

Quintiles Transnational Holdings

Operationally Strong, But We Remain Cautious Towards PIII CRO Market; Revising Estimates

Our Call

Quintiles has proven itself operationally strong as a public company, and we very much respect the company's industry-high, or at least close to industry-high, operating margins. Given our belief that PIII CRO industry revenue growth has peaked and margin expansion could become difficult as the top-5 PIII CROs compete more aggressively, our rating must remain Underperform.

■ **What's Up?** Interestingly, we actually think Quintiles is well positioned to gain some market share in the midst of large pharma M&A. The company has one of the most diversified client lists, and we think it will actively pursue partnerships with pharma companies that go through transformative change. Conversely, Quintiles is predominantly a PIII CRO, and given our view that we have passed the peak of the PIII development cycle we think that competition is picking up among the top-5 late stage CROs. We witnessed signs of heightened competition in 3Q13, when we know of two top-PIII CROs, one public and one private, that posted <1.0 book to bills. Our industry checks with biopharma R&D managers suggest that spending on PIII compound pipelines will slow this year and next. We also believe the outsourcing penetration rate for PIII development work to be 60% and as this rate moves closer to an addressable ceiling, industry revenue growth will gravitate towards the underlying pillar of growth, or R&D growth (1-2% Y/Y).

■ **Thoughts on 1Q14 Results.** Quintiles posted EPS of \$0.68, with non-operating items contributing \$0.04. The source of the underlying \$0.09 EPS beat versus our estimate was strength in operating margin. We believe that the company is winding down a mega-trial, around \$300MM+ in total size, which served as a drag for revenue growth but also a boon for operating margin. On an organic constant dollar basis, 1Q14 Product Development (PD) revenue growth slowed to 3.9% Y/Y, which compared to 6.7% growth in CY13. Operating margin jumped to 19.8% on a constant dollar basis from 18.3% in CY13. Beyond restructuring benefits, the company was able to transition seasoned employees off this mega-trial to other trials, which enabled higher productivity in the quarter. We expect 2Q14 PD revenue growth and operating margin to show similar characteristics to 1Q14.

■ **CY14 and CY15 Estimates.** Due to upside to 1Q14 EPS results and stronger operating margin expected in 2Q14, we have raised our EPS estimate to \$2.56 from \$2.37 for CY14. Interestingly, our PD operating margin estimate slides to around 18% in 4Q14 to reach what is essentially the top end of EPS guidance. We have also raised our CY15 EPS estimate to \$2.74 from \$2.63 given the higher ramp in margin trajectory in CY14.

FYE Dec	2013A (Curr)	2014E (Curr)	2015E (Curr)
EBITDA (M)			
Q1 (Mar)	141.0	163.0	-
Q2 (Jun)	149.0	164.0	-
Q3 (Sept)	160.0	166.0	-
Q4 (Dec)	160.0	183.0	-
FY EBITDA (M)	612.0	676.0	726.0

Source: Sterne Agee and FactSet

Underperform Q

Price: Close \$46.99

Price Target \$40.00

Pharmaceutical Services

Greg T. Bolan

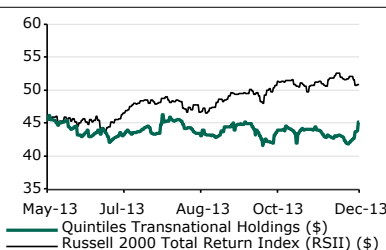
(615) 760-1469

gbolan@sterneagee.com

Company Data

Rating	Underperform
Price: Close	\$46.99
Price Target	\$40.00
52-Week Range	\$40.10 - \$55.00
Market Capitalization (M)	\$6,158.3
Shares Outstanding (M)	130.1
Avg. Daily Vol. (000)	654.0
Dividend Yield	0.0%
Assets (M)	\$3,066.8
Short Interest	1.0%
Total EV	7,600

Price Performance



Source: FactSet

Any Important Disclosures regarding Price Target Risks, Valuation Methodology, Regulation Analyst Certification, Investment Banking, Ratings Definitions, and any potential conflicts of interest begin on Page I of the Appendix Section. Past performance is no guarantee of future results.

