

## IMS Health



Q4 2014 Earnings Call  
February 3, 2015

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## Non-GAAP Information

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

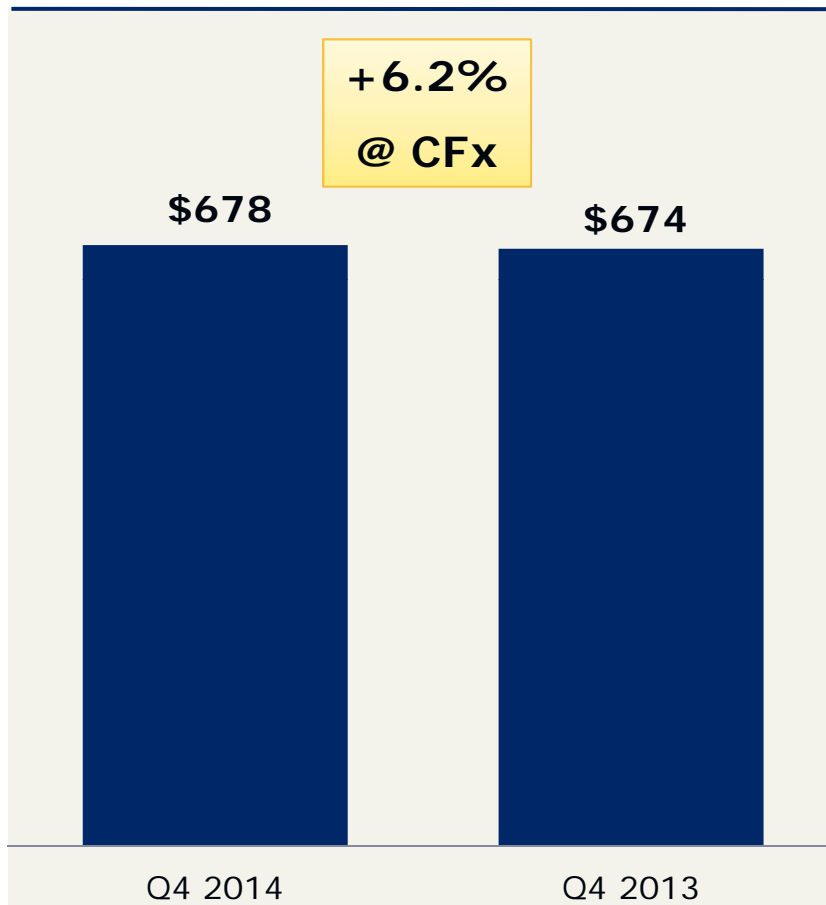
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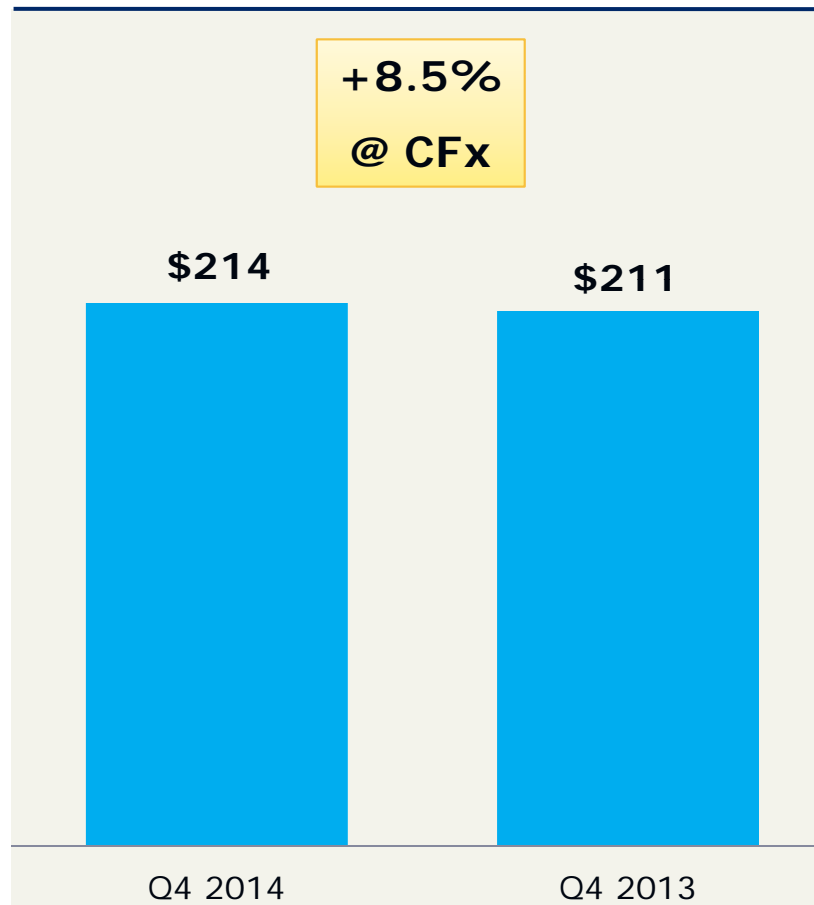
# 4<sup>th</sup> Quarter Results

