

Quintiles Transnational Holdings

Maintaining Underperform; CY14 Street Estimates Appear Too High; Revising Estimates

Our Call

After much thought and analysis, we maintain our Underperform rating and \$36 PT on Q shares. We believe CY14 Street EBITDA and EPS estimates are too high. We also believe Q shares trade at an unwarranted premium to the CRO peer group given inferior EBITDA growth to peers. We have slightly raised our CY13 EPS estimates, with the majority coming from a retroactive \$0.06 tax rate adjustment that boosted 1Q13 EPS.

■ **Thoughts on the Stock.** As illustrated in Exhibit 4, Q shares trade at 11.6x CY14E consensus EBITDA, which compares to its closest peers at 11.1x. This is despite the fact that CY14 consensus estimates imply Quintiles will grow EBITDA 9% y/y in CY14 (we estimate 6.4% growth) and its closest peers are projected to grow EBITDA 16% y/y. Our \$36 PT implies 9.6x our CY14 EBITDA estimate, which represents a 14% discount to the CRO peer group.

■ **2Q13 Details.** In our view, Quintiles posted healthy EBITDA margin for 2Q. As illustrated in Exhibit 1, adjusted EBITDA margin of 15.8% increased 120bps y/y and 60bps over last quarter. Strength came from a 160bps y/y rise in Product Development operating margin, with the segment margin rising to 18.8% (100bps from contribution margin and 60bps from SG&A leverage). PDEV now makes up 76% of revenues and 90% of EBIT. In our view, PDEV margin expansion was quite impressive, but we question whether PDEV margins can rise higher than current levels given continued price degradation within the PIII CRO marketplace. Based on our back of the envelope math, we believe CY14 consensus estimates imply that PDEV operating margin rises to nearly 19.5%. We forecast PDEV operating margin to remain flat y/y in CY14 at 18.8%. PDEV book to bill came in at 1.20x, in line with the average PDEV b2b since CY09. This suggests to us that Quintiles is maintaining its dominant presence within the PIIb-IV CRO marketplace. With 19% market share (our estimate) and the next largest late phase CRO at 12%, we do, however, question if as the outsourced PIII market continues to climb closer and closer to the "ceiling" PIII outsourcing penetration rate, Quintiles may become a market share donor to other tier 1 PIII CROs with much lower margin hurdles.

■ **CY13 Guidance.** Quintiles issued formal CY13 EPS guidance of \$1.95-\$2.05. This compared to previous Street estimates of \$1.88 and our previous estimate of \$1.96. We should note that 1Q13 EPS was lifted by \$0.06 to \$0.49 due to a tax rate adjustment triggered by an ASC 740 Income Tax assertion. Therefore, \$0.06 of the \$0.11 rise in current CY13 consensus EPS (\$1.99) was due to the tax adjustment. We have raised our CY13 EPS estimate to \$2.04 from \$1.96. For CY14, our EPS estimate rises to \$2.15 from \$2.10 (Street: \$2.24). Our CY14 EBITDA estimate is \$631MM (Street: \$640MM).

FYE Dec	2012A	2013E	2013E	2014E	2014E
	(Curr)	(Prev)	(Curr)	(Prev)	(Curr)
EBITDA (M)					
Q1 (Mar)	130.0		141.0A	146.0	151.0
Q2 (Jun)	138.0	144.0	149.0A	152.0	155.0
Q3 (Sept)	136.0	149.0	150.0	161.0	160.0
Q4 (Dec)	140.0	156.0	153.0	168.0	165.0
FY EBITDA (M)	544.0	590.0	593.0	627.0	631.0

Underperform Q

Price: Close \$45.22

Price Target \$36.00

Pharmaceutical Services

Greg T. Bolan

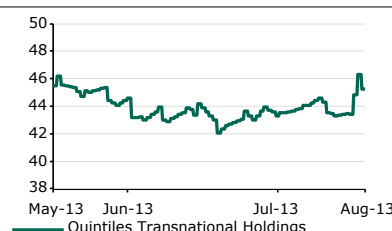
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Company Data

Rating	Underperform
Price: Close	\$45.22
Price Target	\$36.00
52-Week Range	\$41.50 - \$47.50
Market Capitalization (M)	\$5,967.5
Shares Outstanding (M)	128.9
Avg. Daily Vol. (000)	888.0
Dividend Yield	0.0%
Assets (M)	\$2,618.9
Short Interest	1.0%
Total EV	7,200

Price Performance



Source: FactSet

Important Disclosures regarding Price Target Risks, Valuation Methodology, Regulation Analyst Certification, Investment Banking, Ratings Definitions, and potential conflicts of interest begin on Page I of the Appendix Section.