800 Shades Creek Parkway Suite 700 Birmingham, AL 35209 205-949-3500

Sterne, Agee & Leach Inc. is Member NYSE, FINRA, SIPC

Exhibit 1: Quintiles F1Q 2014 Variance Table

FY: December	Consensus					Yr/Yr	Sequential
Numbers in million except EPS	1Q:13A	4Q:13A	1Q:14E	1Q:14A	1Q:14A	% change	% change
Service revenues	927	1,004	981	\$ 1,005.3	\$ 997.1	8.4%	0.1%
COGS	611	642	646	643.7		5.3%	0.3%
Gross Profit	316	362	335	362		14.3%	-0.1%
SG&A	199	233	203	219		10.0%	-5.8%
Charges	1.9	2	-	-		-100.0%	-100.0%
Operating Income	115.2	127	132	142.3		23.6%	12.1%
Interest income	0.5	1.6	0.8	1.3		177.7%	-20.6%
Interest expense	(36.0)	(27)	(26)	(24.7)		-31.5%	-7.9%
Other income	2.4	(1.7)	-	4.8		103.4%	-380.8%
Pre-tax income	82.0	100	106	123.7		51.0%	23.7%
Taxes	32.1	28	32	37.4		16.4%	35.7%
Net Income (cont. ops)	49.8	72	74	86.3		73.2%	19.1%
Equity earnings, non-controlling interests	(1.7)	1	-	4.9		-390.6%	855.3%
Net Income (attributable to Quintiles)	48.2	73	74	91.2		89.4%	25.0%
EPS (non-GAAP)	\$ 0.49	0.58	0.56	\$ 0.68	\$ 0.55	40.6%	17.6%
Shares Outstanding	119	133	132	133		12.0%	0.1%
EBITDA (adjusted)	141.2	160	163	171		21.4%	7.3%
Common Size							
Service revenues	100.0%	100.0%	100.0%	100.0%			
COGS	65.9%	63.9%	65.9%	64.0%			
Gross Margin	34.1%	36.1%	34.1%	36.0%			
SG&A	21.5%	23.2%	20.7%	21.8%			
Charges	0.2%	0.2%	0.0%	0.0%			
Operating Margin	12.4%	12.7%	13.4%	14.2%			
Interest expense	-3.8%	-2.5%	-2.6%	-2.3%			
Pre-tax income	8.8%	10.0%	10.8%	12.3%			
Effective tax rate	39.2%	27.5%	30.0%	30.2%			
Net Income (attributable to Quintiles)	5.2%	7.3%	7.6%	9.1%			
EBITDA (non-GAAP)	15.2%	15.9%	16.6%	17.1%			
EBIT (non-GAAP)	12.6%	12.9%	13.4%	14.4%	13.1%		
Non-GAAP EBIT (ex FX)							
Net Income (non-GAAP)	6.2%	7.7%	7.6%	9.0%			
Effective tax rate (non-GAAP)	39.9%	24.9%	30.0%	28.9%			
Segment Details							
Product Development							
Revenue	706	775	749	771	\$ 766.5		
FX	(7)	(3)	-	4			
Acquisitions	6	31	-	33			
Revenues (organic, ex-FX)	707	747	749	734			
y/y growth (total)	7.6%	10.2%	6.0%	9.1%			
FX	-1.0%	(0.4%)	0.0%	0.5%			
Acquisitions	0.9%	4.5%	0.0%	4.6%			
Revenues (organic, ex-FX)	7.7%	6.2%	6.0%	3.9%			
% Total Revenues	76.2%	77.2%	76.3%	76.7%			
Segment EBIT Margin	18.8%	19.7%	18.5%	20.8%			
Segment EBIT Margin (ex-FX)	18.95%	20.0%		19.4%			
Integrated Healthcare Services							
Revenue	221	229	232	234	\$ 230.7		
FX	(10)	(11)	-	(4)			
Acquisitions	-	-	-	-			
Revenues (organic, ex-FX)	231	240	232	239			
y/y growth (total)	-4.6%	-5.7%	5.0%	6.0%			
FX	-4.2%	(4.7%)	0.0%	(1.9%)			
Acquisitions	0.0%	0.0%	0.0%	-			
Revenues (organic, ex-FX)	-0.3%	-1.0%	5.0%	3.4%			
% Total Revenues	23.8%	22.8%	23.7%	23.3%			
Segment EBIT Margin	2.8%	5.4%	5.5%	3.8%			
Segment EBIT Margin (ex-FX)	0.031615418	5.8%		4.2%			
OTHER							
Ending backlog	\$ 9,022	\$ 9,855	\$ 10,128	\$ 10,100	\$ 10,040		
Net bookings	\$ 1,245	\$ 1,299	\$ 1,308	\$ 1,270	\$ 1,190		
Book-to-bill	1.34	1.29	1.33	1.26	1.19		

