

TPG Case Study

Project Iceberg

ASX
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XASX

— STRICTLY CONFIDENTIAL —

TPG Internal Ref: Version B

Case Study Instructions

- You have a total of 1 hour 45 minutes (105 minutes) to complete the case study
 - The model will be collected after 1 hour 15 minutes (75 minutes)
- We recommend the following timing:
 - Administrator reviews instructions with you: 5 minutes
 - Read case study package: 15-20 minutes
 - Complete model (note both the template tab and the projections tab): 45-60 minutes
 - Complete 1 page memo and prepare discussion points: 25-30 minutes
- You will then have a 30 minute discussion on the investment, including the model and memo, with a Reviewer
- Spend time understanding the business model, identifying the key drivers of future performance, and forming your views on the respective pros and cons of the investment
 - We encourage you to spend some time reading through this deck as it contains valuable information on the business, the industry, and thesis/risks
 - We've found that in the past candidates spent too much time on the model; The model is best used as a tool to enhance your analysis of the business
- **Please leave all materials related to the case study including any additional notes that you created with your Reviewer**

The contents of this case study are strictly confidential. By reviewing the attached, you agree to not discuss or disclose any information regarding the case study with any person other than employees of TPG.

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I. Situation Overview and Assumptions

II. Company Overview

III. Macro / Industry Overview

IV. Transaction and Valuation

Disclaimer: Information contained in this presentation or any other case study supplement is based on public information, may have been modified to suit the purposes of this exercise, and reflects a purely hypothetical investment

Situation Overview and Assumptions

- You receive a call from a partner to evaluate a potential investment opportunity
- You are given the following materials (all included in this packet / model template):
 - Management's high level overview of the business including brief overview of products, demographics, historical and projected financials
 - Relevant macroeconomic trends and competitive landscape
 - High level capital structure and historical valuation
- You are asked to consider the following questions:
 - How does this business make money?
 - Does this opportunity look interesting?
 - What price would you be willing to pay?
- In answering these questions be prepared to discuss the following items:
 - Your thoughts on investment thesis (pros) and investment risks (cons)
 - Your assessment of the management projections (see management projections tab)
 - Your thoughts on key areas of focus for business diligence
 - Your thoughts on valuation (entry and exit)
 - Your thoughts on debt financing
- In filling out the memo outline, DO NOT exceed one page and DO NOT adjust font size, margins, paragraph spacing or line spacing (meant to be a high level summary)
 - Expecting a well thought out bullet-point summary of key points

Situation Overview and Assumptions

CAPITAL STRUCTURE

- Assume existing Iceberg debt is refinanced; new debt (total quantum and rate) assumptions per investment bank in attached package and model
- Assume all equity is funded by TPG and no options are issued to management
- Assume \$150MM of fees and expenses (assume all fees expensed / no amortization of fees) *150mm fees*
- Assume \$125MM of minimum cash is required to fund the balance sheet *125 mm cash*
- Build a fully functioning revolver even if the projections provided do not require draw down
- Assume free cash flow pays down revolver, then term loan; no mandatory amortization on debt
- Assume fixed LIBOR swap of 2.50% through projection period

OPERATING ASSUMPTIONS

- Assume an effective tax rate of 35.0%
- Assume cash earns interest at 2.0%
- Assume one time cash restructuring charge of \$100MM in FY 2010
- Assume cash taxes are equal to book taxes
- Assume basic shares and options per the numbers included in the model
- Assume the transaction closes end of FY 2009 (December 31, 2009)
- Assume a 5-year exit based on LTM EBITDA multiple

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Company Overview

Segment Detail

Iceberg

Product Offering
'08 Revenue / % of Total

Information and Analytics (I&A)
\$1,787MM / 77%

Consulting and Service (C&S)
\$543MM / 23%

- Pharma data and analysis offerings
- Typically sold through established contracts or one-off sales
- Nearly all pharma companies

Description

- C&S for pharma clients
- Assist in analyzing and evaluating market trends, strategies and tactics
- Also aids in the development and implementation of customized software applications and data warehouse tools

Division
2008 Revenue / % of Total

Sales Force Effectiveness
\$1,057MM / 45%

Portfolio Optimization
\$654MM / 28%

Brand and Launch
Management and Other Services
\$619MM / 27%

- Include sales territory reports and prescription tracking reports
- Used by pharma manufacturers to measure, forecast, and optimize the effectiveness and efficiency of sales representatives
- Helps target the marketing and sales efforts, to manage sales territories, and to compensate pharmaceutical sales forces

