

Quintiles Transnational Holdings Lock-Up Expiration Looming

Our Call

We have received questions from investors regarding recent weakness in Q shares. As best we can tell, there appears to be concerns regarding the upcoming lock-up expiration for IPO shares. Based on filings, we arrive at 94.5MM shares that will become tradable on November 4th, of which 87MM are owned by private equity.

The current float is around 39MM shares, so we believe the fact that 94.5MM shares will become tradable is significant. Since its IPO, Q shares are up about 4% vs. 2% for the S&P 500, and the CRO peer group is up about 13%. Q shares currently trade in-line with the CRO peer group, or 10.5x consensus CY14 EBITDA estimates. Consensus EBITDA estimates for Q suggest 9% growth in CY14, which compares to 12% for Q's peers. We continue to believe Q shares should underperform its peers due in part to this inferior growth rate.

Underperform Q

Price \$41.77

Price Target \$36.00

Pharmaceutical Services

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Company Data

52-Week Range	\$41.50 - \$47.50
Market Capitalization (M)	\$5,485.3
Shares Outstanding (M)	128.9
Avg. Daily Vol. (000)	627.0

Estimates	Q3	2013E	2014E
EBITDA (M)	150.0	593.0	631.0

For the latest company report:

[Q Company Report](#)

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

Sterne, Agee & Leach, Inc.'s research analysts receive compensation that is based upon various factors, including Sterne, Agee & Leach, Inc.'s total revenues, a portion of which is generated by investment banking activities.

Sterne Agee & Leach, Inc. expects to receive or intends to seek compensation for investment banking services from the subject company and/or companies in the next three months.

Price Target Risks & Related Risk Factors:

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:

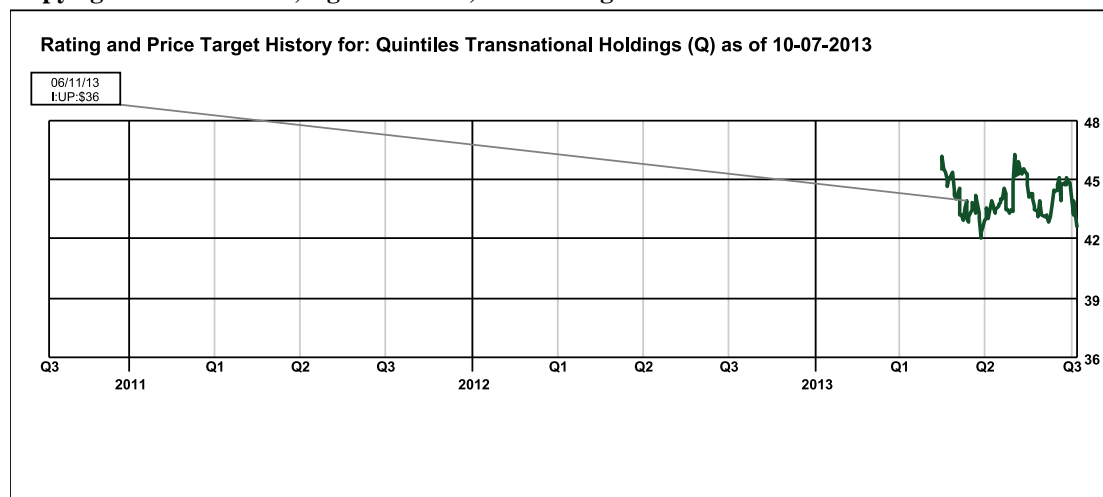
Rating Category	Count	Percent	IB Serv./ Past 12Mos.	
			Count	Percent
Buy	233	48.85%	31	13.30%
Neutral	226	47.38%	13	5.75%
Underperform	18	3.77%	1	5.56%

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

Other Disclosures:

Opinions expressed are our present opinions only. This material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. Sterne, Agee & Leach, Inc., its affiliates, or one or more of its officers, employees, or consultants may, at times, have long or short or options positions in the securities mentioned herein and may act as principal or agent to buy or sell such securities.

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