Reported: 05/01/2014

Source: Company data & Sterne Agee estimates

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

Exhibit 2: Quintiles FY-2014 Updated Guidance

Service Revenues	1Q14	2Q14	3Q14	4Q14	FY14
2/13/2014					\$4.09-4.15 billion
5/1/2014					\$4.13-4.19 billion
Const. Currency Growth	1Q14	2Q14	3Q14	4Q14	FY14
2/13/2014					7.4% to 9.0%
5/1/2014					8.4% to 10.0%
Diluted Adj. EPS	1Q14	2Q14	3Q14	4Q14	FY14
2/13/2014					\$2.33 - 2.46
5/1/2014					\$2.45 - 2.58
Diluted Adj. EPS Growth	1Q14	2Q14	3Q14	4Q14	FY14
2/13/2014					11.0 - 17.1%
5/1/2014					16.7 - 22.9%
Diluted GAAP EPS	1Q14	2Q14	3Q14	4Q14	FY14
2/13/2014					\$2.26 - 2.40
5/1/2014					\$2.38 - 2.52
Annual Effective Income Tax	1Q14	2Q14	3Q14	4Q14	FY14
2/13/2014					30%
5/1/2014					reaffirm

Source: Company presentations and conference call transcripts

Quintiles: Quarterly Income Statement

FY: December	2012					2013					2014					2015				
Numbers in million except EPS	2012A	1Q:13A	2Q:13A	3Q:13A	4Q:13A	2013A	1Q:14A	2Q:14E	3Q:14E	4Q:14E	2014E	1Q:15E	2Q:15E	3Q:15E	4Q:15E	2015E				
Service revenues	3,692	927	944	933	1,004	3,808	1,005	1,001	991	1,069	4,066	1,058	1,053	1,043	1,125	4,279				
COGS	2,459	611	618	601	642	2,471	644	655	638	683	2,620	677	689	672	719	2,757				
Gross Profit	1,233	316	327	332	362	1,337	362	346	353	385	1,446	380	364	371	406	1,521				
SG&A	818	199	229	200	233	861	219	207	211	240	878	230	219	228	248	925				
Charges	19	2	3	7	2	14	-	-	-	-	-	-	-	-	-	-				
Operating Income	396	115	95	125	127	462	142	139	141	145	567	150	145	143	157	596				
Interest income	3.1	0.5	(15.8)	1.1	1.6	(12.6)	1.3	0.1	1.3	0.4	3.1	0.2	0.2	0.2	0.3	1.0				
Interest expense	(134)	(36)	(32)	(29)	(27)	(124)	(25)	(24)	(24)	(23)	(96)	(23)	(22)	(22)	(21)	(88)				
Other income	2.3	2.4	(0.5)	(3.2)	(1.7)	(3.1)	4.8	-	-	-	4.8	-	-	-	-	-				
Pre-tax income	267	82	47	94	100	323	124	115	119	122	479	127	123	122	136	509				
Taxes	93	32	9	27	28	96	37	35	36	37	145	37	36	35	40	148				
Net Income (cont. ops)	174	50	38	67	72	227	86	80	83	85	334	90	88	87	97	361				
