

Quintiles Transnational Holdings, Inc. (Q)

Rating **OUTPERFORM*** [V]
Price (13 Feb 14, US\$) 52.20
Target price (US\$) (from 52.00) 60.00¹
52-week price range 52.20 - 41.58
Market cap. (US\$ m) 6,730.07
Enterprise value (US\$ m) 7,677.39

*Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.

¹Target price is for 12 months.

[V] = Stock considered volatile (see Disclosure Appendix).

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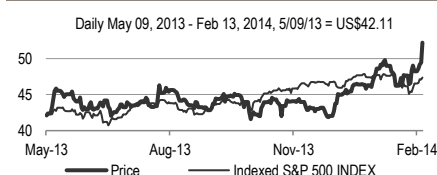
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INCREASE TARGET PRICE

Adjusting Estimates Post F4Q14 Earnings

- **Bottom Line:** Following Q's 4Q13 earnings and initial 2014 guidance we have revisited our model and key operating assumptions. We have incorporated the latest guidance commentary and new business wins into our model. We have increased our F14 and F15 estimates to \$2.41 and \$2.73, respectively and are introducing our F16 EPS estimate of \$3.08. Our new PT of \$60 (from \$52) applies a roughly 22x P/E multiple on our F15 estimate of \$2.73, in-line with leading clinical peers given the company's accelerating revenue trajectory and competitive positioning.

Share price performance



On 02/13/14 the S&P 500 INDEX closed at 1829.83

Quarterly EPS	Q1	Q2	Q3	Q4
2013A	0.49	0.50	0.54	0.58
2014E	0.54	0.58	0.62	0.67
2015E	0.63	0.66	0.70	0.74

Financial and valuation metrics

Year	12/13A	12/14E	12/15E	12/16E
EPS (CS adj.) (US\$)	2.10	2.41	2.73	3.08
Prev. EPS (US\$)	—	2.32	2.63	—
P/E (x)	24.8	21.6	19.1	17.0
P/E rel. (%)	141.2	130.3	126.4	124.6
Revenue (US\$ m)	3,808.3	4,119.4	4,476.2	4,857.5
EBITDA (US\$ m)	611.6	675.8	740.6	811.9
OCFPS (US\$)	3.01	3.11	3.29	3.78
P/OCF (x)	15.4	16.8	15.9	13.8
EV/EBITDA (current)	13.1	11.4	9.9	8.6
Net debt (US\$ m)	1,265	947	612	217
ROIC (%)	59.08	61.62	61.74	63.07
Number of shares (m)	128.93	IC (current, US\$ m)		597.68
BV/share (Next Qtr., US\$)	—	EV/IC (x)		—
Net debt (Next Qtr., US\$ m)	—	Dividend (current, US\$)		—
Net debt/tot cap (Next Qtr., %)	—	Dividend yield (%)		—

Source: Company data, Credit Suisse estimates.

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Companies Mentioned (Price as of 13-Feb-2014)

Quintiles Transnational Holdings, Inc. (Q.N, \$52.2, OUTPERFORM[V], TP \$60.0)

Disclosure Appendix

Important Global Disclosures

I, Jeffrey Bailin, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for Quintiles Transnational Holdings, Inc. (Q.N)

Q.N	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
23-Sep-13	44.86	52.00	O *

* Asterisk signifies initiation or assumption of coverage.



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Outperform (O) : The stock's total return is expected to outperform the relevant benchmark* over the next 12 months.

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Underperform/Sell*	15%	(44% banking clients)
Restricted	2%	

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Price Target: (12 months) for Quintiles Transnational Holdings, Inc. (Q.N)

Method: Our \$60 target price for Q is based on an equal weighting of two valuation methodologies. Our price to earnings valuation yields a price of around \$60, applying a roughly 22x multiple on our C15 EPS estimate of \$2.73. Our EV/EBITDA analysis yields a price of around \$60, applying a roughly 12x multiple on our C15 EBITDA estimate of \$740.6M. A blend of these two valuation methodologies yields our target price of \$60. We believe that a multiple in line with leading clinical peers is consistent with the company's market-leading scale and scope of clinical services. In valuing the contract research organizations (CROs) and Quintiles, we primarily utilize price-to-earnings (P/E) and EV/EBITDA multiples to assess the risk/reward profile of the individual stocks and the group as a whole since P/E and EV/EBITDA provide both a historical and relative perspective. We look at multiples relative to historical averages to ensure that the stocks are trading in-line with our assessment of how current fundamentals fit into historical context. P/E and EV/EBITDA relative to a benchmark or to other industry peers sheds light on competitive positioning and performance.

Risk: Risks to Q's achievement of our \$60 target price are: 1) softer R&D trends; 2) already have peak margins; 3) controlled company status; and 4) balance sheet leverage. Softer R&D trends or any pricing pressure to the company's premium margins could lead to EPS growth lower than expectations. Additionally, Q has higher leverage compared to industry peers which could limit the company's ability to accretively deploy capital.

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