INFORMATION HOLDINGS INC
Form 10-Q
November 14, 2001

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, 2001

Commission File Number: 1-14371

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

DELAWARE	06-1518007
(State of incorporation)	(IRS Employer Identification Number)
2777 SUMMER STREET, SUITE 209 STAMFORD, CONNECTICUT	06905
(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. /X/ Yes /_/ No

As of September 30, 2001, there were 21,757,135 shares of the Company's common stock, par value $0.01 per share outstanding.

INFORMATION HOLDINGS INC.

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INFORMATION HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	SEPTEMBER 30, 2001 (Unaudited)	DECEMBER 31, 2000
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 61,268	$ 96,375
Short-term investments	11,829	11,731
Accounts receivable (NET OF ALLOWANCE FOR DOUBTFUL ACCOUNTS AND SALES RETURNS OF $3,598 AND $3,575, RESPECTIVELY)	28,049	23,378
Inventories	7,706	6,472
Prepaid expenses and other current assets	5,539	3,649
Income tax receivable	3,859	492
Deferred income taxes	2,489	2,489
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Total current assets	120,739	144,586
Property and equipment, net	7,355	5,802
Pre-publication costs (NET OF ACCUMULATED AMORTIZATION OF $5,140 AND $5,234, RESPECTIVELY)	5,306	4,188
Publishing rights and other identified intangible assets, net	110,752	91,342
Goodwill (NET OF ACCUMULATED AMORTIZATION OF $5,052 AND $1,622, RESPECTIVELY)	73,283	61,272
Other assets	8,248	3,806
TOTAL	$325,683	$310,996
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of capitalized lease obligations	$ 343	$ 308
Accounts payable	19,196	20,156
Accrued expenses	6,555	5,089
Royalties payable	1,056	1,204
Deferred subscription revenue	11,098	10,429
Total current liabilities	38,248	37,186
Capital leases	1,844	2,107
Deferred income taxes	19,471	14,057
Other long-term liabilities	638	1,372
Total liabilities	60,201	54,722
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value; 1,000,000 shares authorized; none issued	$ --	$ --
Common stock, $.01 par value; 50,000,000 shares authorized, issued and outstanding 21,757,135 shares at September 30, 2001 and 21,611,970 shares at December 31, 2000	218	216
Additional paid-in capital	245,894	243,075
Retained earnings	19,359	12,983
Accumulated other comprehensive income	11	--
Total stockholders' equity	265,482	256,274
TOTAL	$325,683	$310,996

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, 2001	THREE MONTHS ENDED SEPTEMBER 30, 2000	
Revenues	$ 26,427	$ 18,151	$
Cost of sales	6,998	5,073	
Gross profit	19,429	13,078	
Operating expenses:			
Selling, general and administrative	12,754	10,009	
Depreciation and amortization	4,768	2,131	
Total operating expenses	17,522	12,140	
Income from operations	1,907	938	
Other income (expense):			
Interest income	813	2,598	
Interest expense	(135)	(143)	
Other income	3	-	
Income before income taxes	2,588	3,393	
Provision for income taxes	1,120	1,427	
Net income	$ 1,468	$ 1,966	$
Basic and diluted earnings per common share amounts:			
Net income	$ 0.07	$ 0.09	$

SEE NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS.

INFORMATION HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30, 2001	NINE MONTHS ENDED SEPTEMBER 30, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 6,376	$ 5,692

Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,389	1,530
Amortization of goodwill and other intangibles	10,977	5,038
Amortization of pre-publication costs	2,124	1,701
Deferred income taxes	(808)	(626)
Gain on disposal of property and equipment	--	(3)
Other	104	107
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,451)	(2,850)
Inventories	(358)	(885)
Prepaid expenses and other current assets	(1,065)	(1,347)
Accounts payable and accrued expenses	(6,653)	1,071
Income tax benefit from stock options exercised	830	--
Income taxes	(2,995)	--
Deferred subscription revenue	(2,273)	(1,054)
Other, net	(1,316)	(943)
Net Cash Provided by Operating Activities	5,881	7,431
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of businesses and titles	(36,881)	(5,095)
Purchases of property and equipment	(3,287)	(2,345)
Pre-publication costs	(2,490)	(1,855)
Purchases of short-term investments	(98)	(6,875)
Proceeds from disposal of property and equipment	5	14
Net Cash Used in Investing Activities	(42,751)	(16,156)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock in public offering, net	--	155,000
Common stock issued from stock options exercised	1,991	1,820
Principal payments on capital leases	(228)	(210)
Net Cash Provided by Financing Activities	1,763	156,610
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(35,107)	147,885
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	96,375	7,551
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 61,268	$ 155,436

SEE NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS.

INFORMATION HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

A. BASIS OF PRESENTATION

The consolidated balance sheet of Information Holdings Inc. (IHI, or the Company) at December 31, 2000 has been derived from IHI's Annual Report on Form 10-K for the year then ended. All other consolidated financial statements contained herein have been prepared by IHI and are unaudited. These consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2000 and the notes thereto contained in IHI's Annual Report on Form 10-K.

The accompanying unaudited consolidated financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission and do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the consolidated financial position of IHI as of September 30, 2001, and the consolidated results of operations and cash flows for the periods presented herein. Results for the three and nine months ended September 30, 2001 are not necessarily indicative of the results to be expected for the full fiscal year.

B. INVENTORIES

Inventories, consisting primarily of finished goods, are stated at the lower of cost (first-in, first-out method) or market. The vast majority of inventories are books, which are reviewed periodically on a title-by-title basis for salability. The cost of inventory determined to be impaired is charged to income in the period of determination.

C. PRE-PUBLICATION COSTS

Certain expenses related to books, primarily comprised of design and other pre-production costs, are deferred and charged to expense over the estimated product life. These costs are primarily amortized over a four-year period following release of the applicable book, using an accelerated amortization method. During 2001 and 2000, the Company removed from its Balance Sheets fully amortized Pre-publication costs with a cost of approximately $2,218,000 and $3,554,000, respectively.

D. INVESTMENT IN UNCONSOLIDATED AFFILIATE

On May 3, 2001, the Company completed the acquisition of a 49% interest in GSI Office Management GmbH (GSI) for cash consideration of approximately $3,400,000, with an option to acquire the remaining 51% interest after three years. GSI, based in Germany, is a leading provider of intellectual property management software. At September 30, 2001, the investment in GSI was included in the Consolidated Balance Sheet caption Other Assets.

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INFORMATION HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

E. EARNINGS PER SHARE DATA

The following table sets forth the computation of basic and diluted earnings per share for the periods indicated.

(IN THOUSANDS, EXCEPT PER SHARE DATA)	THREE MONTHS ENDED SEPTEMBER 30, 2001	2000	
Basic:			
Net income	$ 1,468	$ 1,966	$
Average common shares outstanding	21,739	21,593	
Basic EPS	$ 0.07	$ 0.09	$
Diluted:			
Net income	$ 1,468	$ 1,966	$
Average common shares outstanding	21,739	21,593	
Net effect of dilutive stock options - based on the treasury stock method	114	279	
Total	21,853	21,872	
Diluted EPS	$ 0.07	$ 0.09	$

During the first nine months of 2001, employees exercised stock options to acquire 145,165 shares at an exercise price of between $12.00 and $27.81 per share.

F. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, BUSINESS COMBINATIONS and SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS. SFAS No. 141 prohibits the use of the pooling-of-interest method of business combinations initiated after June 30, 2001. SFAS No. 142 requires the use of a non-amortization approach to account for purchased goodwill and certain intangibles. Under a non-amortization approach, goodwill and certain intangibles will not be amortized into results of operations, but instead would be reviewed for impairment and written down and charged to results of operations only in the periods in which the recorded value of goodwill and certain intangibles is more than its fair value. The Company is required to adopt SFAS No. 142 on January 1, 2002. The adoption of SFAS No. 141 did not have a material effect on the Company's consolidated financial position or results of operations. The Company is currently evaluating SFAS No. 142 to determine the impact, if any of adoption on the Company's financial position.