Equity earnings, non-controlling interests	3.5	(2)	0	(0)	1	(1.1)	5	-	-	-	4.9	-	-	-	-	-				
Net Income (attributable to Quintiles)	178	48	38	67	73	226	91	80	83	85	339	90	88	87	97	361				
EPS (GAAP)		0.41				1.78					2.53					2.74				
NI (non-GAAP)	209	58	63	72	77	270	91	80	83	85	339	90	88	87	97	361				
EPS (non-GAAP)	1.77	0.49	0.50	0.54	0.58	2.10	0.68	0.60	0.63	0.65	2.56	0.69	0.66	0.65	0.73	2.74				
Shares Outstanding		119	127	133	133	128	133	133	132	132	132	132	132	132	132	132				
EBITDA (adjusted)	544	141	149	160	160	612	171	169	171	176	688	182	179	176	191	728				
Common Size																				
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%	100.0%				
COGS	66.6%	65.9%	65.4%	64.4%	63.9%	64.9%	64.0%	65.4%	64.4%	63.9%	64.4%	64.0%	65.4%	64.4%	63.9%	64.4%				
Gross Margin	33.4%	34.1%	34.6%	35.6%	36.1%	33.6%	36.0%	34.6%	35.6%	36.1%	33.8%	36.0%	34.6%	35.6%	36.1%	34.0%				
SG&A	22.1%	21.5%	24.2%	21.4%	23.2%	22.6%	21.8%	20.7%	21.3%	22.5%	21.6%	21.8%	20.8%	21.8%	22.1%	21.6%				
Charges	0.5%	0.2%	0.3%	0.8%	0.2%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%				
Operating Margin	10.7%	12.4%	10.1%	13.4%	12.7%	12.1%	14.2%	13.9%	14.3%	13.6%	14.0%	14.2%	13.8%	13.8%	14.0%	13.9%				
Interest expense	-3.6%	-3.8%	-5.0%	-3.0%	-2.5%	-3.2%	-2.3%	-2.4%	-2.3%	-2.1%	-2.4%	-2.1%	-2.1%	-2.1%	-1.9%	-2.1%				
Pre-tax income	7.2%	8.8%	4.9%	10.1%	10.0%	8.5%	12.3%	11.4%	12.0%	11.4%	11.8%	12.0%	11.7%	11.7%	12.1%	11.9%				
Effective tax rate	34.9%	39.2%	18.9%	29.1%	27.5%	28.7%	30.2%	30.2%	30.2%	30.2%	30.2%	29.0%	29.0%	29.0%	29.0%	29.0%				
Net Income (attributable to Quintiles)	4.8%	5.2%	4.1%	7.1%	7.3%	6.0%	9.1%	8.0%	8.4%	8.0%	8.2%	8.5%	8.3%	8.3%	8.6%	8.4%				
EBITDA (non-GAAP)	14.7%	15.2%	15.8%	17.1%	15.9%	16.1%	17.1%	16.9%	17.3%	16.5%	16.9%	17.2%	17.0%	16.9%	17.0%	17.0%				
EBIT (non-GAAP)	12.1%	12.6%	13.1%	14.2%	12.9%	13.1%	14.4%	13.9%	14.3%	13.6%	14.0%	14.2%	13.8%	13.8%	14.0%	13.9%				
Non-GAAP EBIT (ex FX)	9.9%					11.8%														
Net Income (non-GAAP)	5.7%	6.2%	6.7%	7.7%	7.7%	7.1%	9.0%	8.0%	8.4%	8.0%	8.3%	8.5%	8.3%	8.3%	8.6%	8.4%				