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Exhibit 1: Q Variance Table

FY: December	Consensus				Yr/Yr	Sequential
Numbers in million except EPS	2Q:12A	1Q:13A	2Q:13E	2Q:13A	2Q:13A	% change
Service revenues	\$ 944.9	\$ 927.4	\$ 949.8	\$ 944.2	\$ 942.2	-0.1%
COGS	590.5	611.1	631.5	617.7		4.6%
Gross Profit	354.4	316.3	318.4	326.6		-7.8%
SG&A	171.2	199.3	227.4	228.8		33.7%
Charges	12.3	1.9	-	2.8		-76.9%
Operating Income	100.9	115.2	91.0	94.9		-5.9%
Interest income	0.8	0.5	0.6	(15.8)		-2069.8%
Interest expense	(33.6)	(36.0)	(36.4)	(31.9)		-5.1%
Other income	6.2	2.4	-	(0.5)		-108.7%
Pre-tax income	74.2	82.0	55.2	46.7		-37.1%
Taxes	27.6	32.1	22.1	8.8		-68.0%
Net Income (cont. ops)	46.7	49.8	33.1	37.9		-18.8%
Equity earnings, non-controlling interests	0.5	(1.7)	-	0.5		-11.3%
Net Income (attributable to Quintiles)	47.2	48.2	33.1	38.4		-18.8%
EPS (non-GAAP)	\$ 0.43	\$ 0.49	\$ 0.50	\$ 0.50		4.8%
Shares Outstanding	118.7	126.0	126.6			7.5%
EBITDA (adjusted)	138.2	141.0	144.0	149.1		7.9%
Common Size						5.7%
Service revenues	100.0%	100.0%	100.0%	100.0%		
COGS	62.5%	65.9%	66.5%	65.4%		
Gross Margin	37.5%	34.1%	33.5%	34.6%		
SG&A	18.1%	21.5%	23.9%	24.2%		
Charges	1.3%	0.2%	0.0%	0.3%		
Operating Margin	10.7%	12.4%	9.6%	10.1%		
Interest expense	-3.5%	-3.8%	-3.8%	-5.0%		
Pre-tax income	7.9%	8.8%	5.8%	4.9%		
Effective tax rate	37.1%	39.2%	40.0%	18.9%		
Net Income (attributable to Quintiles)	5.0%	5.2%	3.5%	4.1%		
EBITDA (non-GAAP)	14.6%	15.2%	15.2%	15.8%		
EBIT (non-GAAP)	12.1%	12.6%	12.4%	13.1%		
Non-GAAP EBIT (ex FX)						
Net Income (non-GAAP)	5.9%	5.5%	6.5%	6.7%		
Effective tax rate (non-GAAP)	28.8%	37.9%	8.1%	-24.8%		
Segment Details						
Product Development						
Revenue	656	706	720	724		
FX		(7)	(9)	(8)		
Acquisitions		6	7	6		
Revenues (organic, ex-FX)		707	722	726		
y/y growth (total)	14.1%	7.6%	4.0%	2.6%		
FX		(1.0%)	(1.3%)	(1.3%)		
Acquisitions		0.9%	1.0%	1.0%		
Revenues (organic, ex-FX)		7.8%	4.3%	2.9%		
% Total Revenues	73.9%	76.2%	75.8%	76.7%		
Segment EBIT Margin	17.1%	18.8%	18.0%	18.8%		
Segment EBIT Margin (ex-FX)		19.2%		18.6%		
Integrated Healthcare Services						
Revenue	232	221	230	220		
FX		(10)	(8)	(14)		
Acquisitions		-	-			
Revenues (organic, ex-FX)		231	238	234		
y/y growth (total)	12.6%	-4.6%	-9.0%	-5.0%		
FX		(4.2%)	(3.0%)	(5.8%)		
Acquisitions		0.0%	0.0%			
Revenues (organic, ex-FX)		-0.3%	-6.0%	0.8%		
% Total Revenues		23.8%	24.2%	23.3%		
Segment EBIT Margin	6.2%	2.8%	4.7%	5.7%		
Segment EBIT Margin (ex-FX)		3.2%		6.3%		

