

INFORMATION HOLDINGS INC

Form 8-K

January 06, 2004

**UNITED STATES
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):

December 22, 2003

INFORMATION HOLDINGS INC.

(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.)

2777 Summer Street, Suite 602, Stamford, Connecticut

(Address of principal executive offices)

06905

(Zip Code)

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(Registrant's telephone number, including area code)

Item 2. Acquisition or Disposition of Assets

Pursuant to the Asset Purchase Agreement, dated as of December 22, 2003 with effect as of December 31, 2003 (the APA), by and among Transcender LLC (Transcender), Information Ventures LLC, Information Holdings Inc. (Information Holdings), Kaplan Inc. (Kaplan) and Self Test Software, Inc., a subsidiary of Kaplan (the Buyer), Information Holdings sold its Transcender unit on December 22, 2003 to the Buyer. Under the terms of the APA, the Buyer acquired substantially all of the assets of Transcender for cash consideration of \$10 million, subject to a post-closing adjustment. In addition, the Buyer assumed certain operating liabilities and, subject to certain conditions, acquired an option to acquire all of the membership interests of Transcender at a subsequent time. The consideration was negotiated as part of an arms-length transaction between the parties. Transcender, a subsidiary of Information Holdings, is a Delaware limited liability company.

The APA is attached hereto as Exhibit 2.1 and is incorporated herein by reference. The foregoing is qualified in its entirety by reference to such document.

Item 5. Other Events and Regulation FD Disclosure

The new address for Information Holdings is 2777 Summer Street, Suite 602, Stamford, Connecticut 06905.

Item 7. Financial Statements and Pro Forma Financial Information

(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
Nine Months Ended September 30, 2003 and for the
Years Ended December 31, 2002, 2001 and 2000

Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2003

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Notes to Pro Forma Condensed Consolidated Financial Statements

(c) Exhibits

2.1 APA (Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Information Holdings hereby undertakes to furnish supplementally to the Securities and Exchange Commission (the SEC) copies of any omitted schedules and exhibits upon request therefor by the SEC.)

SIGNATURES

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 hereunto duly authorized.

INFORMATION HOLDINGS INC.

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Dated: January 6, 2004

By: /s/ Vincent A. Chippari
Name: Vincent A. Chippari
Title: Executive Vice President & CFO

EXHIBIT INDEX

Exhibit	Description
2.1	Asset Purchase Agreement, dated as of December 22, 2003 with effect as of December 31, 2003, by and among Transcender LLC, Information Ventures LLC, Information Holdings Inc., Self Test Software, Inc. and Kaplan Inc. (Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Information Holdings Inc. hereby undertakes to furnish supplementally to the Securities and Exchange Commission copies of any omitted schedules and exhibits upon request therefor by the Securities and Exchange Commission.)

Information Holdings Inc.

Unaudited Pro Forma Condensed Consolidated Financial Statements

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On April 8, 2003, Information Holdings Inc. (the Company) sold, pursuant to an Asset Purchase Agreement dated February 27, 2003, substantially all of the assets and certain liabilities of its wholly owned subsidiaries CRC Press LLC (CRC Press LLC), CRC Press (U.K.) LLC and Parthenon Publishing Group, Inc., to CRC Press I LLC and Routledge No. 2 Limited, both wholly owned subsidiaries of Taylor & Francis Group plc, for approximately \$95,000,000 in cash, subject to a post closing adjustment.

On December 22, 2003, the Company sold substantially all of the assets and certain liabilities of its wholly owned subsidiary Transcender LLC (Transcender) to Self Test Software, Inc., a wholly owned subsidiary of Kaplan, Inc., for cash consideration of \$10,000,000, subject to a post closing adjustment.

The following unaudited pro forma condensed consolidated statements of operations of the Company for the nine months ended September 30, 2003 and for the years ended December 31, 2002, 2001, and 2000 give effect to the disposition of CRC Press LLC and its subsidiaries (CRC Press) and of Transcender as if they both occurred on January 1, 2000. The following unaudited pro forma condensed consolidated balance sheet of the Company as of September 30, 2003 gives effect to the disposition of Transcender as if it occurred on that date. The unaudited pro forma condensed consolidated statements of operations do not reflect the gain on the sale of CRC Press, nor the loss on the sale of Transcender, nor do they reflect imputed interest on the proceeds from the dispositions.

