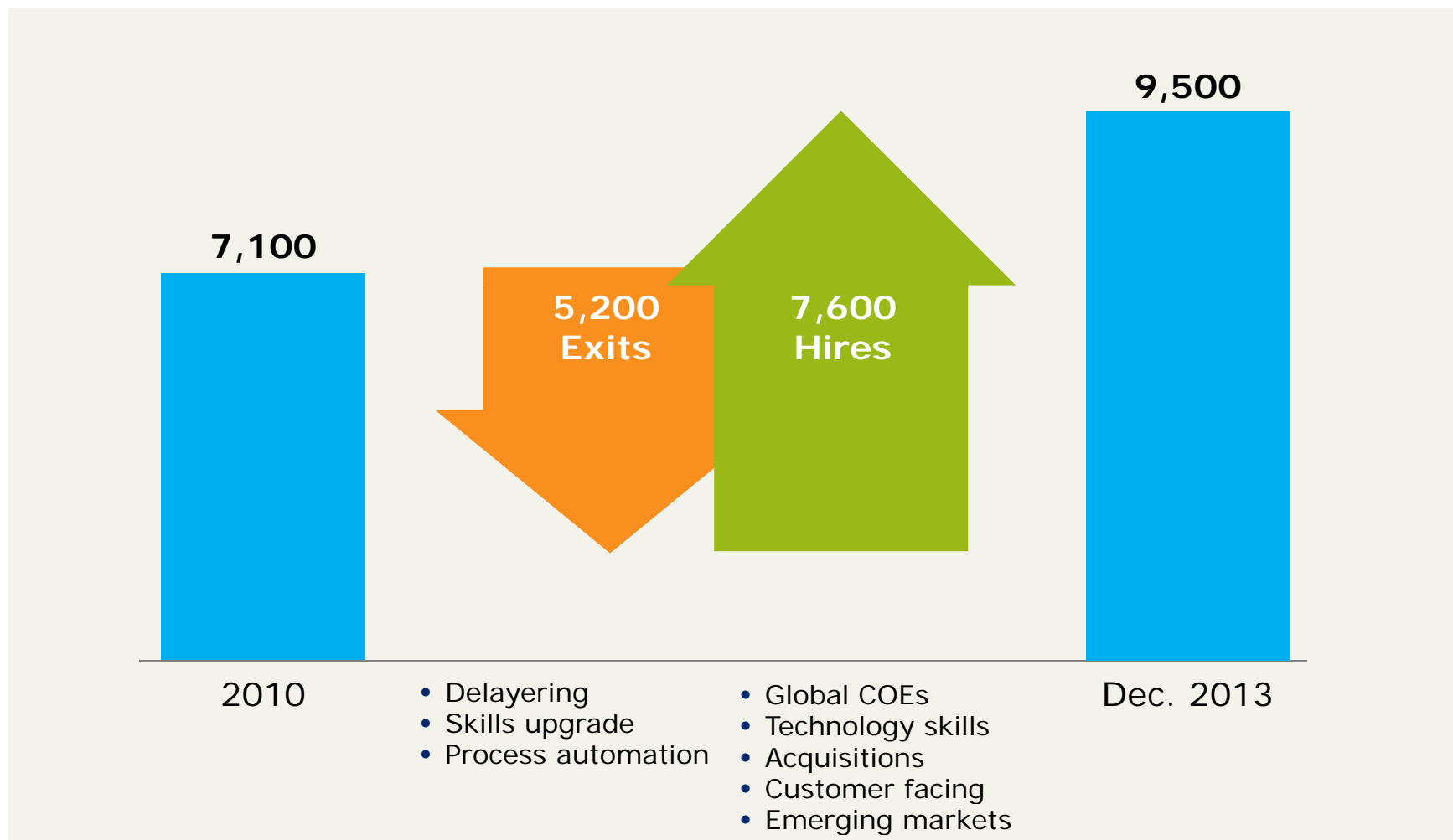
Margins

Rolling 4Qs



SG&A expense includes: Sales, marketing, administration, IT & infrastructure & non capitalized software development.
Revenue does not reflect deferred revenue adjustments related to the LBO and other acquisitions.
Calculated using constant Fx rates. EBITDA is "Adjusted EBITDA" as defined in the IMS Health financial statements.

