

IMS Health

Q4 2015 Earnings Call

February 3, 2016



Legal

This presentation should be viewed in conjunction with IMS Health's Q4 2015 earnings call

Safe Harbor Statement

This presentation includes "forward-looking statements", including statements regarding future financial and operating results, especially those set forth under the heading "Full-Year Guidance." The words "guidance," "ongoing," "believes," "expects," "may," "will" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are not guarantees that the future results, plans, intentions or expectations expressed or implied will be achieved. Matters subject to forward-looking statements involve known and unknown risks and uncertainties, including regulatory, competitive and other factors, which may cause actual financial or operating results or the timing of events to be materially different than those expressed or implied by forward-looking statements. Important factors that could cause or contribute to such differences include, but are not limited to: imposition of restrictions on our use of data by data suppliers or their refusal to license data to us; failure to meet our productivity objectives; failure to successfully invest in growth opportunities; imposition of restrictions on our current and future activities under data protection and privacy laws; breaches or misuse of our or our outsourcing partners' security or communication systems; hardware and software failures, delays in the operation of our computer and communications systems or the failure to implement system enhancements; consolidation in the industries in which our clients operate; our ability to protect our intellectual property rights and our susceptibility to claims by others that we are infringing on their intellectual property rights; the risks associated with operating on a global basis, including fluctuations in the value of foreign currencies relative to the U.S. dollar, and the ability to successfully hedge such risks; general economic conditions in the markets in which we operate, including financial market conditions; our ability to successfully integrate Cegedim's information solutions and Customer Relationship Management businesses, and the other factors set forth in the "Risk Factors" section included in Part I, Item 1A of our most recent annual report on Form 10-K on file with the SEC and any subsequent SEC filings. We disclaim any obligation to update any forward-looking statements as a result of developments occurring after the date of this presentation, even if estimates change, and you should not rely on those statements as representing our views as of any date subsequent to the date of this presentation.

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.