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 results of operations and financial position would have been had the aforementioned transactions been completed as of the date or at the beginning of the period 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 2002 Annual Report on Form 10-K.

Information Holdings Inc.*Unaudited Pro Forma Condensed Consolidated Statement of Operations
Nine Months Ended September 30, 2003**(In thousands, except per share data)*

	Information Holdings	Less: Transcender	Pro Forma Consolidated
Revenues	\$ 64,923	\$ 6,589	\$ 58,334
Cost of sales	19,156	528	18,628
Gross profit	45,767	6,061	39,706
Operating expenses:			
Selling, general and administrative	32,533	5,299	27,234
Depreciation and amortization	9,207	1,134	8,073
Total operating expenses	41,740	6,433	35,307
Income (loss) from operations	4,027	(372)	4,399
Other income (expense):			
Other expense	(578)		(578)
Interest income, net	1,327		1,327
Income (loss) from continuing operations before income taxes	4,776	(372)	5,148
Provision for (benefit from) income taxes	1,729	(141)	1,870
Income (loss) from continuing operations	\$ 3,047	\$ (231)	\$ 3,278
Basic earnings per common share from continuing operations	\$ 0.14		\$ 0.15
Diluted earnings per common share from continuing operations	\$ 0.14		\$ 0.15

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

Information Holdings Inc.*Unaudited Pro Forma Condensed Consolidated Statement of Operations**Year Ended December 31, 2002**(In thousands, except per share data)*

	Information Holdings	Less: CRC Press	Less: Transcender	Pro Forma Consolidated
Revenues	\$ 141,767	\$ 52,053	\$ 11,762	\$ 77,952
Cost of sales	41,966	17,929	822	23,215
Gross profit	99,801	34,124	10,940	54,737
Operating expenses:				
Selling, general and administrative	66,909	24,108	7,775	35,026
Depreciation and amortization	16,941	3,102	3,008	10,831
Impairment of long-lived assets	39,380		36,222	3,158
Total operating expenses	123,230	27,210	47,005	49,015
(Loss) income from operations	(23,429)	6,914	(36,065)	5,722
Other income (expense):				
Other income	5			5
Interest income (expense), net	473	(155)		628
(Loss) income before income taxes	(22,951)	6,759	(36,065)	6,355
(Benefit from) provision for income taxes	(9,227)	2,542	(13,705)	1,936
Net (loss) income	\$ (13,724)	\$ 4,217	\$ (22,360)	\$ 4,419
Basic (loss) earnings per common share	\$ (0.63)		\$	0.20
Diluted (loss) earnings per common share	\$ (0.63)		\$	0.20

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

Information Holdings Inc.*Unaudited Pro Forma Condensed Consolidated Statement of Operations**Year Ended December 31, 2001**(In thousands, except per share data)*

	Information Holdings	Less: CRC Press	Less: Transcender	Pro Forma Consolidated
Revenues	\$ 105,336	\$ 42,424	\$ 21,347	\$ 41,565
Cost of sales	26,676	13,714	1,242	11,720
Gross profit	78,660	28,710	20,105	29,845
Operating expenses:				
Selling, general and administrative	49,831	22,997	9,732	17,102
Depreciation and amortization	18,769	2,642	6,558	9,569
Impairment of long-lived assets	400			400
Total operating expenses	69,000	25,639	16,290	27,071
Income from operations	9,660	3,071	3,815	2,774
Other income (expense):				
Other (expense) income	(16)		3	(19)
Interest income (expense), net	3,505	(148)		3,653
Income before income taxes	13,149	2,923	3,818	6,408
Provision for income taxes	5,311	1,071	1,451	2,789
Net income	\$ 7,838	\$ 1,852	\$ 2,367	\$ 3,619
Basic income per common share	\$ 0.36		\$	0.17
Diluted income per common share	\$ 0.36		\$	0.17

