

Quintiles Transnational Holdings

Quintiles Beats as CRO Industry Rolls On

Quintiles beats on revs and EPS with solid book to bill at 1.29

The string of solid revenue and bookings growth continues as Quintiles posted revenues and EPS that beat Street/UBS expectations. Quintiles posted 4Q13 revenues of \$1.0 bil (+7.7% y/y cc) and adjusted EPS of \$0.58, both of which outpaced Street expectations of \$980 mil and \$0.55 EPS. Within the Product Development (PDEV) segment (77% of revs), constant currency EBIT growth was 15.1% on 10.7% growth in revs. Quintiles continues to leverage the company's infrastructure and drive solid EBIT growth. The Integrated Healthcare Services (IHS) segment revenue declined 5.7%; however, the company had solid bookings in the segment and expects the segment to return to revenue growth during 2014. Importantly, the book to bill ratio remains solid with an overall company book to bill of 1.29 for the quarter including 1.24 in PDEV and 1.47 in IHS.

Quintiles continues to pull in strategic relationships

Quintiles continued to pull in strategic relationships which benefitted bookings during the quarter. Total bookings during 4Q13 were \$1.3 bil. The company's backlog stood at \$9.9 bil and mgmt noted that some of the relationships came at the expense of Q's competitors, which speaks to Q's industry leading status. Mgmt noted they continue to push for sole provider relationships which would significantly improve the company's revenue profile and EBIT growth.

FY14 guidance above Street consensus; Bodes well for CRO industry

Q provided initial FY14 guidance which points to revs of \$4.09-4.15 bil or 7.4-9.0% rev growth y/y and adj. EPS of \$2.33-2.46. The ranges of both revs and EPS guidance are above Street consensus of \$4.08 bil in revs and \$2.31 EPS. Additionally, the guidance does not factor in share repurchases that may occur over the year, which may point to additional upside potential. Given the strength and new guidance we update our model to reflect these changes. We project FY14 EPS of \$2.40, up from \$2.31, and FY15 EPS of \$2.69, up from \$2.59.

Valuation: Buy rating with \$59 PT (was \$57)

Our \$59 price target is based on 22x our CY15E EPS of \$2.69 (was \$2.59), which is equal to 11x EBITDA.

Equities

Americas
Pharmaceuticals

12-month rating **Buy**

12m price target **US\$59.00**
Prior: **US\$57.00**

Price **US\$49.44**

RIC: Q.N BBG: Q US

Trading data and key metrics

52-wk range US\$49.78-41.58

Market cap. US\$6.26bn

Shares o/s 127m (COM)

Free float 79%

Avg. daily volume ('000) 101

Avg. daily value (m) US\$4.6

Common s/h equity (12/14E) (US\$0.32bn)

P/BV (12/14E) NM

Net debt / EBITDA (12/14E) 1.5x

EPS (UBS, diluted) (US\$)

	12/14E			
	From	To	% ch	Cons.
Q1E	0.56	0.57	1.20	0.54
Q2E	0.57	0.58	2.36	0.57
Q3E	0.58	0.61	5.39	0.58
Q4E	0.59	0.64	8.05	0.60
12/14E	2.31	2.40	4.30	2.31
12/15E	2.59	2.69	3.55	2.63
12/16E	2.89	2.95	1.94	2.94

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Highlights (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenues	3,295	3,692	3,808	4,090	4,408	4,716	4,999	5,268
EBIT (UBS)	398	445	504	549	585	635	683	726
Net earnings (UBS)	191	209	269	319	344	379	418	455
EPS (UBS, diluted) (US\$)	1.62	1.77	2.10	2.40	2.69	2.95	3.27	3.58
DPS (US\$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	(1,453)	(1,851)	(1,265)	(1,007)	(749)	(464)	(243)	(50)
Profitability/valuation	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
EBIT margin %	12.1	12.1	13.2	13.4	13.3	13.5	13.7	13.8
ROIC (EBIT) %	-	100.5	103.8	95.2	87.1	80.9	75.0	69.3
EV/EBITDA (core) x	-	-	11.4	10.9	9.9	8.8	8.0	7.5
P/E (UBS, diluted) x	-	-	20.9	20.6	18.4	16.8	15.1	13.8
Equity FCF (UBS) yield %	-	-	7.1	6.7	4.9	5.3	5.9	6.3
Net dividend yield %	-	-	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US\$49.44 on 12 Feb 2014 19:44 EST

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Investment Thesis

Quintiles

Investment case

Quintiles Transnational Holdings Inc. is the largest contract research organization with reported revenue of \$3.7 billion in 2012, with 74% from Product Development and 26% from Integrated Healthcare Services. Following the successful IPO in May 2013, management has executed on the operational strategy by leveraging the top-line growth of the overall CRO industry. While the Quintiles story is not predicated on margin expansion like several other CROs, we still see room for solid EPS growth from a combination of top-line enhancement, deleveraging, share repurchases and tuck-in acquisitions. Our \$59 price target is based on a P/E of 22x our 2015E EPS of \$2.69.

Upside scenario

In our upside scenario, we believe the company may be able to sign new strategic partnership contracts with additional pharmaceutical companies, which would provide upside to our current projections. It is difficult to assess the potential at this time, but based on experience with previous contracts, we estimate FY15 EPS could be as much as 10% higher than our base case \$2.69 forecast. Applying a slightly higher PE multiple of 23x to a theoretical ~\$2.96 EPS translates into an upside valuation of \$68.

Downside scenario

In our downside scenario, the company could witness cancellations of projects and/or contracts at a higher than normal pace. Even though the company could conduct some cost-cutting (-2% SG&A) to offset the weaker revenue (-5%), there would still be a 12% impact to EPS in this downside scenario. If we apply a slightly lower PE multiple of 20x to a theoretically lower EPS of ~\$2.37, this translates into a downside valuation of \$47.