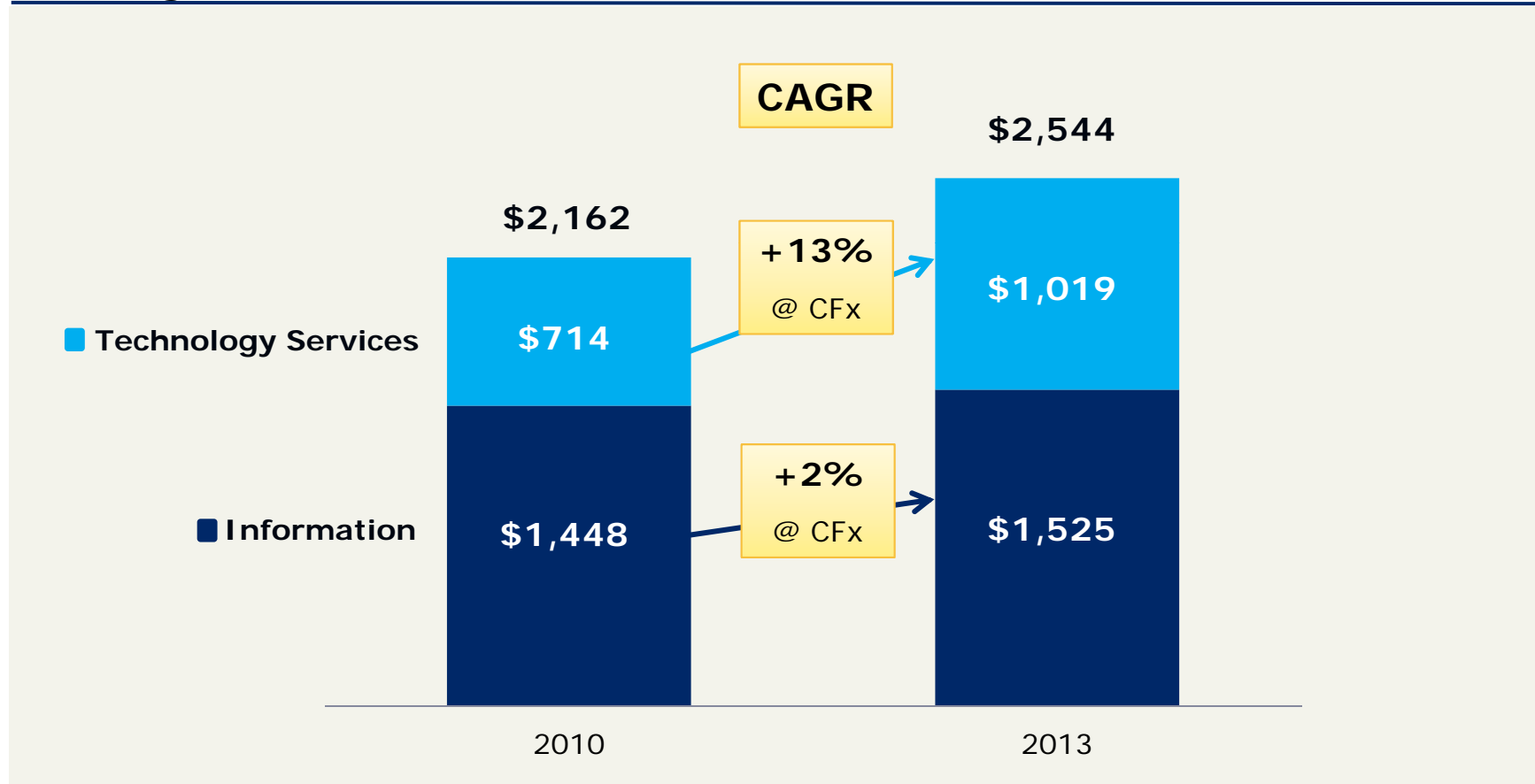
Operational Transformation



Growth Strategy

\$M, 2010 – 2013 Revenue

Offerings



Dollars are actual foreign exchange rates.
CFx is constant currency.