Effective tax rate (non-GAAP)	26.3%	39.9%	-24.8%	26.1%	24.9%	22.2%	29.4%	30.2%	30.2%	30.2%	29.9%	29.0%	29.0%	29.0%	29.0%	29.0%				
Y/Y Change																				
Service revenues	12.1%	4.4%	-0.1%	2.1%	6.2%	3.1%	8.4%	6.0%	6.2%	6.5%	6.8%	5.2%	5.2%	5.2%	5.2%	5.2%				
COGS	14.2%	3.5%	-1.7%	-1.9%	2.1%	0.5%	5.3%	6.0%	6.2%	6.5%	6.0%	5.2%	5.2%	5.2%	5.2%	5.2%				
Gross Profit	8.0%	6.3%	3.1%	10.1%	14.1%	8.4%	14.3%	6.0%	6.2%	6.5%	8.1%	5.2%	5.2%	5.2%	5.2%	5.2%				
SG&A	7.3%	-3.2%	12.4%	3.5%	8.0%	5.2%	10.0%	-9.3%	5.9%	3.2%	2.1%	5.1%	5.5%	7.8%	3.3%	5.4%				
Operating Income	14.8%	25.2%	-5.9%	14.8%	34.5%	16.6%	23.6%	46.1%	12.8%	14.3%	22.7%	5.4%	4.9%	1.5%	8.3%	5.0%				
Interest expense	24.9%	23.1%	45.3%	-15.5%	-31.6%	3.7%	-34.1%	-49.3%	-18.5%	-9.4%	-31.7%	-3.1%	-8.5%	-4.6%	-9.0%	-6.3%				
Pre-tax income	44.9%	25.1%	-37.1%	30.1%	81.6%	20.8%	51.0%	145.2%	25.9%	22.2%	48.3%	2.9%	7.7%	2.6%	11.6%	6.2%				
Taxes	518.1%	32.4%	-68.0%	27.5%	37.7%	2.8%	16.4%	292.0%	30.8%	34.1%	50.9%	-1.3%	3.3%	-1.5%	7.1%	1.9%				
Net Income (attributable to Quintiles)	-26.5%	11.2%	-18.8%	27.9%	108.6%	27.3%	89.4%	108.4%	24.5%	16.9%	50.1%	-0.9%	9.6%	4.4%	13.5%	6.5%				
EPS (GAAP)																				
Shares Outstanding																				
Service revenues (non-GAAP)	12.1%	4.4%	-0.1%	2.1%	6.2%	3.1%	8.4%	6.0%	6.2%	6.5%	6.8%	5.2%	5.2%	5.2%	5.2%	5.2%				
FX	(1.9%)	(1.2%)	(2.3%)	(1.9%)	(1.5%)	(1.9%)	(0.1%)	0.0%	0.0%	0.0%	(0.0%)	0.0%	0.0%	0.0%	0.0%	0.0%				
Acquisitions	2.6%	0.6%	0.7%	1.0%	1.1%	0.8%	3.5%	0.0%	0.0%	0.0%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%				
Revenues (organic, ex-FX)	11.4%	5.0%	1.6%	3.1%	6.6%	4.2%	4.9%	6.0%	6.2%	6.5%	5.9%	5.2%	5.2%	5.2%	5.2%	5.2%				
EBITDA (non-GAAP)	10.8%	9.0%	7.9%	17.7%	14.0%	12.5%	21.4%	13.2%	7.3%	10.3%	12.5%	6.2%	5.8%	2.9%	8.6%	5.9%				
EBIT (non-GAAP)	11.8%	9.6%	8.4%	20.4%	12.8%	12.1%	24.0%	11.8%	6.7%	12.3%	13.6%	3.8%	4.9%	1.5%	8.3%	5.0%				
Net Income (non-GAAP)	9.4%	10.5%	12.6%	36.7%	59.5%	29.0%	57.5%	27.0%	15.2%	10.7%	25.7%	-0.4%	9.6%	4.4%	13.5%	6.6%				
EPS (non-GAAP)	9.6%	9.7%	4.8%	20.9%	41.4%	18.5%	40.6%	21.3%	16.3%	11.8%	21.8%	0.6%	10.1%	4.3%	12.9%	6.8%				

