

IMS Health

Q1 2016 Earnings Call

May 3, 2016



Legal

This presentation should be viewed in conjunction with IMS Health's Q1 2016 earnings call

Safe Harbor Statement

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Non-GAAP Information

This Presentation includes information based on financial measures that are not recognized under generally accepted accounting principles in the United States ("GAAP"), such as Adjusted EBITDA, Adjusted Net Income, Adjusted Diluted Earnings per Share, Gross Leverage Ratio and Unlevered Free Cash Flow. In addition, management believes that these measures are useful to assess the company's operating performance trends because they exclude certain material non-cash items, unusual or non-recurring items that are not expected to continue in the future, and certain other items. The non-GAAP Measures are not presented in accordance with GAAP, and IMS Health's computation of these non-GAAP measures may vary from those used by other companies. Please refer to the appendix of this presentation for reconciliations of non-GAAP financial measures contained herein to the most comparable GAAP measures.

Past Performance

In all cases where historical results are presented or past performance is described, we note that past performance is not a reliable indicator of future results and performance.

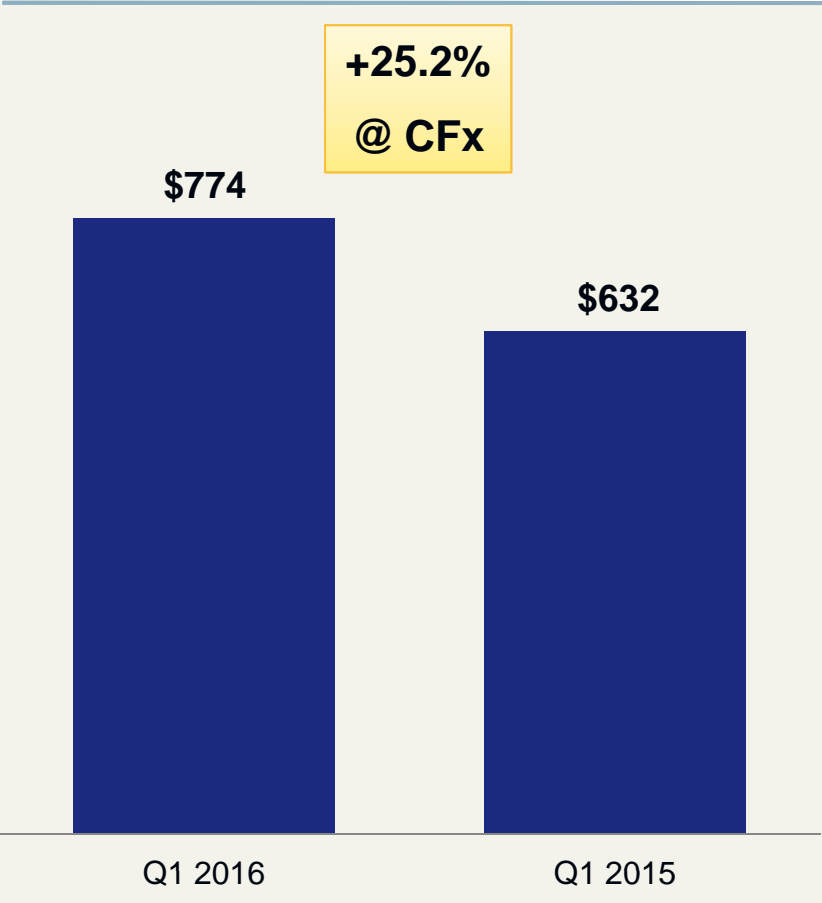
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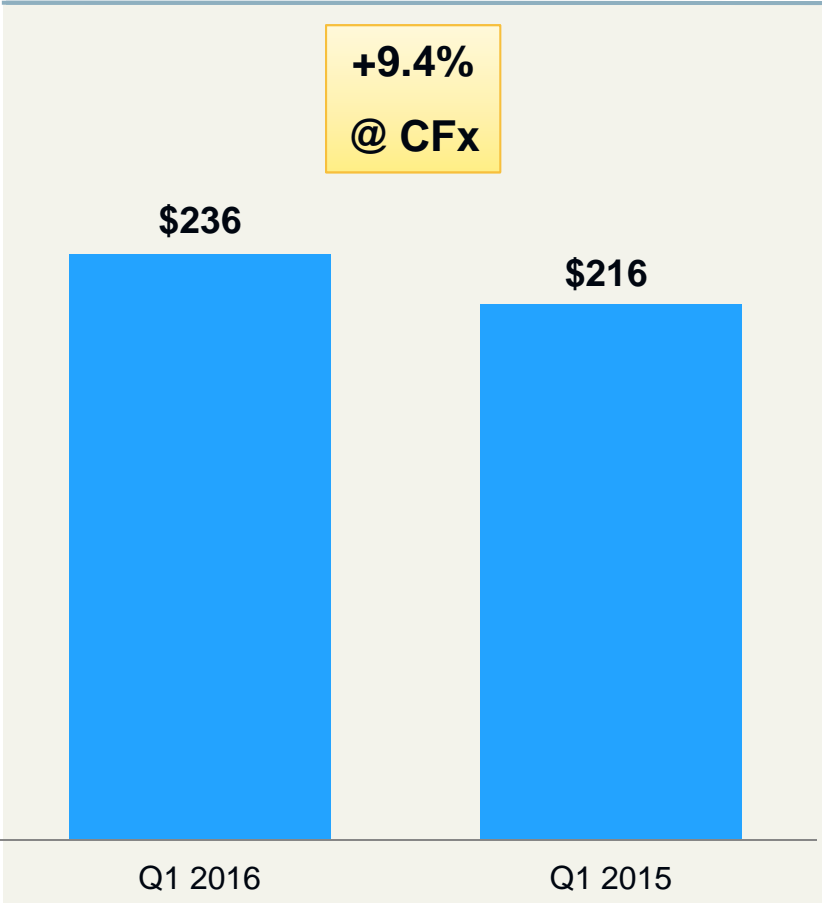
1st Quarter Results

