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INFORMATION HOLDINGS INC

Form 8-K/A

March 12, 2002

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K/A  
AMENDMENT NO. 1  
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) - December 27, 2001  
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INFORMATION HOLDINGS INC.  
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(Exact name of registrant as specified in its charter)

Delaware ----- (State or other jurisdiction of incorporation)	1-14371 ----- (Commission File Number)	06-1518007 ----- (IRS Employer Identification No.)
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2777 Summer Street, Suite 209, Stamford, Connecticut ----- (Address of principal executive offices)	06905 ----- (Zip Code)
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Registrant's telephone number, including area code: (203) 961-9106  
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Item 7. Financial Statements and Pro Forma Financial Information

(a) Financial Statements of Business Acquired

The following documents are herein incorporated by reference:

- I. Consolidated Financial Statements of ESPS, Inc. (d.b.a. Liquent, Inc.)  
included in its Form 10-K filed with the Securities and Exchange  
Commission:

Report of Independent Auditors  
Consolidated Balance Sheets as of March 31, 2001 and 2000  
Consolidated Statements of Operations for the Years Ended March 31, 2001,  
2000 and 1999  
Consolidated Statements of Stockholders' Equity for the Years Ended March  
31, 2001, 2000 and 1999

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Consolidated Statements of Cash Flows for the Years ended March 31, 2001,  
2000 and 1999  
Notes to Consolidated Financial Statements

- II. Consolidated Financial Statements of Liquent, Inc. (formerly ESPS, Inc.) included in its Form 10-Q for the Six Months Ended September 30, 2001 filed with the Securities and Exchange Commission:

Consolidated Balance Sheet as of September 30, 2001 (Unaudited)  
Consolidated Statements of Operations for the Six Months Ended September 30, 2001 and 2000 (Unaudited)  
Consolidated Statements of Cash Flows for the Six Months Ended September 30, 2001 and 2000 (Unaudited)  
Notes to Financial Statements (Unaudited)

- (b) Pro Forma Financial Information

The following pro forma financial information is included herein:

- I. Pro Forma Condensed Consolidated Financial Statements of Information Holdings Inc.

Introduction  
Pro Forma Condensed Consolidated Statements of Operations for the Year Ended December 31, 2000 and for the Nine Months Ended September 30, 2001  
Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2001  
Notes to Pro Forma Condensed Consolidated Financial Statements

- (c) Exhibit

23.1 Consent of Ernst & Young LLP

2

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INFORMATION HOLDINGS INC.

Date: March 12, 2002

By: /s/ Vincent A. Chippari

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Vincent A. Chippari  
Executive Vice President and Chief  
Financial Officer

Signing on behalf of the registrant and  
as principal financial and accounting  
officer

3

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Information Holdings Inc.

### Unaudited Pro Forma Condensed Consolidated Financial Statements

The following unaudited pro forma condensed consolidated statements of operations of Information Holdings Inc. (the "Company") for the year ended December 31, 2000 and for the nine months ended September 30, 2001 give effect to the acquisition of Liquent as if it occurred on January 1, 2000. The following unaudited pro forma condensed consolidated balance sheet as of September 30, 2001 gives effect to the acquisition of Liquent as if it occurred on September 30, 2001. The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2000 and for the nine months ended September 30, 2001 also reflect the results of Transcender and IDRAC, businesses acquired in November 2000 and March 2001, respectively, as if those businesses were acquired on January 1, 2000. The unaudited condensed consolidated financial statements give effect to the acquisitions under the purchase method of accounting and the assumptions in the accompanying notes to the condensed consolidated financial statements.

In December 2001, the Company completed a tender offer and acquired Liquent for cash consideration of approximately \$41.1 million, excluding closing costs and fees. Liquent is a leading provider of content assembly, publishing, and regulatory and intellectual property information solutions for the life sciences industry. In March 2001, the Company acquired the IDRAC business of IMS Health and entered into several perpetual licenses agreements for aggregate consideration of approximately \$20.5 million. IDRAC is a leading provider of regulatory and intellectual property information related to pharmaceutical product registrations. In November 2000, the Company acquired all of the assets of Transcender Corporation for cash consideration of approximately \$60 million. Transcender is a leading online provider of IT certification test-preparation products.