Upcoming catalysts

February 13 (bmo) – 4Q13 Results

12-month rating

Buy

12m price target

US\$59.00

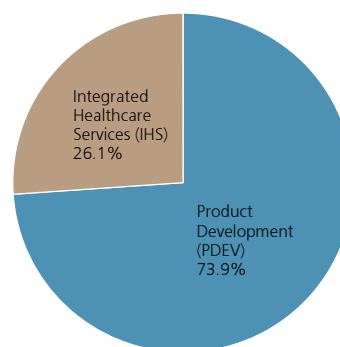
Business description

Quintiles Transnational Holdings Inc. is a contract research organization. The company provides biopharmaceutical development services and commercial outsourcing services to pharmaceutical and biotechnology companies. The company reported revenue of \$3.7 billion in 2012, with 74% from Product Development and 26% from Integrated Healthcare Services. The company IPOed in May 2013. The company announced the acquisition of Novella Clinical, Inc. in August 2013. The transaction closed in the third quarter.

Industry outlook

The CRO industry has been growing at a steady clip, primarily the result of significant growth in the phase II-IV market. However, we expect the early development market to have relatively flat growth through 2018. We expect the overall CRO industry to have a CAGR of ~6-7% through 2018, with CRO market penetration accelerating at a rapid pace. We expect CRO market penetration to increase from ~36% in 2012 to ~49% in 2018. The significant market penetration should benefit CRO industry participants. As Quintiles is the largest CRO in the industry, the company will likely be the beneficiary of significant outsourcing as the more well-known brand-name.

Revenues by Segment (FY12)



Source: Company data, UBS

Post-Call Highlights

Preclinical & Early Phase Commentary

During the company's earnings call, management highlighted that utilization within the early phase segment of the business continues to improve. Mgmt's commentary reiterates other CRO mgmt commentary on an improving outlook to early stage studies. The company did note that early stage is a small component of overall revenues. While the company is not involved in preclinical studies and models, the company noted that the research models currently in use have a somewhat cloudy outlook as company's move away from traditional models. However, mgmt noted the company does not have a clear view on the trendlines for the preclinical space in comparison to other CRO vendors.

Central Labs

Quintiles noted that central labs continue to be an area of growth, despite a majority of lab work already outsourced to CROs/labs. The company believes 2014 will see a few percentage points of growth which will primarily be driven by more complex laboratory work required in clinical studies. Specifically, the company noted a larger portion of lab work will utilize biomarkers, which not all labs are capable of performing.

Figure 1: Quintiles – 2013-2014 Guidance Table

Quintiles Corp.: Company Guidance Table			
Guidance For Period: Date Announced:	FY13 8/1/2013	FY13 10/31/2013	4Q13 10/31/2013
Consolidated Services Revenues	\$3.76 - 3.81 bil	\$3.77 - 3.80 bil	\$965 - 996 mil
Constant currency revenue growth	3.8% - 5.2% YoY	4.1% - 4.9% YoY	
Non-GAAP Effective Tax Rate	30% - 32%	30%	
Non-GAAP Diluted EPS	\$1.95 - 2.05	\$2.03 - 2.09	\$0.50-0.56
Y-O-Y Growth	10.2% - 15.8%	14.7% - 18.1%	
GAAP Diluted EPS	\$1.63 to \$1.73	\$1.71 to \$1.77	

Quintiles Corp.: Company Guidance Table			
Guidance For Period: Date Announced:	FY14 2/13/2014		
Consolidated Services Revenues	\$4.09 - 4.15 bil		
Constant currency revenue growth	7.4-9.0% YoY		
Non-GAAP Effective Tax Rate	~30%		
Non-GAAP Diluted EPS	\$2.33 - 2.46		
Y-O-Y Growth	11-17%		
GAAP Diluted EPS	\$2.26-2.40		
Note:	EPS Guidance does not Incl. equity repurchases		

Source: Company documents; UBS estimates

Figure 2: Quintiles – Quarterly Revenue Model

Quintiles Corp. - Quarterly Segment Model (\$mm)								
	Q 03/31/13 Actual	Q 06/30/13 Actual	Q 09/30/13 Actual	Q 12/31/13 Actual	03/31/14 Projected	06/30/14 Projected	09/30/14 Projected	12/31/14 Projected
Service Revenues								
Product Development (PDEV)	\$706.3	\$724.2	\$714.2	\$775.0	\$755.7	\$782.1	\$767.8	\$833.1
Integrated Healthcare Services (IHS)	221.1	220.1	218.5	228.9	235.5	236.6	234.2	245.0
Total Service Revenues	\$927.4	\$944.2	\$932.7	\$1,003.9	\$991.3	\$1,018.7	\$1,002.0	\$1,078.1
Revenue Mix (% of Service Revenues)								
Product Development (PDEV)	76.2%	76.7%	76.6%	77.2%	76.2%	76.8%	76.6%	77.3%
Integrated Healthcare Services (IHS)	23.8%	23.3%	23.4%	22.8%	23.8%	23.2%	23.4%	22.7%
Total Service Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Revenue Growth								
Product Development (PDEV)	7.6%	4.6%	5.5%	10.2%	7.0%	8.0%	7.5%	7.5%
Integrated Healthcare Services (IHS)	-4.6%	-12.9%	-7.6%	-5.7%	6.5%	7.5%	7.2%	7.0%
Total Service Revenue Growth	4.4%	-0.1%	2.1%	6.2%	6.9%	7.9%	7.4%	7.4%
Bookings								
Product Development (PDEV)								
Gross New business								
Less: Cancellations								
Net Bookings	\$1,100.0	\$871.0	\$861.0	\$964.0	\$1,177.0	\$923.3	\$912.7	\$1,021.8
Net book-to-bill ratio	1.56	1.20	1.21	1.24	1.56	1.18	1.19	1.23
	29.6%	16.8%	9.0%	-11.2%	7.0%	6.0%	6.0%	6.0%
Integrated Healthcare Services (IHS)								
Gross New business								
Less: Cancellations								
Net Bookings	\$170.4	\$142.6	\$479.0	\$335.0	\$192.6	\$171.12	\$383.20	\$318.3
Net book-to-bill ratio	0.77	0.65	2.19	1.46	0.82	0.72	1.64	1.30
	-16.0%	-7.6%	89.8%	-20.5%	13.0%	20.0%	-20.0%	-5.0%
Total Company								
Gross New business								
Less: Cancellations								
Net Bookings	\$1,270.4	\$1,013.6	\$1,340.0	\$1,299.0	\$1,369.6	\$1,094.4	\$1,295.9	\$1,340.1
Net book-to-bill ratio	1.37	1.07	1.44	1.29	1.38	1.07	1.29	1.24
Yr/Yr Growth	20.8%	12.6%	28.5%	-13.8%	7.8%	8.0%	-3.3%	3.2%
Backlog Data								
Total Backlog	\$9,000.0	\$9,034.0	\$9,583.0	\$9,900.0				
Yr/Yr Growth	11.3%	12.5%	17.5%	13.7%				

