

IHS Markit - Clarivate



IHS Markit™



Discussion Materials

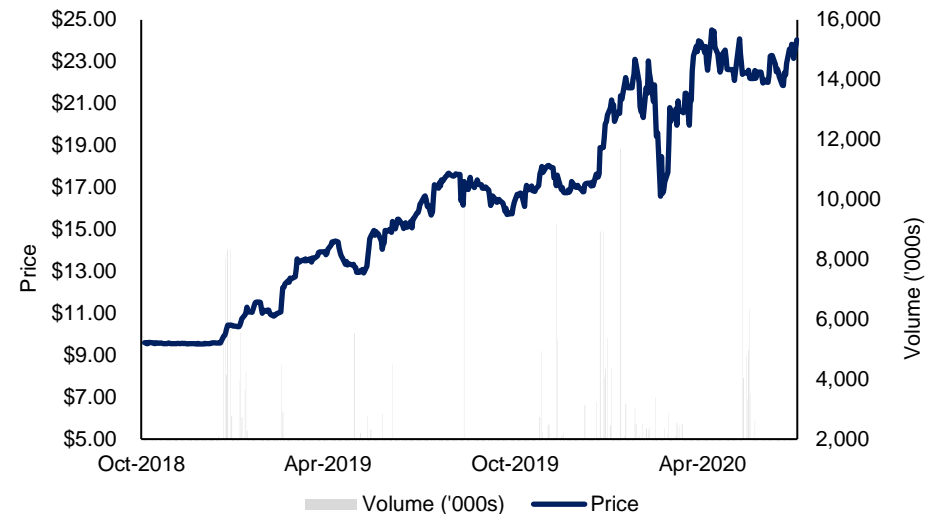
August 2020

Company Overview

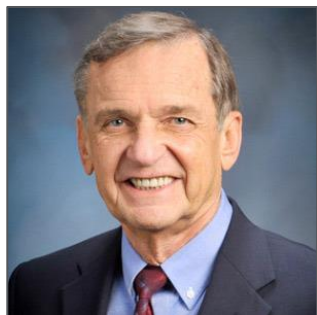
Company Overview

- Clarivate (NYSE: CCC) is an **up-and-coming global provider of intellectual property and scientific information / research analytics, tools and services** focused on life sciences companies and research institutions
- Clarivate was **originally Thomson Reuters's Intellectual Property and Science business**
 - Onex and Baring Private Equity Asia acquired the company from Thomson Reuters in 2016
- Clarivate completed its merger with Churchill Capital Corp., a public equity growth vehicle, to take the company public in May 2019
- Employees: >4,000

Stock Price Performance



Management – Jerre Stead



- Jerre Stead serves as the Executive Chairman and Chief Executive Officer of Clarivate Analytics
- Stead was formerly Executive Chairman and CEO at IHS Markit (fka IHS) where he led a variety of successful M&A transactions:

