

## IMS Health



Q1 2015 Earnings Call  
April 24, 2015

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# Legal

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This presentation should be viewed in conjunction with IMS Health's Q1 2015 earnings call

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## **Non-GAAP Information**

Please refer to the appendix of this presentation for reconciliations of non-GAAP financial measures contained herein.

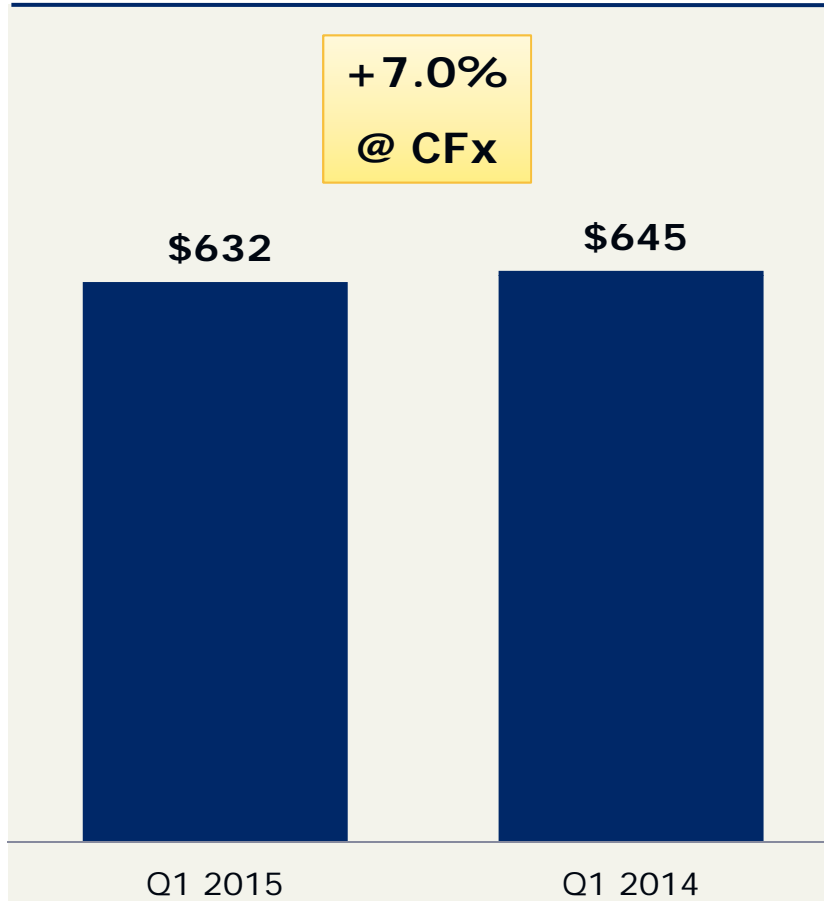
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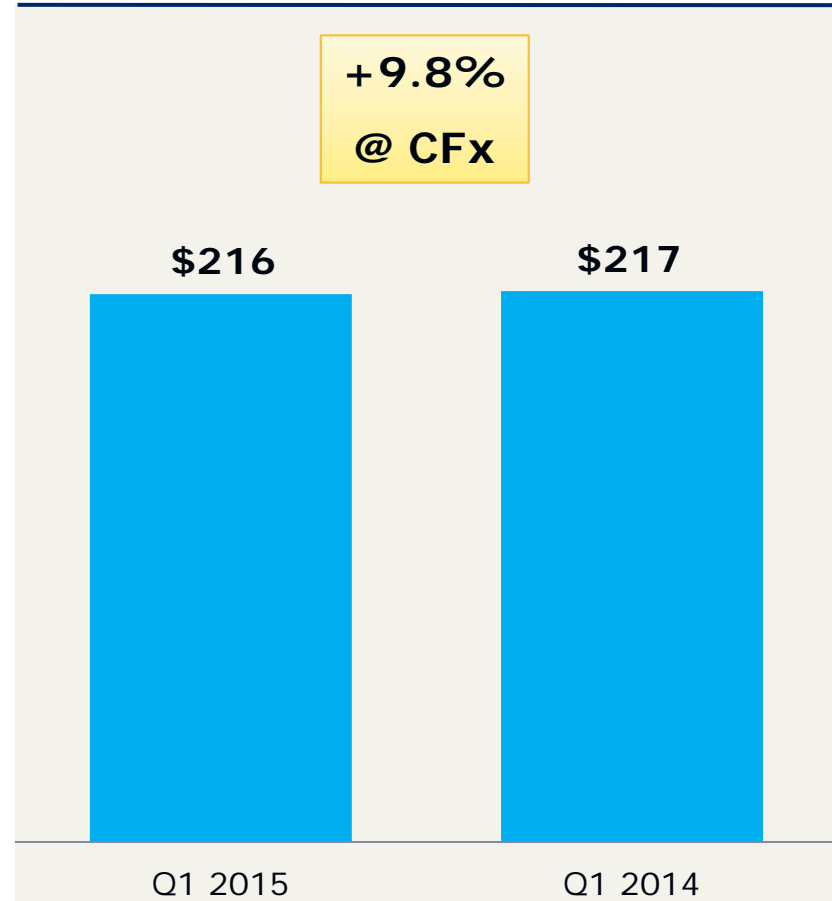
# 1<sup>st</sup> Quarter Results