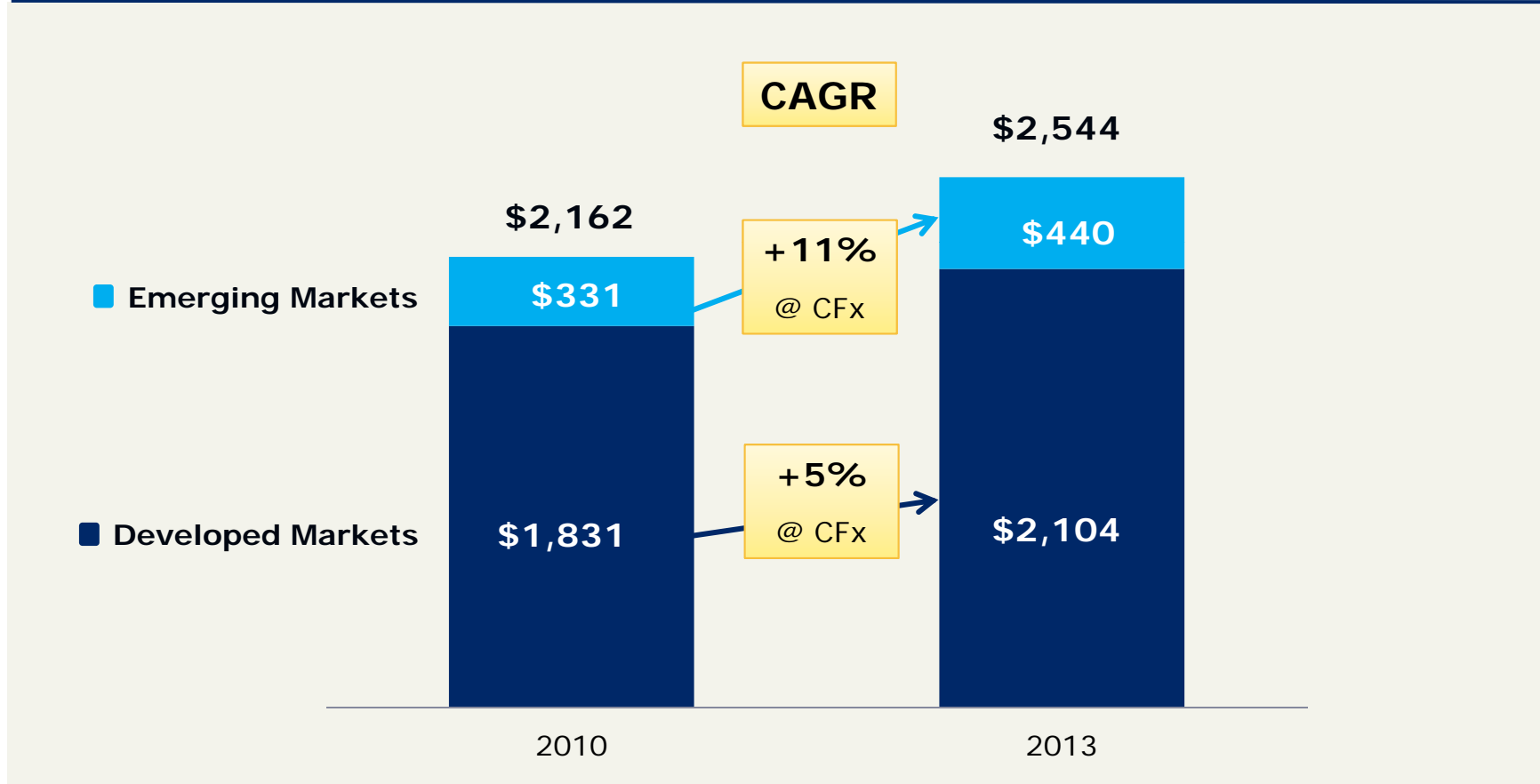
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Growth Strategy

\$M, 2010 – 2013 Revenue

Geography



Dollars are actual foreign exchange rates.
CFx is constant currency.

