

IMS Health



Q3 2014 Earnings Call
October 24, 2014

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This presentation should be viewed in conjunction with IMS Health's Q3 2014 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.

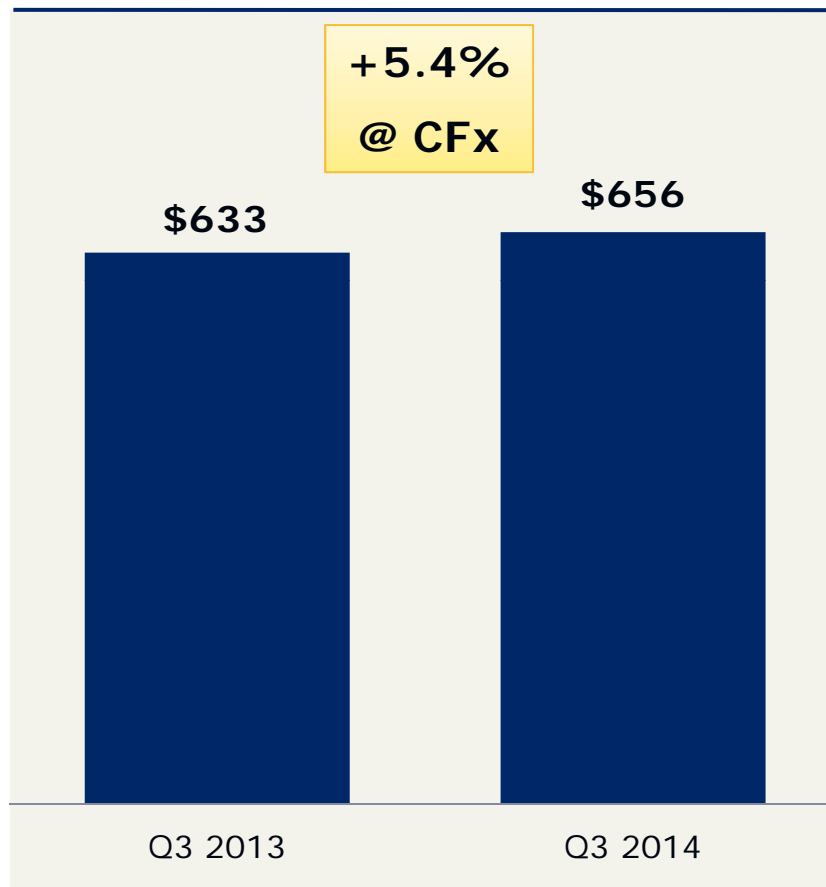
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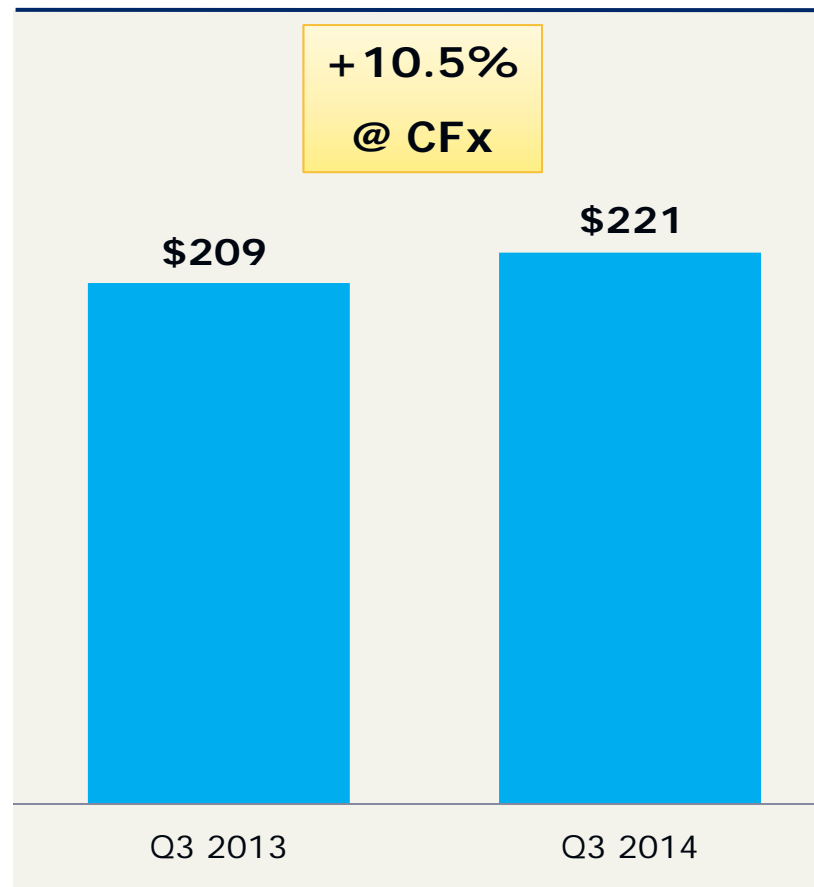
3rd Quarter Results