Source: Company documents; UBS estimates

Figure 3: Quintiles Segment Model

Quintiles Corp. - Quarterly Segment Model (\$mm)								
	Q 03/31/13 Actual	Q 06/30/13 Actual	Q 09/30/13 Actual	Q 12/31/13 Actual	03/31/14 Projected	06/30/14 Projected	09/30/14 Projected	12/31/14 Projected
Gross Profit By Segment:								
Product Development (PDEV)	\$276.7	\$282.3	\$288.2	\$319.2	\$300.8	\$307.4	\$304.8	\$324.9
Integrated Healthcare Services (IHS)	38.8	44.3	43.9	42.8	44.7	45.7	46.8	50.2
General Corporate Cost of Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Gross Profit	\$315.5	\$326.6	\$332.0	\$362.0	\$345.5	\$353.0	\$351.7	\$375.1
Gross Margin								
Product Development (PDEV)	39.2%	39.0%	40.3%	41.2%	39.8%	39.3%	39.7%	39.0%
Integrated Healthcare Services (IHS)	17.5%	20.1%	20.1%	18.7%	19.0%	19.3%	20.0%	20.5%
Total Gross Margin	34.0%	34.6%	35.6%	36.1%	34.9%	34.7%	35.1%	34.8%
Gross Profit Growth								
Product Development (PDEV)	9.8%	7.2%	11.6%	17.4%	8.7%	8.9%	5.8%	1.8%
Integrated Healthcare Services (IHS)	-14.6%	-17.2%	1.2%	-5.5%	15.3%	3.1%	6.7%	17.4%
Total Gross Profit Growth	6.1%	3.1%	10.1%	14.1%	9.5%	8.1%	5.9%	3.6%
SG&A Expense By Segment:								
Product Development (PDEV)	\$144.7	\$146.2	\$147.5	\$166.3	\$154.2	\$158.8	\$156.6	\$169.1
Integrated Healthcare Services (IHS)	32.8	31.8	32.2	31.1	34.4	33.8	31.9	30.9
General Corporate SG&A	21.0	50.9	19.8	35.4	24.8	25.5	26.1	29.1
Total SG&A Expense	\$198.4	\$228.8	\$199.6	\$232.8	\$213.3	\$218.1	\$214.5	\$229.1
SG&A Expense as % of Segment Sales:								
Product Development (PDEV)	20.5%	20.2%	20.7%	21.5%	20.4%	20.3%	20.4%	20.3%
Integrated Healthcare Services (IHS)	14.8%	14.4%	14.7%	13.6%	14.6%	14.3%	13.6%	12.6%
General Corporate SG&A (% of Total Net Sales)	2.3%	5.4%	2.1%	3.5%	2.5%	2.5%	2.6%	2.7%
Total SG&A Expense as % of Total Sales	21.4%	24.2%	21.4%	23.2%	21.5%	21.4%	21.4%	21.3%
SG&A Expense Growth								
Product Development (PDEV)	3.3%	1.5%	7.7%	13.5%	6.6%	8.6%	6.2%	1.7%
Integrated Healthcare Services (IHS)	5.4%	-4.4%	4.0%	-2.0%	4.9%	6.4%	-1.1%	-0.7%
General Corporate SG&A	-39.5%	93.9%	-20.3%	-5.4%	18.2%	-49.9%	31.5%	-17.8%
Total SG&A Expense Growth	-3.6%	12.4%	3.5%	8.0%	7.5%	-4.7%	7.5%	-1.6%
EBIT By Segment:								
Product Development (PDEV)	\$132.0	\$136.1	\$140.6	\$152.9	\$146.6	\$148.6	\$148.2	\$155.8
Integrated Healthcare Services (IHS)	6.0	12.5	11.7	11.7	10.4	11.8	15.0	19.4
General Corporate	(21.0)	(50.9)	(19.8)	(35.4)	(24.8)	(25.5)	(26.1)	(29.1)
Total EBIT	\$117.0	\$97.7	\$132.5	\$129.2	\$132.2	\$135.0	\$137.1	\$146.0
EBIT Margin:								
Product Development (PDEV)	18.7%	18.8%	19.7%	19.7%	19.4%	19.0%	19.3%	18.7%
Integrated Healthcare Services (IHS)	2.7%	5.7%	5.3%	5.1%	4.4%	5.0%	6.4%	7.9%
General Corporate (% of Total Net Sales)	-2.3%	-5.4%	-2.1%	-3.5%	-2.5%	-2.5%	-2.6%	-2.7%
Total EBIT Margin	12.6%	10.4%	14.2%	12.9%	13.3%	13.2%	13.7%	13.5%
EBIT Growth								
Product Development (PDEV)	17.8%	14.2%	16.0%	21.9%	11.1%	9.2%	5.4%	1.9%
Integrated Healthcare Services (IHS)	-58.0%	-38.2%	-5.8%	-13.8%	72.3%	-5.4%	28.5%	65.3%
General Corporate SG&A	-39.5%	93.9%	-20.4%	-5.3%	18.2%	-49.9%	31.5%	-17.8%
Total SG&A Expense Growth	27.6%	-13.6%	21.9%	27.1%	13.0%	38.1%	3.5%	13.0%