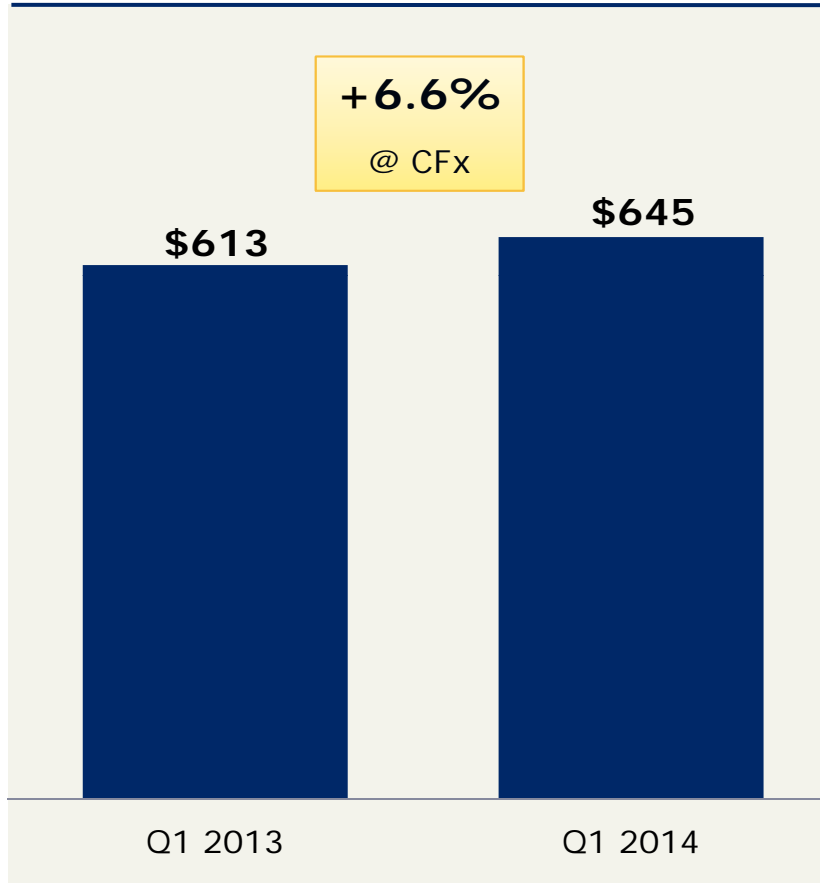
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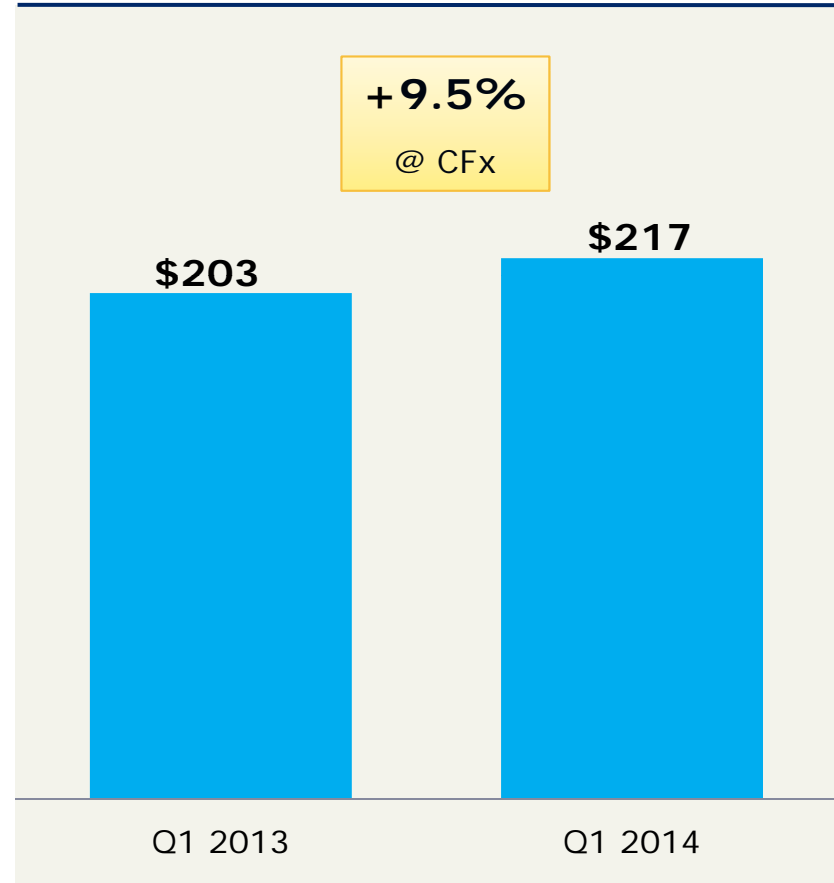
1st Quarter Results

\$M

Revenue



EBITDA



Dollars are actual foreign exchange rates. EBITDA is "Adjusted EBITDA" as defined in the IMS Health financial statements. CFX is constant currency.

1st Quarter Revenue

<u>Offering</u>	<u>1st Quarter</u>		<u>Versus Prior Year</u>	
	\$M	2014	2013	Reported
Information	\$382	\$378	1.0%	2.8%
Technology Services	<u>\$263</u>	<u>\$235</u>	11.9%	12.5%
Total	\$645	\$613	5.2%	6.6%

1st Quarter Revenue

<u>Geography</u>	<u>1st Quarter</u>		<u>Versus Prior Year</u>	
\$M	2014	2013	Reported	Constant Currency
Developed Markets	\$532	\$511	4.2%	5.0%
Emerging Markets	<u>\$113</u>	<u>\$102</u>	10.4%	14.7%
Total	\$645	\$613	5.2%	6.6%