\$M

Revenue



EBITDA



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

Cegedim Update

- ✓ Works council information and consultation requirements
- ✓ Cegedim Board of Directors approval
- ✓ Fully executed Definitive Purchase Agreement

Regulatory review and other customary closing conditions

Close expected in early Q2 2015

3rd Quarter Offering Revenue

<u>Offering</u>	<u>3rd Quarter</u>		<u>Versus Prior Year</u>		
	\$M	2014	2013	Constant Currency	Reported
Information		\$382	\$381	1.8%	0.0%
Technology Services		<u>\$274</u>	<u>\$252</u>	10.8%	9.3%
Total		\$656	\$633	5.4%	3.7%

3rd Quarter Geographic Revenue

<u>Geography</u>	<u>3rd Quarter</u>		<u>Versus Prior Year</u>		
	\$M	2014	2013	Constant Currency	Reported
Emerging Markets		\$115	\$110	10.4%	4.6%
Developed Markets		<u>\$541</u>	<u>\$523</u>	4.3%	3.5%
Total		\$656	\$633	5.4%	3.7%

3rd Quarter EBITDA

	<u>3rd Quarter</u>		<u>Versus Prior Year</u>	
	2014	2013	Constant Currency	Reported
Adjusted EBITDA	\$221	\$209	10.5%	6.1%
Adjusted EBITDA margin	33.7%	32.9%	159 bps	76 bps

3rd Quarter P&L

\$M (except per share data)	2014	2013
Net Income / (Loss)	\$47	\$(20)
Adjusted Net Income	\$125	\$134
Diluted Earnings / (Loss) per Share	\$0.14	\$(0.07)
Adjusted Diluted Earnings per Share	\$0.37	\$0.47

Year-to-date Revenue

<u>Offering</u>	<u>Year-to-date</u>		<u>Versus Prior Year</u>		
	\$M	2014	2013	Constant Currency	Reported
Information		\$1,149	\$1,138	1.9%	0.9%
Technology Services		<u>\$814</u>	<u>\$732</u>	11.7%	11.3%
Total		\$1,963	\$1,870	5.8%	5.0%

<u>Geography</u>	<u>Year-to-date</u>		<u>Versus Prior Year</u>		
Emerging Markets		\$346	\$323	11.2%	7.4%
Developed Markets		<u>\$1,617</u>	<u>\$1,547</u>	4.7%	4.5%
Total		\$1,963	\$1,870	5.8%	5.0%

Year-to-date represents nine months ended September 30

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Year-to-date P&L

\$M (except per share data)	2014	2013
Adjusted EBITDA	\$664	\$618
Adjusted EBITDA margin	33.8%	33.0%
Net Income / (Loss)	\$(197)	\$0
Adjusted Net Income	\$329	\$306
Diluted Earnings / (Loss) per Share	\$(0.63)	\$0.00
Adjusted Diluted Earnings per Share	\$1.02	\$1.06

Year-to-date represents nine months ended September 30

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3rd Quarter Balance Sheet Items & Metrics

\$M	2014	2013
Cash & Cash Equivalents & Short Term Investments ⁽³⁾	\$355	\$729 ⁽¹⁾
Principal Balance of Debt ⁽²⁾	\$3,923	\$5,027 ⁽¹⁾
Net Debt	\$3,568	\$4,298 ⁽¹⁾
Gross Leverage Ratio	4.5x	6.1x ⁽¹⁾
Cash Provided by Operating Activities	\$191	\$212
Capital Expenditures and Additions to Deferred Software	\$40	\$30
Unlevered Free Cash Flow	\$216	\$222

(1) As of December 31, 2013

(2) Excludes \$67M and \$24M of unamortized OID as of December 31, 2013 and September 30, 2014, respectively

(3) Short Term Investments are \$4M and \$1M as of December 31, 2013 and September 30, 2014 (included in "Other current assets" in the 10-Q and in "Other current & LT assets" in the Q3 earnings release)

Full-Year 2014 Guidance

	Constant Currency	Reported ⁽¹⁾
Revenue Growth	5.5 – 5.7%	3.8 – 4.0%
Adjusted EBITDA Growth	9.0 – 9.8%	5.8 – 6.6%
Adjusted Net Income Growth	20 – 21%	15 – 16%
Adjusted Diluted EPS	1.40 – 1.42	1.34 – 1.36
Unlevered FCF/Adj. EBITDA ⁽²⁾	N/A	70 – 75%