In August 2001, the FASB issued SFAS No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. SFAS No. 144 addresses the financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS 144 is effective for fiscal years beginning after December 15, 2001. The Company is currently evaluating SFAS No. 144 to determine the impact, if any of adoption on the Company's financial position.

INFORMATION HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

G. ACQUISITIONS

On May 15, 2001, the Company acquired the stock of Parthenon Publishing Group (Parthenon), for cash consideration of approximately $8,000,000. Parthenon, based in the United Kingdom, is a leading provider of medical and environmental reference products. Parthenon produces a wide range of books, journals and electronic products covering environmental topics and 35 medical subject areas. The purchase price was preliminarily allocated to net tangible assets of $120,000, publishing rights and other identified intangible assets of $5,480,000, goodwill of $2,000,000 and non-compete agreements of $400,000.

On March 29, 2001, the Company acquired the IDRAC business of IMS Health for potential cash consideration of $10,500,000, including an initial payment of approximately $5,500,000 in cash and a contingent payment of $5,000,000 based on the future results of IDRAC. In a separate transaction, the Company also entered into multiple perpetual agreements with IMS Health and certain affiliates for aggregate cash consideration of approximately $17,000,000. IDRAC, based in France, is a leading provider to pharmaceutical companies worldwide of regulatory and intellectual property information related to pharmaceutical product registrations. The purchase price was preliminarily allocated to net liabilities assumed of $2,974,000 publishing rights and other identified intangible assets of $15,000,000 and goodwill of $8,353,000. The Company also recorded goodwill and an offsetting deferred income tax liability as a result of the gross up of acquired intangible assets in the amount of $5,850,000. This goodwill is being amortized using the straight-line method over 15 years.

On November 6, 2000, the Company acquired all of the assets of Transcender Corporation for cash consideration of approximately $60,000,000. Transcender develops content and related software distributed over the Internet and in other electronic media to information technology professionals seeking certification in numerous product areas and programming languages.

The above acquisitions have been accounted for using the purchase method of accounting and, accordingly, the results of their operations have been included in the Company's results of operations from their respective date of acquisition.

The following unaudited pro forma information presents the results of operations of the Company, as if the 2001 acquisition of IDRAC and the 2000 acquisition of Transcender had taken place in January 1, 2000, is as follows:

	THREE MONTHS ENDED SEPTEMBER 30,	N

(IN THOUSANDS, EXCEPT PER SHARE DATA)	2000	20
Revenues	$ 24,307	$
Net (loss)income	$ (340)	$
Basic (loss)earnings per common share	$ (0.02)	$
Diluted (loss)earnings per common share	$ (0.02)	$

INFORMATION HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

G. ACQUISITIONS (CONTINUED)

These pro forma results of operations have been prepared for comparative purposes only and do not purport to be indicative of the operating results that would have occurred had the acquisitions been consummated as of the above date, nor are they necessarily indicative of future operating results.

H. SEGMENT INFORMATION

The Company has three reportable segments: intellectual property (IP), scientific and technology information (STI) and information technology learning (ITL). The intellectual property segment, which includes MicroPatent, MDC, and IDRAC, provides a broad array of databases, information products and complementary services for intellectual property and regulatory professionals. The scientific and technology information segment is CRC Press, which publishes professional and academic books, journals, newsletters and electronic databases covering areas such as life sciences, environmental sciences, engineering, mathematics, physical sciences and business. The information technology-learning segment was created in the fourth quarter of fiscal 2000 as a result of the Company's strategic acquisition of Transcender. Transcender is a leading online provider of IT certification test-preparation products.