Source: Company documents; UBS estimates

Figure 4: Quintiles – Quarterly Income Statement

Quintiles Corp. - Quarterly Income Statement (Millions)								
	Q	Q	Q	Q				
Revenues	03/31/13	06/30/13	09/30/13	12/31/13	03/31/14	06/30/14	09/30/14	12/31/14
	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected
Total Revenue	\$927.4	\$944.2	\$932.7	\$1,003.9	\$991.3	\$1,018.7	\$1,002.0	\$1,078.1
% change	4.4%	-0.1%	2.1%	6.2%	6.9%	7.9%	7.4%	7.4%
Expenses								
COGS	612.0	617.7	600.7	642.0	645.7	665.7	650.4	703.0
% of revenue	66.0%	65.4%	64.4%	63.9%	65.1%	65.3%	64.9%	65.2%
Gross Profit	315.5	326.6	332.0	362.0	345.5	353.0	351.7	375.1
% of revenue	34.0%	34.6%	35.6%	36.1%	34.9%	34.7%	35.1%	34.8%
SG&A	198.4	228.8	199.6	232.8	213.3	218.1	214.5	229.1
% of revenue	21.4%	24.2%	21.4%	23.2%	21.5%	21.4%	21.4%	21.3%
Stock Based Compensation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Management Fee	(1.4)	(26.4)	0.0	0.0	0.0	0.0	0.0	0.0
One-Time Compensation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and Amortization	(25.8)	(25.0)	(27.3)	(30.6)	(30.8)	(31.0)	(31.0)	(31.4)
	144.1	149.1	159.8	159.7				
Adjusted EBITDA	144.1	149.1	159.8	159.7	163.0	166.0	168.1	177.4
% of revenue	15.5%	15.8%	17.1%	15.9%	16.4%	16.3%	16.8%	16.5%
Depreciation and Amortization	25.8	25.0	27.3	30.6	30.8	31.0	31.0	31.4
% of revenue	2.8%	2.6%	2.9%	3.0%	3.1%	3.0%	3.1%	2.9%
Operating Income	118.4	124.1	132.5	129.2	132.2	135.0	137.1	146.0
% of revenue	12.8%	13.1%	14.2%	12.9%	13.3%	13.2%	13.7%	13.5%
Interest Expense	35.0	31.1	27.6	26.8	25.3	25.0	24.5	24.5
Other Expense (Income), net	(2.4)	0.5	3.2	(3.1)	0.0	0.0	0.0	0.0
Pretax Income	85.8	92.5	101.6	105.5	106.9	110.0	112.6	121.5
% of revenue	9.3%	9.8%	10.9%	10.5%	10.8%	10.8%	11.2%	11.3%
Income Taxes	26.7	30.2	29.5	29.6	32.1	33.5	32.4	37.1
Tax Rate (%)	31.1%	32.6%	29.0%	28.0%	30.0%	30.5%	28.8%	30.5%
Loss/(Income) from Noncontrolling Interests	0.2	0.2	0.2	0.1	0.3	0.3	0.3	0.3
Loss/(Income) from Unconsolidated Affiliates	(1.7)	0.5	(0.4)	0.5	0.5	0.5	0.5	0.5
Net Income	57.6	62.9	71.9	76.5	75.7	77.3	81.1	85.3
% of revenue	6.2%	6.7%	7.7%	7.6%	7.6%	7.6%	8.1%	7.9%
Reported EPS from Cont. Ops.	\$0.48	\$0.50	\$0.54	\$0.58				
Non-GAAP EPS - Fully Diluted	\$0.48	\$0.50	\$0.54	\$0.58	\$0.57	\$0.58	\$0.61	\$0.64
% change	9.4%	4.7%	20.8%	40.7%	17.5%	17.0%	13.0%	11.6%
Fully Diluted Shares (mil.)	118.7	126.6	133.3	132.9	132.9	132.9	132.9	132.9
P&L Line Growth Comparison:								
Revenues	4.4%	-0.1%	2.1%	6.2%	6.9%	7.9%	7.4%	7.4%
COGS	3.6%	-1.7%	-1.9%	2.1%	5.5%	7.8%	8.3%	9.5%
Gross Profit	6.1%	3.1%	10.1%	14.1%	9.5%	8.1%	5.9%	3.6%
SG&A	-3.6%	12.4%	3.5%	8.0%	7.5%	-4.7%	7.5%	-1.6%
EBITDA	11.2%	7.9%	17.7%	14.0%	13.1%	11.3%	5.2%	11.1%
Depreciation and Amortization	10.7%	5.3%	6.2%	19.5%	19.5%	24.1%	13.5%	2.8%
Operating Income	11.3%	8.4%	20.4%	12.8%	11.7%	8.8%	3.5%	13.0%
Pretax Income	7.4%	5.3%	38.2%	37.9%	24.6%	18.9%	10.9%	15.2%
Net Income	10.5%	12.6%	36.7%	58.2%	31.5%	22.8%	12.7%	11.6%
EPS	9.4%	4.7%	20.8%	40.7%	17.5%	17.0%	13.0%	11.6%
Shares Outstanding	1.0%	7.5%	13.1%	12.5%	11.9%	5.0%	-0.3%	0.0%
Dividend Per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Source: Company documents; UBS estimates

Figure 5: Quintiles – Annual Revenue Model

Quintiles Corp. - Annual Revenue Model By Segment								
	Q FY11 Actual	Q FY12 Actual	Q FY13 Actual	FY14 Projected	FY15 Projected	FY16 Projected	FY17 Projected	FY18 Projected
Service Revenues								
Product Development (PDEV)	\$2,437.8	\$2,728.7	\$2,919.7	\$3,138.8	\$3,389.9	\$3,627.2	\$3,844.8	\$4,056.3
Integrated Healthcare Services (IHS)	857.1	963.6	888.6	951.2	1,017.8	1,089.1	1,154.4	1,212.1
Total Service Revenues	\$3,295.0	\$3,692.3	\$3,808.3	\$4,090.0	\$4,407.7	\$4,716.3	\$4,999.3	\$5,268.4
Revenue Mix (% of Service Revenues)								
Product Development (PDEV)	74.0%	73.9%	76.7%	76.7%	76.9%	76.9%	76.9%	77.0%
Integrated Healthcare Services (IHS)	26.0%	26.1%	23.3%	23.3%	23.1%	23.1%	23.1%	23.0%
Total Service Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Revenue Growth								
Product Development (PDEV)	9.7%	11.9%	7.0%	7.5%	8.0%	7.0%	6.0%	5.5%
Integrated Healthcare Services (IHS)	10.6%	12.4%	-7.8%	7.0%	7.0%	7.0%	6.0%	5.0%
Total Service Revenue Growth	10.0%	12.1%	3.1%	7.4%	7.8%	7.0%	6.0%	5.4%
Bookings								
Product Development (PDEV)								
Gross New business	\$3,200.4	\$4,069.6						
Less: Cancellations	(160.0)	(599.4)						
Net Bookings	\$3,040.4	\$3,470.2	\$3,796.0	\$4,034.8	\$4,256.7	\$4,469.5	\$4,693.0	\$4,927.6
Net book-to-bill ratio	1.25	1.27	1.30	1.29	1.26	1.23	1.22	1.21
Yr/Yr Growth	10.2%	14.1%	9.4%	6.3%	5.5%	5.0%	5.0%	5.0%
Integrated Healthcare Services (IHS)								
Gross New business	\$1,180.0	\$1,196.0						
Less: Cancellations	(176.3)	(165.0)						
Net Bookings	\$1,003.7	\$1,030.9	\$1,127.0	\$1,065.1	\$1,129.0	\$1,191.1	\$1,250.7	\$1,307.0
Net book-to-bill ratio	1.17	1.07	1.27	1.12	1.11	1.09	1.08	1.08
Yr/Yr Growth	26.7%	2.7%	9.3%	-5.5%	6.0%	5.5%	5.0%	4.5%
Total Company								
Gross New business	\$4,380.4	\$5,265.6						
Less: Cancellations	(336.3)	(764.4)						
Net Bookings	\$4,044.1	\$4,501.2	\$4,923.0	\$5,099.9	\$5,385.7	\$5,660.6	\$5,943.7	\$6,234.6
Net book-to-bill ratio	1.23	1.22	1.29	1.25	1.22	1.20	1.19	1.18
Yr/Yr Growth	13.9%	11.3%	9.4%	3.6%	5.6%	5.1%	5.0%	4.9%
Backlog Data								
Total Backlog	\$7,972.9	\$8,704.5	\$9,900.0					
Yr/Yr Growth		9.2%	13.7%					