automotiveMastermind

CARPROOF

GLOBAL INSIGHT

markit

OPIS

Polk

SMT

Key Metrics

82%
2019 Subscription-based Revenue

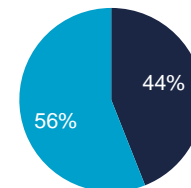
90+%
Subscription Renewals

\$974mm
2019 Revenue

30%
2019 Adj. EBITDA Margins

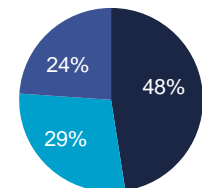
2019 Revenue Breakdown

By Operating Segment



■ IP Group ■ Science Group

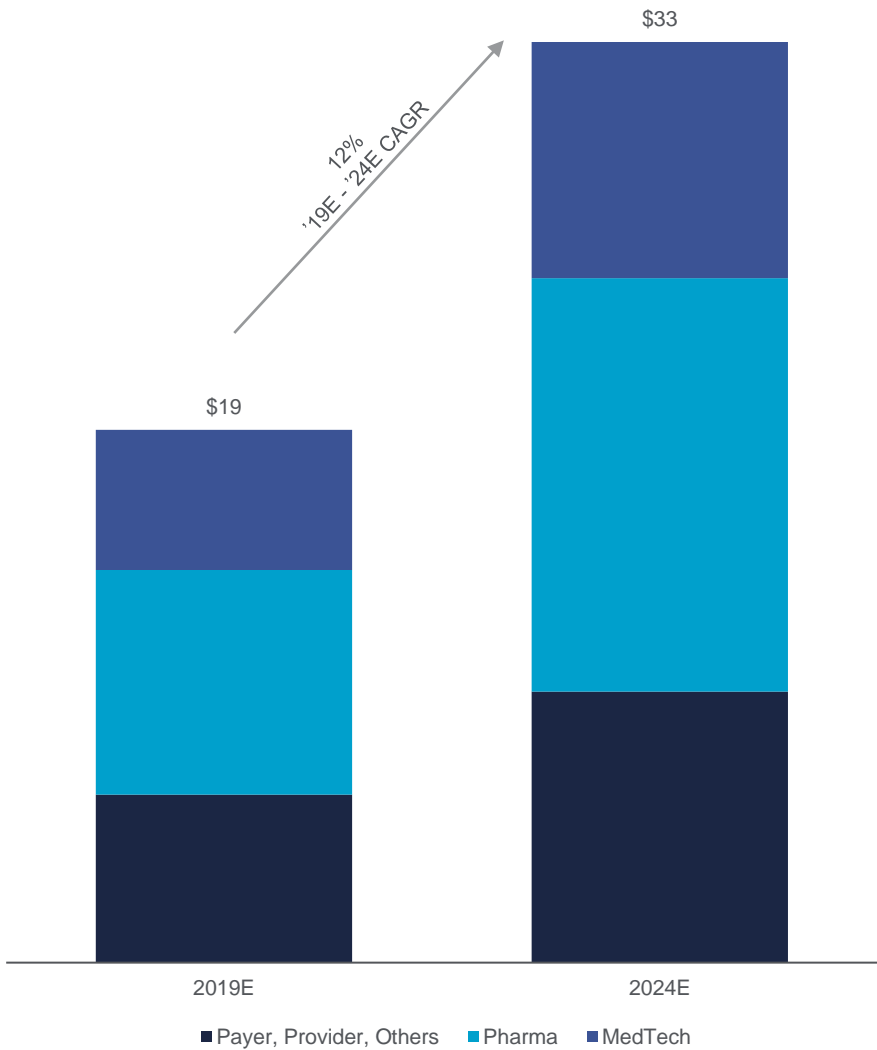
By Geography



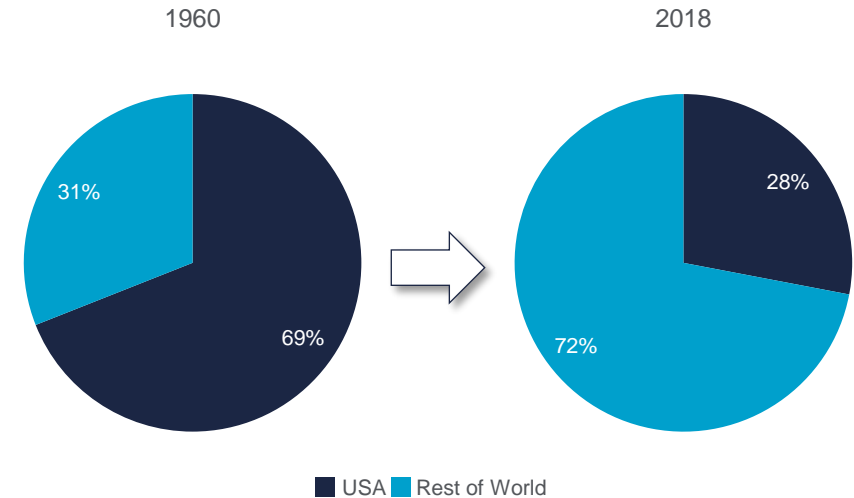
■ Americas ■ EMEA ■ APAC

Industry Overview

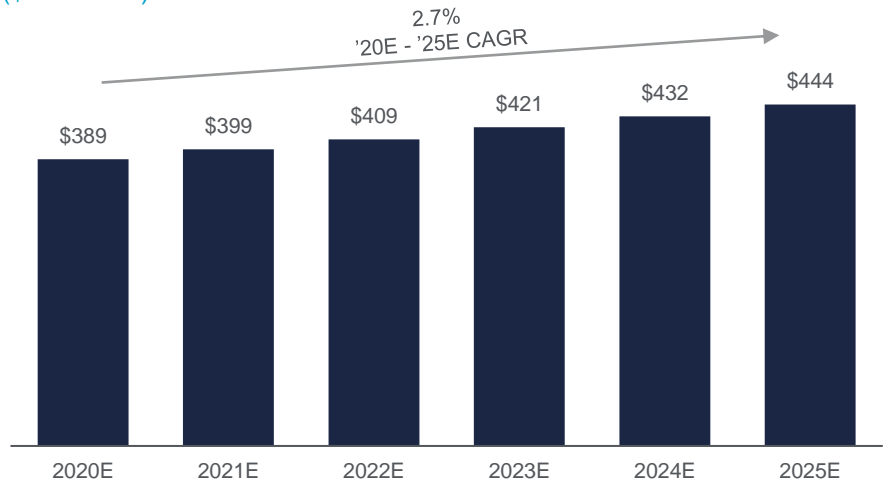
Global Life Sciences Analytics Sales
(\$ in billions)



USA Share of Global R&D



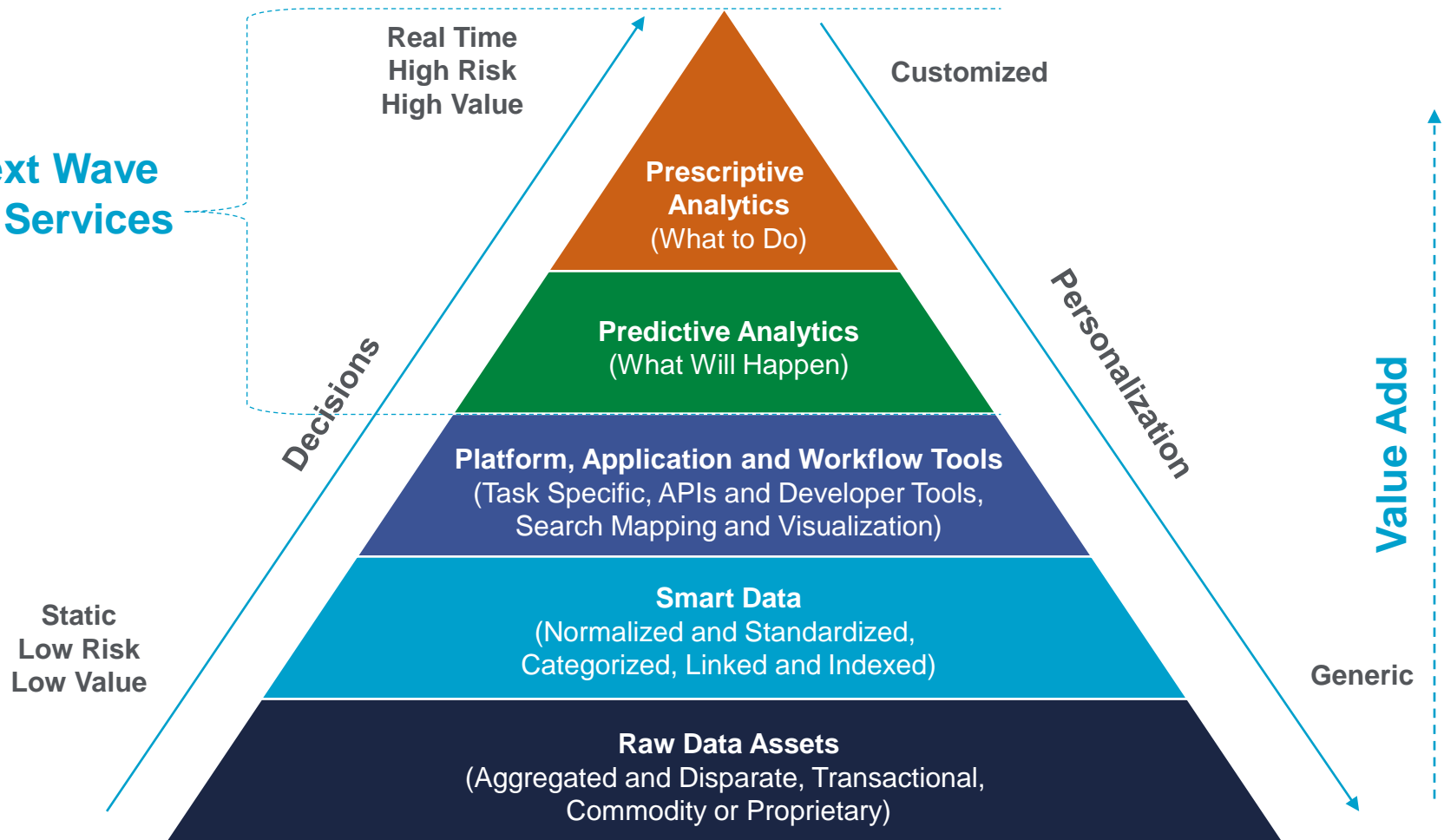
US Scientific Research & Development Spend
(\$ in billions)



Source: IBISWorld, Mordor Intelligence, Wall Street research.