Source: Company reports and Sterne Agee estimates

Reported: 8/1/2013

Source: Company data & Sterne Agee estimates

EPS and consolidated revenue consensus from FactSet (highlighted); Other consensus estimates from StreetAccount

Exhibit 2: Our Segment Forecast

FY: December	2012	2013				2014					
Numbers in million except EPS	2012A	1Q:13A	2Q:13	3Q:13E	4Q:13E	2013E	1Q:14E	2Q:14E	3Q:14E	4Q:14E	2014E
Segment Details											
Product Development											
Revenue	2,729	706	724	711	717	2,859	756	775	761	782	3,073
FX	(38)	(7)	(8)	(20)	(21)	(56)	-	-	-	-	-
Acquisitions	35	6	6	7	-	19	-	-	-	-	-
Revenues (organic, ex-FX)	2,732	707	726	725	738	2,896	756	775	761	782	3,073
y/y growth (total)	11.9%	7.6%	2.6%	5.0%	2.0%	4.8%	7.0%	7.0%	7.0%	9.0%	7.5%
FX	(1.5%)	(1.0%)	(1.3%)	(3.0%)	(3.0%)	(2.1%)	-	-	-	-	-
Acquisitions	1.4%	0.9%	1.0%	1.0%	0.0%	0.7%	-	-	-	-	-
Revenues (organic, ex-FX)	12.1%	7.8%	2.9%	7.0%	5.0%	6.1%	7.0%	7.0%	7.0%	9.0%	-
% Total Revenues	73.9%	76.2%	76.7%	74.5%	73.0%	75.1%	76.5%	77.0%	74.7%	73.6%	75.4%
Cost of Services											
1,683	429	442	440	440	1,750	459	471	462	475	1,866	-
FX	(49)	0	9.7	-	-	-	-	-	-	-	-
Cost of Services (ex FX)	1,732	429	451.6	-	-	-	-	-	-	-	-
Gross Margin	38.3%	39.3%	39.0%	38.1%	38.7%	38.8%	39.3%	39.3%	39.3%	39.3%	39.3%
Gross Margin (ex FX)	37.4%	-	38.3%	-	-	-	-	-	-	-	-
SG&A											
568	145	146.2	-	-	-	-	-	-	-	-	-
FX	(14)	-2.3	2.8	-	-	-	-	-	-	-	-
SG&A (ex-FX)	581	147	149	-	-	-	-	-	-	-	-
Operating Income											
478	133	136	134	135	537	142	146	143	147	578	-
EBIT (ex-FX)	453	137	135	-	-	-	-	-	-	-	-
y/y change	12.5%	18.5%	21.5%	-	-	12.4%	-	-	-	-	7.6%
y/y change (ex-FX)	3.2%	-	20.7%	-	-	-	-	-	-	-	-
Segment EBIT Margin	17.5%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%
Segment EBIT Margin (ex-FX)	16.4%	19.2%	18.5%	-	-	-	-	-	-	-	-
Integrated Healthcare Services											
Revenue	964	221	220	243	265	949	232	231	258	280	1,002
FX	(24)	(10)	(14)	(7)	(7)	(38)	-	-	-	-	-
Acquisitions	50	-	-	-	-	-	-	-	-	-	-
Revenues (organic, ex-FX)	938	231	234	251	272	987	232	231	258	280	1,002
y/y growth (total)	12.4%	-4.6%	-5.0%	3.0%	9.0%	-1.5%	5.0%	5.0%	6.0%	6.0%	5.5%
FX	(2.8%)	(4.2%)	(5.8%)	(3.0%)	(3.0%)	(1.4%)	0.0%	0.0%	0.0%	0.0%	0.0%
Acquisitions	5.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Revenues (organic, ex-FX)	9.4%	-0.3%	0.8%	6.0%	12.0%	-0.1%	5.0%	5.0%	6.0%	6.0%	5.5%
% Total Revenues	26.1%	23.8%	23.3%	25.5%	27.0%	24.9%	23.5%	23.0%	25.3%	26.4%	24.6%
Cost of Services											
776	182.1	175.8	-	-	-	-	-	-	-	-	-
FX	(20)	(8)	10.0	-	-	-	-	-	-	-	-
Cost of Services (ex FX)	796	190	185.8	-	-	-	-	-	-	-	-
Gross Margin	19.5%	17.6%	20.1%	-	-	-	-	-	-	-	-
Gross Margin (ex FX)	19.4%	17.8%	20.5%	-	-	-	-	-	-	-	-
SG&A											
127	32.8	31.8	-	-	-	-	-	-	-	-	-
FX	(3)	-0.9	1.2	-	-	-	-	-	-	-	-
SG&A (ex-FX)	130	34	33.0	-	-	-	-	-	-	-	-
Operating Income											
61	6	13	16	17	52	13	13	15	17	58	-
EBIT (ex-FX)	62	7	15	-	-	-	-	-	-	-	-
y/y change	4.0%	-56.7%	-12.6%	27.9%	26.7%	-14.5%	105.9%	1.6%	-2.8%	-2.8%	11.3%
y/y change (ex-FX)	18.5%	-	-	-	-	-	-	-	-	-	-
Segment EBIT Margin	6.3%	2.8%	5.7%	6.5%	6.5%	5.4%	5.5%	5.5%	6.0%	6.0%	5.7%
Segment EBIT Margin (ex-FX)	6.3%	3.2%	6.3%	-	-	-	-	-	-	-	-