The unaudited pro forma condensed consolidated financial statements have been prepared by the Company's management. The unaudited pro forma condensed consolidated financial statements are not designed to represent and do not represent what the Company's consolidated results of operations and financial position would have been had the aforementioned transactions been completed as of September 30, 2001 or at the beginning of the periods indicated or to project the Company's results of operations or financial position at any future date or any future period. The pro forma condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes contained in the Company's 2000 Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, and the Liquent consolidated financial statements incorporated herein by reference.

F-4

Information Holdings Inc.

Unaudited Pro Forma Condensed Consolidated Statement of Operations  
Year Ended December 31, 2000  
(In thousands except share data)

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	Information Holdings	Transcender/ IDRAC	Liquent (a)	Pro Forma Adjustmen
Revenues	\$ 73,289	\$ 23,345	\$ 23,979	
Cost of sales	19,720	2,644	8,855	
Gross profit	53,569	20,701	15,124	
Operating expenses:				
Selling, general and administrative	36,987	19,959	21,033	
Depreciation and amortization	9,744	9,184 (5)	1,745	\$ 1,125
Impairment of long-lived assets	1,500	-	-	-
Total operating expenses	48,231	29,143	22,778	1,125
Income (loss) from operations	5,338	(8,442)	(7,654)	(1,125)
Other income (expense):				
Other income (expense)	2	(2)	-	-
Interest income (expense), net	7,005	(4,966) (6)	1,148	(2,280)
Income (loss) before income taxes	12,345	(13,410)	(6,506)	(3,405)
Provision (benefit) for income taxes	5,253	(5,152) (7)	0	(3,765)
Net income (loss)	\$ 7,092	\$ (8,258)	\$ (6,506)	\$ 360
Basic earnings (loss) per common share	\$ 0.34			
Diluted earnings (loss) per common share	\$ 0.34			

The accompanying notes are an integral part of these pro forma condensed consolidated financial s

(a) For the fiscal year ended March 31, 2001.

F-5

Information Holdings Inc.

Unaudited Pro Forma Condensed Consolidated Statement of Operations  
 Nine Months Ended September 30, 2001  
 (In thousands except share data)

	Information Holdings	IDRAC	Liquent (a)	Pro Forma Adjustmen
Revenues	\$ 75,985	\$ 1,856	\$ 16,122	

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Cost of sales	18,540	360	7,727	
	-----	-----	-----	
Gross profit	57,445	1,496	8,395	
	-----	-----	-----	
Operating expenses:				
Selling, general and administrative	36,310	744	16,865	
Depreciation and amortization	13,366	698 (5)	1,787	\$ 845
	-----	-----	-----	-----
Total operating expenses	49,676	1,442	18,652	845
	-----	-----	-----	-----
Income (loss) from operations	7,769	54	(10,257)	(845)
Other income (expense):				
Other expense	-	-	(925)	-
Interest income (expense), net	3,108	(231) (6)	460	(1,540)
	-----	-----	-----	-----
Income (loss) before income taxes	10,877	(177)	(10,722)	(2,385)
Provision (benefit) for income taxes	4,501	(90) (7)	-	(4,980)
	-----	-----	-----	-----
Net income (loss)	\$ 6,376	\$ (87)	\$ (10,722)	\$ 2,595
	=====	=====	=====	=====
Basic earnings (loss) per common share	\$ 0.29			
	=====			
Diluted earnings (loss) per common share	\$ 0.29			
	=====			

The accompanying notes are an integral part of these pro forma condensed consolidated financial s

(a) For the nine months ended September 30, 2001.

F-6

Information Holdings Inc.

Unaudited Pro Forma Condensed Consolidated Balance Sheet  
September 30, 2001  
(In thousands)

	Information Holdings	Liquent	Pro Forma Adjustments	Pro Conso
Cash and cash equivalents	\$ 61,268	\$ 12,599	\$ (41,137) (4)	\$
Accounts receivable, net	28,049	7,767	-	
Other current assets	31,422	1,299	-	
	-----	-----	-----	-----
Total current assets	120,739	21,665	(41,137)	1
Identified intangible assets, net	110,752	-	6,750 (4)	1
Goodwill, net	73,283	-	21,481 (4)	
Other long-term assets	20,909	5,351	5,010 (4)	
	-----	-----	-----	-----