Information Services Value Chain

The Next Wave of Info Services



The next wave of information services will be moving toward all-in-one solutions that integrate throughout the value chain from raw data to prescriptive analytics. We recommend IHS Markit focus M&A efforts on creating mission-critical end-to-end solutions out of their existing product portfolio.

Lack of Strategic Rationale

1

Combined product portfolio would not create any end-to-end solutions based on the value chain

2

Lack of cross-selling opportunities due to limited overlap in product use-cases

3

Clarivate's current price and existing leverage lead to dilutive financing scenarios

4

Alternative M&A and reinvestment opportunities could be a better strategic fit

Due to a mismatch in product offerings and strategic focus along with unfavorable market conditions, we recommend IHS Markit's board and management to explore alternative capital allocation opportunities such as other acquisition targets and reinvestment for organic growth.

Clarivate's Key Product Portfolio

		Overview	Customers	Value Chain Positioning
Science Group	Web of Science Group	Curated publisher-independent global citation database	Academic institutions and governments	Smart Data
	Cortellis	Life sciences intelligence solutions to enhance R&D processes	Pharmaceutical / biotechnology companies and research institutions	Smart Data Platform, Application and Workflow Tools Predictive Analytics
Intellectual Property Group	Derwent Innovation	Patent information search, visualization, and analysis solutions	Patent offices, Fortune 1000 companies, universities and research institutions	Smart Data Platform, Application and Workflow Tools
	CompuMark Watch	Brand protection through trademark monitoring solutions	Various	Smart Data Platform, Application and Workflow Tools
	MarkMonitor Domain Management	Brand protection through domain registration and management solutions	Various	Smart Data Platform, Application and Workflow Tools

Clarivate's product portfolio is heavily geared toward providing **Smart Data** and **Platform, Application and Workflow Tools** to life sciences companies and research institutions. **Predictive** and **Prescriptive Analytics** capabilities are in process and recent Clarivate M&A activity reiterates life sciences focus.

IHS Markit Operating Segments

	Overview	Customers	Value Chain Positioning	% of Sales
Financial Services	Provides pricing and reference data, indices, valuation and trading services, trade processing, enterprise software and managed software	Hedge funds, investment banks, prop trading firms, amongst others	Smart Data Platform, Application and Workflow Tools	40%
Transportation	Provides analysis and forecasts of sales across automotive manufacturing and predictive analytics and marketing automation software for the new car dealer market. Maritime & trade provides ship tracking and forecasting solutions	Automotive (85% of segment revenue) and maritime & trade	Smart Data Platform, Application and Workflow Tools Predictive Analytics	28%
Resources	Technical information, supply chain data, analytical tools, market forecasting, oil product pricing, and other solutions	Upstream and downstream oil & gas companies	Smart Data Platform, Application and Workflow Tools Predictive Analytics	21%
Product Design	Information and insight on product design and engineering products	Various	Smart Data Platform, Application and Workflow Tools	8%
Economics & Country Risk	Team of approximately 450 economists, country risk analysts, data management specialists, and consultants providing monitoring, analysis, and forecasts on economic and risk data	Various	Smart Data Platform, Application and Workflow Tools Predictive Analytics	3%

IHS Markit's core sales comes from financial services, automotive, and oil & gas companies. IHS has already built out **Predictive Analytics** capabilities across the board except for in their financial services segment. Clarivate's life sciences R&D and **Smart Data** and **Platform, Application and Workflow Tools** focused product portfolio would not have significant synergies with that of IHS.

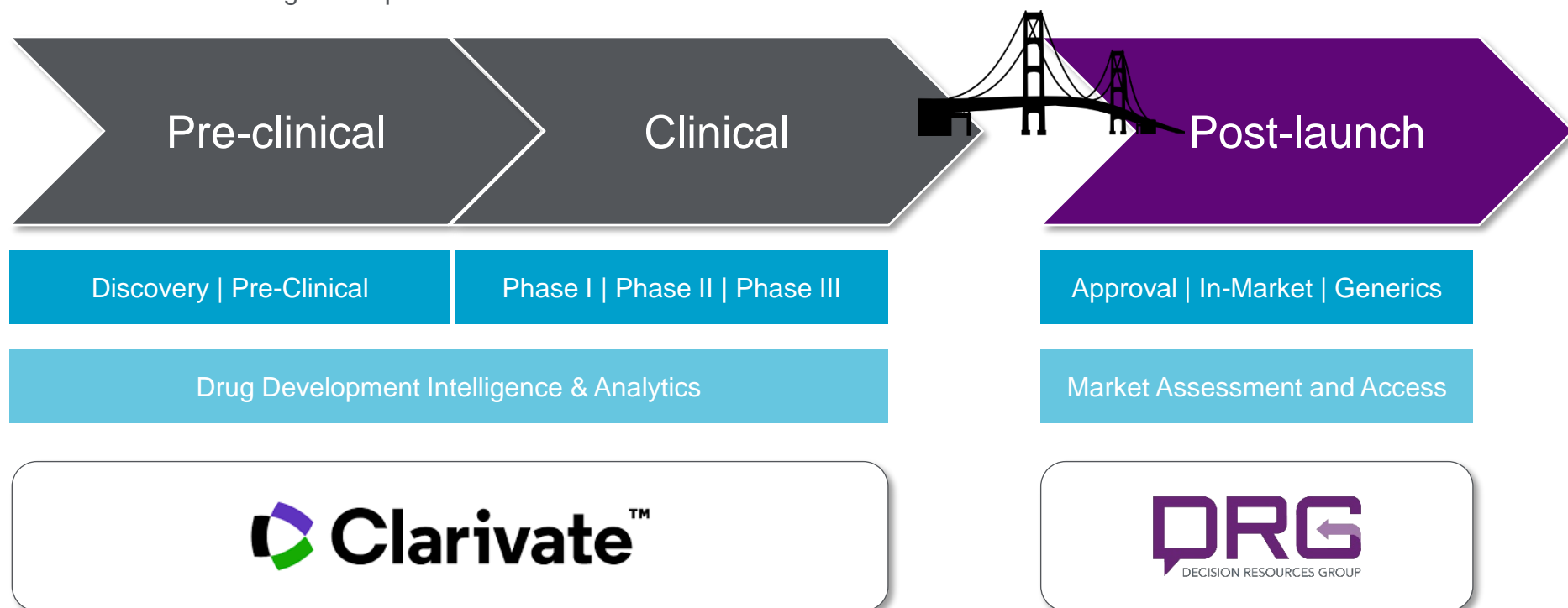
Case Study: Clarivate Acquires Decision Resources Group