Source: Company filings and Sterne Agee estimates

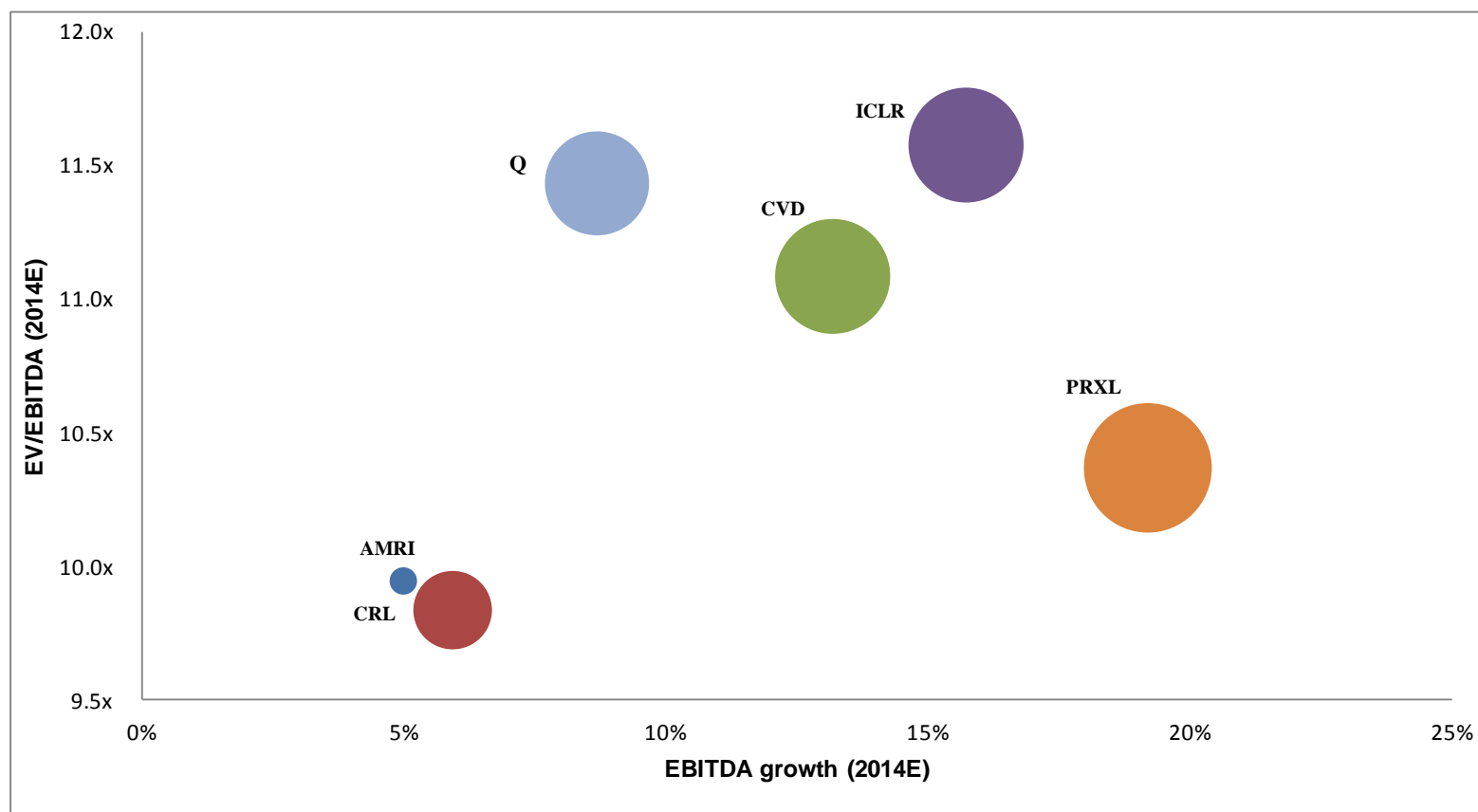
Exhibit 3: Q CY13 Guidance

Service Revenues	1Q13	2Q13	3Q13	4Q13	FY13
8/1/2013					\$3.76 - \$3.81 billion
Const. Currency Growth	1Q13	2Q13	3Q13	4Q13	FY13
8/1/2013					3.8% to 5.2%
Diluted Adj. EPS	1Q13	2Q13	3Q13	4Q13	FY13
8/1/2013					\$1.95 - \$2.05
Diluted Adj. EPS Growth	1Q13	2Q13	3Q13	4Q13	FY13
8/1/2013					10.2% - 15.5%
Diluted GAAP EPS	1Q13	2Q13	3Q13	4Q13	FY13
8/1/2013					\$1.63 - \$1.73
Annual Effective Income Tax	1Q13	2Q13	3Q13	4Q13	FY13
8/1/2013					30% - 32%

Source: Company presentations

Exhibit 4: Comparable Valuations, Relative CY14 EV/EBITDA and EBITDA Growth for CROs

Company	Ticker	Stock Rating	Price		Price Target	Market Cap (\$million)	EV (\$million)	P/E			EV/EBITDA			FCF Yield	
			08/02/2013					2012	2013E	2014E	2012	2013E	2014E	FCF to Mkt Cap	FCF to Enterprise Value