Source: Company filings and Sterne Agee estimates

GLOSSARY OF TERMS & ACRONYMS

Term	Definition	Term	Definition
ACA	Affordable Care Act	PDEV	Product Development
ACO	Accountable Care Organization	PE	Price to Earnings
Adj	Adjusted	PEG	PE to earnings growth
ADME	Absorption, distribution, metabolism, excretion	PHM	Population Health Management
B2B	Book to Bill	PK	Pharmacokinetics
CAGR	Compound Annual Growth Rate	PT	Price Target
CEO	Chief Executive Officer	PI	Phase I Clinical Studies
CMS	Centers for Medicare & Medicaid Services	PII	Phase II Clinical Studies
COGS	Cost of Goods Sold	PIII	Phase III Clinical Studies
CROs	Contract Research Organizations	Q	Quarter
CY	Calendar Year	Q&A	Question and Answer
D&A	Depreciation and Amortization	QTD	Quarter-to-Date
DCF	Discounted Cash Flow	R&D	Research and Development
DMPK	Drug metabolism and pharmacokinetics	RCM	Revenue Cycle Management
DS&A	Distribution, Selling and Administrative	RFP	Request for Proposal
EBIT	Earnings Before Interest and Tax	RMS	Research Models and Services
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization	ROIC	Return on Invested Capital
ED	Early Development	S&P	Standard and Poor's
EHR	Electronic Health Records	SaaS	Software as a Service
EPS	Earnings Per Share	SCM	Spend and Clinical Resource Management
EV	Enterprise Value	SG&A	Selling, General, and Administrative
FDA	U.S. Food and Drug Administration	TTM	Trailing 12 Months
FFS	Fee-for-Service	UP	Underperform
FTE	Full-time Employee	USD	United States Dollar
FX	Effect of Foreign Currency	Y/Y	Year over Year
FY	Fiscal Year	YTD	Year-to-Date
GAAP	Generally Accepted Accounting Principles		
GDP	Gross Domestic Product		
GLP	Good Laboratory Practices		
GM	Gross Margin		
GPO	Group Purchasing Organization		
H	Half		
HCIT	Healthcare Information Technology		
HIMSS	Healthcare Information and Management Systems Society		
HITECH	Health Information Technology for Economic and Clinical Health Act		
ICD	International Classification of Diseases		
IND	Investigational New Drug		
IPO	Initial Public Offering		
IT	Information Technology		
LS	Late Stage		
LTM	Last 12 Months		
M&A	Merger and Acquisition		
MGMA	Medical Group Management Association		
MM	Million		
MTD	Month-to-Date		
MU	Meaningful Use		
NDA	New Drug Approval		
NHP	Non-Human Primate		
NPV	Net Present Value		
NR	No Rating		
NTM	Next 12 Months		
PBM	Pharmacy Benefit Manager		
PCS	Preclinical Services		

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.

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 15x multiple to our CY15 EPS estimate.

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:

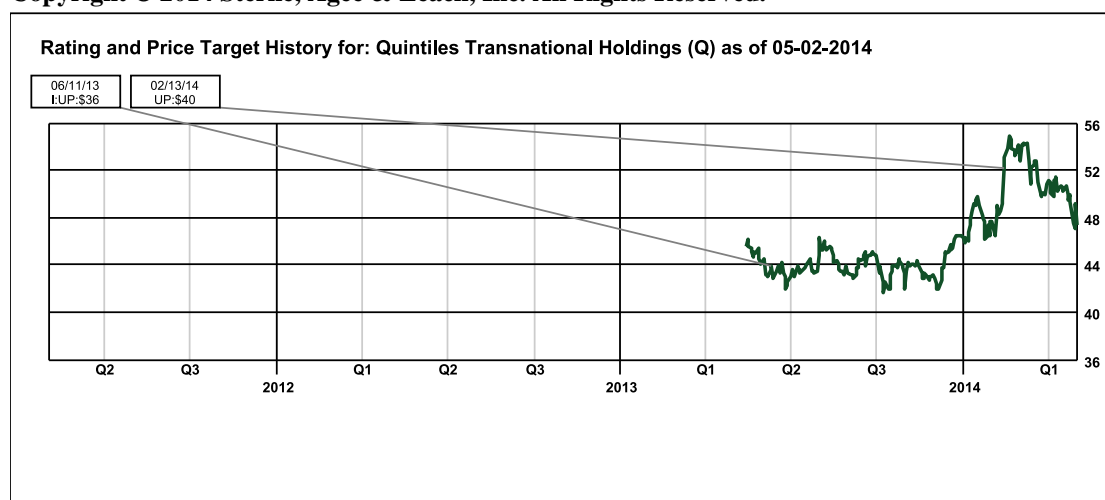
Rating Category	Count	Percent	IB Serv./ Past 12Mos.	
			Count	Percent
Buy	247	48.91%	35	14.17%
Neutral	245	48.51%	22	8.98%
Underperform	13	2.57%	0	0.00%