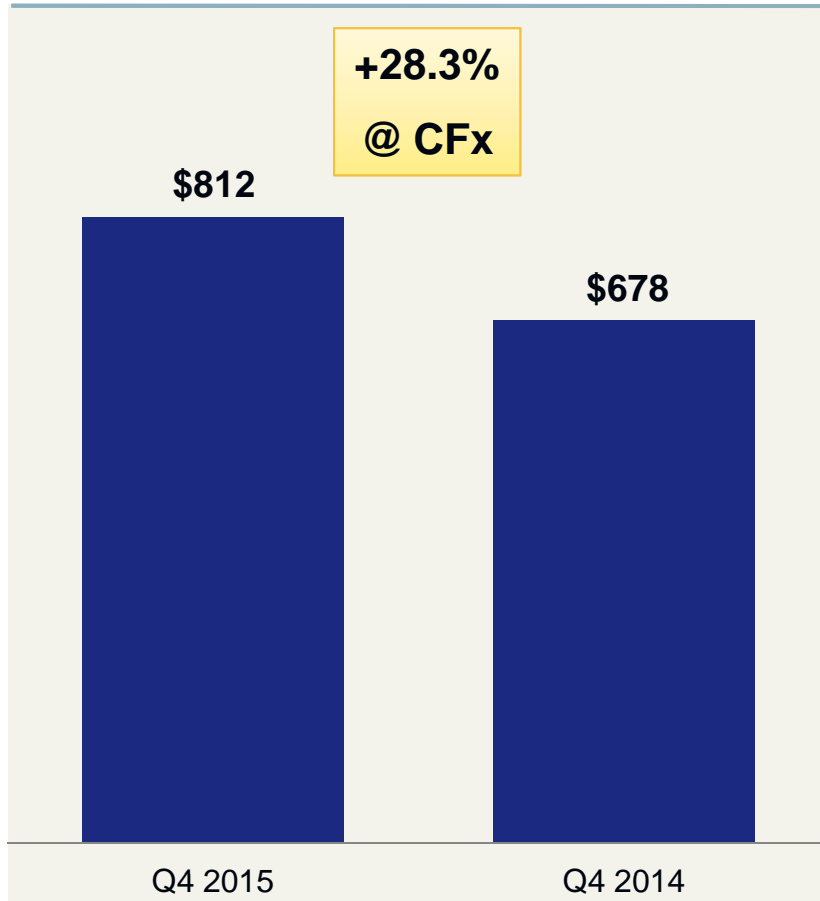
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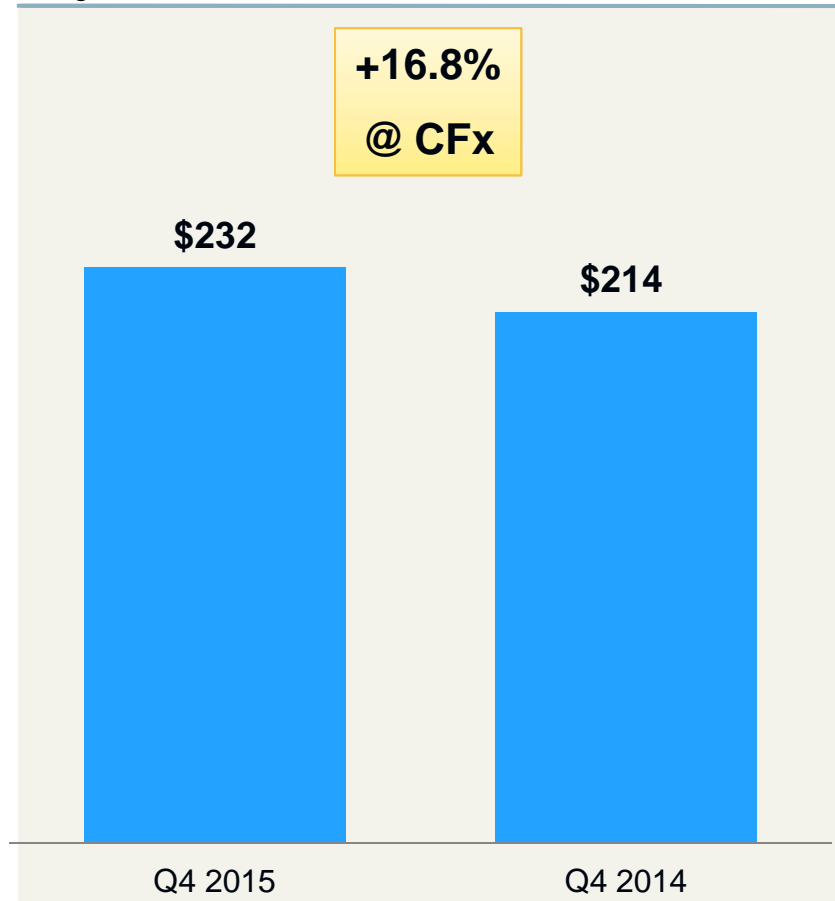
4th Quarter Results

\$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

4th Quarter Offering Revenue

<u>Offering</u>	<u>4th Quarter</u>		<u>Versus Prior Year</u>		
	\$M	2015	2014	Constant Currency	Reported
Information		\$382	\$366	12.4%	4.2%
Technology Services		<u>\$430</u>	<u>\$312</u>	47.3%	37.9%
Total		\$812	\$678	28.3%	19.7%

Note: Dollars are at actual foreign exchange rates

4th Quarter Geographic Revenue

<u>Geography</u>	<u>4th Quarter</u>		<u>Versus Prior Year</u>		
	\$M	2015	2014	Constant Currency	Reported
Developed Markets		\$689	\$571	27.7%	20.6%
Emerging Markets		<u>\$123</u>	<u>\$107</u>	32.0%	14.8%
Total		\$812	\$678	28.3%	19.7%

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

4th Quarter EBITDA

	<u>4th Quarter</u>		<u>Versus Prior Year</u>	
	2015	2014	Constant Currency	Reported
Adjusted EBITDA ⁽¹⁾	\$232	\$214	16.8%	8.4%
Adjusted EBITDA margin	28.6%	31.6%	(285) bps	(298) bps

Note: Dollars are at actual foreign exchange rates

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

4th Quarter P&L

At reported FX rates

\$M (except per share data)	2015	2014
Net Income	\$29	\$8
Diluted Earnings per Share	\$0.09	\$0.03
Adjusted Net Income ⁽¹⁾	\$125	\$125
Adjusted Diluted Earnings per Share ⁽¹⁾	\$0.37	\$0.36

(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	2015	2014	Constant Currency	Reported
Information	\$1,483	\$1,515	8.4%	(2.1%)
Technology Services	<u>\$1,438</u>	<u>\$1,126</u>	37.7%	27.7%
Total	\$2,921	\$2,641	21.0%	10.6%

