

Edgar Filing: IMS HEALTH INC - Form 8-K

IMS HEALTH INC
Form 8-K
January 16, 2003

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): January 16, 2003

IMS HEALTH INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	001-14049	06-1506026
(State of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1499 Post Road	
Fairfield, Connecticut	06824
(Address of principal executive offices)	(Zip Code)

(203) 319-4700
(Registrant's telephone number,
including area code)

N/A
(Former name or former address, if changed since last report)

Items 1-4. Not Applicable.

Item 5. OTHER EVENTS.

On January 9, 2003, IMS Health Incorporated (the "Company") commenced its offer to exchange 0.309 shares of class B common stock of Cognizant Technology Solutions Corporation for each share of the Company's common stock. The Company commenced the exchange offer by mailing an offering circular-prospectus with details of the transaction to its shareholders on January 9, 2003. This report updates and replaces the following pro forma financial information presented in the offering circular-prospectus.

COMPARATIVE PER SHARE DATA

IMS HEALTH
PRO FORMA
FOR
EXCHANGE

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OFFER (1)

EARNINGS PER SHARE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001	
Basic.....	\$0.65
Diluted.....	0.64
EARNINGS PER SHARE FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002	
Basic.....	0.72
Diluted.....	0.72
CASH DIVIDENDS PER SHARE DECLARED	
For the twelve months ended December 31, 2001.....	0.08
For the nine months ended September 30, 2002.....	0.06
BOOK VALUE PER SHARE	
As of September 30, 2002.....	\$0.33

(1) The "IMS Health Pro Forma for Exchange Offer" amounts assume that 36,540,129 IMS Health shares are exchanged for 11,290,900 Cognizant shares. However, if we assumed that only 27,400,000 IMS Health shares -- the minimum amount that IMS will accept in the exchange offer -- are exchanged for 8,466,600 Cognizant shares, then the "IMS Health Pro Forma for Exchange Offer" amounts would not differ from the amounts presented as IMS Health would have accounted for its investment in Cognizant on the cost method of accounting.

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IMS HEALTH
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

IMS HEALTH
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1999

	IMS ACTUAL	PRO FORMA ADJUSTMENTS (1)	IMS P
	-----	-----	-----
	(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SH		
Operating revenue.....	\$1,397,989	\$ (74,084)	\$1,
Operating and other costs.....	1,058,966	(57,439)	1,
	-----	-----	----
Operating income.....	339,023	(16,645)	----
	-----	-----	----
Interest income (expense), net.....	635	(1,263)	
Gains from investments, net.....	25,264	(5)	
Other expense, net.....	(16,480)	4,376 (2B)	
	-----	-----	----
Non-operating income, net.....	9,419	3,108	

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Income before provision for income taxes.....	348,442	(13,537)	
Provision for income taxes.....	(98,076)	5,763 (2B)	
Income from continuing operations.....	\$ 250,366	\$ (7,774)	\$
Basic earnings per share of common stock from continuing operations.....	\$ 0.80		\$
Diluted earnings per share of common stock from continuing operations.....	\$ 0.78		\$
Weighted average number of shares outstanding -- basic.....	311,976	(36,540) (5)	
Weighted average number of shares outstanding -- diluted.....	319,561	(36,540) (5)	

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Information.

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IMS HEALTH

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2000

	IMS ACTUAL	PRO FORMA ADJUSTMENTS (1)	IMS PRO
	(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE)		
Operating revenue.....	\$1,424,359	\$ (122,763)	\$1,301
Operating and other costs.....	1,287,166	(96,634)	1,190
Operating income.....	137,193	(26,129)	111
Interest (expense) income, net.....	(13,308)	(2,650)	(15)
Loss on Gartner investment.....	(6,896)	--	(6)
Gains from investments, net.....	78,139	(7)	78
Gain on sale of Erisco.....	84,530	--	84
Gain on issuance of investees' stock.....	9,029	--	9
Other expense, net.....	(27,374)	6,979 (2B)	(20)
Non-operating income, net.....	124,120	4,322	128
Income before provision for income taxes....	261,313	(21,807)	239
Provision for income taxes.....	(140,412)	9,494 (2B)	(130)
TriZetto equity loss, net of income tax benefit.....	(4,777)	--	(4)
Income from continuing operations.....	\$ 116,124	\$ (12,313)	\$ 103
Basic earnings per share of common stock			

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from continuing operations.....	\$ 0.39		\$
	=====		=====
Diluted earnings per share of common stock from continuing operations.....	\$ 0.39		\$
	=====		=====
Weighted average number of shares outstanding -- basic.....	296,077	(36,540) (5)	259
	=====	=====	=====
Weighted average number of shares outstanding -- diluted.....	300,038	(36,540) (5)	263
	=====	=====	=====

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Information.