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

Information Holdings Inc.*Unaudited Pro Forma Condensed Consolidated Statement of Operations**Year Ended December 31, 2000**(In thousands, except per share data)*

	Information Holdings	Less: CRC Press	Less: Transcender	Pro Forma Consolidated
Revenues	\$ 73,289	\$ 38,984	\$ 4,077	\$ 30,228
Cost of sales	19,720	10,422	302	8,996
Gross profit	53,569	28,562	3,775	21,232
Operating expenses:				
Selling, general and administrative	36,987	20,602	2,014	14,371
Depreciation and amortization	9,744	1,993	971	6,780
Impairment of long-lived assets	1,500			1,500
Total operating expenses	48,231	22,595	2,985	22,651
Income from operations	5,338	5,967	790	(1,419)
Other income (expense):				
Other income (expense)	2	5	(1)	(2)
Interest income (expense), net	7,005	(144)		7,149
Income before income taxes	12,345	5,828	789	5,728
Provision for income taxes	5,253	2,273	308	2,672
Net income	\$ 7,092	\$ 3,555	\$ 481	\$ 3,056
Basic income per common share	\$ 0.34		\$	0.15
Diluted income per common share	\$ 0.34		\$	0.15

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

Information Holdings Inc.*Unaudited Pro Forma Condensed Consolidated Balance Sheet**September 30, 2003**(In thousands)*

	<i>Information Holdings</i>	<i>Less: Transcender</i>	<i>Pro Forma Adjustments</i>	<i>Pro Forma Consolidated</i>
Cash, cash equivalents and short-term investments	\$ 54,407	\$ (63)	\$ 7,090(1)	\$ 61,560
Accounts receivable, net	27,107	385		26,722
Other current assets	11,352	263		11,089
Total current assets	92,866	585	7,090	99,371
Investments	87,470			87,470
Identified intangible assets, net	66,315	2,405		63,910
Goodwill	83,140	12,800		70,340
Other long-term assets	8,445	607	(391)(1),(2)	7,447
Total assets	\$ 338,236	\$ 16,397	\$ 6,699	\$ 328,538
Accounts payable	\$ 26,542	\$ 137		\$ 26,405
Deferred subscription revenue	17,791	80		17,711
Other current liabilities	19,712	243	(16,938)(1)	2,531
Long-term liabilities			13,044(2)	13,044
Total liabilities	64,045	460	(3,894)	59,691
Common stock	219			219
Treasury stock	(14,723)			(14,723)
Additional paid-in capital	247,923	47,767	47,767(1)	247,923
Accumulated comprehensive income	657			657
Retained earnings	40,115	(31,830)	(37,174)(1)	34,771
Total equity	274,191	15,937	10,593	268,847
Total liabilities and equity	\$ 338,236	\$ 16,397	\$ 6,699	\$ 328,538

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

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 disposition of Transcender on Information Holdings Inc.'s Condensed Consolidated Balance Sheet as of September 30, 2003, the following adjustments have been made (*In thousands*):

(1) Represents the proceeds from the sale of Transcender (net of estimated deal costs and settlement of retained obligations), the estimated loss on disposition, and the related impact on income taxes, as follows: debit (credit):

Cash	\$	7,090
Other current liabilities (income tax liability)		16,938
Other long-term assets (deferred taxes)		(13,435)
Additional paid in capital		(47,767)
Retained earnings (loss of Transcender prior to disposition)		31,830
Retained earnings (estimated after-tax loss on disposition)		5,344

(2) Represents a reclassification of net long-term deferred taxes. The disposition of Transcender results in a reclassification in long-term deferred taxes from a net asset to a net liability.

Other long-term assets	\$	13,044
Long-term liabilities		(13,044)

2. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net income by the weighted average outstanding shares during the period. The weighted average outstanding shares for the nine months ended September 30, 2003 and for the years ended December 31, 2002, 2001 and 2000, respectively are as follows (*In thousands*):

	September 30, 2003	December 31, 2002	December 31, 2001	December 31, 2000
Basic	21,159	21,735	21,686	20,583
Diluted	21,194	21,735	21,826	20,822