<u>Geography</u>	<u>Full-year</u>		<u>Versus Prior Year</u>	
Developed Markets	\$2,448	\$2,203	19.9%	11.1%
Emerging Markets	<u>\$473</u>	<u>\$438</u>	26.2%	7.9%
Total	\$2,921	\$2,641	21.0%	10.6%

Note: Dollars are at actual foreign exchange rates

Prior year geographies adjusted to conform with current year classification

Full-Year P&L

\$M (except per share data)	2015	2014
Adjusted EBITDA ⁽¹⁾	\$886	\$878
Adjusted EBITDA margin	30.3%	33.2%
Net Income / (Loss)	\$417	\$(189)
Diluted Earnings / (Loss) per Share	\$1.23	\$(0.59)
Adjusted Net Income ⁽¹⁾	\$515	\$454
Adjusted Diluted EPS ⁽¹⁾	\$1.52	\$1.37

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

Note: Dollars are at actual foreign exchange rates

4th Quarter Balance Sheet Items & Metrics

\$M	2015	2014
Cash & Cash Equivalents	\$396	\$390
Principal Balance of Debt ⁽¹⁾	\$4,266	\$3,816
Net Debt	\$3,870	\$3,426
Gross Leverage Ratio	4.8x	4.3x
Net Cash Provided by Operating Activities	\$164	\$147
Capital Expenditures and Additions to Deferred Software	\$67	\$38
Unlevered Free Cash Flow	\$211	\$182
Unlevered Free Cash % of Adjusted EBITDA	91%	85%

(1) Excludes \$71M and \$77M of unamortized OID and debt issuance costs as of December 31, 2015 and December 31, 2014, respectively

2016 Guidance

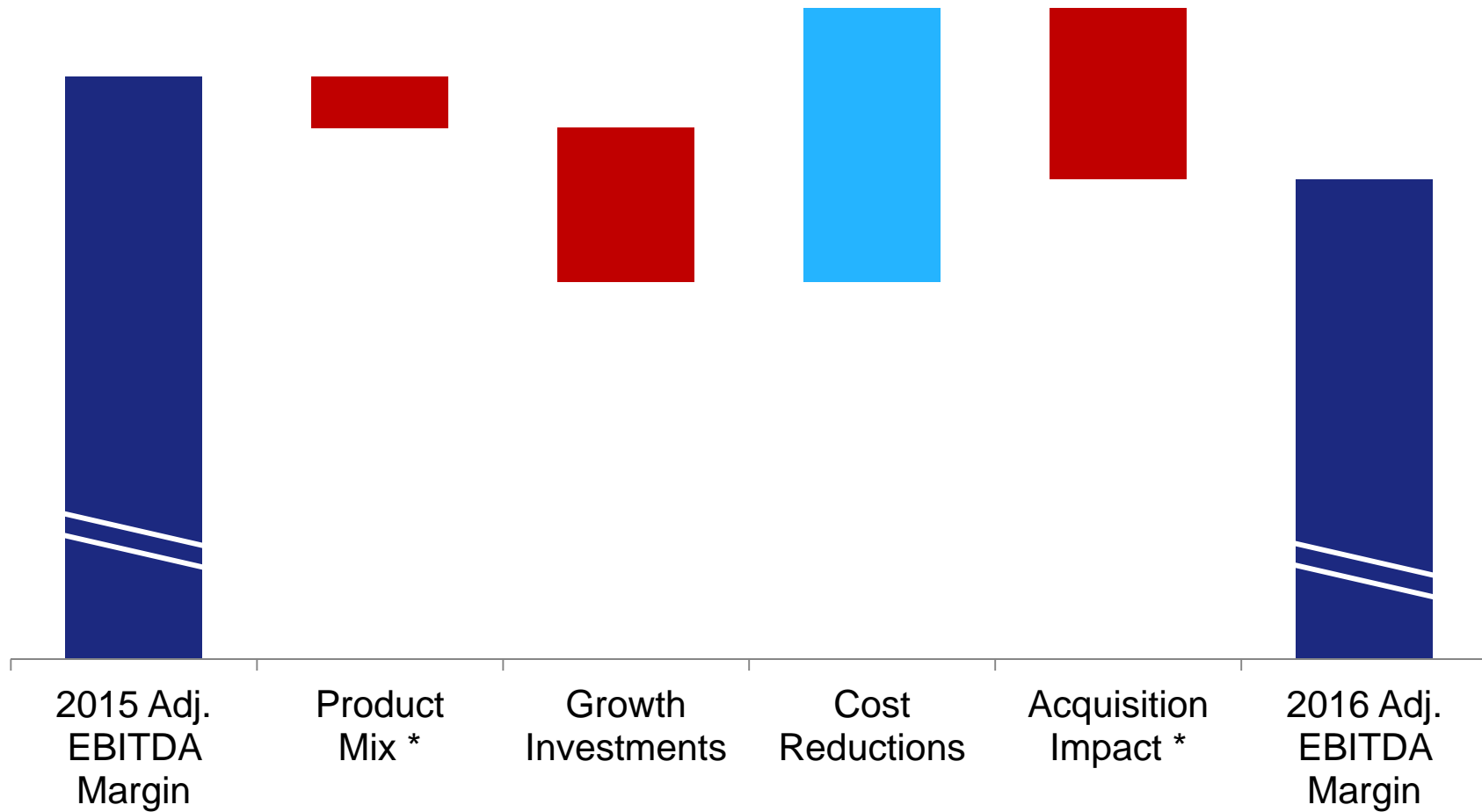
Full-Year 2016	
Revenue Growth	
<i>Constant Currency</i>	10 - 12%
<i>Reported ⁽¹⁾</i>	7.5 - 9.5%
Adjusted EBITDA Growth	
<i>Constant Currency</i>	7.5 - 9.5%
<i>Reported ⁽¹⁾</i>	6 - 8%
Adjusted Net Income Growth	
<i>Constant Currency</i>	6.5 - 8.5%
<i>Reported ⁽¹⁾</i>	0.5 - 2.5%
Adjusted Diluted EPS	
<i>Constant Currency</i>	8.5 - 10.5%
<i>Reported ⁽¹⁾</i>	2.5 - 4.5%