	THREE MONTHS ENDED SEPTEMBER 30, 2001			
		SEGMENT		
(IN THOUSANDS)	IP	STI	ITL	
Revenues from external customers	$10,619	$ 10,994	$ 4,814	$
EBITDA	3,962	2,384	2,002	

Operating income	1,482	925	355	
Segment assets	132,929	55,689	59,166	

	NINE MONTHS ENDED SEPTEMBER 30, 2001			
		SEGMENT		
	IP	STI	ITL	
(IN THOUSANDS)				
Revenues from external customers	$29,293	$ 29,581	$17,111	$
EBITDA	10,657	6,588	8,502	
Operating income	3,948	2,739	3,584	
Segment assets	132,929	55,689	59,166	

INFORMATION HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

H. SEGMENT INFORMATION (CONTINUED)

A reconciliation of combined EBITDA for the intellectual property, scientific and technology information, and information technology learning segments to consolidated income before income taxes is as follows:

	THREE MONTHS ENDED SEPTEMBER 30,		
(IN THOUSANDS)	2001	2000	
Total EBITDA for reportable segments	$ 8,348	$ 4,405	$
Corporate expenses	(850)	(745)	
Interest income, net	678	2,455	
Depreciation and amortization (1) (2)	(5,588)	(2,722)	
Income before income taxes	$ 2,588	$ 3,393	$

(1) Depreciation and amortization includes $820,000 and $591,000 of amortization of pre-publication costs, included in operations in cost of sales for each of the three month periods ended September 30, 2001 and 2000, respectively.

(2) Depreciation and amortization includes $2,124,000 and $1,701,000 of amortization of pre-publication costs, included

in operations in cost of sales for each of the nine month periods ended September 30, 2001 and 2000, respectively.

I. COMPREHENSIVE INCOME

The following table is a reconciliation of the Company's net income to comprehensive income:

(IN THOUSANDS)	THREE MONTHS ENDED SEPTEMBER 30, 2001	THREE MONTHS ENDED SEPTEMBER 30, 2000	
Net income	$ 1,468	$ 1,966	$
Other comprehensive income, net of taxes of $49 and $4, respectively:			
Foreign currency translation adjustment	77	--	
Comprehensive income	$ 1,545	$ 1,966	$

INFORMATION HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

J. SUBSEQUENT EVENT

On November 13, 2001, the Company entered into an agreement to acquire all of the outstanding common shares of Liquent, Inc. in a cash tender offer at $2.27 per share. Completion of the transaction is contingent on, among other things, IHI's receipt of greater than 50% of the shares of Liquent in the tender offer. The aggregate cash consideration for the acquisition of 100% of the common shares will approximate $43.5 million, excluding transaction fees. At September 30, 2001, Liquent had approximately $12.6 million of cash and cash equivalents and debt of approximately $0.4 million.

In addition to the merger agreement, the Company entered into an agreement with certain stockholders representing approximately 47% of the common shares of Liquent to acquire those shares at the tender offer price of $2.27 per share.

INFORMATION HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS:

Three Months Ended September 30, 2001 Compared to
THREE MONTHS ENDED SEPTEMBER 30, 2000

REVENUES. In the third quarter of 2001, the Company had revenues of $26.4 million compared to revenues of $18.2 million in the third quarter of 2000, an increase of $8.2 million or 45.6%. The increase in revenues is due primarily to strong results associated with IT learning products, as a result of the acquisition of Transcender in November 2000. Revenues also increased in the Company's intellectual property group based on strong internal growth in sales of patent information and patent annuity payment services, and revenues of IDRAC, which was acquired in March 2001. Revenues also increased in the Company's scientific and technology information group resulting from the acquisition of Parthenon in May 2001, offsetting lower domestic sales following the terrorist attacks.