1st Quarter EBITDA

\$M	<u>1st Quarter</u>		<u>Versus Prior Year</u>	
	2014	2013	Reported	Constant Currency
Adjusted EBITDA	\$217	\$203	7.2%	9.5%
Adjusted EBITDA margin	33.7%	33.1%	60 bps	90 bps

1st Quarter P&L

\$M (except per share data)	2014	2013
Operating Income	\$67	\$79
Net (Loss) / Income	\$(24)	\$12
Adjusted Net Income	\$70	\$76
Diluted (Loss) / Earnings per Share	\$(0.09)	\$0.04
Diluted Adjusted EPS	\$0.24	\$0.26

1st Quarter Balance Sheet Items & Metrics

\$M	2014	2013
Cash & Cash Equivalents & Short Term Investments	\$544	\$729 ¹
Gross Debt ²	\$5,027	\$5,027 ¹
Net Debt	\$4,483	\$4,298 ¹
Cash Used in Operating Activities	\$(103)	\$(16)
Unlevered Free Cash Flow	\$(11)	\$57
Capital Expenditures	\$(54) ³	\$(21)

1. As of December 31, 2013.

2. Gross debt excludes \$57M of unamortized OID.

3. Includes \$26M India Building Purchase.

IPO Summary

- April 4th IMS Health stock (IMS) started trading on the NYSE
- 65 million offered at \$20.00 per share
 - 52 million primary shares sold by IMS Health
 - 13 million secondary shares sold by selling shareholders
- 9.75 million additional secondary shares purchased by underwriters (15% underwriters' allotment)
- Proceeds used to repay highest cost debt

IPO Proceeds - Estimated Sources and Uses

\$M

SOURCES		USES	
IPO Proceeds	1,040	Retire 12.5% Senior Notes	1,136
Term Loan A	500	Retire 7.375 Senior PIK Notes	765
Cash	400	IPO & Debt Fees ¹	82
Revolver	148	Other ²	105
Total Sources	2,088	Total Uses	2,088

1. \$24M paid in Q1.

2. Other includes: \$72M one-time fee to terminate the sponsor management services agreement and \$33M one-time fee to settle non-executive phantom stock options.

IPO Pro Forma Gross Leverage Ratio

\$M

	March 31, 2014		
	Actual	Pro Forma Post IPO	Change
Cash and cash equivalents & Short-term investments	544	144	(400)
Debt (including current maturities)			
Revolving Credit Facility		148	148
Term Loan B	2,777	2,777	
12.5% Senior Notes	1,000	0	(1,000)
6% Senior Notes	500	500	
7.375% Senior PIK Notes	750	0	(750)
Term Loan A		500	500
Gross Debt *	5,027	3,925	(1,102)
Gross Leverage Ratio	6.0 x	4.7 x	