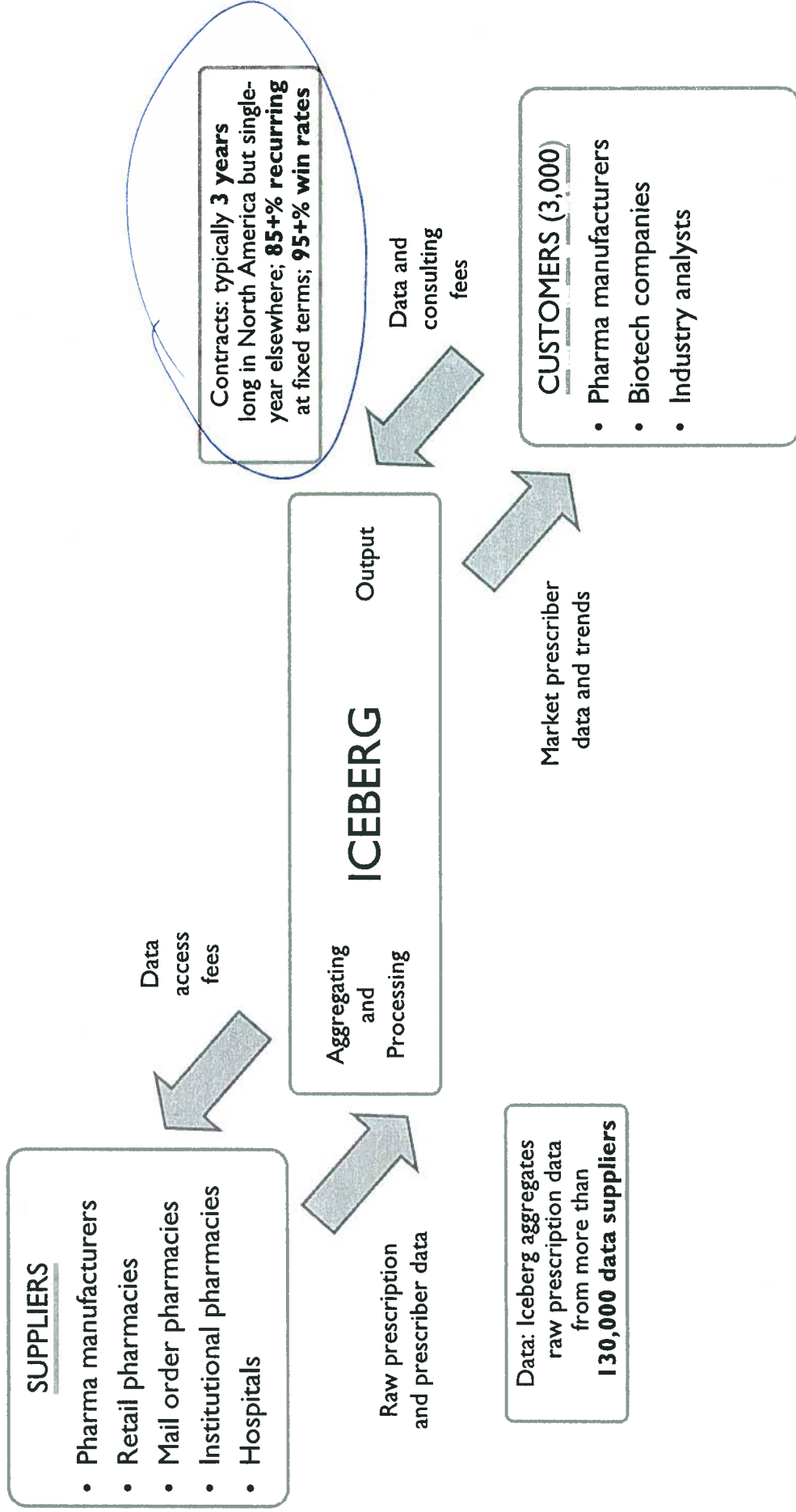
Description

- Multinational integrated analytical tools, and syndicated pharmaceutical, medical and prescription audits
- Assist clients in identifying optimum mix of products in their portfolios and pipelines
- Helps resolve strategic issues, including which therapy classes to enter, which products to develop and license, how to create the right marketing mix, and how to identify the most promising acquisition targets

- Combine information, analytical tools, services, and expertise
- Helps address each stage in the lifecycle of a pharmaceutical product
- Focused on assisting clients in planning and implementing the launch of a new pharmaceutical product

Company Overview

Customer and Supplier Overview

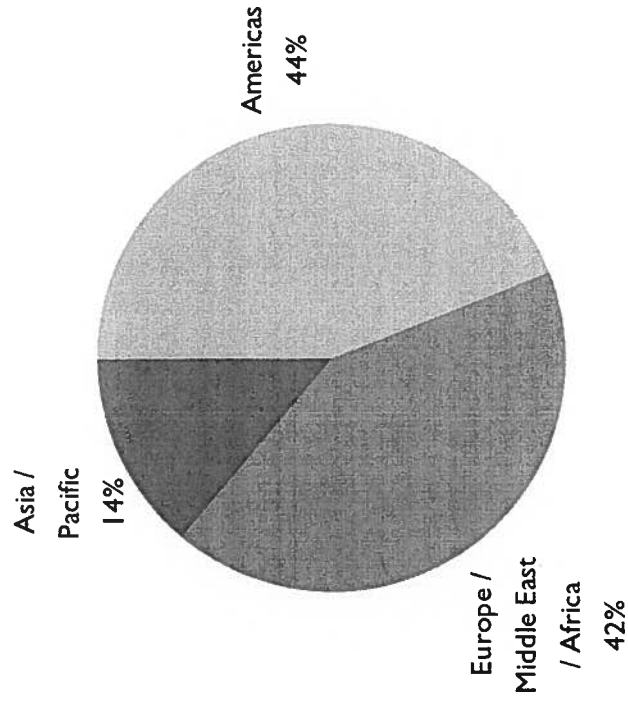


Company Overview

Revenue Contribution by Geography

GEOGRAPHICAL REVENUE COMPOSITION

(% of Annual Revenue)



