

IHS Inc.
Form 10-Q
September 22, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 31, 2014

OR

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

For the transition period from _____ to _____
Commission file number 001-32511

IHS INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

15 Inverness Way East
Englewood, CO 80112
(Address of Principal Executive Offices)
(303) 790-0600

(Registrant's telephone number, including area code)

13-3769440
(I.R.S. Employer
Identification No.)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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As of August 31, 2014, there were 68,172,435 shares of our Class A Common Stock outstanding.

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Cautionary Note Regarding Forward-Looking Statements

This quarterly report on Form 10-Q contains “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: “anticipate,” “intend,” “plan,” “goal,” “seek,” “aim,” “strive,” “believe,” “project,” “predict,” “estimate,” “expect,” “strategy,” “future,” “likely,” “may,” “might,” “should,” “will,” the negative of these terms, and similar references to future performance. Examples of forward-looking statements include, among others, statements we make regarding: guidance and predictions relating to expected operating results, such as revenue growth and earnings; strategic actions, including acquisitions and dispositions, anticipated benefits from strategic actions, and our success in integrating acquired businesses; anticipated levels of capital expenditures in future periods; our belief that we have sufficient liquidity to fund our ongoing business operations; expectations of the effect on our financial condition of claims, litigation, environmental costs, contingent liabilities and governmental and regulatory investigations and proceedings; and our strategy for customer retention, growth, product development, market position, financial results, and reserves.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations, and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: economic and financial conditions, including volatility in interest and exchange rates; our ability to successfully manage risks associated with changes in demand for our products and services as well as changes in our targeted industries; our ability to develop new platforms to deliver our products and services, pricing, and other competitive pressures, and changes in laws and regulations governing our business; the extent to which we are successful in gaining new long-term relationships with customers or retaining existing ones and the level of service failures that could lead customers to use competitors' services; our ability to successfully identify and integrate acquisitions into our existing businesses and manage risks associated therewith; and the other factors described under the caption “Risk Factors” in our annual report on Form 10-K for the fiscal year ended November 30, 2013, along with our other filings with the U.S. Securities and Exchange Commission (SEC).

Any forward-looking statement made by us in this quarterly report on Form 10-Q is based only on information currently available to us and speaks only as of the date of this report. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments, or otherwise.

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Website and Social Media Disclosure

We use our website (www.ihs.com) and corporate Twitter account (@IHS) as channels of distribution of company information. The information we post through these channels may be deemed material; therefore, investors should monitor these channels in addition to our press releases, SEC filings, and public conference calls and webcasts. None of the information provided on our website or through social media channels is incorporated into, or deemed to be a part of, this quarterly report on Form 10-Q.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

IHS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except for share and per-share amounts)

	As of August 31, 2014 (Unaudited)	As of November 30, 2013 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$261,813	\$258,367
Accounts receivable, net	365,591	459,263
Deferred subscription costs	50,535	49,327
Deferred income taxes	72,843	70,818
Other	60,965	43,065
Total current assets	811,747	880,840
Non-current assets:		
Property and equipment, net	281,952	245,566
Intangible assets, net	1,100,556	1,144,464
Goodwill	3,141,342	3,065,181
Other	17,195	23,562
Total non-current assets	4,541,045	4,478,773
Total assets	\$5,352,792	\$5,359,613
Liabilities and stockholders' equity		
Current liabilities:		
Short-term debt	\$218,793	\$395,527
Accounts payable	47,111	57,001
Accrued compensation	86,418	89,460
Accrued royalties	27,729	36,289
Other accrued expenses	108,800	98,187
Income tax payable	35,330	9,961
Deferred revenue	613,134	560,010
Total current liabilities	1,137,315	1,246,435
Long-term debt	1,681,483	1,779,065
Accrued pension and postretirement liability	30,336	27,191
Deferred income taxes	338,336	361,267
Other liabilities	54,152	38,692
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, \$0.01 par value per share, 160,000,000 shares authorized, 69,127,957 and 67,901,101 shares issued, and 68,172,435 and 67,382,298 shares outstanding at August 31, 2014 and November 30, 2013, respectively	691	679
Additional paid-in capital	915,562	788,670
Treasury stock, at cost: 955,522 and 518,803 shares at August 31, 2014 and November 30, 2013, respectively	(97,227)	) (45,945)
Retained earnings	1,354,951	1,220,520
Accumulated other comprehensive loss	(62,807)) (56,961)

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Total stockholders' equity	2,111,170	1,906,963
Total liabilities and stockholders' equity	\$5,352,792	\$5,359,613
See accompanying notes.		