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Total assets	\$ 325,683	\$ 27,016	\$ (7,896)	\$ 3
	=====	=====	=====	=====
Accounts payable	\$ 19,196	\$ 1,058		\$
Accrued expenses	6,555	3,674	\$ 7,963 (4)	
Other current liabilities	12,497	5,467	(1,850) (4)	
Long-term deferred taxes	19,471	-	2,565 (4)	
Other long-term liabilities	2,482	243	-	
	-----	-----	-----	-----
Total liabilities	60,201	10,442	8,678	
Common stock	218	18	(18)	
Additional paid in capital	245,894	30,524	(30,524)	2
Accumulated other comprehensive gain	11	(19)	19	
Retained earnings (deficit)	19,359	(13,949)	13,949	
	-----	-----	-----	-----
Total equity	265,482	16,574	(16,574) (4)	2
	-----	-----	-----	-----
Total liabilities and equity	\$ 325,683	\$ 27,016	\$ (7,896)	\$ 3
	=====	=====	=====	=====

The accompanying notes are an integral part of these pro forma condensed consolidated financial statements.

F-7

Information Holdings Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

1. PRO FORMA ADJUSTMENTS

For purposes of determining the pro forma effect of the acquisition of Liquent on Information Holdings Inc. Consolidated Statements of Operations for the year ended December 31, 2000 and for the nine months ended September 30, 2001 and the Condensed Consolidated Balance Sheet as of September 30, 2001, the following adjustments (in thousands):

	Year Ended 12/31/00
(1) - Represents amortization of acquired intangible assets of Liquent, amortized over a useful life of 6 years. Goodwill is not amortized since the Liquent transaction was recorded after the Company's adoption of FAS 142, Goodwill and Other Intangible Assets.	\$1,125

(2) - Represents an adjustment to net interest to reflect reduced interest income associated with the funding of the Liquent acquisition. The acquisition

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<p>cost of \$45.6 million, including closing costs, is assumed to have been funded through cash on hand. Interest rates are assumed to be 5.0% on invested cash in 2000 and 4.5% in 2001.</p>	2,280
<p>(3) - Represents the income tax benefit of items (1) and (2) above, plus income tax benefits on the pre-tax losses of Liquent, at a tax rate of 38%.</p>	(3,765)
<p>(4) - Represents adjustment to reflect preliminary purchase price allocations for Liquent as follows - debit (credit):</p> <ul style="list-style-type: none"> <li>Cash - initial funding of acquisition cost</li> <li>Intangible assets - adjustment to reflect excess purchase price</li> <li>Goodwill - adjustment to reflect excess purchase price</li> <li>Deferred tax asset - associated with NOL carryforward of Liquent</li> <li>Accrued expenses - costs associated with acquisition</li> <li>Deferred revenue - revaluation of acquired deferred revenue to fair market value</li> <li>Deferred tax liability - associated with step-up in value of intangible assets</li> <li>Equity - eliminate prior owner's equity</li> </ul>	

F-8

### Information Holdings Inc.

#### Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements (Cont

For purposes of determining the pro forma effect of the acquisitions of Transcender and IDRAC on Inc.'s Condensed Consolidated Statements of Operations for the year ended December 31, 2000 and t September 30, 2001, the following adjustments have been included in the amounts presented herein

	Year Ended 12/31/00
<p>(5) - Includes incremental amortization of acquired intangible assets of Transcender and IDRAC, amortized over useful lives ranging from 3-15 years. Goodwill amortization will cease on January 1, 2002 upon the Company's adoption of FAS 142, Goodwill and Other Intangible Assets.</p>	\$8,763
<p>(6) - Includes a reduction in interest income and an increase in interest expense associated with the funding of the Transcender and IDRAC acquisitions. Combined acquisition costs of \$83.1 million are assumed to be funded through cash on hand and incremental borrowings. Interest rates are assumed to be 5.5% on invested cash and 8.5% on borrowed funds.</p>	5,111
<p>(7) - Represents the income tax benefit of the tax deductible components of items (5) and (6) above, plus income taxes on the earnings or losses of Transcender and IDRAC, at tax rates ranging from 34-39%, based on the applicable tax jurisdiction.</p>	(5,152)

## 2. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net income by the weighted average outstand

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period. The dilutive impact of common stock equivalents was not considered in the pro forma earnings for December 31, 2000, as the effect was antidilutive. The weighted average outstanding shares due were calculated as follows:

	December 31, 2000
Basic:	
Shares outstanding	20,583,000 =====
Dilutive:	
Shares outstanding	20,583,000
Common stock equivalents	239,000 -----
	20,822,000 =====

F-9