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. Past performance is no guarantee of future results.

Copyright © 2014 Sterne, Agee & Leach, Inc. All Rights Reserved.



To receive price charts or other disclosures on the companies mentioned in this report that are not the subject of this report which Sterne Agee continues to cover, please visit our website at <https://sterneagee.bluematrix.com/sellside/Disclosures.action> or contact Sterne, Agee & Leach, Inc. toll-free at (800) 240-1438 or (205) 949-3689.



Founded in 1901, Sterne Agee has been providing investors like you with high-quality investment opportunities for over a century. During the early years, our founders prominently established themselves in the financial securities industry in the southeastern United States. Today, we have expanded to serve all regions of the country. Sterne, Agee is headquartered in Birmingham, Alabama. Sterne Agee is one of the largest independent firms in the country. Sterne, Agee & Leach, Inc. is a division of Sterne Agee Group, Inc., which also includes The Trust Company of Sterne, Agee & Leach, Inc.; Sterne Agee Asset Management, Inc.; Sterne Agee Clearing, Inc.; and Sterne Agee Financial Services, Inc.—www.sterneagee.com

EQUITY CAPITAL MARKETS

Ryan Medo

Managing Dir., Eq. Cap. Mkts.

(205) 949-3623

INSTITUTIONAL SALES

William Jump	Director of Institutional Sales	(404) 814-3960
Jon Schenk	Assoc. Director of Inst. Sales	(212) 763-8221

INSTITUTIONAL TRADING

JT Cacciabauda	Head of Trading	(212) 763-8288
----------------	-----------------	----------------

EQUITY RESEARCH

Robert Hoehn

Director of Research

(212) 338-4731

CHIEF ECONOMIST

Lindsey M. Piegza	Mng. Dir.	(312) 924-0607
-------------------	-----------	----------------

TECHNICAL ANALYSIS & RESEARCH

Carter Braxton Worth	Mng. Dir.	(212) 338-4765
----------------------	-----------	----------------

CONSUMER

Broadlines / Health & Wellness Retailing

Charles Grom, CFA	Mng. Dir.	(646) 376-5373
Renato Basanta, CFA	VP, Analyst	(646) 376-5317
John Parke	Analyst	(646) 376-5315

Footwear & Apparel

Sam Poser	Mng. Dir.	(212) 763-8226
Ben Shamsian	Analyst	(212) 338-4721

Leisure & Entertainment

David Bain	Mng. Dir.	(949) 721-6651
------------	-----------	----------------

Media & Entertainment

Vasily Karasyov	Mng. Dir.	(646) 376-5362
Kutgun Maral	VP, Analyst	(646) 376-5372

Restaurants

Lynne Collier	Mng. Dir.	(214) 702-4045
Wes Carmichael	Analyst	(214) 702-4004

Specialty Retail

Ike Boruchow, Jr.	Mng. Dir.	(212) 338-4756
Tom Nikic, CFA	VP, Analyst	(212) 338-4784

ENERGY

Exploration & Production

Tim Rezvan, CFA	SVP, Sr. Analyst	(212) 338-4736
Truman Hobbs	Analyst	(212) 338-4767