\$M

## Revenue



## EBITDA

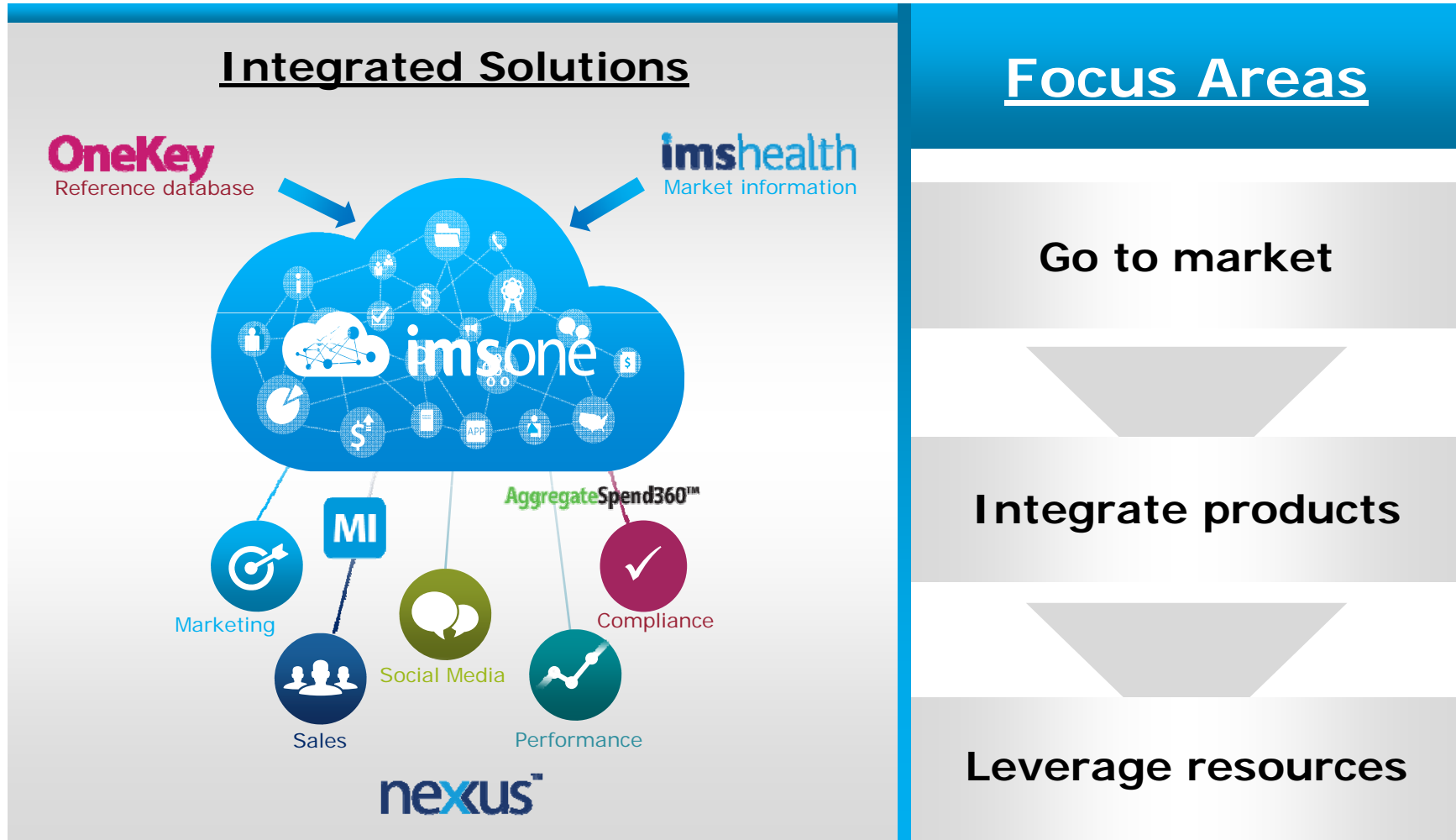


Note: Dollars are actual foreign exchange rates. CFx is constant currency. EBITDA is "Adjusted EBITDA" as defined in the IMS Health earnings release

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# Cegedim - Deal Closed, onto Integration



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**imshhealth**

# 1<sup>st</sup> Quarter Offering Revenue

<u>Offering</u>	<u>1<sup>st</sup> Quarter</u>		<u>Versus Prior Year</u>		
	\$M	2015	2014	Constant Currency	Reported
<b>Information</b>		\$354	\$381	3.0%	(7.0%)
<b>Technology Services</b>		<u>\$278</u>	<u>\$264</u>	12.7%	5.3%
<b>Total</b>		<b>\$632</b>	<b>\$645</b>	<b>7.0%</b>	<b>(2.0%)</b>

Note: Dollars are actual foreign exchange rates

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# 1<sup>st</sup> Quarter Geographic Revenue

<u>Geography</u>	<u>1<sup>st</sup> Quarter</u>		<u>Versus Prior Year</u>		
	\$M	2015	2014	Constant Currency	Reported