Albany Molecular Research Inc.	AMRI	Buy	\$ 13.01	\$ 15.00	\$	409	\$ 393	52.0x	21.3x	22.4x	13.6x	9.4x	9.9x	1.0%	1.0%
Charles River Laboratories Int Inc.	CRL	Buy	46.03	56.00		2,257	2,807	16.8x	16.4x	15.0x	10.7x	10.4x	9.8x	7.5%	6.1%
Covance Inc.	CVD	Neutral	82.43	85.00		4,606	4,433	30.5x	26.3x	22.2x	14.3x	12.5x	11.1x	2.8%	2.9%
ICON plc	ICLR	Neutral	39.96	42.00		2,419	2,229	40.0x	25.1x	21.2x	19.1x	13.4x	11.6x	3.0%	3.3%
PAREXEL Int Corp.	PRXL	Neutral	50.89	44.00		2,893	2,899	46.3x	28.2x	23.0x	17.9x	12.4x	10.4x	3.8%	3.8%
Quintiles Transnational	Q	Underperform	45.22	36.00		5,830	7,219	NM	24.0x	20.8x	13.3x	12.4x	11.4x	4.5%	3.7%
Median								40.0x	25.1x	22.2x	14.3x	12.4x	10.4x	3.4%	3.5%



Source: FactSet and Sterne Agee

Note: Size of bubble denotes magnitude of CY14 EPS growth implied by consensus estimates