Oilfield Services & Equipment

Stephen D. Gengaro	Mng. Dir.	(646) 376-5331
Ivan Suleiman	Analyst	(212) 338-4723

FINANCIAL SERVICES

Asset Management

Jason Weyeneth, CFA	SVP, Sr. Analyst	(212) 763-8293
---------------------	------------------	----------------

Banks & Thrifts

Matthew Kelley	Mng. Dir.	(207) 699-5800
Matthew Breese	VP, Sr. Analyst	(207) 699-5800
Brett Rabatin, CFA	Mng. Dir.	(615) 760-1466
Nathan Race	Analyst	(615) 760-1477
Peyton Green	Mng. Dir.	(877) 492-2663
Maxwell Neely	Analyst	(615) 760-1468

Life Insurance

John M. Nadel	Mng. Dir.	(212) 338-4717
---------------	-----------	----------------

Specialty Lenders and Housing Finance

Henry J. Coffey, Jr., CFA	Mng. Dir.	(615) 760-1472
Kenneth James	VP, Sr. Analyst	(615) 760-1474
Calvin Hotrum	Analyst	(615) 760-1476

Property/Casualty Insurance

Dan Farrell	Mng. Dir.	(212) 338-4782
Nitin Chhabra, FCAS	Analyst	(212) 338-4779

HEALTHCARE

Medical Technology

Gregory P. Chodaczek	Mng. Dir.	(610) 260-9560
----------------------	-----------	----------------

Pharmaceutical Services

Gregory Bolan	Mng. Dir.	(615) 760-1469
---------------	-----------	----------------

Specialty and Generic Pharmaceuticals

Shibani Malhotra	Mng. Dir.	(646) 376-5396
------------------	-----------	----------------

INDUSTRIALS

Aerospace & Defense

Peter Arment	Mng. Dir.	(646) 376-5336
Josh W. Sullivan	Sr. Analyst	(646) 376-5337
Asher Carey	Analyst	(646) 218-4825

Auto, Auto Parts and Auto Retailers

Michael P. Ward, CFA	Mng. Dir.	(646) 376-5375
----------------------	-----------	----------------

Coal, Metals & Mining, Engineering & Construction

Michael S. Dudas, CFA	Mng. Dir.	(646) 376-5329
Satyadeep Jain, CFA	Analyst	(646) 376-5357
Patrick Uotila, CPA	Analyst	(646) 376-5358

Construction Materials & Diversified Industrials

Todd Vencil, CFA	Mng. Dir.	(804) 282-7385
------------------	-----------	----------------

Homebuilding

Jay McCanless	VP, Sr. Analyst	(615) 760-1475
Annie Worthman	Analyst	(615) 760-1478

Water and Flow Control

Kevin Bennett, CFA	VP, Sr. Analyst	(804) 282-4506
--------------------	-----------------	----------------

TECHNOLOGY

Data Networking and Storage

Alex Kurtz	Mng. Dir	(415) 402-6015
Amelia Harris	Analyst	(415) 402-6018
Craig Jones	Analyst	(415) 402-6024

Enterprise Software

Robert Breza	Sr. Analyst	(612) 360-7550
Jean-Baptiste Jouve	Analyst	(917) 392-5700

Financial Technology

Jennifer Dugan, CFA	Sr. Analyst	(415) 402-6051
---------------------	-------------	----------------

Interactive Entertainment / Internet

Arvind Bhatia, CFA	Mng. Dir.	(214) 702-4001
Brett Strauser	VP, Analyst	(214) 702-4009

LED Supply Chain

Andrew Huang	Mng. Dir.	(415) 362-6143
John Shen	Analyst	(415) 402-6052

Semiconductors

Vijay Rakesh	Mng. Dir.	(312) 525-8431
Troy Cowdrey	Analyst	(312) 525-8430

TRANSPORTATION, SERVICES & EQUIPMENT

Sal Vitale	VP, Sr. Analyst	(212) 338-4766
------------	-----------------	----------------