<b>Developed Markets</b>		\$522	\$532	6.1%	(1.8%)
<b>Emerging Markets</b>		<u>\$110</u>	<u>\$113</u>	11.2%	(2.9%)
<b>Total</b>		<b>\$632</b>	<b>\$645</b>	<b>7.0%</b>	<b>(2.0%)</b>

Note: Dollars are actual foreign exchange rates

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# 1<sup>st</sup> Quarter EBITDA

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\$M	<u>1<sup>st</sup> Quarter</u>		<u>Versus Prior Year</u>	
	2015	2014	Constant Currency	Reported
<b>Adjusted EBITDA <sup>(1)</sup></b>	\$216	\$217	9.8%	(0.5%)
<b>Adjusted EBITDA margin</b>	34.2%	33.7%	87 bps	49 bps

Note: Dollars are actual foreign exchange rates

(1) See reconciliations of non-GAAP items in appendix

# 1<sup>st</sup> Quarter P&L

At reported FX rates

\$M (except per share data)	2015	2014
<b>Net Income / (Loss)</b>	\$298	(\$24)
<b>Diluted Earnings / (Loss) per Share</b>	\$0.86	(\$0.09)
<b>Adjusted Net Income <sup>(1)</sup></b>	\$136	\$70
<b>Adjusted Diluted Earnings per Share <sup>(1)</sup></b>	\$0.39	\$0.24