Quintiles: Quarterly Income Statement

FY: December	2012					2013					2014				
Numbers in million except EPS	1Q:12A	2Q:12A	3Q:12A	4Q:12A	2012A	1Q:13A	2Q:13	3Q:13E	4Q:13E	2013E	1Q:14E	2Q:14E	3Q:14E	4Q:14E	2014E
Service revenues	888	945	914	946	3,692	927	944	955	982	3,808	988	1,006	1,019	1,062	4,075
COGS	591	628	612	629	2,459	611	618	640	652	1,910	651	658	683	706	2,046
Gross Profit	298	317	302	317	1,233	316	327	315	329	1,898	337	348	336	356	2,028
SG&A	206	204	193	216	818	199	229	190	201	819	212	220	203	219	854
Charges	(0)	12	(0)	7	19	2	3	-	-	5	-	-	-	-	-
Operating Income	92	101	109	94	396	115	95	125	128	463	125	128	133	137	523
Interest income	0.8	0.8	0.8	0.7	3.1	0.5	(15.8)	0.6	0.7	(14.0)	0.8	0.8	0.9	1.0	3.4
Interest expense	(30)	(34)	(34)	(38)	(134)	(36)	(32)	(27)	(27)	(121)	(26)	(26)	(26)	(25)	(103)
Other income	2.4	6.2	(3.9)	(2.4)	2.3	2.4	(0.5)	-	-	1.8	-	-	-	-	-
Pre-tax income	66	74	73	55	267	82	47	99	102	330	100	103	108	113	424
Taxes	24	28	22	20	93	32	9	35	36	111	32	33	35	36	136
Net Income (cont. ops)	41	47	51	35	174	50	38	64	66	218	68	70	74	77	288
Equity earnings, non-controlling interests	2	1	1.0	(0.1)	3.5	(2)	0	-	-	(1.2)	-	-	-	-	-
Net Income (attributable to Quintiles)	43	47	52	35	178	48	38	64	66	217	68	70	74	77	288
EPS (GAAP)						0.41				1.71					2.15
NI (non-GAAP)	52	56	53	48	209	58	63	69	71	261	68	70	74	77	288
EPS (non-GAAP)						0.49	0.50	0.52	0.54	2.04	0.51	0.52	0.55	0.57	2.15
Shares Outstanding						119	127	133	133	128	134	134	135	135	134
EBITDA (adjusted)	130	138	136	140	544	141	149	150	153	593	151	155	160	165	631

Common Size	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Service revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
COGS	66.5%	66.5%	67.0%	66.5%	66.6%	65.9%	65.4%	67.0%	66.5%	50.1%	65.9%	65.4%	67.0%	66.5%	50.2%
Gross Margin	33.5%	33.5%	33.0%	33.5%	33.4%	34.1%	34.6%	33.0%	33.5%	33.6%	34.1%	34.6%	33.0%	33.5%	33.8%
SG&A	23.2%	21.5%	21.1%	22.8%	22.1%	21.5%	24.2%	19.9%	20.5%	21.5%	21.4%	21.8%	20.0%	20.6%	21.0%
Charges	0.0%	1.3%	0.0%	0.8%	0.5%	0.2%	0.3%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating Margin	10.4%	10.7%	11.9%	10.0%	10.7%	12.4%	10.1%	13.1%	13.1%	12.2%	12.7%	12.7%	13.0%	12.9%	12.8%
Interest expense	-3.3%	-3.5%	-3.6%	-3.9%	-3.6%	-3.8%	-5.0%	-2.7%	-2.7%	-3.2%	-2.6%	-2.5%	-2.4%	-2.3%	-2.5%
Pre-tax income	7.4%	7.9%	7.9%	5.8%	7.2%	8.8%	4.9%	10.3%	10.4%	8.7%	10.1%	10.2%	10.6%	10.6%	10.4%
Effective tax rate	37.0%	37.1%	29.7%	36.3%	34.9%	39.2%	18.9%	35.0%	35.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%
Net Income (attributable to Quintiles)	4.9%	5.0%	5.7%	3.7%	4.8%	5.2%	4.1%	6.7%	6.8%	5.7%	6.8%	7.0%	7.2%	7.2%	7.1%
EBITDA (non-GAAP)	14.6%	14.6%	14.9%	14.8%	14.7%	15.2%	15.8%	15.7%	15.6%	15.6%	15.3%	15.4%	15.7%	15.5%	15.5%
EBIT (non-GAAP)	12.0%	12.1%	12.0%	12.1%	12.1%	12.6%	13.1%	13.1%	13.1%	12.9%	12.7%	12.7%	13.0%	12.9%	12.8%
Non-GAAP EBIT (ex FX)					9.9%										
Net Income (non-GAAP)	5.9%	5.9%	5.8%	5.1%	5.7%	6.2%	6.7%	7.2%	7.3%	6.8%	6.8%	7.0%	7.2%	7.2%	7.1%
Effective tax rate (non-GAAP)	26.4%	28.8%	28.7%	19.8%	26.3%	39.9%	-24.8%	34.3%	32.2%	26.8%	32.0%	32.0%	32.0%	32.0%	32.0%

