
Quintiles Transnational Holdings Inc. (HOLD)

Q - Quick Alert: An Adrenaline Shot to the Provider/Outcomes Research Business

KeyBanc Capital Markets Inc.
Member NYSE/FINRA/SIPC

Donald Hooker, CFA: (917) 368- 2378 — donald.hooker@key.com
John Gagliardi, CFA: (917) 368- 2372 — john.gagliardi@key.com

KEY INVESTMENT POINTS

Quintiles Transnational Holdings Inc. (Q- NYSE) acquired Encore Health Resources (private) to expand its access to real-world clinical data generated by hospitals, physician practices and other healthcare providers. Encore is a well- regarded consulting firm that helps healthcare providers (mainly hospitals) implement and optimize EHR software. Recently, Encore has also developed analytic tools that help providers mine clinical data from their EHR software to operate in "outcomes- based" reimbursement environments (e.g., accountable care organizations). Encore currently has ~300 employees in North America.

In our view, **Encore will help Quintiles sustain/accelerate the growth of its observational research business**, which, by our estimates, is growing at a ~20% annual rate. As the top- rated consulting firm serving Epic Systems (private) clients, Encore will give Quintiles a foot in the door with a number of major U.S. health systems as well as (presumably) the real- world clinical data that these systems produce. Drug developers and providers are mutually interested in understanding "real- world" clinical outcomes and the comparative effectiveness of differing therapies. We believe that Quintiles will look to monetize this data for both parties.

Management has not disclosed financial detail, but we suspect- - at first glance- - that Encore produces ~\$90 million of annual revenue, which will likely make Encore one of Q's larger acquisitions in recent years. Founded in 2009, Encore is still a relatively young company, which has been on a substantial growth trajectory from ~\$4 million in revenue at its founding to ~\$43 million in 2011 and to ~\$91 million in 2012. We assume that profitability is limited given the Company's rapid growth profile and consulting/people- intensive business model. Quintiles indicated that the acquisition will not likely materially impact 2014 EPS.

The acquisition is expected to close late this quarter (2Q14) and will be reported going forward as part of the Integrated Healthcare Services (IHS) segment (as "Encore, A Quintiles Company"). Given the entrepreneurial nature of this business, it will be critical for Quintiles to manage employee attrition as Encore becomes part of a much larger organization.

KeyBanc Capital Markets Inc. Disclosures and Certifications

Quintiles Transnational Holdings Inc. - Q

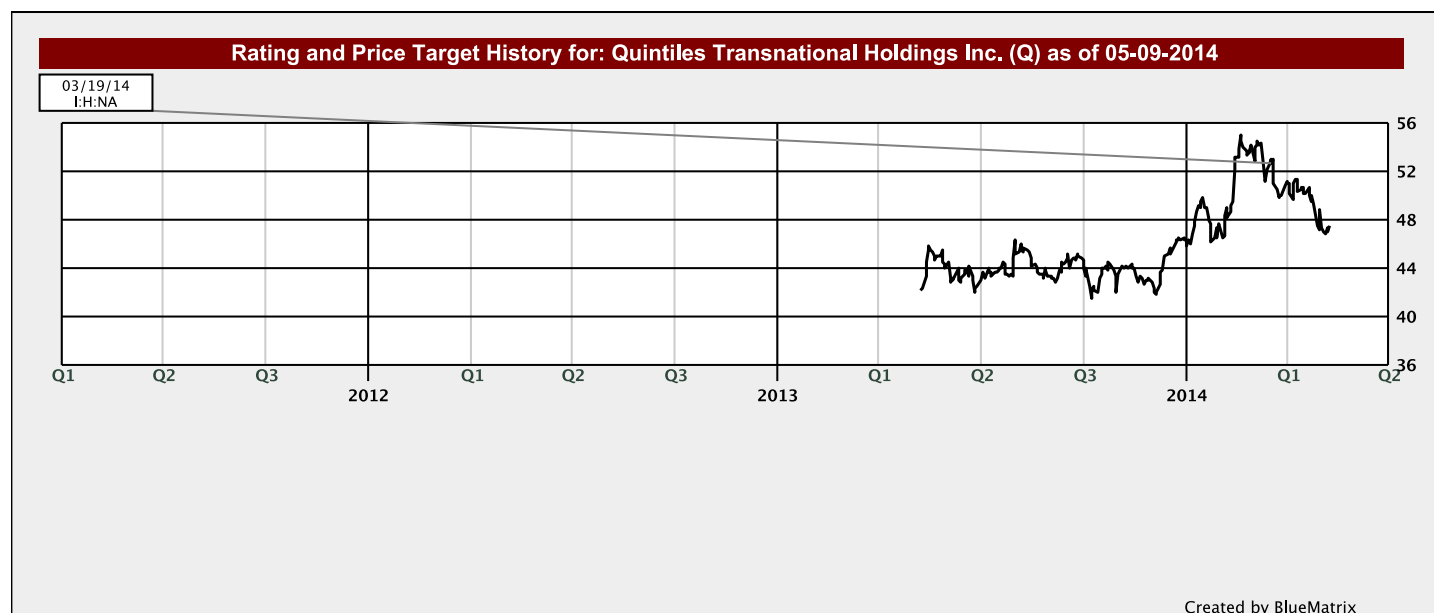
We expect to receive or intend to seek compensation for investment banking services from Quintiles Transnational Holdings Inc. within the next three months.

As of the date of this report, we make a market in Quintiles Transnational Holdings Inc..

Reg A/C Certification

The research analyst(s) responsible for the preparation of this research report certifies that:(1) all the views expressed in this research report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers; and (2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this research report.

Three- Year Rating and Price Target History



Rating Disclosures

Distribution of Ratings/IB Services Firmwide and by Sector									
KeyBanc Capital Markets					HEALTHCARE				
Rating	Count	Percent	IB Serv/Past 12 Mos.		Rating	Count	Percent	IB Serv/Past 12 Mos.	
			Count	Percent				Count	Percent
BUY [BUY]	246	44.73	51	20.73	BUY [BUY]	12	42.86	0	0.00
HOLD [HOLD]	293	53.27	59	20.14	HOLD [HOLD]	15	53.57	1	6.67
SELL [UND]	11	2.00	4	36.36	SELL [UND]	1	3.57	0	0.00

Rating System

BUY - The security is expected to outperform the market over the next six to 12 months; investors should consider adding the security to their holdings opportunistically, subject to their overall diversification requirements.

HOLD - The security is expected to perform in line with general market indices over the next six to 12 months; no buy or sell action is recommended at this time.

UNDERWEIGHT - The security is expected to underperform the market over the next six to 12 months; investors should reduce their holdings opportunistically.

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