PHARMA MARKET GROWTH ANALYSIS

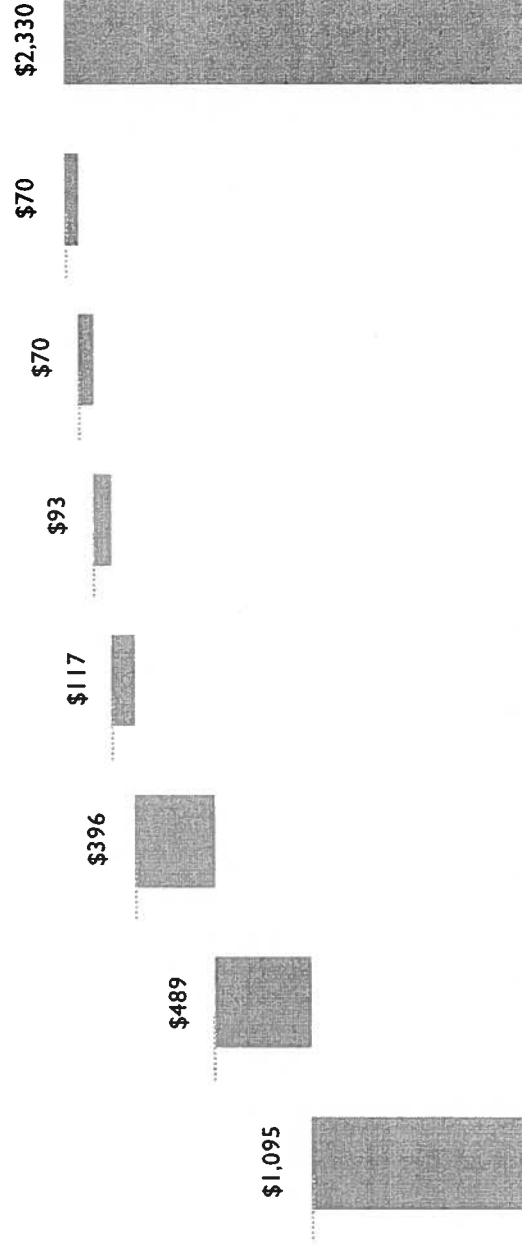
(2008 – 2013E CAGR)

Mature Markets CAGR 2008–2013	“Pharmerging” Markets CAGR 2008–2013	
U.S	(-2)-1%	China 20-23%
Japan	1-4%	Brazil 7-10%
France	0-3%	Mexico 4-7%
Germany	3-6%	Turkey 11-14%
Italy	0-3%	India 11-14%
UK	0-3%	S. Korea 7-10%
Spain	6-9%	Russia 14-17%
Canada	3-6%	“Pharmerging” 13-16%
Mature	0-3%	

Company Overview

Revenue Contribution by Customer Type

2008 REVENUE
(\$ Millions)



	Large Global Pharma	Mid-Sized Pharma	Small / Local	Consumer Health	Generics	Government / Payer	Data Suppliers & Other	Total
Number of Companies	18	43	500+	300+	10 Large, 100+ Small	50+	N/A	N/A
Percent of 2008 Rev	47%	21%	17%	5%	4%	3%	3%	100%
Description	> \$10B Sales	\$1-10 B Sales	<\$1B Sales, includes Biotech	Primarily over-the-counter	>65% Sales are generics	New Segment	Value added services • Ad Agencies • Financial Community	

Company Overview

Customer Interviews

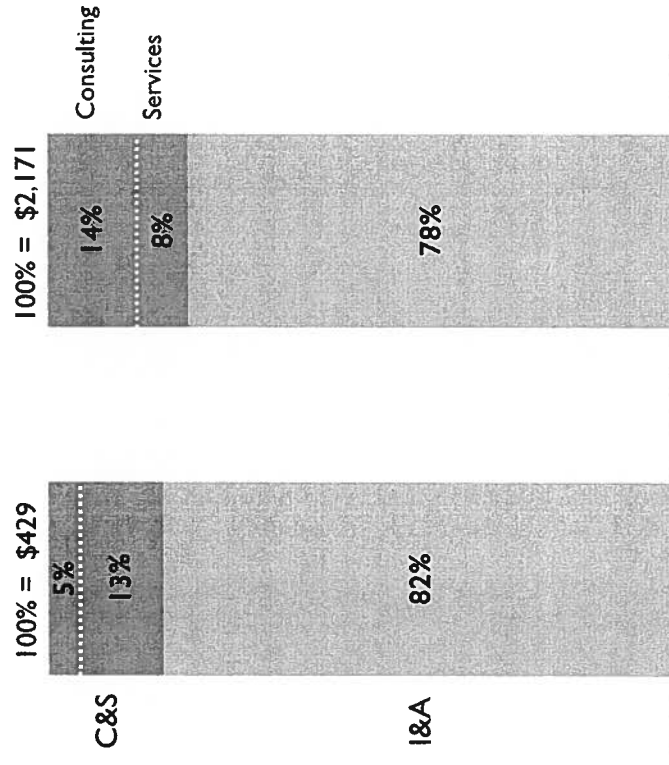
THEMES FROM ~55 CUSTOMER CALLS

Theme	Selected Quotes
<p>1. Iceberg is "gold standard" for core data analytics in primary care categories</p> <p>2. Iceberg has strong position but <u>more contested in several emerging growth areas</u></p> <p>3. Company has been effective at value pricing; <u>switching costs are material</u></p> <p>4. Iceberg's consulting services are strong when closely tied to core data, but <u>high end offerings</u> are less sophisticated and <u>face stiffer competition</u></p> <p>5. Iceberg viewed as somewhat <u>under-optimized industry leader</u> and sometimes hard for customers to deal with</p>	<ul style="list-style-type: none"> "No one in pharma has ever gotten fired for using Iceberg data... people have been fired for using competitors" "If we want to adequately and fairly compensate our sales force, we have to buy Iceberg data" "Iceberg is a mile wide and 2-3 inches deep; Wolters Kluwer is 1/2 a mile wide and 3-4 inches deep" "The emerging markets are up for grabs – there are many fragmented local players. Iceberg has a head start, but it's anybody's game" "Amgen and Genentech spend a significant amount aggregating data across many fragmented suppliers so it's a huge effort and the data is not comprehensive" "No one can compete with Iceberg... they could definitely charge us more" "We consider Iceberg spend to be part of our fixed costs" "We go to Iceberg for basic manipulation of their own data" "Iceberg and Wolters-Kluwer are the data guys... they are not our thought partners" "We lost 9 out of 10 strategy and reorganization projects" (former Iceberg C&S exec) "Iceberg is lacking in strategic direction. They don't fully understand what their customers need" "Everybody uses Iceberg, but people don't really like them" "It's hard to go more than 3-4 months without having some real hitch in our Iceberg data"