Y/Y Change	13.7%	14.9%	11.5%	8.4%	12.1%	4.4%	-0.1%	4.5%	3.8%	3.1%	6.5%	6.5%	6.7%	8.2%	7.0%
Service revenues	13.7%	14.9%	11.5%	8.4%	12.1%	4.4%	-0.1%	4.5%	3.8%	3.1%	6.5%	6.5%	6.7%	8.2%	7.0%
COGS	15.1%	16.4%	13.4%	12.1%	14.2%	3.5%	-1.7%	4.5%	3.8%	-22.4%	6.5%	6.5%	6.7%	8.2%	7.2%
Gross Profit	11.1%	11.9%	7.8%	1.9%	8.0%	6.3%	3.1%	4.5%	3.8%	54.0%	6.5%	6.5%	6.7%	8.2%	6.8%
SG&A	12.0%	1.5%	3.4%	12.5%	7.3%	-3.2%	12.4%	-1.2%	-6.8%	0.2%	6.2%	-4.0%	6.8%	9.1%	4.2%
Operating Income	10.9%	22.3%	48.2%	-11.1%	14.8%	25.2%	-5.9%	14.2%	36.0%	16.8%	8.7%	35.1%	6.7%	6.8%	13.0%
Interest expense	17.0%	22.8%	21.6%	37.4%	24.9%	23.1%	45.3%	-20.6%	-29.3%	3.0%	-27.8%	-47.1%	-5.0%	-7.5%	-26.3%
Pre-tax income	15.4%	-3711.1%	48.5%	-32.0%	44.9%	25.1%	-37.1%	35.9%	85.7%	23.2%	21.4%	120.5%	9.8%	10.4%	28.6%
Taxes	6.8%	-161.2%	436.9%	-40.2%	518.1%	32.4%	-68.0%	60.3%	78.9%	19.2%	-0.9%	273.3%	0.3%	1.0%	21.9%
Net Income (attributable to Quintiles)	32.3%	14.8%	21.3%	-72.0%	-26.5%	11.2%	-18.8%	23.2%	90.1%	22.3%	40.5%	82.6%	14.8%	15.5%	32.7%
EPS (GAAP)															
Shares Outstanding															

Service revenues (non-GAAP)	13.7%	14.9%	11.5%	8.4%	12.1%	4.4%	-0.1%	4.5%	3.8%	3.1%	6.5%	6.5%	6.7%	8.2%	7.0%
FX	0.0%	0.0%	0.0%	0.0%	(1.9%)	(1.2%)	(2.3%)	(2.0%)	(2.0%)	(2.4%)	0.0%	0.0%	0.0%	0.0%	0.0%
Acquisitions	0.0%	0.0%	0.0%	0.0%	2.6%	0.6%	0.7%	0.7%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Revenues (organic, ex-FX)	13.7%	14.9%	11.5%	8.4%	11.4%	5.0%	1.6%	5.7%	5.8%	5.0%	6.5%	6.5%	6.7%	8.2%	7.0%
EBITDA (non-GAAP)	21.3%	18.0%	12.5%	-4.0%	10.8%	9.0%	7.9%	10.2%	9.5%	9.1%	7.1%	4.1%	6.9%	7.6%	6.4%
EBIT (non-GAAP)	24.4%	21.0%	13.3%	-5.5%	11.8%	9.6%	8.4%	13.3%	12.1%	10.2%	7.4%	3.3%	6.7%	6.8%	6.7%
Net Income (non-GAAP)	50.8%	34.0%	40.4%	-37.4%	9.4%	10.5%	12.6%	30.6%	47.7%	24.7%	17.4%	11.3%	7.1%	7.6%	10.5%
EPS (non-GAAP)	50.9%	34.1%	40.6%	-37.3%	9.6%	9.7%	4.8%	15.7%	30.8%	14.8%	4.5%	5.2%	5.9%	6.0%	5.4%

Source: Company reports and Sterne Agee estimates

APPENDIX SECTION

Company Description:

Quintiles helps to improve healthcare worldwide by providing a broad range of professional services, information and partnering solutions to the pharmaceutical services, biotechnology and healthcare industries. The company is the world's largest provider of biopharmaceutical development services and commercial outsourcing services. Quintiles conducts business in approximately 100 countries and has approximately 27,000 employees.

IMPORTANT DISCLOSURES:

Regulation Analyst Certification:

I, Greg T. Bolan, hereby certify the views expressed in this research report accurately reflect my personal views about the subject security(ies) or issuer(s). I further certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this report.