\$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 Update

## Status

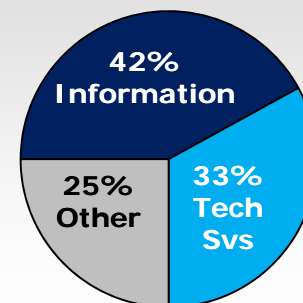
- ✓ Works council information and consultation requirements
- ✓ Cegedim Board of Directors approval
- ✓ Fully executed Definitive Purchase Agreement
- ✓ U.S. and Europe regulatory approvals

Other closing conditions

On track to close by early Q2 2015

## Financials

### Revenue



### 2013 Financials <sup>(1)</sup>

Revenue: \$491M

Adj. EBITDA: \$74M

### Purchase Price <sup>(1)</sup>

\$434M

(1) Assumes current exchange rates

## 4<sup>th</sup> Quarter Offering Revenue

<u>Offering</u>	<u>4<sup>th</sup> Quarter</u>		<u>Versus Prior Year</u>		
	\$M	2014	2013	Constant Currency	Reported
<b>Information</b>		\$366	\$387	0.8%	(5.5%)
<b>Technology Services</b>		<u>\$312</u>	<u>\$287</u>	13.6%	8.8%
<b>Total</b>		<b>\$678</b>	<b>\$674</b>	<b>6.2%</b>	<b>0.6%</b>

## 4<sup>th</sup> Quarter Geographic Revenue

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<u>Geography</u>	<u>4<sup>th</sup> Quarter</u>		<u>Versus Prior Year</u>		
	\$M	2014	2013	Constant Currency	Reported
<b>Developed Markets</b>		\$565	\$560	5.5%	0.9%
<b>Emerging Markets</b>		<u>\$113</u>	<u>\$114</u>	9.7%	(1.0%)
<b>Total</b>		<b>\$678</b>	<b>\$674</b>	<b>6.2%</b>	<b>0.6%</b>

## 4<sup>th</sup> Quarter EBITDA

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\$M	<u>4<sup>th</sup> Quarter</u>		<u>Versus Prior Year</u>	
	2014	2013	Constant Currency	Reported
<b>Adjusted EBITDA <sup>(1)</sup></b>	\$214	\$211	8.5%	1.1%
<b>Adjusted EBITDA margin</b>	31.6%	31.4%	68 bps	18 bps

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

# 4<sup>th</sup> Quarter P&L

At reported FX rates

\$M (except per share data)	2014	2013
<b>Net Income / (Loss)</b>	\$8	\$82
<b>Diluted Earnings / (Loss) per Share</b>	\$0.03	\$0.29
<b>Adjusted Net Income <sup>(1)</sup></b>	\$125	\$79
<b>Adjusted Diluted Earnings per Share <sup>(1)</sup></b>	\$0.36	\$0.28

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



# Full-Year Revenue

<u>Offering</u>	<u>Full-Year</u>		<u>Versus Prior Year</u>	
	\$M	2014	2013	Constant Currency
<b>Information</b>	\$1,515	\$1,525	1.7%	(0.7%)
<b>Technology Services</b>	<u>\$1,126</u>	<u>\$1,019</u>	12.3%	10.6%
<b>Total</b>	<b>\$2,641</b>	<b>\$2,544</b>	<b>5.9%</b>	<b>3.8%</b>

<u>Geography</u>	<u>Full-Year</u>		<u>Versus Prior Year</u>	
	\$M	2014	2013	Constant Currency
<b>Developed Markets</b>	\$2,181	\$2,107	4.9%	3.5%
<b>Emerging Markets</b>	<u>\$460</u>	<u>\$437</u>	10.8%	5.2%
<b>Total</b>	<b>\$2,641</b>	<b>\$2,544</b>	<b>5.9%</b>	<b>3.8%</b>