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IMS HEALTH

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2001

	IMS ACTUAL	PRO FORMA ADJUSTMENTS (1)	IMS PRO
	-----	-----	-----
	(DOLLARS AND	SHARES IN THOUSANDS,	EXCEPT PER SHAR
Operating revenue.....	\$1,332,923	\$ (158,969)	\$1,173
Operating and other costs.....	1,008,762	(123,348)	885
	-----	-----	-----
Operating income.....	324,161	(35,621)	288
	-----	-----	-----
Interest (expense) income, net.....	(9,006)	(2,501)	(11)
Loss on Gartner investment.....	(84,880)	--	(84)
Loss from investments, net.....	(27,642)	1,955	(25)
Gain (loss) on issuance of investees' stock.....	(1,490)	(5,189) (2A)	(6)
Other expense, net.....	(17,342)	9,234 (2B)	(8)
	-----	-----	-----
Non-operating income (loss), net.....	(140,360)	3,499	(136)
	-----	-----	-----
Income before provision for income taxes.....	183,801	(32,122)	151
Provision for income taxes.....	(38,415)	14,433 (2A-B)	(23)
TriZetto equity loss, net of income tax benefit.....	(6,985)	--	(6)
	-----	-----	-----
Income from continuing operations.....	\$ 138,401	\$ (17,689)	\$ 120
	=====	=====	=====
Basic earnings per share of common stock from continuing operations.....	\$ 0.47		\$
	=====		=====
Diluted earnings per share of common stock from continuing operations.....	\$ 0.46		\$
	=====		=====
Weighted average number of shares outstanding -- basic.....	295,162	(36,540) (5)	258
	=====	=====	=====
Weighted average number of shares			

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outstanding -- diluted.....	300,147	(36,540) (5)	263
	=====	=====	=====

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Information.

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IMS HEALTH

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2002

	IMS ACTUAL	PRO FORMA ADJUSTMENTS (1)	IMS PRO
	-----	-----	-----
	(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE)		
Operating revenue.....	\$1,046,172	\$ (146,510)	\$899,
Operating and other costs.....	727,290	(114,553)	612,
	-----	-----	-----
Operating income.....	318,882	(31,957)	286,
	-----	-----	-----
Interest (expense) income, net.....	(4,643)	(1,305)	(5,
Gains from investments, net.....	2,450	--	2,
Gain (loss) on issuance of investees' stock.....	7,508	(8,083) (2A)	(
Other expense, net.....	(29,003)	11,180 (2B)	(17,
	-----	-----	-----
Non-operating income (loss), net.....	(23,688)	1,792	(21,
	-----	-----	-----
Income before provision for income taxes.....	295,194	(30,165)	265,
Provision for income taxes.....	(91,044)	8,308 (2A-B)	(82,
TriZetto equity loss, net of income tax benefit.....	(701)	--	(
	-----	-----	-----
Income from continuing operations.....	\$ 203,449	\$ (21,857)	\$181,
	=====	=====	=====
Basic earnings per share of common stock from continuing operations.....	\$ 0.71		\$ 0
	=====		=====
Diluted earnings per share of common stock from continuing operations.....	\$ 0.70		\$ 0
	=====		=====
Weighted average number of shares outstanding -- basic.....	287,486	(36,540) (5)	250,
	=====	=====	=====
Weighted average number of shares outstanding -- diluted.....	288,589	(36,540) (5)	252,
	=====	=====	=====

See Notes to Unaudited Pro Forma Condensed Financial Information.

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IMS HEALTH

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2002

	IMS ACTUAL ----- (DOLLARS AND	PRO FORMA ADJUSTMENTS (3) ----- SHARES IN THOUSANDS,
Assets:		
Current Assets:		
Cash and cash equivalents.....	\$ 387,972	\$ (123,083)
Accounts receivable, net of allowance for doubtful accounts.....	247,506	(40,780)
Other receivable.....	35,428	--
Other current assets.....	125,755	10,231
	-----	-----
Total Current Assets.....	796,661	(153,632)
	-----	-----
Securities and other investments.....	21,210	(112)
TriZetto equity investment.....	118,167	--
Property, plant and equipment, net of accumulated depreciation.....	152,084	(25,905)
Computer software.....	149,292	--
Goodwill.....	166,638	(878)
Other assets.....	145,666	(3,587)
	-----	-----
Total Assets.....	\$ 1,549,718	\$ (184,114)
	=====	=====
Liabilities, Minority Interests and Shareholders' Equity:		
Current Liabilities:		
Accounts payable.....	\$ 29,443	\$ (3,202)
Accrued and other current liabilities.....	187,680	(11,639) (4B)
Short-term debt.....	381,522	--
Accrued income taxes.....	131,468	(818)
Short-term deferred tax liability.....	12,220	(12,220)
Deferred revenues.....	75,022	(1,602)
	-----	-----
Total Current Liabilities.....	817,355	(29,481)
	-----	-----
Post-retirement and post-employment benefits.....	41,597	--
Long-term debt.....	175,000	--
Other liabilities.....	183,068	(4,650)
	-----	-----
Total Liabilities.....	1,217,020	(34,131)
	-----	-----
Commitments and contingencies		
Minority Interests.....	166,193	(64,673) (4A)
Shareholders' Equity:		
Common stock, par value \$.01, authorized 800,000 shares; issued 335,045 shares at September 30, 2002.....	3,350	--
Capital in excess of par.....	498,637	--
Retained earnings.....	1,108,050	522,462 (4B)
Treasury stock, at cost, 53,648 shares at September 30, 2002 (90,188 shares on a pro forma basis) (5).....	(1,314,445)	(608,028) (4B)
Cumulative translation adjustment.....	(122,426)	256
Minimum pension liability adjustment.....	(3,746)	--