Company Overview

Segment Revenue Detail

2009E RESULTS



ORGANIC, REVENUE GROWTH, CONSTANT CURRENCY

	2006	2007	2008	2009E ⁽²⁾
Organic	17%	18%	6%	(13%)
Revenue Growth				(2%)
Constant Currency				(1%)

(1) C&S EBIT allocates entire consulting pool to consulting
 (2) For C&S, growth is not organic; however it is used as a proxy as there were no major acquisitions in 2009. Organic rate for total C&S is (10%) vs. unadjusted rate of (9%)

Company Overview

Historical and Projected Financials

- As part of the modeling exercise, we encourage you to analyze growth rates and margins to evaluate historical financial performance and forward projections

FINANCIAL PROJECTIONS

	Fiscal Year Ended December 31,												
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Information and Analytics Consulting and Services	\$ 1,142	\$ 1,261	\$ 1,385	\$ 1,478	\$ 1,599	\$ 1,700	\$ 1,787	\$ 1,707	\$ 1,792	\$ 1,882	\$ 1,976	\$ 2,075	\$ 2,178
	77	121	184	277	360	492	543	483	519	558	600	645	693
Total Revenue	\$ 1,220	\$ 1,382	\$ 1,569	\$ 1,755	\$ 1,959	\$ 2,193	\$ 2,330	\$ 2,190	\$ 2,311	\$ 2,440	\$ 2,576	\$ 2,720	\$ 2,872
Gross Profit	\$ 747	\$ 803	\$ 905	\$ 979	\$ 1,110	\$ 1,235	\$ 1,297	\$ 1,224	\$ 1,303	\$ 1,388	\$ 1,478	\$ 1,574	\$ 1,676
SG&A	284	313	385	431	500	591	650	629	652	676	701	727	753
EBITDA	\$ 463	\$ 491	\$ 520	\$ 548	\$ 610	\$ 644	\$ 648	\$ 595	\$ 651	\$ 711	\$ 777	\$ 847	\$ 923
D&A Expense	54	75	94	105	117	126	139	136	143	151	160	169	178
EBIT	\$ 409	\$ 415	\$ 427	\$ 444	\$ 493	\$ 518	\$ 508	\$ 459	\$ 507	\$ 560	\$ 617	\$ 678	\$ 745
Capex & Cap Software	93	101	107	133	112	165	114	117	124	131	138	146	154
Working Capital Build													
Accounts Receivable Days Sales Outstanding	\$ 205	\$ 254	\$ 265	\$ 297	\$ 367	\$ 416	\$ 383	\$ 323	\$ 343	\$ 357	\$ 371	\$ 387	\$ 403
Other Current Assets % of Revenue	\$ 110	\$ 123	\$ 174	\$ 161	\$ 169	\$ 206	\$ 174	\$ 190	\$ 198	\$ 206	\$ 214	\$ 223	\$ 232
Accounts Payable Days Payable	\$ 32	\$ 48	\$ 70	\$ 72	\$ 82	\$ 117	\$ 120	\$ 105	\$ 109	\$ 112	\$ 118	\$ 121	\$ 125
Accrued Expenses % of COGS	\$ 59	\$ 64	\$ 112	\$ 91	\$ 101	\$ 145	\$ 95	\$ 100	\$ 103	\$ 106	\$ 109	\$ 112	\$ 115

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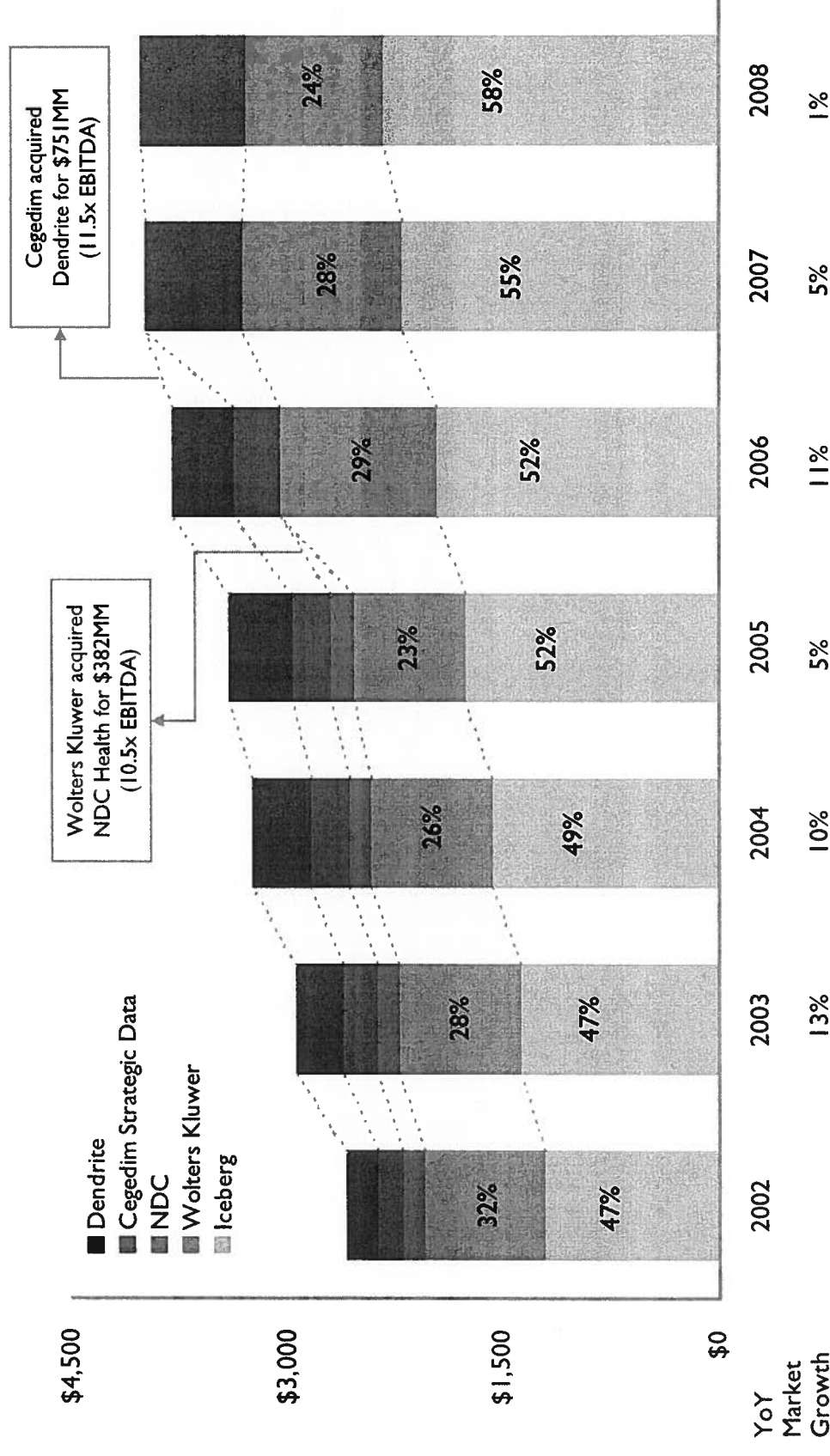
IV. Transaction and Valuation