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

Adjusted EBITDA Margins

2015 - 2016

* Estimated



Q1 2016 Guidance

Q1 2016	
Revenue Growth	
<i>Constant Currency</i>	21 - 23%
<i>Reported ⁽¹⁾</i>	17 - 19%
Adjusted EBITDA Growth	
<i>Constant Currency</i>	6.5 - 8.5%
<i>Reported ⁽¹⁾</i>	4.5 - 6.5%
Adjusted Net Income Growth	
<i>Constant Currency</i>	(1) - 1%
<i>Reported ⁽¹⁾</i>	(5) - (7)%
Adjusted Diluted EPS	
<i>Constant Currency</i>	2.5 - 4.5%
<i>Reported ⁽¹⁾</i>	(1) - (3)%

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

Q&A

Appendix: Non-GAAP Financial Measures

Net Income (Loss) to Adjusted EBITDA

(in millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Net Income (Loss)	\$ 29	\$ 8	\$ 417	\$ (189)
Provision for (benefit from) income taxes	19	45	(200)	(96)
Other (income) loss, net	(3)	(5)	(19)	276
Interest expense	45	40	169	221
Interest income	(2)	(1)	(3)	(4)
Depreciation and amortization	77	110	341	441
Deferred revenue purchase accounting adjustments	4	1	10	4
Stock-based compensation related charges ⁽¹⁾	7	6	28	58
Restructuring and related charges ⁽²⁾	38	5	91	39
Acquisition-related charges ⁽³⁾	18	5	51	24
Sponsor monitoring fees ⁽³⁾	—	—	—	74
Non-executive phantom SARs compensation expense ⁽⁴⁾	—	—	—	30
Secondary offering expenses	—	—	1	—
Adjusted EBITDA	\$ 232	\$ 214	\$ 886	\$ 878
Depreciation and amortization	(33)	(36)	(136)	(130)
Interest expense, net	(43)	(39)	(166)	(217)
Royalty hedge gains	3	5	23	6
Cash tax payments, net of refunds	(34)	(19)	(92)	(83)
Adjusted Net Income	\$ 125	\$ 125	\$ 515	\$ 454

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 December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Operating costs of information	\$ —	\$ —	\$ 2	\$ 6
Direct and incremental costs of technology services	—	—	2	5
Selling and administrative expenses	7	6	24	47

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 \$1 million and \$3 million for the three and twelve months ended December 31, 2015 and \$2 million and \$6 million for the three and twelve months ended December 31, 2014, respectively, are primarily included in Operating costs of information. Twelve months ended December 31, 2014 excludes accelerated depreciation and amortization of \$7 million related to a real estate transaction in the three months ended June 30, 2014.