Source: Company documents; UBS estimates

Figure 6: Quintiles – Annual Segment Model

Quintiles Corp. - Annual Profit Model By Segment								
	Q FY11 Actual	Q FY12 Actual	Q FY13 Actual	FY14 Projected	FY15 Projected	FY16 Projected	FY17 Projected	FY18 Projected
Gross Profit By Segment:								
Product Development (PDEV)	\$974.0	\$1,045.4	\$1,166.3	\$1,237.9	\$1,318.7	\$1,407.4	\$1,487.9	\$1,569.8
Integrated Healthcare Services (IHS)	168.4	187.6	169.8	187.5	203.6	223.3	242.4	255.8
General Corporate Cost of Revenue	(0.4)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0
Total Gross Profit	\$1,142.0	\$1,232.9	\$1,336.1	\$1,425.4	\$1,522.2	\$1,630.6	\$1,730.4	\$1,825.5
Gross Margin								
Product Development (PDEV)	40.0%	38.3%	39.9%	39.4%	38.9%	38.8%	38.7%	38.7%
Integrated Healthcare Services (IHS)	19.7%	19.5%	19.1%	19.7%	20.0%	20.5%	21.0%	21.1%
Total Gross Margin	34.7%	33.4%	35.1%	34.8%	34.5%	34.6%	34.6%	34.7%
Gross Profit Growth								
Product Development (PDEV)	2.9%	7.3%	11.6%	6.1%	6.5%	6.7%	5.7%	5.5%
Integrated Healthcare Services (IHS)	21.4%	11.4%	-9.5%	10.4%	8.6%	9.7%	8.6%	5.5%
Total Gross Profit Growth	5.2%	8.0%	8.4%	6.7%	6.8%	7.1%	6.1%	5.5%
SG&A Expense By Segment:								
Product Development (PDEV)	\$549.2	\$567.5	\$604.7	\$638.7	\$684.8	\$729.1	\$768.97	\$807.20
Integrated Healthcare Services (IHS)	110.2	127.1	127.9	130.9	137.4	143.8	148.9	155.2
General Corporate SG&A	102.8	123.2	127.1	105.4	114.6	122.6	130.0	137.0
Total SG&A Expense	\$762.3	\$817.8	\$859.7	\$875.0	\$936.8	\$995.4	\$1,047.9	\$1,099.3
SG&A Expense as % of Segment Sales:								
Product Development (PDEV)	22.5%	20.8%	20.7%	20.3%	20.2%	20.1%	20.0%	19.9%
Integrated Healthcare Services (IHS)	12.9%	13.2%	14.4%	13.8%	13.5%	13.2%	12.9%	12.8%
General Corporate SG&A (% of Total Net Sales)	3.1%	3.3%	3.3%	2.6%	2.6%	2.6%	2.6%	2.6%
Total SG&A Expense as % of Total Sales	23.1%	22.1%	22.6%	21.4%	21.3%	21.1%	21.0%	20.9%
SG&A Expense Growth								
Product Development (PDEV)	7.3%	3.3%	6.6%	5.6%	7.2%	6.5%	5.5%	5.0%
Integrated Healthcare Services (IHS)	13.5%	15.3%	0.6%	2.4%	4.9%	4.6%	3.6%	4.2%
General Corporate SG&A	#DIV/0!	19.8%	3.2%	-17.0%	8.7%	7.0%	6.0%	5.4%
Total SG&A Expense Growth	25.1%	7.3%	5.1%	1.8%	7.1%	6.3%	5.3%	4.9%
EBIT By Segment:								
Product Development (PDEV)	\$424.7	\$477.9	\$561.6	\$599.2	\$633.9	\$678.3	\$719.0	\$762.6
Integrated Healthcare Services (IHS)	58.2	60.5	41.9	56.5	66.2	79.5	93.5	100.6
General Corporate	(103.3)	(123.2)	(127.1)	(105.4)	(114.6)	(122.6)	(130.0)	(137.0)
Total EBIT	\$379.7	\$415.2	\$476.4	\$550.3	\$585.5	\$635.2	\$682.5	\$726.2
EBIT Margin:								
Product Development (PDEV)	17.4%	17.5%	19.2%	19.1%	18.7%	18.7%	18.7%	18.8%
Integrated Healthcare Services (IHS)	6.8%	6.3%	4.7%	5.9%	6.5%	7.3%	8.1%	8.3%
General Corporate (% of Total Net Sales)	-3.1%	-3.3%	-3.3%	-2.6%	-2.6%	-2.6%	-2.6%	-2.6%
Total EBIT Margin	11.5%	11.2%	12.5%	13.5%	13.3%	13.5%	13.7%	13.8%
EBIT Growth								
Product Development (PDEV)	0.6%	12.5%	17.5%	6.7%	5.8%	7.0%	6.0%	6.1%
Integrated Healthcare Services (IHS)	55.6%	4.0%	-30.8%	34.9%	17.0%	20.2%	17.6%	7.6%
General Corporate SG&A	19.9%	19.3%	3.1%	-17.0%	8.7%	7.0%	6.0%	5.4%
Total SG&A Expense Growth	1.6%	9.4%	14.7%	15.5%	6.4%	8.5%	7.5%	6.4%