# Full-Year P&L

At reported FX rates

\$M (except per share data)	2014	2013
<b>Adjusted EBITDA <sup>(1)</sup></b>	\$878	\$829
<b>Adjusted EBITDA margin</b>	33.2%	32.6%
<b>Net Income / (Loss)</b>	\$(189)	\$82
<b>Diluted Earnings / (Loss) per Share</b>	\$(0.59)	\$0.29
<b>Adjusted Net Income <sup>(1)</sup></b>	\$454	\$385
<b>Adjusted Diluted Earnings per Share <sup>(1)</sup></b>	\$1.37	\$1.34

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

## 4<sup>th</sup> Quarter Balance Sheet Items & Metrics

\$M	2014	2013
<b>Cash &amp; Cash Equivalents &amp; Short-Term Investments <sup>(3)</sup></b>	\$390	\$729 <sup>(1)</sup>
<b>Principal Balance of Debt <sup>(2)</sup></b>	\$3,816	\$5,027 <sup>(1)</sup>
<b>Net Debt</b>	\$3,426	\$4,298 <sup>(1)</sup>
<b>Gross Leverage Ratio</b>	4.3x	6.1x <sup>(1)</sup>
<b>Cash Provided by Operating Activities</b>	\$147	\$78
<b>Capital Expenditures and Additions to Deferred Software</b>	\$38	\$43
<b>Unlevered Free Cash Flow</b>	\$182	\$140

(1) As of December 31, 2013

(2) Excludes \$67M and \$23M of unamortized OID as of December 31, 2013 and December 31, 2014, respectively

(3) Short-Term Investments are \$4M and \$0M as of December 31, 2013 and December 31, 2014, respectively (included in "Other current assets" in the 10-Q and in "Other current & LT assets" in the Q4 earnings release)

# 2014 Foreign Currency Impact

## Core IMS

### 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>	<u>FY</u>	<u>FY 2014 Constant Currency Growth</u>
<b>Revenue</b>	(1.4)%	0.7%	(1.7)%	(5.6)%	<b>(2.1)%</b>	<b>5.9%</b>
<b>Adjusted EBITDA</b>	(2.3)%	(0.1)%	(4.4)%	(7.4)%	<b>(3.6)%</b>	<b>9.5%</b>

# 1<sup>st</sup> Quarter 2015 Foreign Currency Impact

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## Core IMS

### Reported vs. constant currency <sup>(1)</sup>

(reported < constant currency), reported > constant currency

Growth rate impact of FX	<u>Q1</u>
Revenue	(8.4)%
Adjusted EBITDA	(9.6)%

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

# Full-Year 2015 Guidance

	<u>Core IMS</u>	<u>IMS w/Acquisition</u> <sup>(2)</sup>	
	<u>Constant Currency</u>	<u>Constant Currency</u>	<u>Reported</u> <sup>(1)</sup>
<b>Revenue Growth</b>	<b>5 - 6%</b>	19 - 20%	11 - 12%
<b>Adjusted EBITDA Growth</b>	<b>7.5 - 8.5%</b>	13 - 14%	5 - 6%
<b>Adjusted Net Income Growth</b>	<b>16 - 19%</b>	20 - 23%	8 - 11%
<b>Adjusted Diluted EPS</b>	<b>11 - 14%</b>	15 - 18%	4 - 6%

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

(2) "Acquisition" refers to the April 2015 close of Cegedim's CRM and Strategic Data businesses and is preliminary guidance – to be revised upon completion of the acquisition