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Unrealized loss on changes in fair value of cash flow hedges.....	(3,017)	--
Unrealized gains on investments, net of tax expense.....	102	--
	-----	-----
Total Shareholders' Equity.....	166,505	(85,310)
	-----	-----
Total Liabilities, Minority Interests and Shareholders' Equity.....	\$ 1,549,718	\$ (184,114)
	=====	=====

See Notes to Unaudited Pro-Forma Condensed Financial Information.

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NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION (in thousands, except for per share amounts and percentages)

1. The adjustments to the unaudited pro forma condensed consolidated statements of income reflect the elimination of the unaudited results of operations of Cognizant (See Cognizant Financial Statements beginning on page F-1 of the offering circular-prospectus), after eliminating intercompany revenues and costs of \$14,820, \$14,273, \$18,809 and \$15,565, for the years ended 1999, 2000 and 2001 and the nine months ended September 30, 2002, respectively.
2. In addition, the pro forma adjustments to the unaudited pro forma condensed consolidated statements of income reflect:
 - A. The elimination of the pre-tax gains recognized by IMS Health on the issuance of Cognizant stock in the amounts of \$0, \$0, \$5,189 and \$8,083 for the years ended December 31, 1999, 2000 and 2001 and the nine months ended September 30, 2002, respectively, and the related income tax expense of \$0, \$0, \$1,816 and \$2,834, respectively.
 - B. The elimination of minority interest in the amounts of \$4,376, \$6,979, \$9,234, and \$11,180 for the years ended December 31, 1999, 2000 and 2001 and the nine months ended September 30, 2002, respectively.
3. The adjustments to the unaudited pro forma condensed consolidated statement of financial position reflect the elimination of the unaudited consolidated assets and liabilities of Cognizant as of September 30, 2002 (See Cognizant Financial Statements beginning on page F-1 of the offering circular-prospectus) and the recognition of an intercompany payable to Cognizant in the amount of \$2,433.
4. In addition, the pro forma adjustments to the unaudited pro forma condensed consolidated statement of financial position reflect:
 - A. The elimination of the minority interest in Cognizant as of September 30, 2002 in the amount of \$64,673.
 - B. (i) The acquisition of 36,540 shares of IMS Health common stock pursuant to the exchange offer, assuming the exchange offer is fully subscribed, recorded at a cost equal to the closing price on January 8, 2003 of \$16.64 per share, amounts to \$608,026.

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- (ii) The estimated tax-free gain on the disposal of IMS Health's investment in Cognizant in the amount of \$522,460, after consideration of the cost basis of \$72,566.
- (iii) The accrual of the estimated direct and incremental costs of the exchange offer in the amount of \$13,000.

The gain on disposal is predicated upon the closing price of the IMS Health common stock on the exchange offer expiration date and the number of shares accepted in the exchange offer. The actual amount of gain may differ significantly based on the number of shares of IMS Health stock accepted and closing price for IMS Health common stock on the exchange offer expiration date.

5. The unaudited pro forma condensed consolidated financial information assumes that 36,540 shares of IMS Health common stock are acquired in the exchange offer. If we assume that only 27,400 shares of IMS Health common stock are acquired, the minimum amount that IMS Health will accept, IMS Health would retain a number of Cognizant shares representing approximately 13.8% of Cognizant's outstanding common stock. The estimated gain on disposal of the investment in Cognizant would be approximately \$390,000 and IMS Health would have a remaining cost basis in Cognizant of approximately \$18,000.

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Item 6. Not Applicable.

Item 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) Financial Statements.

None

(b) Pro Forma Financial Information.

None

(c) Exhibits.

None

Item 8-9. Not Applicable.

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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.

IMS HEALTH INCORPORATED

By: /s/ Robert H. Steinfeld

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Name: Robert H. Steinfeld

Title: Senior Vice President, General Counsel
and Corporate Secretary

Date: January 16, 2003