Deal Overview

- Clarivate acquired Decision Resources Group (“DRG”) from Piramel Group in February 2020
- DRG specializes in creating patient-centric commercial strategies and
- The deal has increased Clarivate’s top line by 20% and is expected to deliver \$77mm in annual adj. EBITDA before synergies
- Due to various cost efficiency measures that come with scale, DRG’s adj. EBITDA margins are projected to expand toward Clarivate’s company level target of 40%

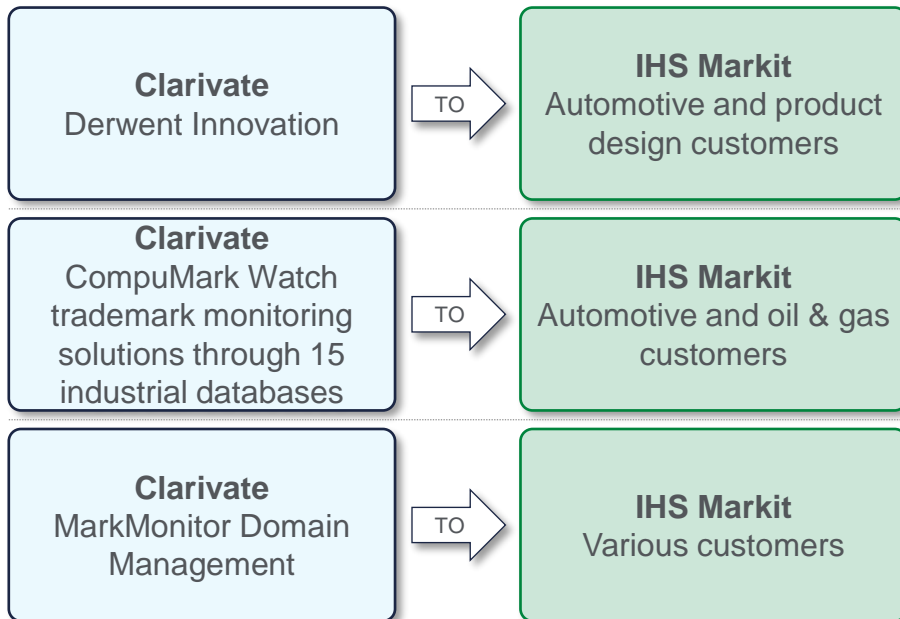
Life Sciences Data Value Chain

- DRG’s product portfolio bridges the gap between drug development capabilities and post-launch capabilities to create a first-of-its-kind full stack drug development solution



Weak Cross-Selling and Product Development Opportunities

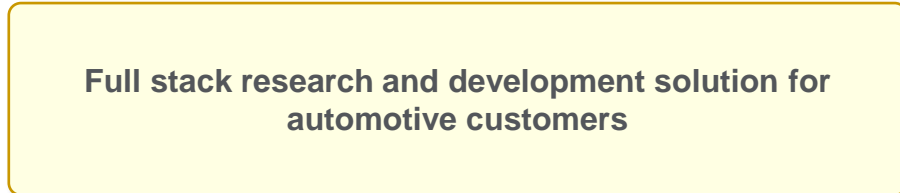
Existing Product Cross-Selling Potential



Potential Roadblocks

- Significant competition in the space:
 - Indirect adjacency to IHS's existing use-cases for automotive customers which are sales solutions and market level analytics
 - Product Design is an insignificant portion IHS's customer base
-
- Significant competition in the space:
 - Not a mission-critical function and represents an indirect adjacency to IHS's existing use-cases for automotive and oil & gas customers
-
- Significant competition in the space:
 - Not a mission-critical function and represents an indirect adjacency to IHS's various existing customers