COST OF SALES. Cost of sales increased $2.0 million or 37.9% to $7.0 million in the third quarter of 2001 compared to $5.0 million in the corresponding quarter in 2000. Cost of sales expressed as a percentage of revenues in the third quarter of 2001 decreased to 26.5% from 27.9% for the corresponding quarter of 2000. The improvement in gross profit margins over the comparable period in 2000 is primarily attributable to the acquisitions of Transcender and IDRAC, which have higher gross margins than the other existing units, offset by higher costs at CRC Press and MicroPatent primarily related to product mix at both, and book publishing operations at CRC Press.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A). S,G&A expenses increased $2.7 million or 27.4% in the third quarter of 2001, to $12.7 million from $10.0 million in the third quarter of 2000. Increased S,G&A expenses relate primarily to operating expenses of Transcender, IDRAC, and Parthenon which were acquired in November 2000, March 2001, and May 2001, respectively. S,G&A expenses as a percentage of revenues decreased to 48.3% in the third quarter of 2001, compared to 55.1% in the corresponding 2000 quarter. The improvement in margins is a direct result of a reduction in development spending in the LPS group over prior year levels.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization in the third quarter of 2001 increased $2.7 million, or 123.7%, to $4.8 million from $2.1 million in the corresponding quarter in 2000, primarily as a result of the amortization of intangible assets related to the acquisitions of Transcender, IDRAC, and Parthenon.

INTEREST INCOME (EXPENSE). Net interest income (expense) decreased to $0.7 million from $2.4 million due primarily to lower interest earned, resulting from cash used from our secondary public stock offering to acquire businesses over the last four quarters. Additionally, the average interest rate earned decreased from 6.2% in the third quarter of 2000, to 3.6% in the corresponding 2001 quarter.

INCOME TAXES. The provision for income taxes as a percentage of pre-tax income for the three months ended September 30, 2001 is 43.3%, which differed from the statutory rate primarily as a result of state and local income taxes and non-deductible amortization in excess of the purchase price over net assets acquired. This compares with an effective tax rate of 42.1% in the prior year. In the third quarter of fiscal 2001 the Company was also subject to foreign taxes, which were immaterial in the period.

INFORMATION HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Nine Months Ended September 30, 2001 Compared to
NINE MONTHS ENDED SEPTEMBER 30, 2000

REVENUES. In the first nine months of 2001, the Company had revenues of $76.0 million compared to revenues of $50.4 million in the first nine months of 2000, an increase of $25.6 million or 50.7%. The increase in revenues is due primarily to strong results associated with IT learning products, as a result of the acquisition of Transcender in November 2000. Revenues also increased in the Company's intellectual property group based on strong internal growth in sales of patent information and patent annuity payment services, and revenues of IDRAC, which was acquired in March 2001. Revenues also increased in the Company's scientific and technology information group resulting from the acquisition of Parthenon in May 2001, as well as strong results in international book sales, offsetting lower domestic sales partly caused by the terrorist attacks.

COST OF SALES. Cost of sales increased $4.3 million or 30.3% to $18.5 million in the first nine months of 2001 compared to $14.2 million in the corresponding period in 2000. Cost of sales, expressed as a percentage of revenues in the first nine months of 2001, decreased to 24.4% from 28.2% for the corresponding period of 2000. The improvement in gross profit margins over the comparable period in 2000 is primarily attributable to the acquisitions of Transcender and IDRAC, which have higher gross margins than the other existing units, offset by higher costs at CRC Press primarily related to product mix and book publishing operations.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A). S,G&A expenses increased $11.5 million or 46.5% in the first nine months of 2001, to $36.3 million from $24.8 million for the first nine months of 2000. Increased S,G&A expenses relate primarily to operating expenses of Transcender, IDRAC and Parthenon, which were acquired in November 2000, March 2001 and May 2001, respectively. S,G&A expenses as a percentage of revenues decreased to 47.8% in the first nine months of 2001 compared with 49.2% in the corresponding 2000 period. The improvement in margins is a direct result of a reduction in development spending in the LPS group over prior year levels.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization for the first nine months of 2001 increased $6.8 million, or 103.5%, to $13.3 million from $6.5 million in the corresponding period in 2000, primarily as a result of the amortization of intangible assets related to the acquisitions of Transcender and IDRAC and increased depreciation related to capital expenditures in fiscal 2001.