Research Disclosures:

Sterne, Agee & Leach, Inc. makes a market in the following subject company Quintiles Transnational Holdings

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Investment risks associated with the achievement of the price target include, but are not limited to, a company's failure to achieve Sterne, Agee & Leach, Inc., earnings and revenue estimates; unforeseen macroeconomic and/or industry events that adversely affect demand for a company's products or services; product obsolescence; changes in investor sentiment regarding the specific company or industry; intense and rapidly changing competitive pressures; the continuing development of industry standards; the company's ability to recruit and retain competent personnel; and adverse market conditions. For a complete discussion of the risk factors that could affect the market price of a company's shares, refer to the most recent Form 10-Q or 10-K that a company has filed with the Securities Exchange Commission.

Company Specific Risks:

1) PDEV revenue growth meets or exceeds the high end of our 6-7% y/y industry growth estimate and 2) FY constant dollar PDEV operating margins expand to 19-20%.

Valuation Methodology:

Methodology for assigning ratings and target prices includes qualitative and quantitative factors including an assessment of industry size, structure, business trends and overall attractiveness; management effectiveness; competition; visibility; financial condition; and expected total return, among other factors. These factors are subject to change depending on overall economic conditions or industry or company-specific occurrences. Sterne, Agee & Leach, Inc., analysts base valuations on a combination of forward looking earnings multiples, price-to-revenue multiples, and enterprise-value-to-revenue ratios. Sterne, Agee & Leach, Inc., believes this accurately reflects the strong absolute value of earnings, the strong earnings growth rate, the inherent profitability, and adjusted balance sheet factors. Additional company-specific valuation methodology is available through Sterne, Agee & Leach, Inc.

Company Specific Valuation:

We have assigned a 9.6x multiple to our CY14 EBITDA estimate, which implies \$36 per share. This represents a 14% discount to the CRO peer group, which we feel is quite generous given the inferior relative growth rate of Quintiles' revenue and EBITDA relative to its publicly traded peers.

Definition of Investment Ratings:

BUY: We expect this stock to outperform the industry over the next 12 months.

NEUTRAL: We expect this stock to perform in line with the industry over the next 12 months.

UNDERPERFORM: We expect this stock to underperform the industry over the next 12 months.

RESTRICTED: Restricted list requirements preclude comment.

Ratings Distribution:

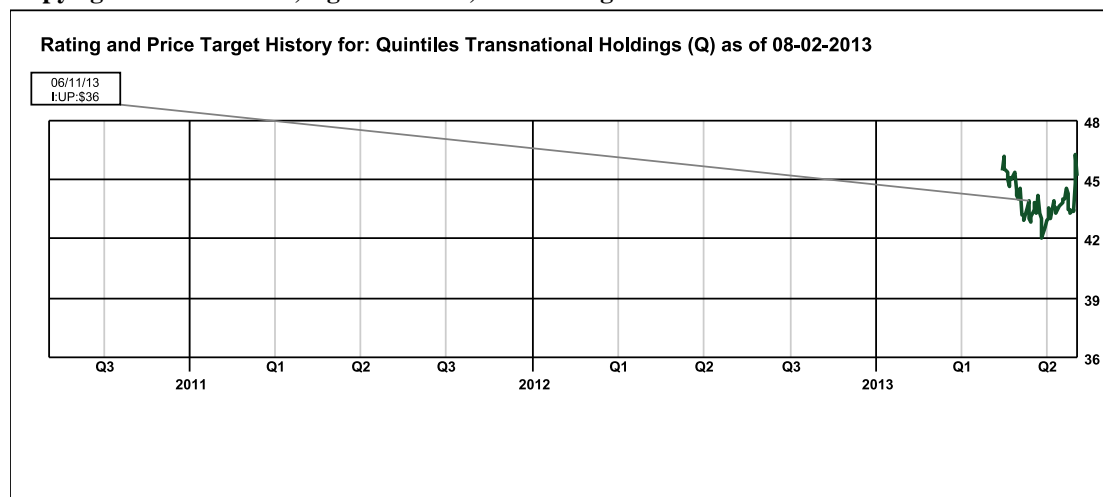
Rating Category	Count	Percent	IB Serv./ Past 12Mos.	
			Count	Percent
Buy	215	45.84%	24	11.16%
Neutral	237	50.53%	12	5.06%
Underperform	17	3.62%	1	5.88%

ADDITIONAL INFORMATION AVAILABLE UPON REQUEST: Contact Robert Hoehn at 1-212-338-4731.

Other Disclosures:

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