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IHS INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except for per-share amounts)

	Three months ended August 31,		Nine months ended August 31,	
	2014	2013	2014	2013
Revenue	\$556,011	\$480,288	\$1,648,477	\$1,280,956
Operating expenses:				
Cost of revenue	219,208	198,279	657,078	530,778
Selling, general and administrative	211,285	179,344	612,645	465,182
Depreciation and amortization	50,568	42,431	149,347	107,787
Restructuring charges	2,368	3,264	6,403	11,283
Acquisition-related costs	—	14,499	1,017	18,059
Net periodic pension and postretirement expense (income)	(1,328)	) 2,242	4,342	6,724
Other expense, net	132	803	1,440	3,733
Total operating expenses	482,233	440,862	1,432,272	1,143,546
Operating income	73,778	39,426	216,205	137,410
Interest income	251	232	737	879
Interest expense	(12,295)	) (16,072)	) (42,150)	) (28,356)
Non-operating expense, net	(12,044)	) (15,840)	) (41,413)	) (27,477)
Income from continuing operations before income taxes	61,734	23,586	174,792	109,933
Provision for income taxes	(15,217)	) (116)	) (40,361)	) (18,909)
Income from continuing operations	46,517	23,470	134,431	91,024
Loss from discontinued operations, net	—	(108)	) —	(101)
Net income	\$46,517	\$23,362	\$134,431	\$90,923
Basic earnings per share:				
Income from continuing operations	\$0.68	\$0.35	\$1.97	\$1.38
Loss from discontinued operations, net	\$—	\$—	\$—	\$—
Net income	\$0.68	\$0.35	\$1.97	\$1.38
Weighted average shares used in computing basic earnings per share	68,269	66,650	68,100	66,112
Diluted earnings per share:				
Income from continuing operations	\$0.68	\$0.35	\$1.95	\$1.36
Loss from discontinued operations, net	\$—	\$—	\$—	\$—
Net income	\$0.68	\$0.35	\$1.95	\$1.36
Weighted average shares used in computing diluted earnings per share	68,911	67,326	68,810	66,843

See accompanying notes.

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IHS INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)
 (In thousands)

	Three months ended August 31,		Nine months ended August 31,	
	2014	2013	2014	2013
Net income	\$46,517	\$23,362	\$134,431	\$90,923
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on hedging activities ⁽¹⁾	276	314	(4,488	) 875
Net pension liability adjustment ⁽²⁾	(885	) —	(885) —
Foreign currency translation adjustment	(3,557	) 296	(473	) (32,792
Total other comprehensive income (loss)	(4,166	) 610	(5,846	) (31,917
Comprehensive income	\$42,351	\$23,972	\$128,585	\$59,006

⁽¹⁾ Net of tax benefit (expense) of \$(180); \$(192); \$2,929; and \$(536) for the three and nine months ended August 31, 2014 and 2013, respectively.

⁽²⁾ Net of tax benefit of \$578 for the three and nine months ended August 31, 2014.

See accompanying notes.