INTEREST INCOME (EXPENSE). Net interest income (expense) decreased to $3.1 million from $5.0 million due primarily to lower interest earned, resulting from cash used from our secondary public stock offering to acquire businesses over the last four quarters. Additionally, the average interest rate earned decreased from 5.7% in 2000 to 4.6% in 2001.

INCOME TAXES. The provision for income taxes as a percentage of pre-tax income for the nine months ended September 30, 2001 is 41.4%, which differed from the statutory rate primarily as a result of state and local income taxes and non-deductible amortization in excess of the purchase price over net assets acquired. This compares with an effective tax rate of 42.3% in the prior year. In the first nine months of fiscal 2001 the Company was also subject to foreign taxes, which were immaterial in the period.

INFORMATION HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

LIQUIDITY AND CAPITAL RESOURCES:

In the first quarter of 2000, the Company sold 4,500,000 shares of its common stock in a public offering and received approximately $155 million of net proceeds. As of September 30, 2001, proceeds of approximately $100 million have been used from this offering to fund several strategic acquisitions in the Company's information and publishing businesses. See Note G - ACQUISITIONS. The remaining net proceeds are intended to be used to finance future acquisitions, see Note J - SUBSEQUENT Events and pending such uses, will be invested in short-term, investment grade securities.

On September 24, 1999, the Company entered into a seven-year revolving credit facility in an amount not to exceed $50,000,000 initially, including a $10,000,000 sub-limit for the issuance of standby letters of credit (the Credit Facility). The proceeds from the Credit Facility are to be used to fund acquisitions, to meet short-term working capital needs and for general corporate purposes.

Borrowings under the Credit Facility bear interest at either the higher of the bank's prime rate and one-half of 1% in excess of the overnight federal funds rate plus a margin of 0.50% to 1.25% or the Eurodollar Rate plus a margin of 1.5% to 2.25%, depending on the Company's ratio of indebtedness to earnings before interest, taxes, depreciation and amortization. The Company also pays a commitment fee of 0.375% on the unused portion of the Credit Facility. As of and for the period ended September 30, 2001, the Company had no outstanding borrowings under the Credit Facility.

Under the terms of the Credit Facility, the Company is required to maintain certain financial ratios related to fixed charge coverage, leverage and interest coverage, in addition to certain other covenants. As of September 30, 2001, the Company was in compliance with all covenants.

Cash and cash equivalents, including short-term investments totaled $73.1 million at September 30, 2001 compared to $108.1 million at December 31, 2000. Excluding cash, cash equivalents, and short-term investments, the Company had working capital of $9.4 million at September 30, 2001 compared to working capital deficit of $(0.7) million at December 31, 2000. Since the Company receives patent annuity payments and subscription payments in advance, the Company's existing operations are expected to maintain low or negative working capital balances, excluding cash. Included in current liabilities at September 30, 2001 are obligations related to patent annuity payments and deferred subscription revenue of approximately $25.7 million.

Cash generated from operating activities was $5.9 million for the nine months ended September 30, 2001, derived from net income of $6.4 million plus non-cash charges of $14.8 million minus a decrease in operating liabilities and increase in operating assets of $15.3 million. The decrease in operating liabilities and increase in operating assets is primarily due to the operations of businesses acquired in fiscal 2001, the payments of expenses related to book publishing operations and income tax liabilities and the timing of deferred subscription revenue and patent annuity billings and payments.

INFORMATION HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Cash used in investing activities was $42.8 million for the nine months ended September 30, 2001 due to acquisition costs for businesses and titles of $36.9 million and capital expenditures, including pre-publication costs, of $5.8 million. Excluding acquisitions of businesses and titles, the Company's existing operations are not capital intensive.