(1) See reconciliations of non-GAAP items in appendix



# 1<sup>st</sup> Quarter Balance Sheet Items & Metrics

\$M	2015	2014
Cash & Cash Equivalents	\$639	\$390 <sup>(1)</sup>
Principal Balance of Debt <sup>(2)</sup>	\$3,969	\$3,816 <sup>(1)</sup>
Net Debt	\$3,330	\$3,426 <sup>(1)</sup>
Gross Leverage Ratio	4.5x	4.3x <sup>(1)</sup>
Net Cash (Used in) Provided by Operating Activities	\$30	(\$103)
Capital Expenditures and Additions to Deferred Software	\$32	\$54
Unlevered Free Cash Flow	\$57	(\$11)

(1) As of December 31, 2014

(2) Excludes \$23M and \$22M of unamortized OID as of December 31, 2014 and March 31, 2015, respectively

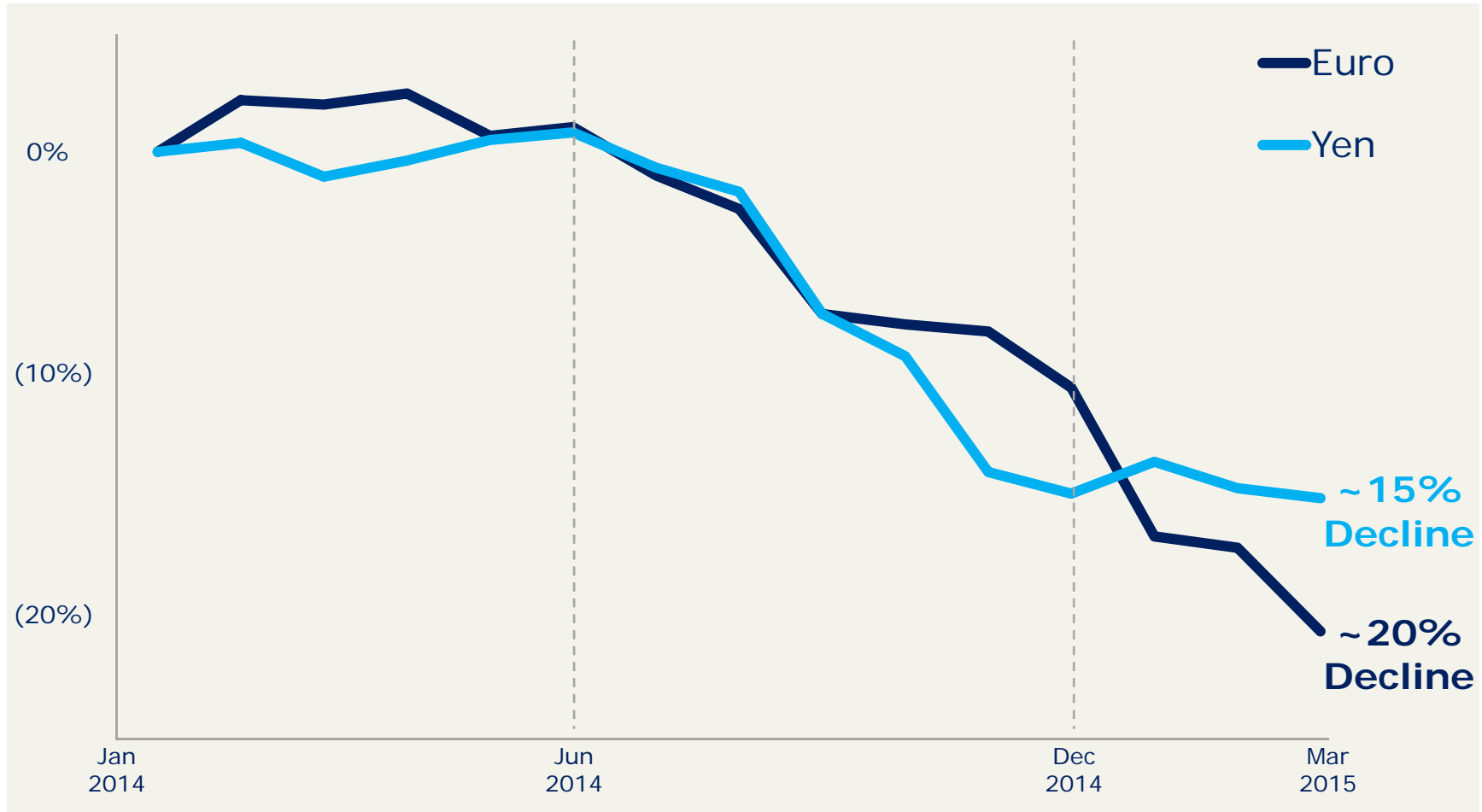
# Cegedim Historical Quarterly Phasing

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Average phasing 2013-2014	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total Q2 – Q4</u>
<b>Revenue</b>	30%	30%	40%	<b>100%</b>
<b>EBITDA</b>	20%	25%	55%	<b>100%</b>

# Foreign Currency Movement Since January 2014

## Euro and Yen



Note: Exchange rates are as of month-end  
Source: Central Bank of Italy

## 2<sup>nd</sup> Quarter Guidance

Revenue	<u>Q1 2015 Actual</u>	<u>Q2 2015 Guidance</u> <sup>(1)</sup>
<b>Constant Currency Growth</b>	<b>7.0%</b>	<b>25 - 26%</b>
Fx Impact	(9.0%)	(14%)
<b>Reported Growth</b>	<b>(2.0%)</b>	<b>11 - 12%</b> <sup>(2)</sup>

Adjusted EBITDA	<u>Q1 2015 Actual</u>	<u>Q2 2015 Guidance</u> <sup>(1)</sup>
<b>Constant Currency Growth</b>	<b>9.8%</b>	<b>8 - 9%</b>
Fx Impact	(10.3%)	(14%)
<b>Reported Growth</b>	<b>(0.5%)</b>	<b>(5 - 6%)</b> <sup>(2)</sup>

(1) Q2 2015 guidance includes the acquisition of Cegedim's CRM and Strategic Data businesses, closed April 1, 2015

(2) Assumes current exchange rates remain unchanged to the end of the Q2 2015