Source: Company documents; UBS estimates

Figure 7: Quintiles – Annual Income Statement

Quintiles Corp. - Annual Income Statement (Millions)								
Revenues	Q FY11 Actual	Q FY12 Actual	Q FY13 Actual	FY14 Projected	FY15 Projected	FY16 Projected	FY17 Projected	FY18 Projected
Total Revenue	\$3,295.0	\$3,692.3	\$3,808.3	\$4,090.0	\$4,407.7	\$4,716.3	\$4,999.3	\$5,268.4
% change	10.0%	12.1%	3.1%	7.4%	7.8%	7.0%	6.0%	5.4%
Expenses								
COGS	2,153.0	2,459.4	2,472.3	2,664.7	2,885.5	3,085.7	3,268.9	3,442.9
% of revenue	65.3%	66.6%	64.9%	65.2%	65.5%	65.4%	65.4%	65.3%
Gross Profit	1,142.0	1,232.9	1,336.1	1,425.4	1,522.2	1,630.6	1,730.4	1,825.5
% of revenue	34.7%	33.4%	35.1%	34.8%	34.5%	34.6%	34.6%	34.7%
SG&A	762.3	817.8	859.7	875.0	936.8	995.4	1,047.9	1,099.3
% of revenue	23.1%	22.1%	22.6%	21.4%	21.3%	21.1%	21.0%	20.9%
Stock Based Compensation	(2.6)	(13.6)	0.0	0.0	0.0	0.0	0.0	0.0
Management Fee	(5.2)	(5.3)	(27.7)	0.0	0.0	0.0	0.0	0.0
One-Time Compensation	(11.0)	(11.3)	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and Amortization	(92.0)	(98.3)	(108.6)	(124.2)	(130.0)	(135.0)	(140.0)	(145.0)
	490.4	543.7						
Adjusted EBITDA	490.4	543.7	612.7	674.5	715.5	770.2	822.5	871.2
% of revenue	14.9%	14.7%	16.1%	16.5%	16.2%	16.3%	16.5%	16.5%
Depreciation and Amortization	92.0	98.3	108.6	124.2	130.0	135.0	140.0	145.0
% of revenue	2.8%	2.7%	2.9%	3.0%	2.9%	2.9%	2.8%	2.8%
Operating Income	398.4	445.4	504.1	550.3	585.5	635.2	682.5	726.2
% of revenue	12.1%	12.1%	13.2%	13.5%	13.3%	13.5%	13.7%	13.8%
Interest Expense	105.1	131.3	120.5	99.3	95.0	90.0	85.0	80.0
Other Expense (Income), net	(2.4)	(3.6)	(1.8)	0.0	0.0	0.0	0.0	0.0
Pretax Income	295.7	317.7	385.4	451.0	490.5	545.2	597.5	646.2
% of revenue	9.0%	8.6%	10.1%	11.0%	11.1%	11.6%	12.0%	12.3%
Income Taxes	102.2	112.3	115.9	135.1	149.6	169.0	182.2	193.9
Tax Rate (%)	34.6%	35.3%	30.1%	30.0%	30.5%	31.0%	30.5%	30.0%
Loss/(Income) from Noncontrolling Interests	1.4	0.9	0.6	1.4	1.1	1.1	1.1	1.1
Loss/(Income) from Unconsolidated Affiliates	(4.1)	2.6	(1.1)	2.2	1.9	1.9	1.9	1.9
Net Income	190.8	208.9	268.9	319.4	343.8	379.1	418.2	455.3
% of revenue	5.8%	5.7%	7.1%	7.8%	7.8%	8.0%	8.4%	8.6%
<i>Reported EPS from Cont. Ops.</i>	<i>\$1.62</i>	<i>\$1.77</i>	<i>\$2.10</i>	<i>\$2.40</i>	<i>\$2.69</i>	<i>\$2.95</i>	<i>\$3.27</i>	<i>\$3.58</i>
Non-GAAP EPS - Fully Diluted	\$1.62	\$1.77	\$2.10	\$2.40	\$2.69	\$2.95	\$3.27	\$3.58
% change	17.8%	9.6%	18.6%	14.3%	11.7%	9.8%	10.7%	9.7%
Fully Diluted Shares (mil.)	117.9	117.8	127.9	132.9	128.0	128.5	128.0	127.0
P&L Line Growth Comparison:								
Revenues	10.0%	12.1%	3.1%	7.4%	7.8%	7.0%	6.0%	5.4%
COGS	11.4%	14.2%	0.5%	7.8%	8.3%	6.9%	5.9%	5.3%
Gross Profit	7.4%	8.0%	8.4%	6.7%	6.8%	7.1%	6.1%	5.5%
SG&A	10.5%	7.3%	5.1%	1.8%	7.1%	6.3%	5.3%	4.9%
EBITDA	6.0%	10.9%	12.7%	10.1%	6.1%	7.6%	6.8%	5.9%
Depreciation and Amortization	9.2%	6.8%	10.5%	14.3%	4.7%	3.8%	3.7%	3.6%
Operating Income	5.3%	11.8%	13.2%	9.2%	6.4%	8.5%	7.5%	6.4%
Pretax Income	31.3%	7.4%	21.3%	17.0%	8.7%	11.2%	9.6%	8.2%
Net Income	17.7%	9.5%	28.7%	18.8%	7.6%	10.3%	10.3%	8.9%
EPS	17.8%	9.6%	18.6%	14.3%	11.7%	9.8%	10.7%	9.7%
Shares Outstanding	-0.1%	-0.1%	8.5%	3.9%	-3.7%	0.4%	-0.4%	-0.8%
Dividend Per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Source: Company documents; UBS estimates

Quintiles Transnational Holdings (Q.N)

