

# INVESTOR'S BUSINESS DAILY

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## THE NEW AMERICA

**IHS INC.** Englewood, Colorado

### It Helps Governments, Businesses Make Right Decisions

BY KEVIN HARLIN  
INVESTOR'S BUSINESS DAILY

Knowledge is key, but it costs.

Most companies about to plunk down millions for a new piece of equipment will tell you they can't afford not to have the latest insight.

That's where **IHS**<sup>IHS</sup> comes in. The global consulting and information giant provides data and decision-making tools to governments, energy companies and others.

IHS helps the U.S. Air Force manage its inventory of parts to keep fighters aloft. It helps oil companies figure out where to sink wells and how to protect employees in unstable regions. It advises large plant operators on the myriad environmental regulations.

In fact, the world's biggest companies — about 260 of the Fortune 500 — tap the Englewood, Colo., company before writing big checks.

"It's our belief that any company that has a major asset decision to make — \$50 million and above — literally needs our information insight to make that decision," said Jerre Stead, IHS chairman and chief executive.

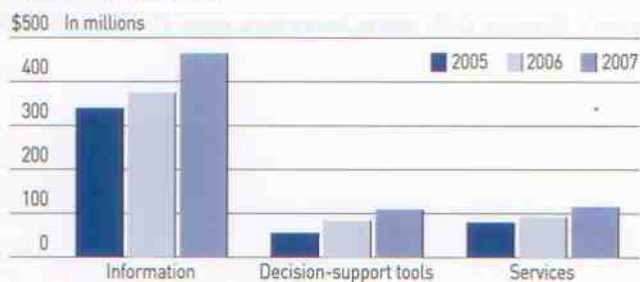
#### Breadth Of Services

The information business is strong. IHS posted earnings per share ex items of \$1.65, up from \$1.30 the year before. Revenue jumped another 25% to more than \$688 million.

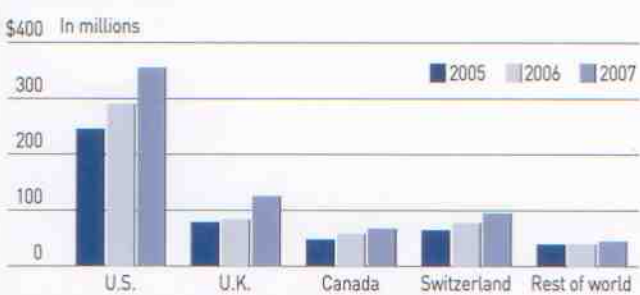
#### Selling Insight

Energy and engineering data purveyor IHS works in energy, security, the environment and product life cycles. Those areas increasingly overlap, allowing it to cross-sell its proprietary data and decision-making tools

#### Sources of IHS revenue



#### Location of revenue\*



Source: Company reports \*based on location of IHS subsidiary generating the revenue, in some cases different from the location of the customer

The company will report first-quarter 2008 earnings after the market closes Wednesday. Analysts surveyed by Thomson Financial are looking for 43 cents per share for the first quarter, up from 38 cents a year ago. The consensus estimate is for revenue to climb 27% to \$193.6 million.

IHS focuses on four broad categories: energy, product

life cycle, security and environment.

An oil company drilling wells in Nigeria, for instance, might turn to IHS for insight into the political and security situation, as well as geological data. IHS also provides analysis to help a company figure out the life-cycle and daily costs of operating those wells.

About 80% of the informa-

**IHS Inc.**  
**ihs.com**

Ticker	IHS
Share price	Near 64
12-month sales	\$688 mil
5-year profit growth rate	19%

#### IBD SmartSelect Corporate Ratings

Composite Rating	97
Earnings Per Share	86
Relative Price Strength	95
Industry Group Relative Strength	C+
Sales+Profit Margins+ROE	B
Accumulation/Distribution	A-

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tion it offers is proprietary. More than 75% of its revenue comes from annual or longer-term subscription services.

Earlier this month, IHS bought half of Lloyd's Register-Fairplay, which tracks the movements of the world's merchant fleets.

"Ninety-percent of the world's commerce moves on ships. We know now where every ship in the world is," Stead said.

IHS competes against various consulting and data firms. But analysts say it's alone in the breadth of data and services it offers.

The range of niches allows investors to tap into a broad range of potential growing markets, says John Neff, an analyst at William Blair.

"IHS is like Visa<sup>®</sup>. It's everywhere you want to be," Neff said. "It's a subscription-based and information-based way to simultaneously invest in energy, alternative energy, infrastructure, global and developing markets. It's in a lot of great areas."

(Continued)

Stead said there's broad overlap in the services it offers, allowing it to cross-sell its products. Almost half of its 25% revenue growth last year was organic.

The company has fleshed out its core areas with targeted acquisitions. It has bought 14 firms in the past 13 months, Stead said.

In 2007, IHS bought the popular defense information publisher Jane's Information Group — with its flagship magazine Jane's Defense Weekly — for about \$184 million in stock.

IHS paid about \$75.5 million for the half-stake in Lloyd's Register-Fairplay. Also this month, IHS

picked up two smaller environmental information firms — Dolphin Software and Environmental Software Providers — for a combined price of about \$43.5 million.

The company says there are more acquisitions in the pipeline.

"The company's record suggests that most, if not all, future purchases will quickly be accretive to earnings," Argus Research analyst Wendy Walker wrote in a client note.

More than half of the company's revenue comes from the energy sector. That entire sector is buoyed right now by record-high oil prices.

But even if oil prices come down, the company says the types of services it offers remain in demand, or become more critical. It also says it's protected somewhat against economic slowdown in the U.S. since more than half of its revenue comes from overseas operations.

IHS posted earnings per share of 47 cents in the fourth quarter, which ended Nov. 30. That was up from 40 cents a year ago.

### Margin Growth

IHS issued guidance of 18% to 20% revenue growth in 2008.

KeyBank Capital Markets analyst Anurag Rana says

there's potential for margin expansion.

Its adjusted EBITDA margin grew to 24.3% in 2007 from 21.4% in 2006. Rana predicts the margin will expand to 25.6% this year.

IHS formed in 1959, providing catalog databases on microfilm to aerospace engineers. The company evolved as its offerings grew. It went public in 2005.

Stead became chairman in 2001 and CEO in 2006. Neff credits Stead and other executives with honing the company's focus.

"This was an undermanaged conglomeration of different pieces prior to this management team," Neff said.



The company will report its fourth quarter earnings after the market closes Wednesday, Analysts expect the company to report earnings of 47 cents per share for the quarter. The company has a market cap of \$1.5 billion. The company's revenue is expected to grow 18% to 20% in 2008. The company's earnings are expected to grow 15% to 20% in 2008. The company's operating margin is expected to improve to 25.6% in 2008. The company's adjusted EBITDA margin is expected to improve to 25.6% in 2008. The company's adjusted EBITDA margin is expected to improve to 25.6% in 2008.

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