Cash generated from financing activities was $1.8 million for the nine months ended September 30, 2001, primarily due to net cash proceeds received from the issuance of common stock from stock option exercises. The Company has no outstanding debt obligations as of September 30, 2001 related to the Credit Facility.

The Company believes that funds generated from operations, together with cash on hand and borrowings available under its Credit Facility, will be sufficient to fund the cash requirements of its existing operations for the foreseeable future. The Company currently has no commitments for material capital expenditures. The Company may choose to obtain additional capital or financing to consummate future acquisitions. Future operating requirements and capital needs may be subject to economic conditions and other factors, many of which are beyond the Company's control.

SEASONALITY

The Company's business is somewhat seasonal, with revenues typically reaching slightly higher levels during the third and fourth quarters of each calendar year, based on publication schedules and other factors. In 2000, 31% of the Company's revenues were generated during the fourth quarter with the first, second and third quarters accounting for 22%, 22% and 25% of revenues, respectively. In addition, the Company may experience fluctuations in revenues from period to period based on the timing of acquisitions and new product launches.

EFFECTS OF INFLATION

The Company believes that inflation has not had a material impact on the results of operations presented herein.

FORWARD-LOOKING STATEMENTS

The information above contains forward-looking statements, including, without limitation, statements relating to the Company's plans, strategies, objectives, expectations, and intentions that are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Readers are cautioned that forward-looking statements contained in this Form 10-Q should be read in conjunction with the Company's disclosures under the heading IMPORTANT FACTORS RELATING TO FORWARD-LOOKING STATEMENTS contained in the Company's 2000 Annual Report on Form 10-K.

INFORMATION HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company has only limited involvement with derivative financial instruments and does not use them for trading purposes.

The Company may be subject to market risks arising from changes in interest rates. Interest rate exposure results from changes in the Eurodollar or the prime rate, which are used to determine the interest rate applicable to borrowings under the Credit Facility. As of September 30, 2001, the Company had no outstanding borrowings under the Credit Facility.

The Company routinely enters into forward contracts to acquire various international currencies in an effort to hedge foreign currency transaction exposures of its operations. Such forward contracts have been designated as hedges for future annual payments to related international regulatory agencies. At September 30, 2001, the Company had entered into forward contracts to acquire various international currencies, all having maturities of less than five months, aggregating approximately $16,560,000. Realized gains and losses relating to the forward contracts were immaterial for the three and nine months ended September 30, 2001.

The Company also enters into foreign currency transactions to hedge certain cash flow exposures related to IDRAC to the end of the year. Such forward contracts have been designated as hedges for future cash flow exposures on operations. At September 30, 2001, the Company had entered into forward contracts to acquire French francs, all having maturities of less than three months, aggregating approximately $1,122,000. Realized gains and losses relating to the forward contracts were immaterial for the three and nine months ended September 30, 2001.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

The following report relates to the Company's secondary public stock offering:

Commission file number of registration statement:	333-30202
Effective Date:	March 14, 2000
Expenses incurred through September 30, 2001:	
Underwriting discounts	$ 8,595,000
Other expenses	$ 522,000
Total expenses	$ 9,117,000
Application of proceeds through September 30, 2001:	
Acquisitions of businesses and titles	$ 101,743,250

Temporary investments (Commercial paper and money market funds)	$ 53,256,750

ITEM 5. OTHER EVENTS

On November 14, 2001, the Company announced that it has signed an agreement to acquire Liquent, Inc. for cash consideration of $2.27 per share, or an aggregate of approximately $43.5 million.

The press release announcing the transaction is attached as Exhibit 99.1 and incorporated herein by reference.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

99.1 Press release dated November 14, 2001, announcing an agreement to acquire Liquent, Inc.

(b) Reports on Form 8-K:

The Company did not file any reports on Form 8-K during the three months ended September 30, 2001.

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: NOVEMBER 14, 2001

By: /s/ Vincent A. Chippari

Vincent A. Chippari
Executive Vice President and
Chief Financial Officer

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