

## Equity Research

### Quintiles Transnational Holdings, Inc.

Q: Raising Estimates Slightly In Conjunction With Repo

• **Summary.** Quintiles disclosed today (5/28) that the company repurchased about 3.3 million shares from TPG for \$165 million, using cash on hand. This repurchase is independent of Quintiles's \$125 million authorization, of which it has \$59.5 million remaining. We believe the repurchase will add about \$0.04 to 2014E EPS and about \$0.06 to 2015E EPS, although foreign exchange has gone against the company slightly since the last guidance update, so we raise our 2014E EPS by only \$0.03 to \$2.54 from \$2.51. Our 2015E EPS goes to \$2.79 from \$2.73.

#### Valuation Range: \$56.00 to \$60.00

Our valuation range is DCF-based (WACC = 8.0%; terminal NOPLAT growth = 2%) and represents 23x our 2014 EPS estimate. Risks include: (1) project cancellations or delays due to client M&A, economic weakness, pipeline reprioritization, or compound failure; (2) a reversal in the trend toward increased outsourcing; (3) lack of improvement in the IHS segment; (4) margin pressure from strategic relationships; (5) foreign exchange volatility; and (6) large insider ownership.

#### Investment Thesis:

We believe Quintiles is a leader in several capacities (size, operational efficiency, strategic savvy) in a secular growth industry, creating a favorable risk/reward profile for long-term holders.

**Outperform / V**

Sector: Pharmaceutical Services

Market Weight

#### Earnings Estimates Revised Up

	2013A	2014E	2015E		
EPS		Curr.	Prior	Curr.	Prior
Q1 (Mar.)	\$0.49	\$0.68 A	NC	\$0.67	0.66
Q2 (June)	0.50	0.61	0.60	0.70	0.68
Q3 (Sep.)	0.54	0.63	0.61	0.71	0.69
Q4 (Dec.)	0.58	0.63	0.61	0.71	0.70
FY	\$2.10	\$2.54	2.51	\$2.79	2.73
CY	\$2.10	\$2.54		\$2.79	
FY P/E	24.2x	20.0x		18.2x	
Rev.(MM)	\$3,808	\$4,148		\$4,445	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters  
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful  
V = Volatile, \* = Company is on the Priority Stock List

Ticker	Q
Price (05/28/2014)	\$50.87
52-Week Range:	\$40-55
Shares Outstanding: (MM)	128.9
Market Cap.: (MM)	\$6,557.1
S&P 500:	1,909.78
Avg. Daily Vol.:	738,181
Dividend/Yield:	\$0.00/0.0%
LT Debt: (MM)	\$2,046.0
LT Debt/Total Cap.:	NM
ROE:	NM
3-5 Yr. Est. Growth Rate:	13.0%
CY 2014 Est. P/E-to-Growth:	1.5x
Last Reporting Date:	05/01/2014

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

**Tim Evans, Senior Analyst**

(212) 214-8010 /

tim.evans@wellsfargo.com

**Luke E. Sergott, Associate Analyst**

(212) 214-8027 /

luke.sergott@wellsfargo.com

**Please see page 2 for rating definitions, important disclosures and required analyst certifications**

**All estimates/forecasts are as of 05/28/14 unless otherwise stated.**

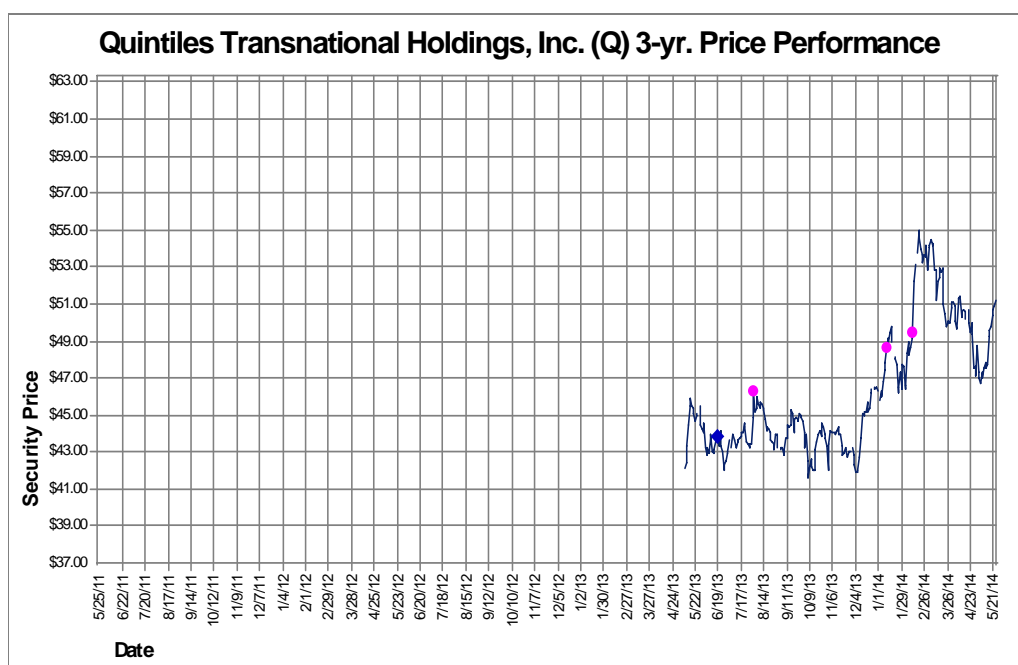
Wells Fargo Securities, LLC does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of the report and investors should consider this report as only a single factor in making their investment decision.