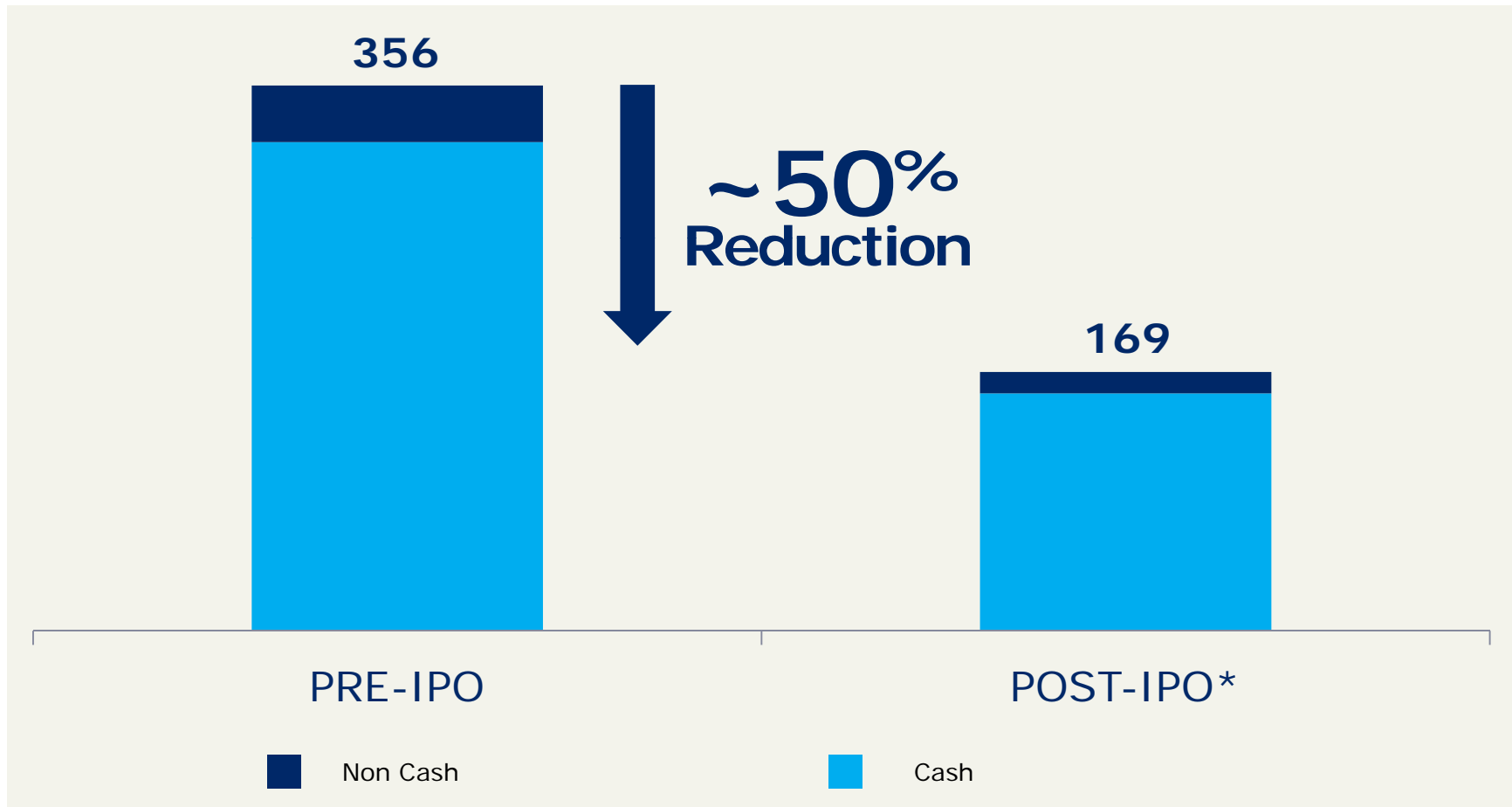
* Gross debt excludes unamortized OID.

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Interest Expense

Pro forma annualized - \$M



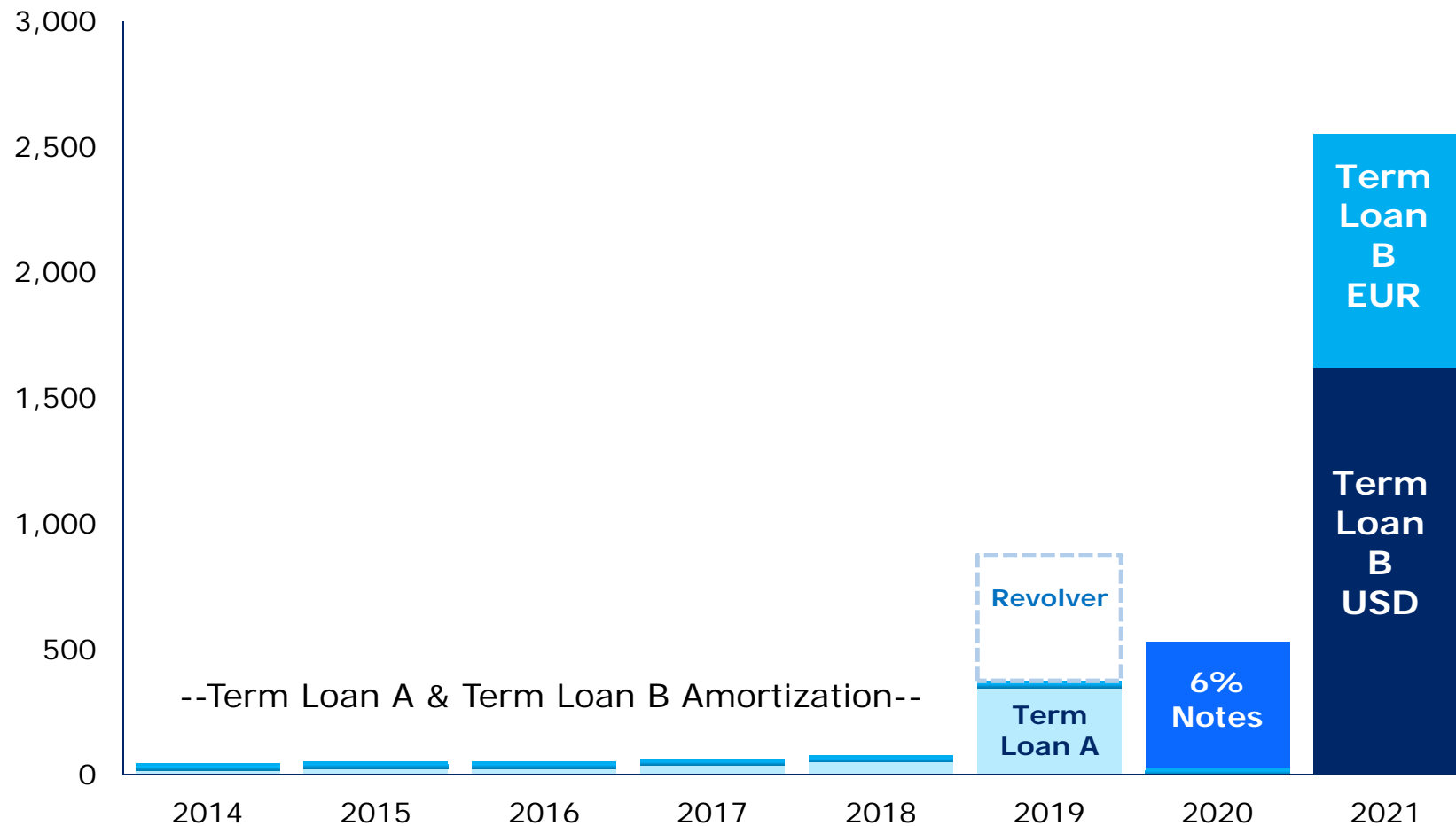
* Post-IPO interest expense is based on the pro forma capitalization on the prior slide.