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IHS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Nine months ended August 31,	
	2014	2013
Operating activities:		
Net income	\$ 134,431	\$ 90,923
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	149,347	107,787
Stock-based compensation expense	127,723	114,794
Impairment of assets	—	1,629
Excess tax benefit from stock-based compensation	(11,609)	(12,405)
Net periodic pension and postretirement expense	4,342	6,724
Pension and postretirement contributions	(2,080)	(12,601)
Deferred income taxes	8,337	(37,756)
Change in assets and liabilities:		
Accounts receivable, net	93,234	43,662
Other current assets	(11,490)	3,319
Accounts payable	(9,682)	(14,442)
Accrued expenses	(2,878)	(371)
Income tax payable	16,281	32,700
Deferred revenue	43,465	21,567
Other liabilities	3,029	(1,161)
Net cash provided by operating activities	542,450	344,369
Investing activities:		
Capital expenditures on property and equipment	(83,314)	(65,411)
Acquisitions of businesses, net of cash acquired	(133,938)	(1,481,288)
Intangible assets acquired	(714)	—
Change in other assets	3,846	(5,590)
Settlements of forward contracts	1,345	2,853
Net cash used in investing activities	(212,775)	(1,549,436)
Financing activities:		
Proceeds from borrowings	165,000	1,375,000
Repayment of borrowings	(439,317)	(128,648)
Payment of debt issuance costs	—	(17,360)
Excess tax benefit from stock-based compensation	11,609	12,405
Proceeds from the exercise of employee stock options	—	549
Repurchases of common stock	(51,282)	(87,512)
Net cash provided by (used in) financing activities	(313,990)	1,154,434
Foreign exchange impact on cash balance	(12,239)	(23,380)
Net increase (decrease) in cash and cash equivalents	3,446	(74,013)
Cash and cash equivalents at the beginning of the period	258,367	345,008
Cash and cash equivalents at the end of the period	\$ 261,813	\$ 270,995

See accompanying notes.

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IHS INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

(In thousands)

	Class A Common Stock Shares Outstanding	Amount	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at November 30, 2013 (Audited)	67,382	\$679	\$788,670	\$(45,945)	\$1,220,520	\$(56,961)	\$1,906,963
Stock-based award activity	790	12	115,283	(51,282)	—	—	64,013
Excess tax benefit on vested shares	—	—	11,609	—	—	—	11,609
Net income	—	—	—	—	134,431	—	134,431
Other comprehensive loss	—	—	—	—	—	(5,846)	(5,846)
Balance at August 31, 2014	68,172	\$691	\$915,562	\$(97,227)	\$1,354,951	\$(62,807)	\$2,111,170
See accompanying notes.							

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IHS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation and Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements of IHS Inc. (IHS, we, us, or our) have been prepared on substantially the same basis as our annual consolidated financial statements and should be read in conjunction with our annual report on Form 10-K for the year ended November 30, 2013. In our opinion, these condensed consolidated financial statements reflect all adjustments necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented, and such adjustments are of a normal, recurring nature.

Our business has seasonal aspects. Our fourth quarter typically generates our highest quarterly levels of revenue and profit. Conversely, our first quarter generally has our lowest levels of revenue and profit. We also experience event-driven seasonality in our business; for instance, IHS Energy CERAWEEK, an annual energy executive gathering, is held during our second quarter. Another example is the biennial release (previously triennial release) of the Boiler Pressure Vessel Code (BPVC) engineering standard, which generates revenue for us predominantly in the third quarter of every other year. We most recently recognized a benefit in connection with the BPVC release in the third quarter of 2013.

Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-2, which provides guidance on the reporting of reclassifications out of accumulated other comprehensive income (AOCI). This standard became effective for us in the first quarter of 2014. Under the new guidance, an entity is required to report the effect of significant reclassifications out of AOCI on the respective line items in net income if the amount being reclassified is required under U.S. generally accepted accounting principles (GAAP) to be reclassified in its entirety to net income. For amounts not required under GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other GAAP disclosures that provide additional detail about those amounts. The adoption of this standard did not have an impact on our consolidated financial statements other than the change in disclosures.

In April 2014, the FASB issued ASU 2014-08, which changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. The ASU is intended to reduce the frequency of disposals reported as discontinued operations by focusing on strategic shifts that have (or will have) a major effect on an entity's operations and financial results. The standard will be effective for us in the first quarter of our fiscal year 2016, although early adoption is permitted. We do not expect that the adoption of this ASU will have a significant impact on our consolidated financial statements other than changing the classification criteria and related disclosures for any potential future disposals.

In May 2014, the FASB issued ASU 2014-09, which establishes a comprehensive new revenue recognition model designed to depict the transfer of goods or services to a customer in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. The ASU allows for the use of either the full or modified retrospective transition method, and the standard will be effective for us in the first quarter of our fiscal year 2018; early adoption is not permitted. We are currently evaluating the impact of this new standard on our consolidated financial statements, as well as which transition method we intend to use.