\$M

Revenue



Adjusted EBITDA



Note: Dollars are at actual foreign exchange rates. CFX is constant currency. EBITDA is "Adjusted EBITDA" as calculated in the appendix of this presentation

1st Quarter Offering Revenue

<u>Offering</u>	<u>1st Quarter</u>		<u>Versus Prior Year</u>		
	\$M	2016	2015	Constant Currency	Reported
Information		\$376	\$354	9.0%	6.0%
Technology Services		<u>\$398</u>	<u>\$278</u>	45.8%	43.6%
Total		\$774	\$632	25.2%	22.5%

Note: Dollars are at actual foreign exchange rates

1st Quarter Geographic Revenue

<u>Geography</u>	<u>1st Quarter</u>		<u>Versus Prior Year</u>		
	\$M	2016	2015	Constant Currency	Reported
Developed Markets		\$650	\$527	24.7%	23.3%
Emerging Markets		<u>\$124</u>	<u>\$105</u>	28.1%	18.3%
Total		\$774	\$632	25.2%	22.5%

Note: Dollars are at actual foreign exchange rates
 Prior year adjusted to conform with current year classification

1st Quarter EBITDA

	<u>1st Quarter</u>		<u>Versus Prior Year</u>	
	2016	2015	Constant Currency	Reported
Adjusted EBITDA ⁽¹⁾	\$236	\$216	9.4%	9.3%
Adjusted EBITDA margin	30.5%	34.2%	(435) bps	(370) bps

Note: Dollars are at actual foreign exchange rates

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

1st Quarter P&L

At reported FX rates

\$M (except per share data)	2016	2015
Net Income	\$43	\$298
Diluted Earnings per Share	\$0.13	\$0.86
Adjusted Net Income ⁽¹⁾	\$140	\$136
Adjusted Diluted Earnings per Share ⁽¹⁾	\$0.42	\$0.39

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

1st Quarter Balance Sheet Items & Metrics

\$M	2016	2015
Cash & Cash Equivalents	\$378	\$396 ⁽¹⁾
Principal Balance of Debt ⁽²⁾	\$4,606	\$4,266 ⁽¹⁾
Net Debt	\$4,228	\$3,870 ⁽¹⁾
Gross Leverage Ratio	5.1x	4.8x ⁽¹⁾
Net Cash (Used in) Provided by Operating Activities	(\$15)	\$30
Capital Expenditures and Additions to Deferred Software	\$39	\$32
Unlevered Free Cash Flow	\$37	\$57

(1) As of December 31, 2015

(2) Excludes \$69M and \$71M of unamortized OID and debt issuance costs as of March 31, 2016 and December 31, 2015, respectively

Full-Year 2016 Guidance

Full-Year 2016	
Revenue Growth	
<i>Constant Currency</i>	10 – 12%
<i>Reported ⁽¹⁾</i>	9 – 11%
Adjusted EBITDA Growth	
<i>Constant Currency</i>	7.5 – 9.5%
<i>Reported ⁽¹⁾</i>	7.5 – 9.5%
Adjusted Net Income Growth	
<i>Constant Currency</i>	6.5 – 8.5%
<i>Reported ⁽¹⁾</i>	2 – 4%
Adjusted Diluted EPS	
<i>Constant Currency</i>	8.5 – 10.5%
<i>Reported ⁽¹⁾</i>	4 – 6%

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

Q2 2016 Guidance

Q2 2016	
Revenue Growth	
<i>Constant Currency</i>	7.5 – 8.5%
<i>Reported ⁽¹⁾</i>	7.5 – 8.5%
Adjusted EBITDA Growth	
<i>Constant Currency</i>	5 – 6%
<i>Reported ⁽¹⁾</i>	6.5 – 7.5%
Adjusted Net Income Growth	
<i>Constant Currency</i>	4.5 – 5.5%
<i>Reported ⁽¹⁾</i>	1 – 2%
Adjusted Diluted EPS	
<i>Constant Currency</i>	5.5 – 6.5%
<i>Reported ⁽¹⁾</i>	2 – 3%