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Pro Forma Debt Maturity

\$M



2014 Full-Year Guidance

	2014 VPY%
Revenue	5 - 6%
Adjusted EBITDA	7.5 - 9.0%
Adjusted Net Income	15 – 20%
Unlevered FCF/Adj. EBITDA *	80%

* Excludes India Building Purchase

Q&A



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Appendix: Non-GAAP Financial Measures



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Net Income to Adjusted EBITDA

1st Quarter

1 st Quarter		
\$M	2014	2013
Net (Loss) Income	\$(24)	\$12
(Benefit from) provision for income taxes	(13)	5
Other loss (income), net *	17	(16)
Interest expense	89	79
Interest income	(2)	(1)
Depreciation and amortization	107	105
Deferred revenue purchase accounting adjustments	2	1
Non-cash stock-based compensation charges	31	11
Restructuring and related charges	2	3
Acquisition-related charges	6	2
Sponsor monitoring fees	2	2
Adjusted EBITDA	\$217	\$203

* Other loss/(income), net includes FX (Gain)/Loss of \$4M and Debt Related Cost of \$13M in Q1'14; (\$28M) and \$12M respectively in Q1'13.

Net Income to Adjusted EBITDA

2009 -2010

\$M	2009		2010			
	Full Year	Q1	Q2	Q3	Q4	Full Year
Net (Loss) Income	\$260	\$(106)	\$22	\$(78)	\$(41)	\$(202)
(Benefit from) provision for income taxes	(24)	(56)	13	(68)	(2)	(113)
Other loss (income), net *	1	71	(77)	98	(48)	44
Interest expense	36	30	75	77	61	241
Interest income	(3)	(1)	(1)	-	(1)	(1)
Depreciation and amortization	136	50	87	91	104	331
Deferred revenue purchase accounting adjustments	-	24	24	5	7	60
Non-cash stock-based compensation charges	33	69	5	6	5	85
Restructuring and related charges	153	59	6	12	86	162
Acquisition-related charges	-	1	-	1	3	6
Sponsor monitoring fees	-	-	2	2	2	7
Adjusted EBITDA	\$592	\$141	\$156	\$146	\$176	\$620

Net Income to Adjusted EBITDA

2011

\$M	2011				
	Q1	Q2	Q3	Q4	Full Year
Net (Loss) Income	\$(64)	\$(32)	\$43	\$164	\$111
(Benefit from) provision for income taxes	(18)	(26)	13	(142)	(173)
Other loss (income), net *	66	32	(48)	(42)	7
Interest expense	65	73	73	65	276
Interest income	-	-	(1)	-	(2)
Depreciation and amortization	94	95	98	105	393
Deferred revenue purchase accounting adjustments	-	-	3	4	7
Non-cash stock-based compensation charges	4	6	4	4	18
Restructuring and related charges	-	22	1	39	62
Acquisition-related charges	4	4	5	1	13
Sponsor monitoring fees	2	2	2	2	9
Adjusted EBITDA	\$153	\$176	\$193	\$200	\$721