In August 2014, the FASB issued ASU 2014-15, which requires that management evaluate the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. Disclosure is required if there is substantial doubt about the entity's ability to continue as a going concern. The standard will be effective for us in the fourth quarter of our fiscal year 2017, although early adoption is permitted. We do not expect that the adoption of this ASU will have a significant impact on our consolidated financial statements.

2. Business Combinations

During the nine months ended August 31, 2014, we completed the following acquisitions, neither of which were material either individually or in the aggregate:

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Global Trade Information Services (GTI). On August 1, 2014, we acquired GTI, a leading provider of international merchandise trade data. We acquired GTI in order to support our strategy of building integrated workflow solutions that target industry needs related to global trade.

PCI Acrylonitrile Limited (PCI Acrylonitrile). On August 28, 2014, we acquired PCI Acrylonitrile, a provider of information and analysis on the acrylonitrile propylene derivative product. We acquired PCI Acrylonitrile in order to strengthen our position in chemical market advisory services.

The total purchase price for these acquisitions was approximately \$134 million, net of cash acquired. We have preliminarily allocated \$57 million of the purchase price to amortizing intangible assets and \$82 million to goodwill.

3. Intangible Assets

The following table presents details of our intangible assets, other than goodwill, as of August 31, 2014 and November 30, 2013 (in thousands):

	As of August 31, 2014			As of November 30, 2013		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization:						
Information databases	\$625,172	\$(223,567)	\$401,605	\$633,347	\$(194,904)	\$438,443
Customer relationships	506,481	(108,570)	397,911	470,632	(90,827)	379,805
Developed computer software	151,517	(70,754)	80,763	159,413	(64,514)	94,899
Trademarks	167,211	(22,864)	144,347	167,179	(13,300)	153,879
Other	20,705	(8,562)	12,143	28,121	(15,076)	13,045
Total	\$1,471,086	\$(434,317)	\$1,036,769	\$1,458,692	\$(378,621)	\$1,080,071
Intangible assets not subject to amortization:						
Trademarks	62,545	—	62,545	63,144	—	63,144
Perpetual licenses	1,242	—	1,242	1,249	—	1,249
Total intangible assets	\$1,534,873	\$(434,317)	\$1,100,556	\$1,523,085	\$(378,621)	\$1,144,464

Intangible assets amortization expense was \$33.2 million and \$100.1 million for the three and nine months ended August 31, 2014, respectively, as compared to \$29.5 million and \$74.1 million for the same respective periods of 2013. The following table presents the estimated future amortization expense related to intangible assets held as of August 31, 2014 (in thousands):

Year	Amount
Remainder of 2014	\$33,905
2015	\$132,288
2016	\$123,140
2017	\$108,608
2018	\$96,408
Thereafter	\$542,420

Goodwill, gross intangible assets, and net intangible assets were all subject to foreign currency translation effects. Changes in our goodwill and gross intangible assets from November 30, 2013 to August 31, 2014 were primarily the result of recent acquisitions and foreign currency translation effects, partially offset by the removal of fully amortized intangible assets. The change in net intangible assets was primarily due to current year amortization, partially offset by the acquisitions made in the third quarter of 2014.

4. Debt

The following table summarizes total indebtedness as of August 31, 2014 and November 30, 2013 (in thousands):

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	August 31, 2014	November 30, 2013
Credit Facility:		
Revolver	\$ 600,000	\$ 770,000
Term loans	368,037	446,904
2012 term loan	250,000	250,000
2013 term loan	675,000	700,000
Capital leases	7,239	7,688
Total debt	\$ 1,900,276	\$ 2,174,592
Current portion	(218,793	) (395,527
Total long-term debt	\$ 1,681,483	\$ 1,779,065

Credit Facility. Our Credit Facility is a syndicated bank credit agreement that consists of amortizing term loans and a \$1.0 billion revolver. All borrowings under the Credit Facility are unsecured. The term loans and revolver included in the Credit Facility have a maturity date of January 2016. The interest rates for borrowings under the Credit Facility are the applicable LIBOR plus a spread of 1.00 percent to 2.25 percent, depending upon our Leverage Ratio, which is defined as the ratio of Consolidated Funded Indebtedness to rolling four-quarter Consolidated Earnings Before Interest Expense, Taxes, Depreciation and Amortization (EBITDA), as such terms are defined in the Credit Facility. A commitment fee on any unused balance is payable periodically and ranges from 0.15 percent to 0.40 percent based upon our Leverage Ratio. The Credit Facility contains certain financial and other covenants, including a maximum Leverage Ratio and a maximum Interest Coverage Ratio, as such terms are defined in the Credit Facility.