# Full-Year 2015 Guidance

	<u>Core IMS</u>	<u>IMS w/Acquisition</u> <sup>(1)</sup>	
	<u>Constant Currency</u>	<u>Constant Currency</u>	<u>Reported</u> <sup>(2)</sup>
<b>Revenue Growth</b>	<b>5 - 6%</b>	<b>19 - 20%</b>	<b>~10%</b>
<b>Adjusted EBITDA Growth</b>	<b>7.5 - 8.5%</b>	<b>13 - 14%</b>	<b>~4%</b>
<b>Adjusted Net Income Growth</b>	<b>16 - 19%</b>	<b>20 - 23%</b>	<b>8 - 11%</b>
<b>Adjusted Diluted EPS</b>	<b>11 - 14%</b>	<b>15 - 18%</b>	<b>4 - 6%</b>

Note: Bold numbers represents guidance that is unchanged from February 3, 2015 Q4 Earnings Release

(1) "Acquisition" refers to the April 1, 2015 close of Cegecim's CRM and Strategic Data businesses and is preliminary guidance

(2) Assuming current exchange rates remain unchanged to the end of the year

## Q&A

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## Appendix: Non-GAAP Financial Measures

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# Net Income to Adjusted EBITDA

(in millions)	Three Months Ended March 31,	
	2015	2014
<b>Net Income (Loss)</b>	<b>\$ 298</b>	<b>\$ (24)</b>
Benefit from income taxes	(240)	(13)
Other (income) loss, net	(4)	17
Interest expense	37	89
Interest income	—	(2)
Depreciation and amortization	96	107
Deferred revenue purchase accounting adjustments	1	2
Non-cash stock-based compensation charges	6	31
Restructuring and related charges <sup>(1)</sup>	14	2
Acquisition-related charges <sup>(2)</sup>	8	6
Sponsor monitoring fees <sup>(2)</sup>	—	2
<b>Adjusted EBITDA</b>	<b>\$ 216</b>	<b>\$ 217</b>
Depreciation and amortization	(34)	(31)
Interest expense, net	(37)	(87)
Royalty Hedge Gains	7	—
Cash tax payments, net of refunds	(16)	(29)
<b>Adjusted Net Income</b>	<b>\$ 136</b>	<b>\$ 70</b>