Macro / Industry Overview

Relative Market Share

HISTORICAL MARKET SIZE AND SHARE

(USD \$ Millions)

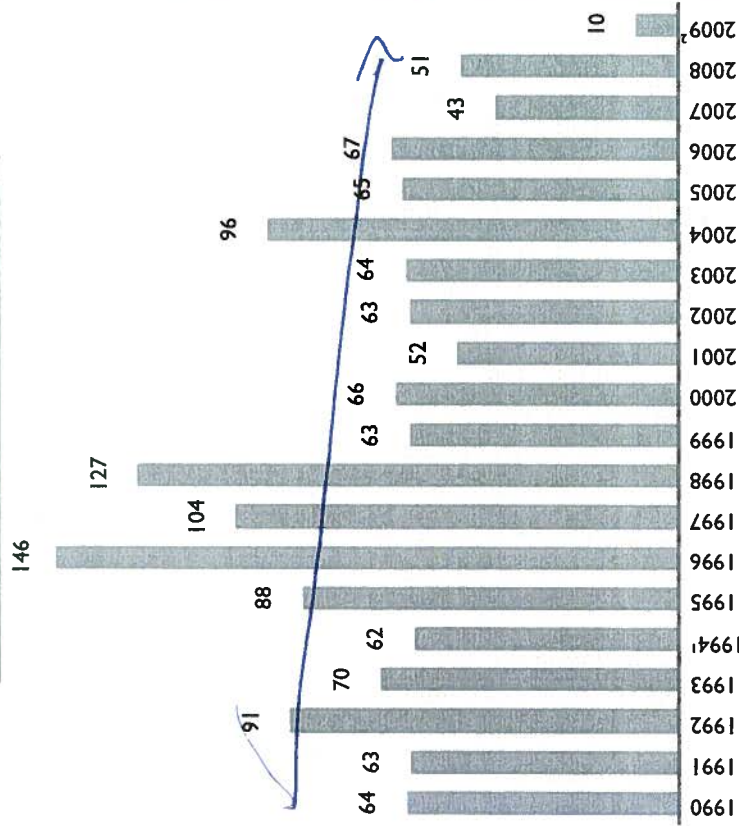


Macro / Industry Overview

New Drug Approvals and Pipeline

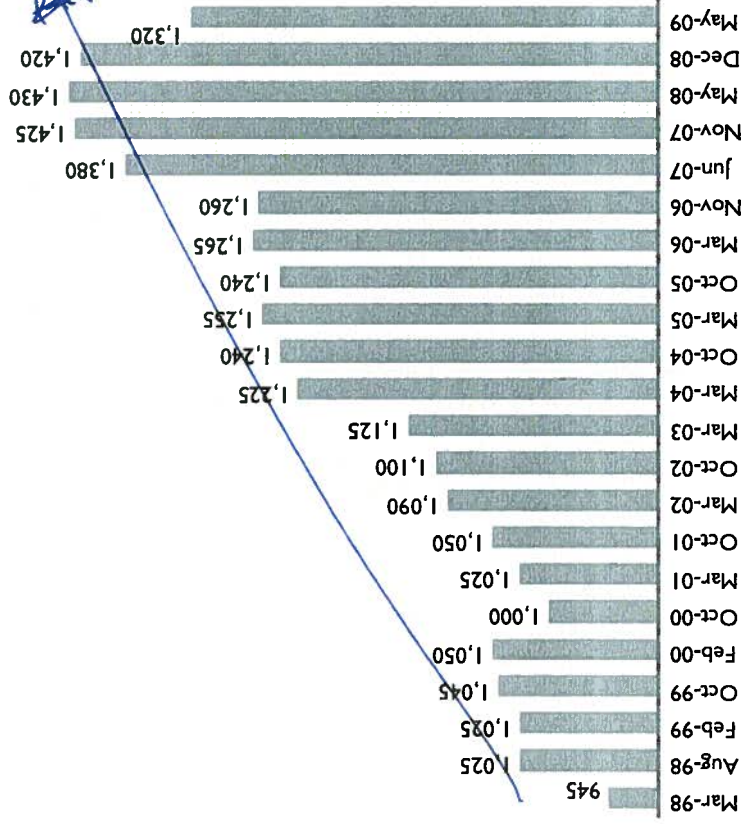
Approval Drugs ↓
Pipeline Products ↑

TOTAL NEW DRUGS APPROVED



(1) NDA User Fee Program implemented in October '93
(2) Through April

TOTAL NUMBER OF PIPELINE PRODUCTS

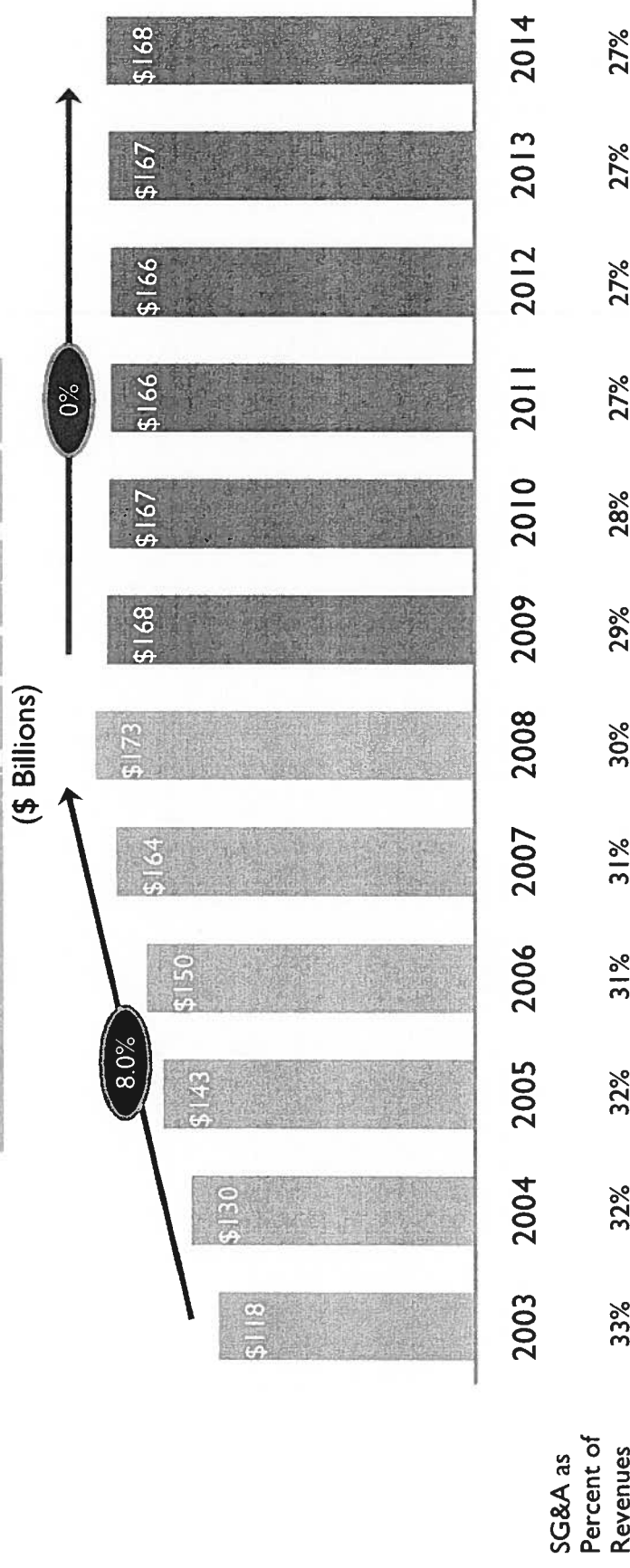


Macro / Industry Overview

Global Pharma SG&A Spend

- Although some pharmaceutical companies have recently reduced their salesforce, the size of a particular salesforce does not impact Iceberg's I&A revenue
 - In order to evaluate and compensate just 1 salesperson in a therapeutic class, pharmaceutical companies must spend the same on Iceberg data as if they had 10,000 salespeople
- The cost of Iceberg's data typically represents less than 1% of SG&A spending at most pharmaceutical companies

GLOBAL SG&A SPEND OF TOP-20 PHARMACOS



(1) Sample includes Pfizer, Sanofi-Aventis, GSK, Novartis, Roche, AstraZeneca, Merck, J&J, Eli Lilly, Abbott, Schering-Plough, Wyeth, Bayer AG, Amgen, BMS, Boehringer Ingelheim, Takeda, Novo Nordisk, Astellas, Daiichi Sankyo; including impact of mergers (i.e., Pfizer and Wyeth, Merck and SP, Abbott and Solvay)

Macro / Industry Overview

↓ growth into established countries

↑ growth emerging markets

Takeaways from Interviews

- **Industry macro**
 - “Small molecules aren’t exciting and the growth just isn’t there... real upside is going to come from niche products and biologics”
 - “The next frontier is emerging markets... our industry is poised for off-the-charts growth in China”
 - “As things get more competitive, I may increase my spend on data to try to gain an advantage”
- **Historical pricing and data costs**
 - “In the early 2000’s, most data suppliers learned the handbook of figuring out Iceberg’s profitability and trying to hold them up to get their fair share”
- **Current/future pricing and data costs**
 - “We know this is a tough macro environment for pharma and the economy...we obviously can’t push Iceberg too hard on price—we’ve got to be partners”
- **Incentives on both sides to maintain relationships, but hard re-negotiations**
 - “Iceberg’s suppliers religiously read their financials and try to make sure that they are getting their fair share”
- **Specialty market landscape**
 - “There are so many different players in the specialty web and they all know they have valuable data”