Income statement (US\$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Revenues	3,295	3,692	3,808	4,090	7.4	4,408	7.8	4,716	4,999	5,268
Gross profit	1,142	1,233	1,336	1,425	6.7	1,522	6.8	1,631	1,730	1,826
EBITDA (UBS)	490	544	613	674	9.9	715	6.2	770	823	871
Depreciation & amortisation	(92)	(98)	(109)	(124)	14.5	(130)	4.5	(135)	(140)	(145)
EBIT (UBS)	398	445	504	549	9.0	585	6.6	635	683	726
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	2	4	2	0	-	0	-	0	0	0
Net interest	(105)	(131)	(121)	(100)	17.4	(95)	4.6	(90)	(85)	(80)
Exceptionals (incl goodwill)	0	0	0	0	-	(130)	-	(135)	(140)	(145)
Profit before tax	296	318	385	450	16.7	360	-19.8	410	457	501
Tax	(102)	(112)	(116)	(133)	-15.1	(150)	-12.2	(169)	(182)	(194)
Profit after tax	194	205	269	316	17.4	211	-33.4	241	275	307
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(3)	3	(1)	3	-	3	0.00	3	3	3
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	191	209	269	319	18.7	214	-33.0	244	278	310
Net earnings (UBS)	191	209	269	319	18.7	344	7.7	379	418	455
Tax rate (%)	34.6	35.3	30.1	29.7	-1.4	41.5	40.0	41.2	39.8	38.7
Per share (US\$)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
EPS (UBS, diluted)	1.62	1.77	2.10	2.40	14.3	2.69	11.7	2.95	3.27	3.58
EPS (local GAAP, diluted)	1.62	1.77	2.10	2.40	14.3	1.67	-30.5	1.90	2.17	2.44
EPS (UBS, basic)	1.62	1.77	2.10	2.40	14.3	2.69	11.8	2.95	3.27	3.58
Net DPS (US\$)	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Cash EPS (UBS, diluted)*	2.40	2.61	2.95	3.34	13.1	3.70	10.8	4.00	4.36	4.73
Book value per share	(7.66)	(10.74)	(5.27)	(2.44)	53.7	0.31	-	3.46	6.21	8.92
Average shares (diluted)	117.94	117.80	127.86	132.86	3.9	128.00	-3.7	128.50	128.00	127.00
Balance sheet (US\$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Cash and equivalents	519	571	781	822	5.2	815	-0.8	885	891	1,084
Other current assets	846	939	1,165	1,275	9.4	1,405	10.2	1,545	1,695	1,855
Total current assets	1,365	1,510	1,946	2,096	7.7	2,220	5.9	2,430	2,586	2,939
Net tangible fixed assets	186	194	200	267	33.9	338	26.6	418	506	602
Net intangible fixed assets	547	575	708	681	-3.8	660	-3.1	640	622	606
Investments / other assets	224	220	214	234	9.4	254	8.6	279	304	334
Total assets	2,323	2,499	3,067	3,278	6.9	3,472	5.9	3,767	4,017	4,481
Trade payables & other ST liabilities	1,172	1,262	1,472	1,557	5.8	1,652	6.1	1,757	1,872	1,997
Short term debt	20	56	10	10	0.00	10	0.00	10	10	10
Total current liabilities	1,192	1,318	1,482	1,567	5.7	1,662	6.1	1,767	1,882	2,007
Long term debt	1,952	2,366	2,036	1,819	-10.7	1,554	-14.6	1,339	1,124	1,124
Other long term liabilities	149	174	216	216	0.0	216	0.0	216	216	216
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	3,293	3,858	3,734	3,602	-3.5	3,432	-4.7	3,322	3,222	3,347
Common s/h equity	(970)	(1,360)	(667)	(324)	51.4	40	-	445	795	1,133
Minority interests	1	0	0	0	-	0	-	0	0	0
Total liabilities & equity	2,323	2,499	3,067	3,278	6.9	3,472	5.9	3,767	4,017	4,481
Cash flow (US\$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Net income (before pref divs)	191	209	269	319	18.7	214	-33.0	244	278	310
Depreciation & amortisation	92	98	109	124	14.5	130	4.5	135	140	145
Net change in working capital	(83)	12	60	(45)	-	(55)	-22.2	(60)	(60)	(65)
Other operating	39	88	46	124	171.2	130	4.5	135	140	145
Operating cash flow	239	408	483	523	8.3	419	-19.9	454	498	535
Tangible capital expenditure	(76)	(71)	(92)	(105)	-13.7	(110)	-4.8	(120)	(130)	(140)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	(224)	(40)	(143)	(60)	57.9	(70)	-16.7	(75)	(80)	(85)
Other investing	75	(20)	(5)	0	-	0	-	0	0	0
Investing cash flow	(225)	(132)	(240)	(165)	31.3	(180)	-9.1	(195)	(210)	(225)
Equity dividends paid	(288)	(568)	0	0	-	0	-	0	0	0
Share issues / (buybacks)	(13)	(10)	480	4	-99.2	10	150.0	15	(80)	(130)
Other financing	0	0	(26)	0	-	0	-	0	0	0
Change in debt & pref shares	242	430	(384)	(217)	43.47	(265)	-22.12	(215)	(215)	0
Financing cash flow	(59)	(147)	71	(213)	-	(255)	-19.7	(200)	(295)	(130)
Cash flow inc/(dec) in cash	(45)	129	314	145	-53.8	(16)	-	59	(7)	180
FX / non cash items	-	(78)	(104)	(104)	-0.7	10	-	11	12	13
Balance sheet inc/(dec) in cash	-	51	210	41	-80.6	(6)	-	70	5	193

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.*Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Quintiles Transnational Holdings (Q.N)

