

INFORMATION HOLDINGS INC
Form 10-Q
November 12, 2003

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: September 30, 2003

Commission File Number: 1-14371

INFORMATION HOLDINGS INC.

(Exact name of registrant as specified in its charter)

DELAWARE

06-1518007

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(State of incorporation)

(IRS Employer Identification Number)

**2777 Summer Street, Suite 209
Stamford, Connecticut**

06905

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(Address of principal executive offices)

(Zip Code)

(203) 961-9106

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90

days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

No

Yes No

As of November 12, 2003, there were 20,874,654 shares of the Company's common stock, par value \$0.01 per share, outstanding.

INFORMATION HOLDINGS INC.

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements:

Consolidated Balance Sheets

As of September 30, 2003 (Unaudited) and December 31, 2002

Consolidated Statements of Operations (Unaudited) for the
Three Months Ended September 30, 2003 and 2002 and
Nine Months Ended September 30, 2003 and 2002

Consolidated Statements of Cash Flows (Unaudited) for the
Nine Months Ended September 30, 2003 and 2002

Notes to Consolidated Financial Statements (Unaudited)

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Item 4. Controls and Procedures

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Item 2. Changes in Securities and Use of Proceeds

Item 5. Other Events

Item 6. Exhibits and Reports on Form 8-K

Signature

INFORMATION HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	September 30, 2003 (Unaudited)	December 31, 2002
ASSETS		
<i>CURRENT ASSETS:</i>		
Cash and equivalents	\$ 42,046	\$ 53,910
Short-term investments	12,361	13,056
Restricted cash	3,000	
Accounts receivable (net of allowance for doubtful accounts and sales returns of \$717 and \$503, respectively)	27,107	29,375
Prepaid expenses and other current assets	4,285	3,940
Deferred income taxes	4,067	4,589
Total assets of discontinued operations		59,653
Total current assets	92,866	164,523
Investments	87,470	
Property and equipment, net	4,573	5,837
Identified intangible assets, net	66,315	72,309
Goodwill	83,140	83,099
Other assets	3,872	3,233
TOTAL	\$ 338,236	\$ 329,001
LIABILITIES AND STOCKHOLDERS EQUITY		
<i>CURRENT LIABILITIES:</i>		
Accounts payable	\$ 26,542	\$ 26,224
Accrued expenses	11,299	11,098
Accrued income taxes	8,413	2,794
Deferred subscription revenue	17,791	21,129
Total liabilities of discontinued operations		17,891
Total current liabilities	64,045	79,136
Other long-term liabilities		125
Total liabilities	64,045	79,261
<i>STOCKHOLDERS EQUITY:</i>		
Preferred stock, \$.01 par value; 1,000,000 shares authorized; none issued	\$	\$
Common stock, \$.01 par value; authorized 50,000,000 shares; issued 21,880,062 and 21,815,677 shares, respectively; outstanding 20,872,862 and 21,433,777 shares, respectively	219	218
Additional paid-in capital	247,923	247,026

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Retained earnings	40,115	7,097
Treasury stock, at cost, 1,007,200 and 381,900 shares, respectively	(14,723)	(5,227)
Accumulated other comprehensive income	657	626
Total stockholders' equity	274,191	249,740
TOTAL	\$ 338,236	\$ 329,001

See notes to unaudited consolidated financial statements.

INFORMATION HOLDINGS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenues	\$ 20,789	\$ 21,663	\$ 64,923	\$ 66,676
Cost of sales	6,033	6,068	19,156	17,835
Gross profit	14,756	15,595	45,767	48,841
Operating expenses:				
Selling, general and administrative	10,928	10,804	32,533	30,993
Depreciation and amortization	3,092	3,533	9,207	10,582
Impairment of long-lived assets		3,063		3,063
Total operating expenses	14,020	17,400	41,740	44,638
Income (loss) from operations	736	(1,805)	4,027	4,203
Other income (expense):				
Interest income	544	228	1,411	746
Interest expense	(25)	(87)	(84)	(264)
Early termination of credit agreement			(575)	
Other (expense) income	(3)	11	(3)	8
Income (loss) from continuing operations before income taxes	1,252	(1,653)	4,776	4,693
Provision for (benefit from) income taxes	488	(674)	1,729	1,646
Income (loss) from continuing operations	764	(979)	3,047	3,047
Income from discontinued operations, net of income taxes	388	912	29,971	2,768
Net income (loss)	\$ 1,152	\$ (67)	\$ 33,018	\$ 5,815
Net income (loss) per basic common share:				
Continuing operations	\$ 0.04	\$ (0.04)	\$ 0.14	\$ 0.14
Discontinued operations	\$ 0.02	\$ 0.04	\$ 1.42	\$ 0.13
Net income	\$ 0.06	\$ 0.00	\$ 1.56	\$ 0.27
Net income (loss) per diluted common share:				

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Continuing operations	\$	0.04	\$	(0.04)	\$	0.14	\$	0.14
Discontinued operations	\$	0.02	\$	0.04	\$	1.41	\$	0.13
Net income	\$	0.06	\$	0.00	\$	1.56	\$	0.27

See notes to unaudited consolidated financial statements.

INFORMATION HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

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	Nine Months Ended September 30,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 33,018	\$ 5,815
Gain on sale of assets of discontinued operations	(30,720)	
Loss (income) from discontinued operations	749	(2,768)
Income from continuing operations	3,047	3,047
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,212	3,398
Amortization of other intangible assets	5,995	7,184
Change in deferred income taxes	(892)	(1,160)
Impairment of long-lived assets		3,063
Termination of credit facility	494	
Other	254	173
Changes in operating assets and liabilities, net of effect of acquisitions:		
Decrease (increase) in accounts receivable, net	2,268	(699)
Decrease in prepaid and other current assets	669	893
(Decrease) increase in accounts payable and accrued expenses	(1,170)	1,143
Income tax benefit from stock options exercised	125	329
Net change in income taxes (receivable) payable	(10,533)	114
Decrease in deferred revenue	(3,338)	(804)
Net change in other assets and liabilities	(126)	(370)
Net Cash Provided by Continuing Operations	5	16,311
Net Cash Provided by Discontinued Operations	907	5,770
Net Cash Provided by Operating Activities	912	22,081
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net proceeds from sale of discontinued operations	89,809	
Acquisitions of businesses		(14,043)
Purchases of property and equipment	(1,551)	(1,858)
Proceeds from maturities of investments held to maturity	13,056	8,008
Purchase of investments available for sale	(138,797)	
Proceeds from sales and maturities of investments available for sale	38,966	
Amounts deposited in escrow fund	(3,000)	
Capitalized software development cost	(1,142)	(589)
Capitalized internal-use software	(380)	(243)
Proceeds from disposal of property and equipment		51
Net Cash Used in Continuing Operations	(3,039)	(8,674)
Net Cash Used in Discontinued Operations	(801)	(3,819)
Net Cash Used in Investing Activities	(3,840)	(12,493)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Common stock issued from stock options exercised	773	786
Purchase of treasury stock		