## 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 December 31,		Twelve Months Ended December 31,	
	2014	2013	2014	2013
<b>Net Income (Loss)</b>	\$ 8	\$ 82	\$ (189)	\$ 82
Provision for (benefit from) income taxes	45	(124)	(96)	(130)
Other (income) loss, net <sup>(1)</sup>	(5)	30	276	74
Interest expense	40	91	221	332
Interest income	(1)	(1)	(4)	(4)
Depreciation and amortization	110	107	441	410
Deferred revenue purchase accounting adjustments	1	—	4	2
Non-cash stock-based compensation charges	6	4	58	22
Restructuring and related charges	5	16	39	23
Acquisition-related charges	5	4	24	10
Sponsor monitoring termination / fees	—	2	74	8
Non-executive phantom stock compensation	—	—	30	—
<b>Adjusted EBITDA</b>	<b>\$ 214</b>	<b>\$ 211</b>	<b>\$ 878</b>	<b>\$ 829</b>
Depreciation and amortization <sup>(2)</sup>	(36)	(30)	(130)	(109)
Interest expense, net	(39)	(90)	(217)	(328)
Royalty Hedge Gains/(Losses)	5	—	6	—
Cash tax payments, net of refunds	(19)	(12)	(83)	(7)
<b>Adjusted Net Income</b>	<b>\$ 125</b>	<b>\$ 79</b>	<b>\$ 454</b>	<b>\$ 385</b>

(1) Twelve Months ended December 31, 2014 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 December 31,		Twelve Months Ended December 31,	
	2014	2013	2014	2013
<b>Net Income (Loss)</b>	\$ 8	\$ 82	\$ (189)	\$ 82
Provision for (benefit from) income taxes	45	(124)	(96)	(130)
Amortization associated with purchase accounting	74	77	304	301
Deferred revenue purchasing accounting adjustments	1	—	4	2
Non-cash stock-based compensation charges	6	4	58	22
Restructuring and related charges <sup>(1)</sup>	5	16	46	23
Acquisition-related charges	5	4	24	10
Sponsor monitoring termination / fees	—	2	74	8
Non-executive phantom stock compensation	—	—	30	—
Other (income) loss, net <sup>(2)</sup>	(5)	30	276	74
<b>Adjusted Pre Tax Income</b>	\$ 139	\$ 91	\$ 531	\$ 392
Royalty Hedge Gains/(Losses)	5	—	6	—
Cash tax payments, net of refunds	(19)	(12)	(83)	(7)
<b>Adjusted Net Income</b>	\$ 125	\$ 79	\$ 454	\$ 385
<b>Adjusted Earnings per Share Attributable to Common Shareholders:</b>				
Basic	\$ 0.37	\$ 0.28	\$ 1.42	\$ 1.37
Diluted	\$ 0.36	\$ 0.28	\$ 1.37	\$ 1.34
<b>Weighted-Average Common Shares Outstanding:</b>				
Basic	333.8	280.0	319.0	280.0
Diluted	344.4	285.8	330.3	287.0

(1) Twelve Months ended December 31, 2014 includes \$7M of accumulated depreciation related to real estate transactions in Q2-2014

(2) Twelve Months ended December 31, 2014 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

# Unlevered Free Cash Flow

(in millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2014	2013	2014	2013
<b>Net Cash (Used in) Provided by Operating Activities</b>	\$ 147	\$ 78	\$ 110	\$ 414
Capital expenditures	(13)	(16)	(72)	(41)
Additions to computer software	(25)	(28)	(95)	(81)
<b>Free Cash Flow</b>	\$ 109	\$ 34	\$ (57)	\$ 292
Cash interest payments	47	77	243	278
Cash tax payments, net of refunds	19	12	83	7
Acquisition related charges	5	4	24	10
Sponsor monitoring termination / fees	—	2	74	8
Non-executive phantom stock compensation	—	—	30	—
Debt extinguishment make-whole payments	—	—	151	—
Severance, transaction & other payments	6	13	26	44
FX hedge payments	(4)	(2)	2	(11)
Merger Costs	—	—	—	3
<b>Unlevered Free Cash Flow</b>	\$ 182	\$ 140	\$ 576	\$ 631

# Gross Leverage Ratio

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<b>(in millions)</b>	<b>December 31, 2014</b>	
<b>Gross Debt</b>	<b>\$</b>	<b>3,816</b>
<b>Adjusted EBITDA (for the twelve months ended December 31, 2014)</b>	<b>\$</b>	<b>878</b>
<b>Gross Leverage Ratio (Gross Debt/LTM Adjusted EBITDA)</b>		<b>4.3x</b>

## Non-GAAP Adjustments By Income Statement Line Items

(in millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2014	2013	2014	2013
<i>Non-GAAP adjustments included in:</i>				
Operating costs of information, exclusive of depreciation and amortization	2	2	21	9
Direct and incremental costs of technology services, exclusive of depreciation and amortization	1	—	5	2
Selling and administrative expenses, exclusive of depreciation and amortization	10	10	165	36

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END