2012 term loan. During the third quarter of 2012, we entered into a \$250 million interest-only term loan agreement with a maturity date of March 2015. Borrowings under this loan are unsecured. The interest rates for borrowings under this loan, as well as certain financial and other covenants, including a maximum Leverage Ratio and a maximum Interest Coverage Ratio, are consistent with our Credit Facility described above. We intend to repay this loan with additional borrowings from the Revolver; consequently, we have continued to classify this amount as long-term debt.

2013 term loan. During the third quarter of 2013, we entered into a \$700 million amortizing term loan agreement to facilitate a portion of the funding for the R.L. Polk & Co. acquisition (Polk acquisition). This loan has a maturity date of July 2018, and borrowings under this loan are unsecured. The interest rates for borrowings under this loan, as well as certain financial and other covenants, including a maximum Leverage Ratio and a maximum Interest Coverage Ratio, are consistent with our Credit Facility described above.

As of August 31, 2014, we were in compliance with all of our debt covenants. Our credit agreements require a systematic reduction in our Leverage Ratio each quarter for the first year, unless we elect to trigger an increased Leverage Ratio under the terms specified in the credit agreements in connection with future acquisitions, and we are in compliance with those terms. We have classified short-term debt based on principal maturities and expected cash availability over the next 12 months. As of August 31, 2014, we had approximately \$600 million of outstanding borrowings under the revolver at a current annual interest rate of 1.94 percent and approximately \$1.293 billion of aggregate outstanding borrowings under our term loans at a current weighted average annual interest rate of 2.15 percent, including the effect of the interest rate swaps described in Note 5.

We also had approximately \$0.7 million of outstanding letters of credit under the Credit Facility as of August 31, 2014, which reduced the available borrowing under the Credit Facility by an equivalent amount.

The carrying value of our short-term and long-term debt approximates their fair value.

5. Derivatives

Our business is exposed to various market risks, including interest rate and foreign currency risks. We utilize derivative instruments to help us manage these risks. We do not hold or issue derivatives for speculative purposes.

Interest Rate Swaps

To mitigate interest rate exposure on our outstanding Credit Facility debt, we utilize the following derivative instruments:

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Interest rate derivative contracts that swap \$100 million of floating rate debt at a 1.80 percent weighted-average fixed interest rate, plus the applicable Credit Facility spread. We entered into these swap contracts in 2011, and they expire in July 2015.

Forward-starting interest rate derivative contracts that swap \$400 million of floating rate debt at a 2.86 percent weighted-average fixed interest rate, plus the applicable Credit Facility spread. We entered into these swap contracts in November 2013 and January 2014. The contracts take effect between May 2015 and November 2015, with respective expiration dates between May 2020 and November 2020.

Because the terms of these swaps and the variable rate debt (as amended or extended over time) coincide, we do not expect any ineffectiveness. We have designated and accounted for these instruments as cash flow hedges, with changes in fair value being deferred in accumulated other comprehensive loss in our consolidated balance sheets.

Foreign Currency Forwards

To mitigate foreign currency exposure, we utilize the following derivative instruments:

Foreign currency forward contracts that hedge the foreign currency exposure on Euro-denominated receipts in our U.S. Dollar functional entities. We utilize a rolling hedging program to mitigate a portion of this exposure. Because the critical terms of the forward contracts and the forecasted cash flows coincide, we do not expect any ineffectiveness associated with these contracts. We have designated and accounted for these derivatives as cash flow hedges, with changes in fair value being deferred in AOCI in our consolidated balance sheets. The notional amount of outstanding foreign currency forwards under these agreements as of August 31, 2014 and November 30, 2013 was approximately \$15.0 million and \$15.9 million, respectively.