Together we'll go far



**Company Description:**

Based in Durham, North Carolina, Quintiles Transnational Holdings, Inc. is the largest contract research organization by revenue, providing both clinical trial management services and contract sales services to pharmaceutical and biotechnology clients. The company operates in two segments: Product Development (PDEV) and Integrated Health Services (IHS). PDEV provides a range of clinical trial services including study design, investigator recruitment, site start-up, patient recruitment, clinical monitoring, project management, phase I, bioanalytical services, biostatics, central lab, genomics services, strategic planning, and a range of consulting services. The vast majority of the IHS business consists of contract sales and related commercial services, but the segment also contains peri-approval clinical trial services as well as services provided to payers and healthcare providers. In addition to being the industry's largest CRO, Quintiles is differentiated from peers by its exposure to the contract sales business.

**Required Disclosures**

	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
	6/18/2013		Evans			
◆	6/18/2013	43.53	1	48.00	50.00	43.89
◆	8/1/2013	46.29	1	50.00	52.00	46.29
◆	1/10/2014	47.84	1	52.00	54.00	48.61
◆	2/12/2014	51.55	1	56.00	60.00	49.44

Source: Wells Fargo Securities, LLC estimates and Reuters data

**Symbol Key**

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- Valuation Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- Analyst Change
- Split Adjustment

**Rating Code Key**

- 1 Outperform/Buy
- 2 Market Perform/Hold
- 3 Underperform/Sell
- SR Suspended
- NR Not Rated
- NE No Estimate

**Additional Information Available Upon Request**

I certify that:

- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
- 2) 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 research report.

- Wells Fargo Securities, LLC maintains a market in the common stock of Quintiles Transnational Holdings, Inc.
- Wells Fargo Securities, LLC or its affiliates managed or comanaged a public offering of securities for Quintiles Transnational Holdings, Inc. within the past 12 months.
- Wells Fargo Securities, LLC or its affiliates intends to seek or expects to receive compensation for investment banking services in the next three months from Quintiles Transnational Holdings, Inc.
- Wells Fargo Securities, LLC or its affiliates received compensation for investment banking services from Quintiles Transnational Holdings, Inc. in the past 12 months.
- Wells Fargo Securities, LLC and/or its affiliates, have beneficial ownership of 1% or more of any class of the common stock of Quintiles Transnational Holdings, Inc.
- Quintiles Transnational Holdings, Inc. currently is, or during the 12-month period preceding the date of distribution of the research report was, a client of Wells Fargo Securities, LLC. Wells Fargo Securities, LLC provided investment banking services to Quintiles Transnational Holdings, Inc.
- Quintiles Transnational Holdings, Inc. currently is, or during the 12-month period preceding the date of distribution of the research report was, a client of Wells Fargo Securities, LLC. Wells Fargo Securities, LLC provided noninvestment banking securities-related services to Quintiles Transnational Holdings, Inc.
- Wells Fargo Securities, LLC received compensation for products or services other than investment banking services from Quintiles Transnational Holdings, Inc. in the past 12 months.
- Wells Fargo Securities, LLC or its affiliates has a significant financial interest in Quintiles Transnational Holdings, Inc.

**Q:** Risks include: (1) project cancellations or delays due to client M&A, economic weakness, pipeline reprioritization, or compound failure; (2) a reversal in the trend toward increased outsourcing; (3) lack of improvement in the IHS segment; (4) margin pressure from strategic relationships; (5) foreign exchange volatility; and (6) large insider ownership.

Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm, which includes, but is not limited to investment banking revenue.

**STOCK RATING**

**1=Outperform:** The stock appears attractively valued, and we believe the stock's total return will exceed that of the market over the next 12 months. BUY

**2=Market Perform:** The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

**3=Underperform:** The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

**SECTOR RATING**

**O=Overweight:** Industry expected to outperform the relevant broad market benchmark over the next 12 months.

**M=Market Weight:** Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

**U=Underweight:** Industry expected to underperform the relevant broad market benchmark over the next 12 months.

**VOLATILITY RATING**

**V** = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: May 28, 2014

50% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Outperform.

Wells Fargo Securities, LLC has provided investment banking services for 46% of its Equity Research Outperform-rated companies.

47% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Market Perform.

Wells Fargo Securities, LLC has provided investment banking services for 35% of its Equity Research Market Perform-rated companies.

3% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Underperform.

Wells Fargo Securities, LLC has provided investment banking services for 13% of its Equity Research Underperform-rated companies.

### Important Disclosure for International Clients

**EEA** – The securities and related financial instruments described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited (“WFSIL”). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 (“the Act”), the content of this report has been approved by WFSIL a regulated person under the Act. WFSIL does not deal with retail clients as defined in the Markets in Financial Instruments Directive 2007. The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients.

**Australia** – Wells Fargo Securities, LLC is exempt from the requirements to hold an Australian financial services license in respect of the financial services it provides to wholesale clients in Australia. Wells Fargo Securities, LLC is regulated under U.S. laws which differ from Australian laws. Any offer or documentation provided to Australian recipients by Wells Fargo Securities, LLC in the course of providing the financial services will be prepared in accordance with the laws of the United States and not Australian laws.

**Hong Kong** – This report is issued and distributed in Hong Kong by Wells Fargo Securities Asia Limited (“WFSAL”), a Hong Kong incorporated investment firm licensed and regulated by the Securities and Futures Commission to carry on types 1, 4, 6 and 9 regulated activities (as defined in the Securities and Futures Ordinance, “the SFO”). This report is not intended for, and should not be relied on by, any person other than professional investors (as defined in the SFO). Any securities and related financial instruments described herein are not intended for sale, nor will be sold, to any person other than professional investors (as defined in the SFO).

**Japan** – This report is distributed in Japan by Wells Fargo Securities (Japan) Co., Ltd, registered with the Kanto Local Finance Bureau to conduct broking and dealing of type 1 and type 2 financial instruments and agency or intermediary service for entry into investment advisory or discretionary investment contracts. This report is intended for distribution only to professional investors (Tokutei Touseika) and is not intended for, and should not be relied upon by, ordinary customers (Ippan Touseika).

The ratings stated on the document are not provided by rating agencies registered with the Financial Services Agency of Japan (JFSA) but by group companies of JFSA-registered rating agencies. These group companies may include Moody’s Investors Services Inc, Standard & Poor’s Rating Services and/or Fitch Ratings. Any decisions to invest in securities or transactions should be made after reviewing policies and methodologies used for assigning credit ratings and assumptions, significance and limitations of the credit ratings stated on the respective rating agencies’ websites.

### About Wells Fargo Securities, LLC

Wells Fargo Securities is the trade name for the capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including but not limited to Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of NYSE, FINRA, NFA and SIPC, Wells Fargo Institutional Securities, LLC, a member of FINRA and SIPC, Wells Fargo Prime Services, LLC, a member of FINRA, NFA and SIPC, Wells Fargo Bank, N.A. and Wells Fargo Securities International Limited, authorized and regulated by the Financial Conduct Authority.

Wells Fargo Securities, LLC is a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the New York Stock Exchange, the Financial Industry Regulatory Authority and the Securities Investor Protection Corp.

This report is for your information only and is not an offer to sell, or a solicitation of an offer to buy, the securities or instruments named or described in this report. Interested parties are advised to contact the entity with which they deal, or the entity that provided this report to them, if they desire further information. The information in this report has been obtained or derived from sources believed by Wells Fargo Securities, LLC, to be reliable, but Wells Fargo Securities, LLC, does not represent that this information is accurate or complete. Any opinions or estimates contained in this report represent the judgment of Wells Fargo Securities, LLC, at this time, and are subject to change without notice. For the purposes of the U.K. Financial Conduct Authority's rules, this report constitutes impartial investment research. Each of Wells Fargo Securities, LLC, and Wells Fargo Securities International Limited is a separate legal entity and distinct from affiliated banks. Copyright © 2014 Wells Fargo Securities, LLC.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE
---