(1) Assuming FX rates remain unchanged from September 30 to the end of the year

(2) Excludes Bangalore Building Purchase

Foreign Currency Impact

2014 - Reported vs. constant currency

(reported < constant currency), reported > constant currency

Growth rate impact of FX	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u> ⁽¹⁾	<u>FY</u> ⁽¹⁾
Revenue	(1.4)%	0.7%	(1.7)%	(4.3)%	(1.7)%
EBITDA	(2.3)%	(0.1)%	(4.4)%	(5.7)%	(3.2)%

(1) Assuming FX rates remain unchanged from September 30 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 September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net Income (Loss)	\$ 47	\$ (20)	\$ (197)	\$ —
Provision for (benefit from) income taxes	11	(20)	(141)	(6)
Other (income) loss, net ⁽¹⁾	(7)	54	281	44
Interest expense	43	87	181	241
Interest income	(1)	(1)	(3)	(3)
Depreciation and amortization	109	98	331	303
Deferred revenue purchase accounting adjustments	1	—	3	2
Non-cash stock-based compensation charges	6	5	52	18
Restructuring and related charges	5	2	34	7
Acquisition-related charges	7	2	19	6
Sponsor monitoring termination / fees	—	2	74	6
Non-executive phantom stock compensation	—	—	30	—
Adjusted EBITDA	\$ 221	\$ 209	\$ 664	\$ 618
Depreciation and amortization ⁽²⁾	(32)	(24)	(94)	(79)
Interest expense, net	(42)	(86)	(178)	(238)
Royalty Hedge Gains/(Losses)	1	—	1	—
Less cash tax (payments)/refunds	(23)	35	(64)	5
Adjusted Net Income	\$ 125	\$ 134	\$ 329	\$ 306

(1) 2014 YTD includes \$49M FX loss due to the devaluation of Venezuelan Bolivar assets and liabilities, \$151M for debt make-whole premiums, \$68M for the write-off of debt issuance costs and discounts

(2) Excludes amortization related to purchase accounting

Net Income to Adjusted Net Income & Per Share Data

(in millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net Income (Loss)	\$ 47	\$ (20)	\$ (197)	\$ —
Provision for (benefit from) income taxes	11	(20)	(141)	(6)
Amortization associated with purchase accounting	77	74	230	224
Deferred revenue purchasing accounting adjustments	1	—	3	2
Non-cash stock-based compensation charges	6	5	52	18
Restructuring and related charges ⁽¹⁾	5	2	41	7
Acquisition-related charges	7	2	19	6
Sponsor monitoring termination / fees	—	2	74	6
Non-executive phantom stock compensation	—	—	30	—
Other (income) loss, net ⁽²⁾	(7)	54	281	44
Adjusted Pre Tax Income	\$ 147	\$ 99	\$ 392	\$ 301
Royalty Hedge Gains/(Losses)	1	—	1	—
Less cash tax (payments)/refunds	(23)	35	(64)	5
Adjusted Net Income	\$ 125	\$ 134	\$ 329	\$ 306
Adjusted Earnings per Share Attributable to Common Shareholders:				
Basic	\$ 0.38	\$ 0.48	\$ 1.05	\$ 1.09
Diluted	\$ 0.37	\$ 0.47	\$ 1.02	\$ 1.06
Weighted-Average Common Shares Outstanding:				
Basic	332.1	280.0	314.1	280.0
Diluted	342.3	285.3	323.1	287.8

(1) 2014 YTD includes \$49M FX loss due to the devaluation of Venezuelan Bolivar assets and liabilities, \$151M for debt make-whole premiums, \$68M for the write-off of debt issuance costs and discounts

(2) Excludes amortization related to purchase accounting

Unlevered Free Cash Flow

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net Cash (Used in) Provided by Operating Activities	\$ 191	\$ 212	\$ (37)	\$ 336
Capital expenditures	(14)	(8)	(59)	(25)
Additions to computer software	(26)	(22)	(70)	(53)
Free Cash Flow	\$ 151	\$ 182	\$ (166)	\$ 258
Cash interest payments	26	61	196	201
Cash tax payments	23	(35)	64	(5)
Acquisition related charges	7	2	19	6
Sponsor monitoring termination / fees	—	2	74	6
Non-executive phantom stock compensation	—	—	30	—
Debt extinguishment make-whole payments	—	—	151	—
Severance, transaction & other payments	8	13	19	33
FX hedge payments	1	(3)	7	(8)
Unlevered Free Cash Flow	\$ 216	\$ 222	\$ 394	\$ 491

Gross Leverage Ratio

(in millions)

Gross Debt as of September 30, 2014	\$ 3,923
Adjusted EBITDA for the year ended December 31, 2013	829
Less: Adjusted EBITDA for the nine months ended September 30, 2013	(618)
Add: Adjusted EBITDA for the nine months ended September 30, 2014	664
Adjusted EBITDA for the twelve months ended September 30, 2014	\$ 875
Gross Leverage Ratio (Gross Debt/LTM Adjusted EBITDA)	4.5x

END