Short-term foreign currency forward contracts that manage market risks associated with fluctuations in balances that are denominated in currencies other than the local functional currency. We account for these forward contracts at fair value and recognize the associated realized and unrealized gains and losses in other expense (income), net, since we have not designated these contracts as hedges for accounting purposes. The following table summarizes the notional amounts of these outstanding foreign currency forward contracts as of August 31, 2014 and November 30, 2013 (in thousands):

	August 31, 2014	November 30, 2013
Notional amount of currency pair:		
Contracts to buy USD with CAD	\$ 58,734	\$ 142,606
Contracts to buy CAD with GBP	C\$—	C\$28,741
Contracts to buy USD with EUR	\$ 13,401	\$ 17,522
Contracts to buy CHF with USD	\$ 14,373	\$ 15,308
Contracts to buy GBP with EUR	£ 4,815	£ 5,866
Contracts to buy USD with GBP	£ 4,797	£ 1,863

Fair Value of Derivatives

Since our derivative instruments are not listed on an exchange, we have evaluated fair value by reference to similar transactions in active markets; consequently, we have classified all of our derivative instruments within Level 2 of the fair value measurement hierarchy. The following table shows the classification, location, and fair value of our derivative instruments as of August 31, 2014 and November 30, 2013 (in thousands):

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	Fair Value of Derivative Instruments		Balance Sheet Location
	August 31, 2014	November 30, 2013	
Assets:			
Derivatives designated as accounting hedges:			
Foreign currency forwards	\$547	\$8	Other current assets
Derivatives not designated as accounting hedges:			
Foreign currency forwards	418	1,548	Other current assets
Total	\$965	\$1,556	
Liabilities:			
Derivatives designated as accounting hedges:			
Interest rate swaps	\$11,601	\$3,366	Other accrued expenses
Foreign currency forwards	—	423	Other accrued expenses
Derivatives not designated as accounting hedges:			
Foreign currency forwards	291	957	Other accrued expenses
Total	\$11,892	\$4,746	

The net gain on foreign currency forwards that are not designated as hedging instruments for the three and nine months ended August 31, 2014 and 2013, respectively, was as follows (in thousands):

	Amount of gain recognized in the consolidated statements of operations				Location on consolidated statements of operations
	Three months ended August 31,		Nine months ended August 31,		
	2014	2013	2014	2013	
Foreign currency forwards	\$392	\$1,835	\$1,323	\$5,790	Other expense, net

The following table provides information about the cumulative amount of unrecognized hedge losses recorded in AOCI as of August 31, 2014 and November 30, 2013, as well as the activity on our cash flow hedging instruments for the three and nine months ended August 31, 2014 and 2013, respectively (in thousands):

	Three months ended August 31,		Nine months ended August 31,	
	2014	2013	2014	2013
Beginning balance	\$(6,963)	\$(1,664)	\$(2,199)	\$(2,225)
Amount of gain (loss) recognized in AOCI on derivative:				
Interest rate swaps	(366)	9	(5,645)	42
Foreign currency forwards	212	67	41	152
Amount of loss (gain) reclassified from AOCI into income:				
Interest rate swaps ⁽¹⁾	239	235	713	696
Foreign currency forwards ⁽¹⁾	191	3	403	(15)
Ending balance	\$(6,687)	\$(1,350)	\$(6,687)	\$(1,350)

(1) Amounts reclassified from AOCI into income related to interest rate swaps are recorded in interest expense, and amounts reclassified from AOCI into income related to foreign currency forwards are recorded in revenue.

The unrecognized gains relating to the foreign currency forwards are expected to be reclassified into revenue within the next 12 months, and approximately \$1.3 million of the unrecognized losses relating to the interest rate swaps are expected to be reclassified into interest expense within the next 12 months.

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6. Restructuring Charges

During the nine months ended August 31, 2014, we eliminated 120 positions and incurred additional direct and incremental costs related to identified operational efficiencies (including lease abandonments), continued consolidation of positions to our accounting and customer care Centers of Excellence (COE) locations, and further consolidation of our legacy data centers. We expect to continue to incur costs related to these and other similar activities in future periods, resulting in additional restructuring charges.

During the nine months ended August 31, 2014, we recorded approximately \$6.4 million of restructuring charges for these activities. Of these charges, approximately \$3.3 million was recorded in the Americas segment, \$2.7 million was recorded in the EMEA segment, and \$0.4 million was recorded in the APAC segment.

The following table provides a reconciliation of the restructuring liability as of August 31, 2014 (in thousands):