(1) Restructuring and related charges includes severance and impairment charges and the cost of employee and third-party charges related to dual running costs for knowledge transfer activities. Dual running costs for knowledge and transfer activities of \$1 million in both the three months ended March 31, 2015 and 2014

(2) Acquisition-related charges and Sponsor monitoring fees are included in Selling and administrative expenses



# Net Income to Adjusted Net Income & Per Share Data

(in millions, except per share data)	Three Months Ended March 31,	
	2015	2014
<b>Net Income (Loss)</b>	<b>\$ 298</b>	<b>\$ (24)</b>
Benefit from income taxes	(240)	(13)
Amortization associated with purchase accounting	62	76
Deferred revenue purchasing accounting adjustments	1	2
Non-cash stock-based compensation charges	6	31
Restructuring and related charges <sup>(1)</sup>	14	2
Acquisition-related charges <sup>(2)</sup>	8	6
Sponsor monitoring fees <sup>(2)</sup>	—	2
Other (income) loss, net	(4)	17
<b>Adjusted Pre Tax Income</b>	<b>\$ 145</b>	<b>\$ 99</b>
Royalty Hedge Gains	7	—
Cash tax payments, net of refunds	(16)	(29)
<b>Adjusted Net Income</b>	<b>\$ 136</b>	<b>\$ 70</b>
<b>Adjusted Earnings per Share Attributable to Common Shareholders:</b>		
Basic	\$ 0.40	\$ 0.25
Diluted	\$ 0.39	\$ 0.24
<b>Weighted-Average Common Shares Outstanding:</b>		
Basic	335.5	279.9
Diluted	345.3	288.1

(1) Restructuring and related charges includes severance and impairment charges and the cost of employee and third-party charges related to dual running costs for knowledge transfer activities. Dual running costs for knowledge and transfer activities of \$1 million in both the three months ended March 31, 2015 and 2014

(2) Acquisition-related charges and Sponsor monitoring fees are included in Selling and administrative expenses

# Unlevered Free Cash Flow

(in millions)	Three Months Ended March 31,	
	2015	2014
<b>Net Cash Provided by (Used in) Operating Activities</b>	\$ 30	\$ (103)
Capital expenditures	(9)	(33)
Additions to computer software	(23)	(21)
<b>Free Cash Flow</b>	\$ (2)	\$ (157)
Cash interest payments	30	102
Cash tax payments, net of refunds	16	29
Acquisition related charges <sup>(1)</sup>	8	6
Sponsor monitoring fees <sup>(1)</sup>	—	2
One-time IPO expense	—	—
Severance, transaction & other payments	7	5
FX hedge (receipts) payments	(2)	1
<b>Unlevered Free Cash Flow</b>	\$ 57	\$ (11)

(1) Acquisition-related charges and Sponsor monitoring fees are included in Selling and administrative expenses.

# Gross Leverage Ratio

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(in millions)

<b>Gross Debt as of March 31, 2015</b>	<b>\$ 3,969</b>
Adjusted EBITDA for the year ended December 31, 2014	<b>878</b>
Less: Adjusted EBITDA for the three months ended March 31, 2014	(217)
Add: Adjusted EBITDA for the three months ended March 31, 2015	216
<b>Adjusted EBITDA for the twelve months ended March 31, 2015</b>	<b>\$ 877</b>
<b>Gross Leverage Ratio (Gross Debt/LTM Adjusted EBITDA)</b>	<b>4.5x</b>

# Non-GAAP Adjustments By Income Statement Line Items

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(in millions)	Three Months Ended March 31,	
	2015	2014
<i>Non-GAAP adjustments included in:</i>		
Operating costs of information, exclusive of depreciation and amortization	1	4
Direct and incremental costs of technology services, exclusive of depreciation and amortization	1	3
Selling and administrative expenses, exclusive of depreciation and amortization	14	34

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END