Valuation (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
P/E (local GAAP, diluted)	-	-	20.9	20.6	29.6	26.0	22.7	20.2
P/E (UBS, diluted)	-	-	20.9	20.6	18.4	16.8	15.1	13.8
P/CEPS	-	-	14.9	14.8	13.4	12.4	11.3	10.5
Equity FCF (UBS) yield %	-	-	7.1	6.7	4.9	5.3	5.9	6.3
Net dividend yield (%)	-	-	0.0	0.0	0.0	0.0	0.0	0.0
P/BV x	-	-	NM	NM	NM	14.3	8.0	5.5
EV/revenues (core)	-	-	1.8	1.8	1.6	1.4	1.3	1.2
EV/EBITDA (core)	-	-	11.4	10.9	9.9	8.8	8.0	7.5
EV/EBIT (core)	-	-	13.8	13.3	12.1	10.7	9.6	9.0
EV/OpFCF (core)	-	-	11.8	12.6	11.5	10.3	9.2	8.8
EV/op. invested capital	-	-	NM	NM	NM	8.7	7.2	6.3
Enterprise value (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Market cap.	-	-	5,484	6,259	6,259	6,259	6,259	6,259
Net debt (cash)	1,453	1,652	1,558	1,136	878	606	353	353
Buy out of minorities	1	1	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	-	-	7,042	7,395	7,137	6,865	6,613	6,613
Non core assets	(34)	(55)	(63)	(63)	(63)	(63)	(63)	(63)
Core enterprise value	-	-	6,979	7,332	7,074	6,802	6,549	6,549
Growth (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenue	-	12.1	3.1	7.4	7.8	7.0	6.0	5.4
EBITDA (UBS)	-	10.9	12.7	9.9	6.2	7.6	6.8	5.9
EBIT (UBS)	-	11.8	13.2	9.0	6.6	8.5	7.5	6.4
EPS (UBS, diluted)	-	9.6	18.6	14.3	11.7	9.8	10.7	9.7
Net DPS	-	-	-	-	-	-	-	-
Margins & Profitability (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Gross profit margin	34.7	33.4	35.1	34.8	34.5	34.6	34.6	34.7
EBITDA margin	14.9	14.7	16.1	16.5	16.2	16.3	16.5	16.5
EBIT margin	12.1	12.1	13.2	13.4	13.3	13.5	13.7	13.8
Net earnings (UBS) margin	5.8	5.7	7.1	7.8	7.8	8.0	8.4	8.6
ROIC (EBIT)	-	100.5	103.8	95.2	87.1	80.9	75.0	69.3
ROIC post tax	-	65.0	72.6	66.9	60.5	55.8	52.1	48.5
ROE (UBS)	-	(17.9)	(26.5)	(64.4)	(241.7)	156.5	67.5	47.2
Capital structure & Coverage (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Net debt / EBITDA	3.0	3.4	2.1	1.5	1.0	0.6	0.3	0.1
Net debt / total equity	NM	NM	NM	NM	NM	NM	30.6	4.4
Net debt / (net debt + total equity)	NM	NM	NM	NM	95.0	51.0	23.4	4.2
Net debt/EV	-	-	18.1	13.7	10.6	6.8	3.7	0.8
Capex / depreciation %	82.3	72.6	85.0	84.4	84.6	88.9	92.9	96.6
Capex / revenue %	2.3	1.9	2.4	2.6	2.5	2.5	2.6	2.7
EBIT / net interest	3.8	3.4	4.2	5.5	6.2	7.1	8.0	9.1
Dividend cover (UBS)	-	-	-	-	-	-	-	-
Div. payout ratio (UBS) %	-	-	-	-	-	-	-	-
Revenues by division (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	3,295	3,692	3,808	4,090	4,408	4,716	4,999	5,268
Total	3,295	3,692	3,808	4,090	4,408	4,716	4,999	5,268
EBIT (UBS) by division (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	398	445	504	549	585	635	683	726
Total	398	445	504	549	585	635	683	726

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+19.3%
Forecast dividend yield	0.0%
Forecast stock return	+19.3%
Market return assumption	5.3%
Forecast excess return	+14.0%

Statement of Risk

The primary risk factors for Quintiles include: 1) Risk of expansion / contraction of Pharmaceutical and Biotech drug company research & development budgets, particularly late-stage development. 2) Risk of increase/decrease in the trend of Pharmaceutical and Biotechnology Company outsourcing of drug research and development, particularly with respect to early-stage drug development. 3) Risk of changes to government regulations required in the process of drug research & development. 4) Risk of a loss of a Strategic Partner (client) relationship or the cancellation of a contract. The company also bares the financial risk of fixed price or fee-for-service contracts if initially under-priced or otherwise overrun initial cost estimates.

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UBS 12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	44%	36%
Neutral	FSR is between -6% and 6% of the MRA.	45%	35%
Sell	FSR is > 6% below the MRA.	11%	23%
UBS Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 December 2013.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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UBS Securities LLC: Steven Valiquette; Doug Cooper.

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Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Quintiles Transnational Holdings ^{2, 4, 6, 16}	Q.N	Buy	N/A	US\$49.44	12 Feb 2014

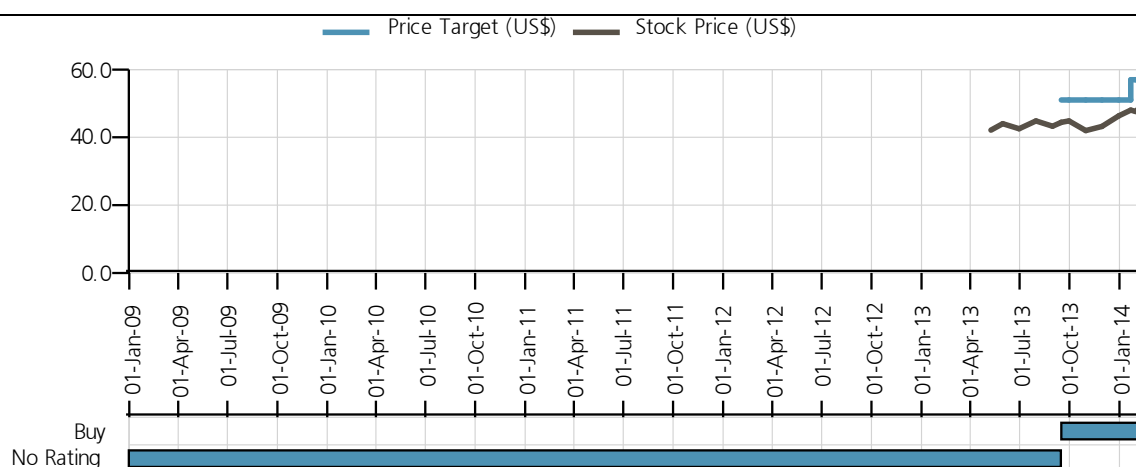
Source: UBS. All prices as of local market close.

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Quintiles Transnational Holdings (US\$)



Source: UBS; as of 12 Feb 2014

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