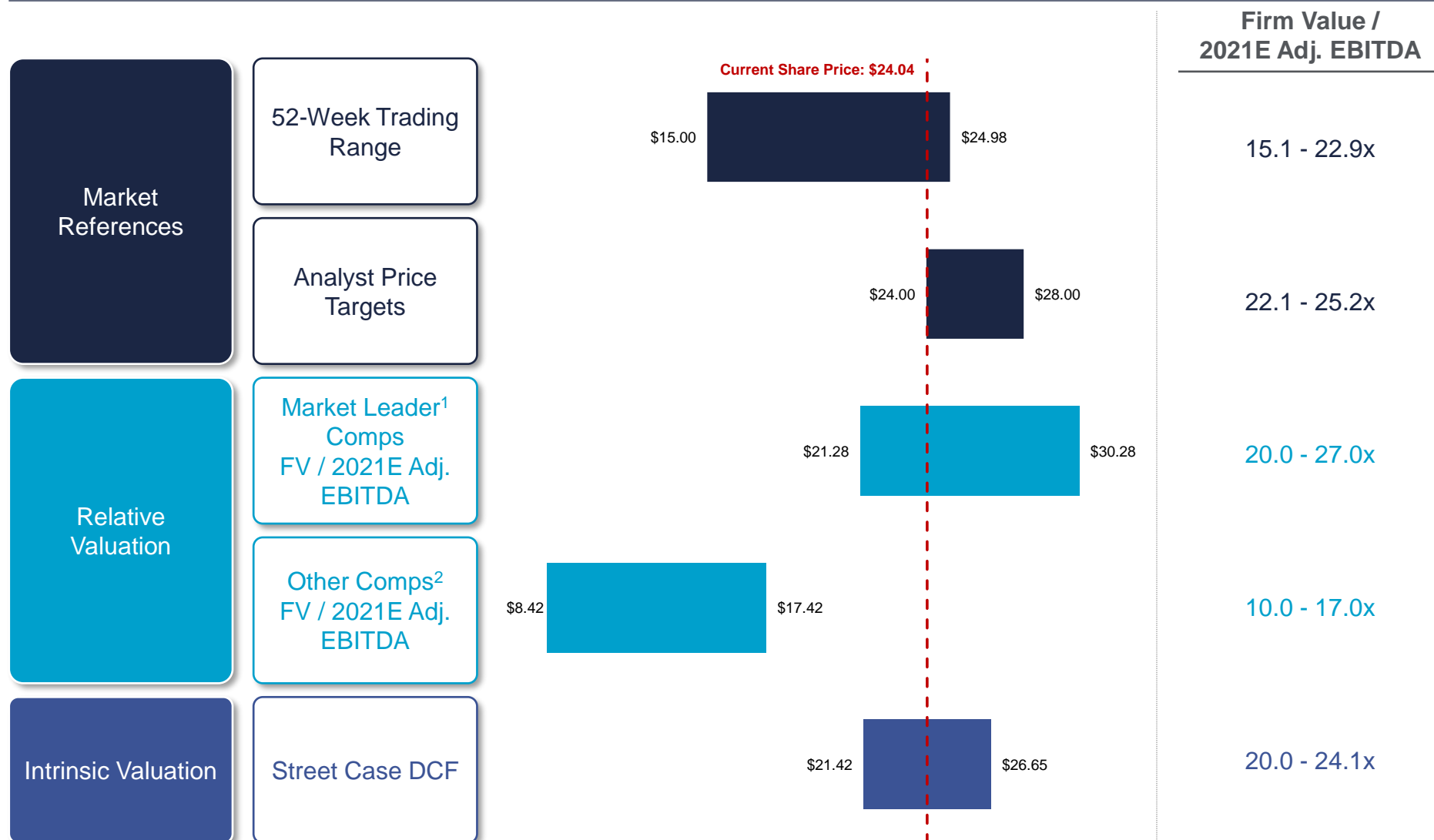
Future Product Development Potential



Potential Roadblocks

- IHS has a focus on macro data analytics for their automotive customers and up-selling with an end-to-end solution may not be well received
- Clarivate focuses on life sciences research publications and IP – data aggregation and analytics for a new vertical could present problems

Cross-selling and product development opportunities are limited. Many opportunities rely on use-cases that are not mission-critical, leading to minimal top line benefits. More attractive opportunities are too speculative to be the basis of a business combination.



Clarivate is currently trading at the high end of its 52-week range and is relatively fairly valued based on trading comps as well as the DCF base case.

Street Case Discounted Cash Flow Analysis

Assumptions

- As of 7/27/2020
- Stub period adjusted pro rata
- WACC: 7 - 9%
- 17.0 - 19.0x EBITDA exit multiple
- Tax rate: 25%
- Implied share price of \$23.92
 - Current Market Share Price of \$24.04
- Implied perpetuity growth rate of 4.8%

(\$ in millions)	2020E Stub	2021E	2022E	2023E	2024E	2025E	2026E	Terminal Year
Revenue	\$606	\$1,250	\$1,355	\$1,420	\$1,489	\$1,561	\$1,636	\$1,636
Adj. EBITDA	224	477	542	600	629	660	691	691
Adj. EBITDA Margin	37%	38%	40%	42%	42%	42%	42%	42%
(-) D&A	(115)	(228)	(219)	(205)	(214)	(225)	(236)	(236)
(-) SBC	(11)	(33)	(36)	(38)	(39)	(41)	(43)	(43)
EBIT	99	216	287	358	375	393	412	412
(-) Taxes	(25)	(54)	(72)	(90)	(94)	(98)	(103)	(103)
NOPAT	75	162	215	269	281	295	309	309
(+) D&A	115	228	219	205	214	225	236	236
D&A % Revenue	19%	18%	16%	14%	14%	14%	14%	14%
(+) SBC	11	33	36	38	39	41	43	43
(-) Change in WC	(26)	8	68	33	35	37	38	38
(-) CapEx	(31)	(66)	(69)	(72)	(76)	(79)	(83)	(236)
CapEx % Revenue	(5%)	(5%)	(5%)	(5%)	(5%)	(5%)	(5%)	(14%)
Unlevered FCF	143	365	470	472	495	519	544	391

Sensitivities

Firm Value (\$ in millions)

		EBITDA Exit Multiple				
WACC		17.0x	17.5x	18.0x	18.5x	19.0x
	9.0%	\$9,588	\$9,801	\$10,015	\$10,229	\$10,442
	8.5%	\$9,823	\$10,042	\$10,262	\$10,481	\$10,701
	8.0%	\$10,065	\$10,291	\$10,516	\$10,742	\$10,968
	7.5%	\$10,315	\$10,547	\$10,779	\$11,011	\$11,243
	7.0%	\$10,573	\$10,811	\$11,050	\$11,288	\$11,526

FV / 2021E Revenue

		EBITDA Exit Multiple				
WACC		17.0x	17.5x	18.0x	18.5x	19.0x
	9.0%	7.7x	7.8x	8.0x	8.2x	8.4x
	8.5%	7.9x	8.0x	8.2x	8.4x	8.6x
	8.0%	8.1x	8.2x	8.4x	8.6x	8.8x
	7.5%	8.3x	8.4x	8.6x	8.8x	9.0x
	7.0%	8.5x	8.7x	8.8x	9.0x	9.2x

Implied Share Price (\$)

		EBITDA Exit Multiple				
WACC		17.0x	17.5x	18.0x	18.5x	19.0x
	9.0%	\$21.42	\$22.00	\$22.57	\$23.15	\$23.72
	8.5%	\$22.05	\$22.65	\$23.24	\$23.83	\$24.42
	8.0%	\$22.71	\$23.32	\$23.92	\$24.53	\$25.14
	7.5%	\$23.38	\$24.01	\$24.63	\$25.26	\$25.88
	7.0%	\$24.08	\$24.72	\$25.36	\$26.01	\$26.65

Implied Perpetuity Growth Rate

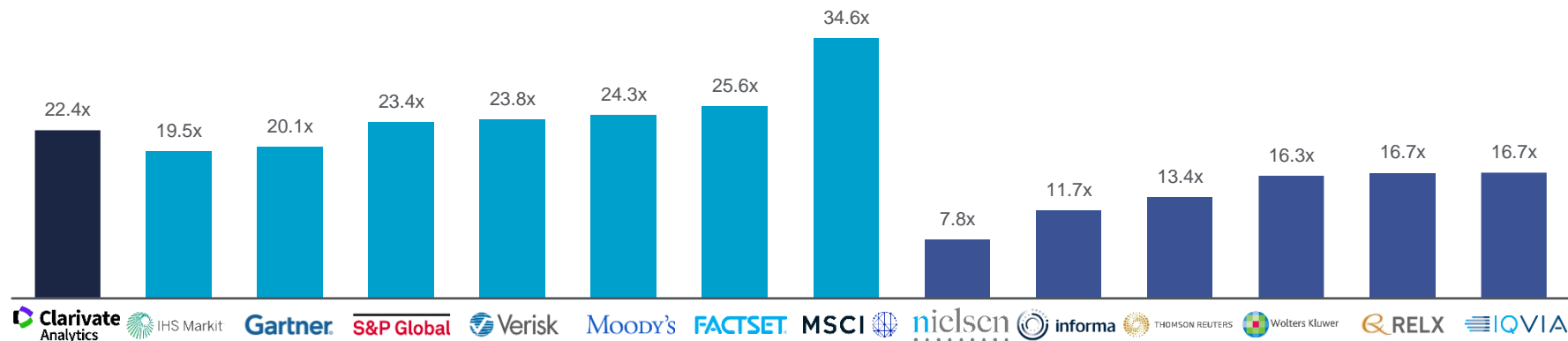
		EBITDA Exit Multiple				
WACC		17.0x	17.5x	18.0x	18.5x	19.0x
	9.0%	5.6%	5.7%	5.8%	5.9%	5.9%
	8.5%	5.1%	5.2%	5.3%	5.4%	5.5%
	8.0%	4.6%	4.7%	4.8%	4.9%	5.0%
	7.5%	4.1%	4.2%	4.3%	4.4%	4.5%
	7.0%	3.7%	3.7%	3.8%	3.9%	4.0%