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

4) Non-executive phantom SARs compensation expense of \$10 million and \$20 million for the twelve months ended December 31, 2014 are included in Operating costs of information and Selling and administrative expenses, respectively.

Net Income (Loss) to Adjusted Net Income & Per Share Data

(in millions, except per share data)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Net Income (Loss)	\$ 29	\$ 8	\$ 417	\$ (189)
Provision for (benefit from) income taxes	19	45	(200)	(96)
Amortization associated with purchase accounting	44	74	205	304
Deferred revenue purchasing accounting adjustments	4	1	10	4
Stock-based compensation related charges ⁽¹⁾	7	6	28	58
Restructuring and related charges ⁽²⁾	38	5	91	46
Acquisition-related charges ⁽³⁾	18	5	51	24
Sponsor monitoring fees ⁽³⁾	—	—	—	74
Non-executive phantom SARs compensation expense ⁽⁴⁾	—	—	—	30
Secondary offering expenses	—	—	1	—
Other (income) loss, net	(3)	(5)	(19)	276
Adjusted Pre Tax Income	\$ 156	\$ 139	\$ 584	\$ 531
Royalty Hedge Gains	3	5	23	6
Cash tax payments, net of refunds	(34)	(19)	(92)	(83)
Adjusted Net Income	\$ 125	\$ 125	\$ 515	\$ 454

Adjusted Earnings per Share Attributable to Common Shareholders:

Basic	\$ 0.38	\$ 0.37	\$ 1.56	\$ 1.42
Diluted	\$ 0.37	\$ 0.36	\$ 1.52	\$ 1.37

Weighted-Average Common Shares Outstanding:

Basic	328.7	333.8	331.0	319.0
Diluted	336.1	344.4	339.3	330.3

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 December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Operating costs of information	\$ —	\$ —	\$ 2	\$ 6
Direct and incremental costs of technology services	—	—	2	5
Selling and administrative expenses	7	6	24	47

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 \$1 million and \$3 million for the three and twelve months ended December 31, 2015 and \$2 million and \$6 million for the three and twelve months ended December 31, 2014, respectively, are primarily included in Operating costs of information. Twelve months ended December 31, 2014 includes accelerated depreciation and amortization of \$7 million related to a real estate transaction in the three months ended June 30, 2014.

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4) Non-executive phantom SARs compensation expense of \$10 million and \$20 million for the twelve months ended December 31, 2014 are included in Operating costs of information and Selling and administrative expenses, respectively.

Unlevered Free Cash Flow

(in millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Net Cash Provided by Operating Activities	\$ 164	\$ 147	\$ 490	\$ 110
Capital expenditures	(23)	(13)	(52)	(72)
Additions to computer software	(44)	(25)	(131)	(95)
Free Cash Flow	\$ 97	\$ 109	\$ 307	\$ (57)
Cash interest payments	52	47	158	243
Cash tax payments, net of refunds	34	19	92	83
Acquisition-related charges ⁽¹⁾	18	5	51	24
Sponsor monitoring fees ⁽¹⁾	—	—	—	74
Non-executive phantom SARs compensation expense ⁽²⁾	—	—	—	30
Secondary offering expenses	—	—	1	—
Debt extinguishment make-whole payments	—	—	—	151
Severance, transaction & other payments	14	6	43	26
FX hedge (receipts) payments	(4)	(4)	(24)	2
Unlevered Free Cash Flow	\$ 211	\$ 182	\$ 628	\$ 576

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

2) Non-executive phantom SARs compensation expense of \$10 million and \$20 million for the twelve months ended December 31, 2014 are included in Operating costs of information and Selling and administrative expenses, respectively.

Gross Leverage Ratio

(in millions)	December 31, 2015
Gross Debt	\$ 4,266
Adjusted EBITDA (for the twelve months ended December 31, 2015)	\$ 886
Gross Leverage Ratio (Gross Debt/LTM Adjusted EBITDA)	4.8x

Non-GAAP Adjustments By Income Statement Line Items

(in millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
<i>Non-GAAP adjustments included in:</i>				
Operating costs of information, exclusive of depreciation and amortization	\$ 1	\$ 2	\$ 4	\$ 21
Direct and incremental costs of technology services, exclusive of depreciation and amortization	2	1	4	5
Selling and administrative expenses, exclusive of depreciation and amortization	23	10	76	165