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Transaction and Valuation

Capital Structure

Debt Tranche	Amount	Drawn	Pricing	Multiple	Term
Revolver	\$275	\$0	L + 350	0.0x	5 Years
Term Loan B	2,000	2,000	L + 350	3.4x	6 Years
Senior Notes	1,000	1,000	12.5%	1.7x	8 Years
<hr/>					
Total Debt	\$3,275	\$3,000		5.0x	

ADDITIONAL ASSUMPTIONS

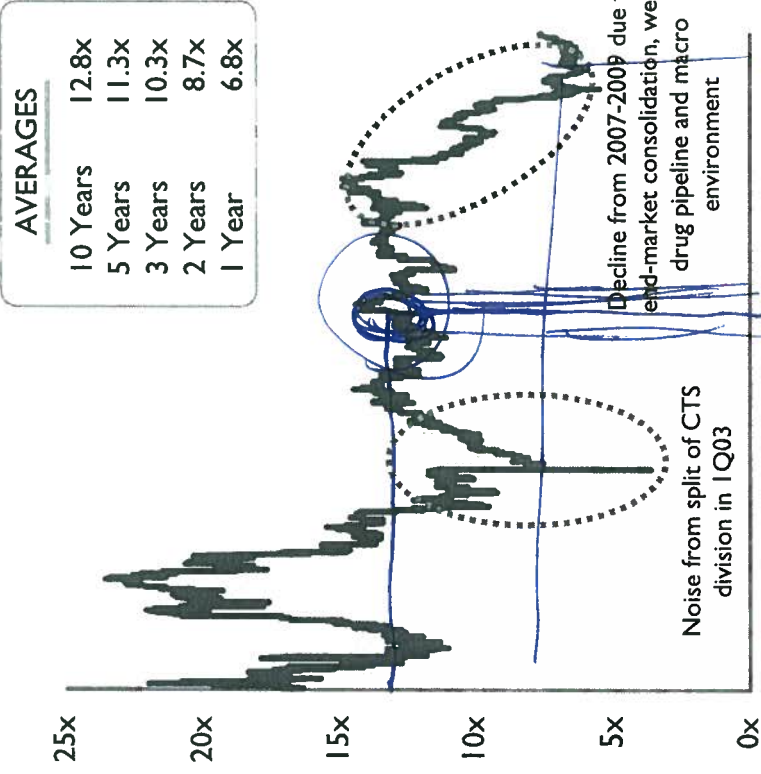
- Assumes existing debt is refinanced in transaction
- Assume minimum operating cash balance of \$125MM
- Revolver drawn as necessary and has first priority in debt payoff
- Make your own assumptions on:
 - Purchase price per share
 - LTM EV/EBITDA exit multiple (5 years)
 - Sensitivities

Transaction and Valuation

Historical Trading Multiples

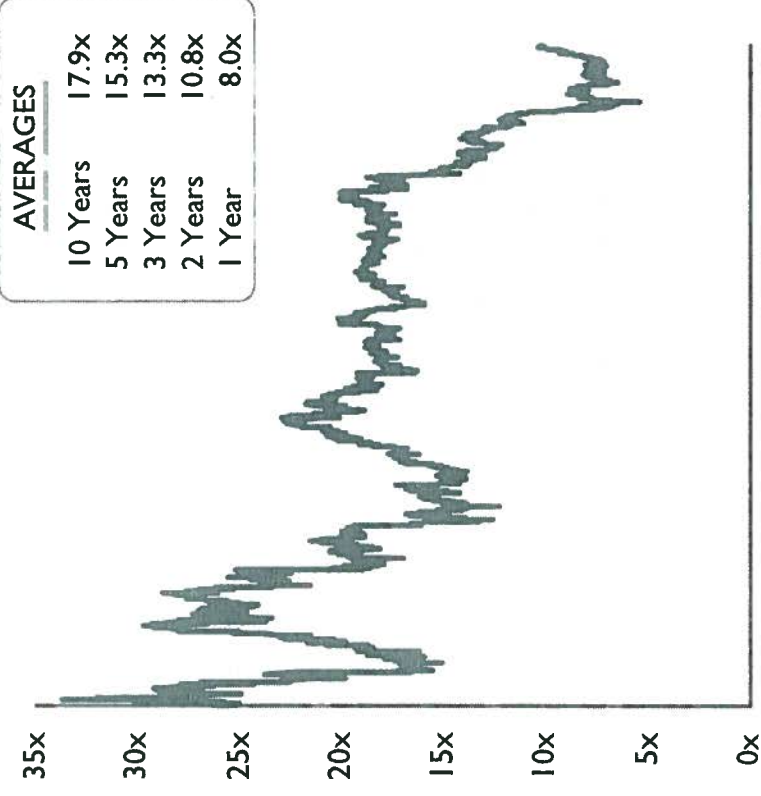
TEV / LTM EBITDA

(September 29, 1999 – Current)



PRICE / NTM EPS

(September 29, 1999 – Current)