Comparable Companies Analysis

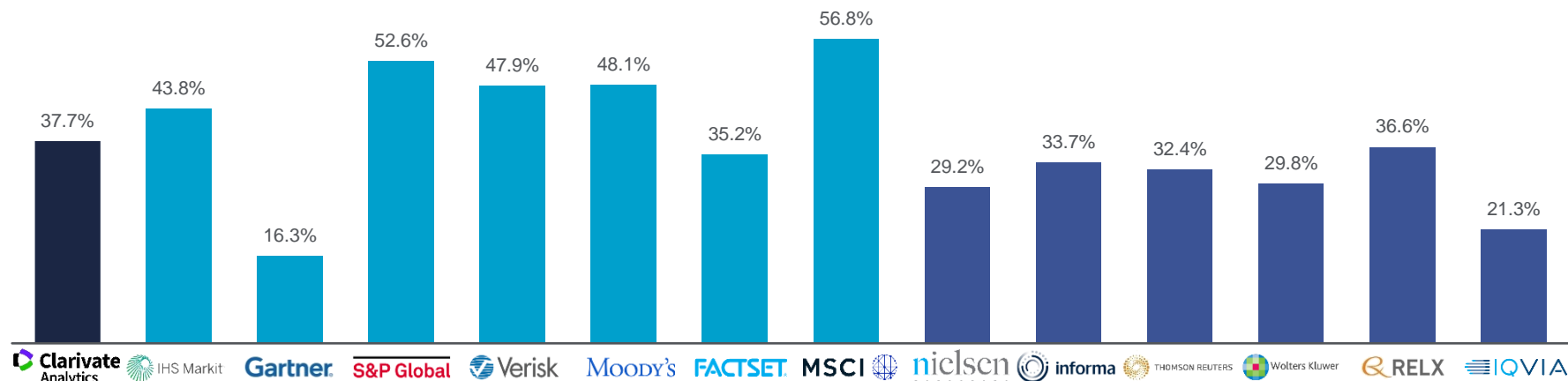
Market Leader

Others

FV / 2021E Adj. EBITDA



2021E Adj. EBITDA Margin



Forward CAGR (20E - 22E)

8.1%	7.3%	12.9%	5.5%	6.5%	7.2%	4.9%	9.4%	2.5%	21.4%	3.2%	3.2%	7.1%	8.8%
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Illustrative Transaction Summary

Assumptions

- Transaction date: 7/27/2020
- 15% premium on CCC's current market stock price
- Rollforward of CCC's existing debt
- Financed with 70% stock and 30% Debt
 - New senior debt interest of 6.0% with a 2030 maturity
- 1.0% M&A fee and 1.0% debt financing fee
- Cost synergies of 10% of CCC's SG&A expense
 - No revenue synergies assumed
- Pro forma minimum cash for \$300mm
- Pro forma tax rate of 25%

Sources & Uses

(\$ in millions)

Sources

	Amount	% of Total
New INFO Equity	\$7,173	58%
Cash from New Debt Issue	\$2,961	24%
Roll CCC Debt	\$1,957	16%
Excess Cash	\$216	2%
Total Sources	\$12,306	100%

Uses

	Amount	% of Total
Acquire CCC Equity	\$10,247	83%
Roll CCC Debt	\$1,957	16%
M&A Fees	\$102	1%
Debt Financing Fees	\$20	0%
Total Uses	\$12,306	100%

Pro Forma Capitalization

(\$ in millions; except per share data)

	INFO	CCC @ 15% Premium	Transaction Adjustments	Pro Forma
Share Price	\$79.94	\$24.04		\$79.94
Premium		\$3.61		
Share Price at Acquisition	\$79.94	\$27.65		\$79.94
(x) TSM Shares	430.056	370.652	89.729	519.785
Equity Value	\$34,379	\$10,247	\$7,173	\$41,552
(+) Total Debt	\$5,431	\$1,957	\$4,918	\$10,348
(+) Redeemable NCI	\$13			\$13
(-) Cash and Cash Equivalents	(\$208)	(\$308)	\$216	(\$300)
Firm Value	\$39,615	\$11,896		\$51,613

Accretion / Dilution Metrics

LTM LFCF (w / Synergies Credit) / Share	\$3.43	\$0.55		\$2.96
Acc. / (Dil.)				(14%)
2021E LFCF / Share	\$2.76	\$0.87		\$2.69
Acc. / (Dil.)				(3%)
2022E LFCF / Share	\$3.13	\$1.18		\$3.24
Acc. / (Dil.)				4%

Financial Metrics

LTM EBITDA (w / Synergies Credit)	\$1,793	\$289	\$19	\$2,101
2021E EBITDA	\$1,899	\$477	\$39	\$2,415
2022E EBITDA	\$2,065	\$542	\$39	\$2,646
LTM Levered Free Cash Flow	\$1,476	\$205	(\$140)	\$1,540
2021E LFCF	\$1,189	\$321	(\$113)	\$1,397
2022E LFCF	\$1,344	\$439	(\$100)	\$1,683

Valuation Metrics

FV / LTM EBITDA	22.1x	41.1x		24.6x
FV / 2021E EBITDA	20.9x	24.9x		21.4x
FV / 2022E EBITDA	19.2x	21.9x		19.5x
Equity Value / LTM Levered Free Cash Flow	23.3x	50.1x		27.0x
Equity Value / 2020E LFCF (w / Synergies Credit)	34.8x	40.1x		35.7x
Equity Value / 2021E LFCF	28.9x	31.9x		29.7x