(1) Assuming current exchange rates remain unchanged to the end of the quarter

Q&A

Appendix: Non-GAAP Financial Measures

Net Income to Adjusted EBITDA

(in millions)	Three Months Ended March 31,	
	2016	2015
Net Income	\$ 43	\$ 298
Provision for (benefit from) income taxes	20	(240)
Other (income) loss, net	5	(4)
Interest expense	46	37
Interest income	(1)	—
Depreciation and amortization	87	96
Deferred revenue purchase accounting adjustments	1	1
Stock-based compensation related charges ⁽¹⁾	7	6
Restructuring and related charges ⁽²⁾	16	14
Acquisition-related charges ⁽³⁾	12	8
Adjusted EBITDA	\$ 236	\$ 216
Depreciation and amortization	(34)	(34)
Interest expense, net	(45)	(37)
Royalty hedge gains	2	7
Cash tax payments, net of refunds	(19)	(16)
Adjusted Net Income	\$ 140	\$ 136

- 1) Stock-based compensation related charges are included in Operating costs of information, Direct and incremental costs of technology services and Selling and administrative expenses as follows:

(in millions)	Three Months Ended March 31,	
	2016	2015
Operating costs of information	\$ 1	\$ 1
Direct and incremental costs of technology services	1	—
Selling and administrative expenses	5	5

- 2) 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 transfer activities of less than \$1 million for both the three months ended March 31, 2016 and 2015, respectively, are included primarily in Operating costs of information and Selling and administrative expenses.
- 3) Acquisition-related charges are included primarily 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,	
	2016	2015
Net Income	\$ 43	\$ 298
Provision for (benefit from) income taxes	20	(240)
Amortization associated with purchase accounting	53	62
Deferred revenue purchasing accounting adjustments	1	1
Stock-based compensation related charges ⁽¹⁾	7	6
Restructuring and related charges ⁽²⁾	16	14
Acquisition-related charges ⁽³⁾	12	8
Other (income) loss, net	5	(4)
Adjusted Pre Tax Income	\$ 157	\$ 145
Royalty hedge gains	2	7
Cash tax payments, net of refunds	(19)	(16)
Adjusted Net Income	\$ 140	\$ 136
Adjusted Earnings per Share Attributable to Common Stockholders:		
Basic	\$ 0.43	\$ 0.40
Diluted	\$ 0.42	\$ 0.39
Weighted-Average Common Shares Outstanding:		
Basic	328.6	335.5
Diluted	335.6	345.3

1) Stock-based compensation related charges are included in Operating costs of information, Direct and incremental costs of technology services and Selling and administrative expenses as follows:

(in millions)	Three Months Ended March 31,	
	2016	2015
Operating costs of information	\$ 1	\$ 1
Direct and incremental costs of technology services	1	—
Selling and administrative expenses	5	5

2) 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 transfer activities of less than \$1 million for both the three months ended March 31, 2016 and 2015, respectively, are included primarily in Operating costs of information and Selling and administrative expenses.

3) Acquisition-related charges are included primarily in Selling and administrative expenses.

Unlevered Free Cash Flow

(in millions)	Three Months Ended March 31,	
	2016	2015
Net Cash (Used in) Provided by Operating Activities	\$ (15)	\$ 30
Capital expenditures	(13)	(9)
Additions to computer software	(26)	(23)
Free Cash Flow	\$ (54)	\$ (2)
Cash interest payments	33	30
Cash tax payments, net of refunds	19	16
Acquisition related charges ⁽¹⁾	12	8
Severance, transaction & other payments	29	7
FX hedge (receipts) payments	(2)	(2)
Unlevered Free Cash Flow	\$ 37	\$ 57

1) Acquisition-related charges are included primarily in Selling and administrative expenses.

Gross Leverage Ratio

(in millions)

Gross Debt as of March 31, 2016	\$ 4,606
Adjusted EBITDA for the year ended December 31, 2015	886
Less: Adjusted EBITDA for the three months ended March 31, 2015	(216)
Add: Adjusted EBITDA for the three months ended March 31, 2016	236
Adjusted EBITDA for the twelve months ended March 31, 2016	\$ 906
Gross Leverage Ratio (Gross Debt/LTM Adjusted EBITDA)	5.1x

Non-GAAP Adjustments By Income Statement Line Items

(in millions)	Three Months Ended	
	March 31,	
	2016	2015
<i>Non-GAAP adjustments included in:</i>		
Operating costs of information, exclusive of depreciation and amortization	1	1
Direct and incremental costs of technology services, exclusive of depreciation and amortization	1	1
Selling and administrative expenses, exclusive of depreciation and amortization	17	14