Transaction and Valuation

Comparable Companies

Company Name	Stock Price 01/04/10	52-Week High	Equity Value	Enterprise Value ⁽¹⁾	EV / Revenues ⁽²⁾		EV / EBITDA ⁽²⁾		P/E ⁽²⁾		LT EPS Growth ⁽²⁾	PEG	
					2010E	2011E	2010E	2011E	2010E	2011E		2010E	2011E
Commercial													
Cegedim ⁽³⁾	\$82.73	85.0%	\$1,158.0	\$1,794.1	1.33x	1.28x	6.4x	6.3x	11.1x	10.0x	15.0%	0.74x	0.67x
InVentiv Health	16.92	89.2%	571.0	820.0	0.74	NA	5.7	NA	11.5	NM	NA	NA	NA
				Mean	1.04x	1.28x	6.0x	6.3x	11.3x	10.0x	15.0%	0.74x	0.67x
				Median	1.04	1.28	6.0	6.3	11.3	10.0	15.0%	0.74	0.67
CRGs / Research Support													
Covance	\$54.42	92.3%	\$3,535.0	\$3,293.8	1.61x	1.47x	8.2x	6.9x	17.9x	14.8x	14.0%	1.28x	1.05x
Pharmaceutical Product Development	23.22	78.6%	2,780.5	2,186.8	1.70	1.59	7.3	6.6	17.7	15.3	15.0%	1.18	1.02
Charles River Laboratories International	33.57	83.6%	2,214.7	2,519.9	2.03	1.89	7.4	6.7	13.9	12.1	10.0%	1.39	1.21
Emdion	15.47	84.8%	1,778.9	2,599.7	2.56	2.33	9.7	8.5	17.1	14.6	15.0%	1.14	0.97
Icon	21.61	80.5%	1,300.5	1,155.9	1.27	1.11	7.1	6.1	13.1	11.8	15.7%	0.83	0.75
PAREXEL International	14.41	86.7%	843.8	1,023.3	0.90	0.82	5.9	5.3	14.3	12.1	15.0%	0.95	0.81
Kendle International	18.95	73.5%	283.1	368.6	0.89	0.83	5.9	5.5	12.5	10.4	15.0%	0.83	0.69
				Mean	1.57x	1.43x	7.4x	6.5x	15.2x	13.0x	14.2%	1.09x	0.93x
				Median	1.61	1.47	7.3	6.6	14.3	12.1	15.0%	1.14	0.97
Publishing													
Thomson Reuters Corporation	\$32.63	90.9%	\$27,069.8	\$33,640.8	2.58x	2.49x	8.7x	8.0x	15.2x	12.8x	8.0%	1.90x	1.60x
Reed Elsevier	12.42	98.4%	14,178.1	21,993.8	2.37	2.31	8.1	7.7	14.0	13.0	9.1%	1.53	1.42
McGraw-Hill	33.61	95.4%	10,583.8	10,900.5	1.81	1.70	6.7	6.3	13.4	11.5	9.0%	1.49	1.28
Wolters Kluwer	22.52	92.4%	6,595.0	9,791.7	2.02	1.98	8.9	8.4	10.4	9.6	4.6%	2.27	2.09
				Mean	2.20x	2.12x	8.1x	7.6x	13.3x	11.7x	7.7%	1.80x	1.60x
				Median	2.20	2.14	8.4	7.8	13.7	12.2	8.5%	1.72	1.51
Information Services													
Experian	\$9.97	96.7%	\$10,330.9	\$13,887.8	3.44x	3.26x	10.8x	9.9x	9.1x	8.3x	9.0%	1.01x	0.92x
Moody's	27.27	85.8%	6,449.4	7,317.1	3.95	3.57	9.0	7.8	14.8	12.7	13.0%	1.13	0.98
Verisk Analytics	29.85	95.7%	5,920.6	6,514.1	5.76	5.20	13.3	11.9	22.6	19.8	14.5%	1.56	1.37
Dun & Bradstreet	83.37	98.1%	4,424.8	5,143.7	2.98	2.84	8.9	8.9	14.3	12.3	14.7%	0.98	0.84
Equifax	31.47	99.5%	4,022.4	5,026.6	2.76	2.58	8.5	7.7	15.8	13.4	9.0%	1.75	1.49
IHS Inc.	54.88	98.7%	3,476.9	3,435.7	3.25	3.00	13.1	11.8	19.0	17.1	17.5%	1.08	0.98
Facis Research Systems	66.88	86.9%	3,417.1	3,199.3	4.99	4.47	11.7	10.7	21.4	19.1	14.0%	1.53	1.36
Solera Holdings	36.76	97.4%	2,580.2	3,042.1	4.63	4.20	11.7	10.1	17.5	15.4	15.0%	1.17	1.03
NeuStar	23.43	96.3%	1,872.9	1,587.9	3.05	2.79	6.9	6.7	15.1	14.8	15.0%	1.01	0.99
RiskMetrics Group	16.06	85.5%	1,114.6	1,205.1	3.82	3.57	11.5	10.2	32.7	24.3	15.0%	2.18	1.82
Arbitron	25.29	99.7%	673.5	746.2	1.82	1.69	7.8	7.0	13.7	11.7	17.7%	0.78	0.66
				Mean	3.68x	3.38x	10.3x	9.3x	17.8x	15.4x	14.0%	1.29x	1.11x
				Median	3.44	3.26	10.8	9.9	15.8	14.8	14.7%	1.13	0.99

Transaction and Valuation

Precedent Healthcare Data Services Transactions

Date Announced	Target	Acquiror	Transaction Value	Transaction Value / LTM Revenue	EBITDA
9/4/2008	UpToDate	Wolters Kluwer Health	NA	NA	NA
7/29/2008	Verispan	SDI Health	NA	NA	NA
3/1/2007	Dendrite International	Cegedim	\$681.0	1.6	16.5
11/6/2006	Per-Se	McKesson	\$1,800.0	3.3	15.0
9/8/2005	NDC Health	Wolters Kluwer	\$382.0	2.3	10.5
7/11/2005	Iceberg ⁽¹⁾	VNU N.V.	\$6,929.0	4.3	13.3
<div> <div>Mean: 2.9</div> <div>Median: 2.8</div> </div>					

(1) Deal did not close

From LTM at 2005 historical in 05 Jan 14 2005 2005 2005 (conf)