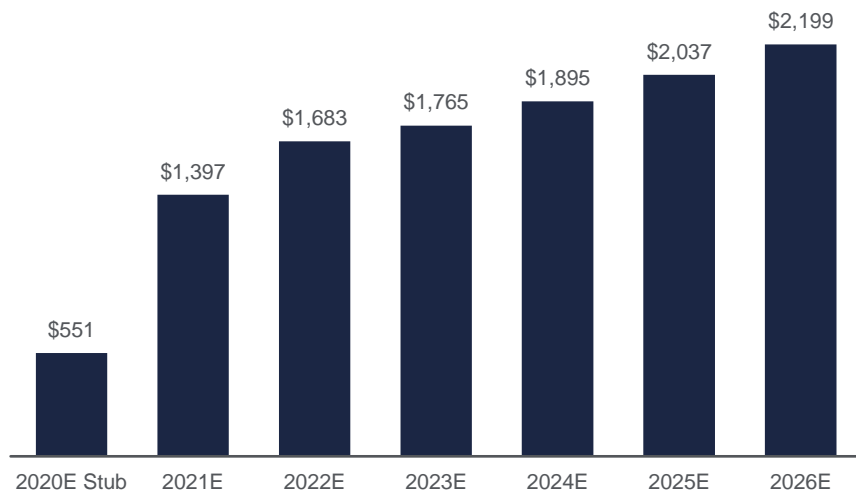
Leverage Ratios

Gross Leverage	3.0x	6.8x		4.9x
Net Leverage	2.9x	5.7x		4.8x

Illustrative Transaction Summary (Cont'd)

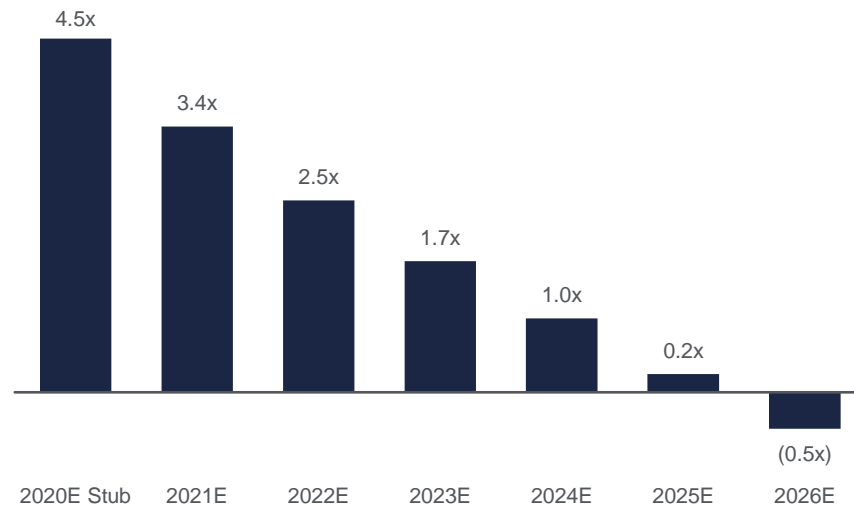
Pro Forma Levered Free Cash Flow

(\$ in millions)



Pro Forma Net Leverage

(\$ in millions)



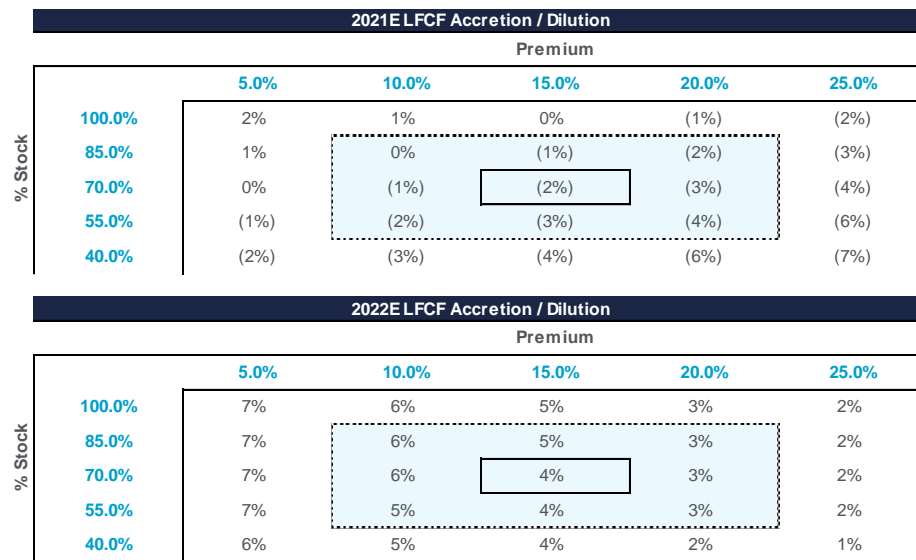
Pro Forma Ownership

(# of shares)

Original INFO Shareholders	Standalone % Ownership		PF % Ownership	
Lance Ugglia	2.107	0.5%	2.107	0.4%
Other IHS Directors and Executive Officers	1.096	0.3%	1.096	0.2%
IHS Institutional Investors	92.717	22.0%	92.717	18.1%
IHS Employee Benefit Trust	25.219	6.0%	25.219	4.9%
Other Shareholders	300.889	71.3%	300.889	58.8%

Original CCC Shareholders	Standalone % Ownership		PF % Ownership	
Michael Klein	19.661	5.3%	4.760	0.9%
Jerre Stead	13.233	3.6%	3.203	0.6%
Onex	71.418	19.3%	17.289	3.4%
Baring	27.774	7.5%	6.724	1.3%
Other Shareholders	238.566	64.4%	57.753	11.3%

Levered Free Cash Flow Accretion / Dilution



Additional Considerations and Other Opportunities

Alternative M&A Opportunities

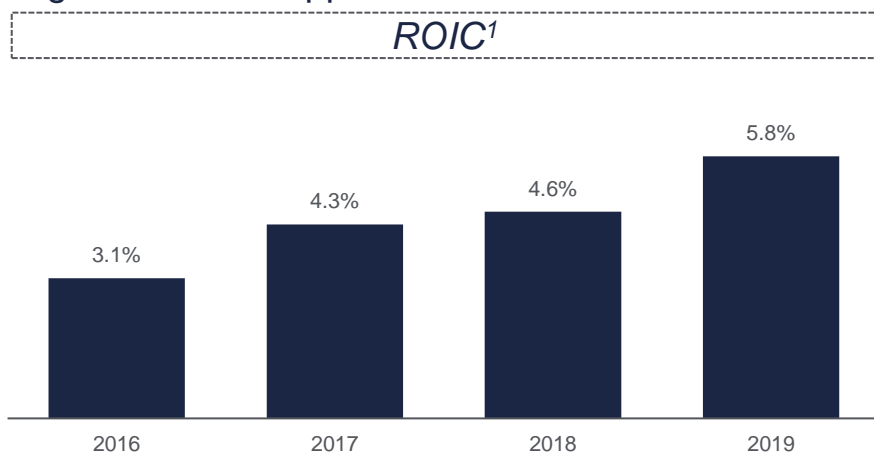


- Verisk is a leading data analytics and risk assessment firm that is a key competitor to IHS Markit
- Verisk operates in several overlapping end-markets:
 - Financial Services: industry benchmarking analytics, bankruptcy management solution, consumer and merchant data, marketing data analytics
 - Natural Resources: commercial intelligence, regulatory risk assessment, cost management
 - Government: environmental and safety regulatory risk assessment
- A potential business combination with Verisk could further strengthen IHS's core competencies and further value can be realized through significant cost synergies