Net Income to Adjusted EBITDA

2012

\$M	2012				
	Q1	Q2	Q3	Q4	Full Year
Net (Loss) Income	\$28	\$(21)	\$4	\$(53)	\$(42)
(Benefit from) provision for income taxes	(64)	74	(37)	7	(19)
Other loss (income), net *	31	(74)	36	35	29
Interest expense	68	64	64	79	275
Interest income	-	-	(1)	(2)	(3)
Depreciation and amortization	104	106	108	107	424
Deferred revenue purchase accounting adjustments	1	2	2	2	7
Non-cash stock-based compensation charges	10	5	2	3	19
Restructuring and related charges	3	25	9	19	55
Acquisition-related charges	3	2	2	3	11
Sponsor monitoring fees	2	2	2	2	8
Adjusted EBITDA	\$186	\$185	\$191	\$202	\$764

Net Income to Adjusted EBITDA

2013

\$M	2013				
	Q1	Q2	Q3	Q4	Full Year
Net (Loss) Income	\$12	\$8	\$(20)	\$82	\$82
(Benefit from) provision for income taxes	5	9	(20)	(124)	(130)
Other loss (income), net *	(16)	6	54	30	74
Interest expense	79	75	87	92	333
Interest income	(1)	(2)	(1)	(2)	(5)
Depreciation and amortization	104	101	98	107	410
Deferred revenue purchase accounting adjustments	-	1	-	-	2
Non-cash stock-based compensation charges	11	2	5	4	22
Restructuring and related charges	3	2	1	17	23
Acquisition-related charges	4	2	3	4	10
Sponsor monitoring fees	2	2	2	2	8
Adjusted EBITDA	\$203	\$206	\$209	\$212	\$829

Net Income to Adjusted Net Income & Per Share Data

<u>1st Quarter</u>		
\$M (except per share data)	2014	2013
Net (Loss) Income	\$(24)	\$12
(Benefit from) provision for income taxes	(13)	5
Amortization associated with purchase accounting	76	75
Deferred revenue purchase accounting adjustments	2	1
Non-cash stock-based compensation charges	31	11
Restructuring and related charges	2	3
Acquisition-related charges	6	2
Sponsor monitoring fees	2	2
Other loss (income), net *	17	(16)
Adjusted Pre Tax Income	\$99	\$95
Less cash tax (payments)/refunds	(29)	(19)
Adjusted Net Income	\$70	\$76
<i>Cash tax rate</i>	29.4%	20.2%
Earnings per Share Attributable to Common Shareholders:		
Basic	\$ 0.25	\$ 0.27
Diluted	\$ 0.24	\$ 0.26
Weighted-Average Common Shares Outstanding:		
Basic	279.9	280.0
Diluted	288.1	288.7

* Other loss/(income), net includes FX (Gain)/Loss of \$4M and Debt Related Cost of \$13M in Q1'14; (\$28M) and \$12M respectively in Q1'13.

Gross Leverage Ratio

1st Quarter

	<u>1st Quarter</u>
\$M	as of March 31, 2014
Gross Debt as of March 31, 2014	\$5,027
Adjusted EBITDA for the year ended December 31, 2013 ⁽¹⁾	829
Less: Adjusted EBITDA for the three months ended March 31, 2013	(203)
Add: Adjusted EBITDA for the three months ended March 31, 2014	217
Adjusted EBITDA for the twelve months ended March 31, 2014	\$843
Gross Leverage Ratio (Gross Debt/Adjusted EBITDA)	6.0x

Unlevered Free Cash Flow Reconciliation

1st Quarter

	<u>1st Quarter</u>	
\$M	2014	2013
Net Cash Used by Operating Activities	\$(103)	\$(16)
Capital expenditures	(33)	(7)
Additions to computer software	(21)	(14)
Free Cash Flow	\$(157)	\$(37)
Cash interest payments	102	67
Cash tax payments	29	19
Acquisition related charges	6	2
Sponsor monitoring fees	2	2
Severance, transaction & other payments	5	5
FX hedge payments	1	(1)
Unlevered Free Cash Flow	\$(11)	\$57
Unlevered cash flow / Adjusted EBITDA	(5.2%)	28.0%

END