- geoSCOUT is a complete solution for oil & gas focused visualization, analysis, and forecasting
- geoSCOUT would fit well with IHS's existing Resources segment, creating a solution that provides both macro and micro insights for upstream and downstream oil & gas companies

Organic Growth Opportunities



- IHS may stand to gain from allocating capital toward reinvestment rather than strategically mismatched M&A
- Although much of IHS's growth has been through M&A, ROIC has been steadily increasing since 2016
 - In this period, automotiveMastermind was the only acquisition and at \$392mm, it had a minor impact on financials
- IHS saw 6% organic top line growth in 2019 and a 130bps expansion in adj. EBITDA margin
 - There is still room to grow and achieve economies of scale through reinvesting in the core business

(1) ROIC = NOPAT / Invested Capital Net of Cash

Questions?

Appendix

Pro Forma Liquidity Model

Income Statement							
	2020E Stub	2021E	2022E	2023E	2024E	2025E	2026E
Revenue	\$2,580	\$5,861	\$6,189	\$6,487	\$6,801	\$7,129	\$7,473
(-) Cost of Revenue	(928)	(2,112)	(2,235)	(2,386)	(2,501)	(2,622)	(2,748)
(+) Revenue Synergies	-	-	-	-	-	-	-
(+) Cost Synergies	39	39	39	39	39	39	39
Gross Profit	1,691	3,788	3,992	4,140	4,338	4,546	4,764
(-) SG&A	(696)	(1,373)	(1,346)	(1,337)	(1,401)	(1,469)	(1,540)
(-) D&A	(384)	(828)	(836)	(851)	(892)	(935)	(980)
(-) SBC	(99)	(295)	(298)	(313)	(328)	(344)	(361)
Adj. Operating Income	512	1,292	1,512	1,640	1,717	1,798	1,883
(-) Interest Expense	(293)	(448)	(384)	(328)	(293)	(249)	(180)
(+) Interest Income	3	3	4	11	22	33	42
(-) Undrawn Commitment Fee	(2)	(3)	(4)	(4)	(4)	(4)	(4)
Earnings before Taxes	219	843	1,128	1,319	1,443	1,579	1,741
(-) Taxes	(46)	(177)	(237)	(277)	(303)	(332)	(366)
Net Income	\$173	\$666	\$891	\$1,042	\$1,140	\$1,248	\$1,376
EPS							
Adj. EBITDA	\$1,199	\$2,376	\$2,607	\$2,765	\$2,898	\$3,038	\$3,185

LFCF Build							
	2020E Stub	2021E	2022E	2023E	2024E	2025E	2026E
Net Income	\$173	\$666	\$891	\$1,042	\$1,140	\$1,248	\$1,376
(+) D&A	384	828	836	851	892	935	980
(+) SBC	99	295	298	313	328	344	361
(-) Change in WC	57	8	91	17	18	19	20
OCF	\$712	\$1,797	\$2,116	\$2,223	\$2,378	\$2,545	\$2,736
(-) CapEx	(152)	(366)	(387)	(404)	(423)	(444)	(465)
LFCF	\$560	\$1,431	\$1,729	\$1,819	\$1,954	\$2,102	\$2,271

Cash Sweep							
	2020E Stub	2021E	2022E	2023E	2024E	2025E	2026E
BoP Cash Balance	\$300	\$300	\$300	\$550	\$1,574	\$2,833	\$3,828
(+) Levered Free Cash Flow	560	1,431	1,729	1,819	1,954	2,102	2,271
(+) Issuance of New Debt	-	-	-	-	-	-	-
(-) Mandatory Amortization	(127)	(296)	(296)	(296)	(296)	(296)	(296)
(-) Repayment at Maturity	-	-	(748)	(499)	(399)	(811)	(1,200)
(-) Minimum Cash	(300)	(300)	(300)	(300)	(300)	(300)	(300)
Cash Available for Revolver Paydown	434	1,135	685	1,274	2,533	3,528	4,302
(+ or -) Revolver Draw (Paydown)	(434)	(313)	-	-	-	-	-
Cash Available for Optional Debt Paydown	(0)	822	685	1,274	2,533	3,528	4,302
(-) Optional Debt Paydown	(0)	(822)	(435)	-	-	-	-
(+) Minimum Cash	300	300	300	300	300	300	300
(+) Other							
(-) Cash Used in Transaction							
End of Period Cash Balance	300	300	550	1,574	2,833	3,828	4,602

Debt Summary							
	2020E Stub	2021E	2022E	2023E	2024E	2025E	2026E
BoP Debt Balance	\$10,346	\$9,785	\$8,354	\$6,875	\$6,080	\$5,384	\$4,278
(+) Issuance of New Debt	-	-	-	-	-	-	-
(-) Mandatory Amortization	(127)	(296)	(296)	(296)	(296)	(296)	(296)
(+ or -) Revolver Draw (Paydown)	(434)	(313)	-	-	-	-	-
(-) Repayment at Maturity	-	-	(748)	(499)	(399)	(811)	(1,200)
(-) Optional Debt Paydown	(0)	(822)	(435)	-	-	-	-
End of Period Debt Balance	9,785	8,354	6,875	6,080	5,384	4,278	2,781
Interest Expense	(293)	(448)	(384)	(328)	(293)	(249)	(180)
Interest Income	3	3	4	11	22	33	42
End of Period Net Debt	9,485	8,054	6,325	4,506	2,552	450	(1,821)

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- general political and economic conditions;
- our status as a development stage company;
- our status as an emerging growth company;
- our selection of a prospective target business;
- our ability to consummate a business combination due to our limited resources;
- significant competition for business combination opportunities;
- our dependence on our key personnel;
- conflicts of interest of our officers and directors;
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