

Quintiles Transnational Holdings

Maybe There is a Margin Expansion Story After All

Q beats w/ \$0.68 EPS; Ahead of Street consensus of \$0.55

Q continued the string of beat and raises among late-stage CROs posting a strong \$0.68 EPS (+41% y/y) vs the Street's/UBSe of \$0.55/\$0.57. As was the case with other CROs, EBIT margin improvement was the key factor in driving EPS growth. EBIT margins were up to 14.2% (+140 bps y/y) which was largely driven by margin expansion in PDEV. Importantly, Q op inc. grew 20.8%. Bookings came in at \$1.27 bil for a book to bill of 1.27. Product dev (PDEV) accounted for \$1 bil while Integrated HC Services (IHS) accounted for \$269 mil. Q ended the qtr with a record backlog of \$10.1 bil.

With industry leading margins already, Q posts 140bps add'l expansion in 1Q14

Impressively, Q continues to push EBIT margins higher despite already having industry leading margins. Recall around the time of the IPO last year, mgmt. was suggesting to assume minimal margin expansion because of efficiency initiatives that took place while private. Despite this, it seems margin expansion is now part of the story. PDEV biz was the primary driver of EBIT margin expansion with 20.8% (+200 bps y/y). This reflects Q's efficiency initiatives which have benefited the division over the past few qtrs. The IHS biz had EBIT margins of 3.8% (+110 bps y/y). Perhaps more importantly, total op inc. rose +20.2% y/y on the continued leverage within the PDEV biz.

Another material guidance raise; some pharma M&A discussion

Given the 1Q14 results, the company raised guidance materially. Q now expects FY14 revs of \$4.16 bil at the midpt and EPS range of \$2.45 -2.58 (as \$2.33-2.46 EPS). We raise our FY14 EPS to \$2.57 (was \$2.40) which is near the high end of guidance. For full model and pharma M&A discussion, see pages 3-7.

Valuation: Maintain Buy Rating with \$59 PT; Raise EPS estimates

While Q has less exposure to proposed pharma M&A activity, there still may be moderate risk for Q regarding timing of new biz. Mgmt made clear there would be no impact to revs or backlog. Overall, to be conservative, we maintain our \$59 PT but lower our PE multiple to 20x (was 22x) while raising our CY15E EPS to \$2.90 (was \$2.69); = 11x EBITDA.

Equities

Americas
Pharmaceuticals

12-month rating **Buy**

12m price target **US\$59.00**

Price **US\$47.13**

RIC: Q.N BBG: Q US

Trading data and key metrics

52-wk range	US\$54.94-41.58
Market cap.	US\$6.27bn
Shares o/s	133m (COM)
Free float	79%
Avg. daily volume ('000)	207
Avg. daily value (m)	US\$10.6
Common s/h equity (12/14E)	(US\$0.29bn)
P/BV (12/14E)	NM
Net debt / EBITDA (12/14E)	1.6x

EPS (UBS, diluted) (US\$)

	12/14E			
	From	To	% ch	Cons.
Q1	0.57	0.68	19.96	0.55
Q2E	0.58	0.62	6.70	0.59
Q3E	0.61	0.62	1.46	0.62
Q4E	0.64	0.65	0.43	0.65
12/14E	2.40	2.57	6.84	2.42
12/15E	2.69	2.90	7.80	2.74
12/16E	2.95	3.24	9.97	3.10

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Highlights (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenues	3,295	3,692	3,808	4,151	4,467	4,792	5,114	5,425
EBIT (UBS)	398	445	504	569	637	699	771	833
Net earnings (UBS)	191	209	269	341	379	423	479	530
EPS (UBS, diluted) (US\$)	1.62	1.77	2.10	2.57	2.90	3.24	3.69	4.11
DPS (US\$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	(1,453)	(1,851)	(1,265)	(1,108)	(815)	(487)	(211)	48
Profitability/valuation	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
EBIT margin %	12.1	12.1	13.2	13.7	14.3	14.6	15.1	15.4
ROIC (EBIT) %	-	100.5	103.8	88.6	79.2	76.2	73.7	70.0
EV/EBITDA (core) x	-	-	11.4	10.7	9.4	8.2	7.2	6.8
P/E (UBS, diluted) x	-	-	20.9	18.3	16.3	14.5	12.8	11.5
Equity FCF (UBS) yield %	-	-	7.1	4.8	5.5	6.0	6.8	7.4
Net dividend yield %	-	-	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US\$47.13 on 30 Apr 2014 19:43 EDT

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Investment Thesis

Quintiles

Investment case

Quintiles Transnational Holdings Inc. is the largest contract research organization with reported revenue of \$3.7 billion in 2012, with 74% from Product Development and 26% from Integrated Healthcare Services. Following the successful IPO in May 2013, management has executed on the operational strategy by leveraging the top-line growth of the overall CRO industry. While the Quintiles story is not predicated on margin expansion like several other CROs, we still see room for solid EPS growth from a combination of top-line enhancement, deleveraging, share repurchases and tuck-in acquisitions. Our \$59 price target is based on a P/E of 20x our 2015 EPS of \$2.90.

Upside scenario

In our upside scenario, we believe the company may be able to sign new strategic partnership contracts with additional pharmaceutical companies, which would provide upside to our current projections. It is difficult to assess the potential at this time, but based on experience with previous contracts, FY15 EPS could be as much as 10% higher than our current \$2.90 forecast. Applying a slightly higher PE multiple of 21x to a theoretical ~\$3.19 EPS translates into an upside valuation of \$67.

Downside scenario

In our downside scenario, the company could witness cancellations of projects and/or contracts at a higher than normal pace. Even though the company could conduct some cost-cutting (-2% SG&A) to offset the weaker revenue (-5%), there would still be a 12% impact to EPS in this downside scenario. If we apply a slightly lower PE multiple of 19x to a theoretically lower EPS of ~\$2.55, this translates into a downside valuation of \$48.

Upcoming catalysts

July – 2Q14 Results

12-month rating

Buy

12m price target

US\$59.00

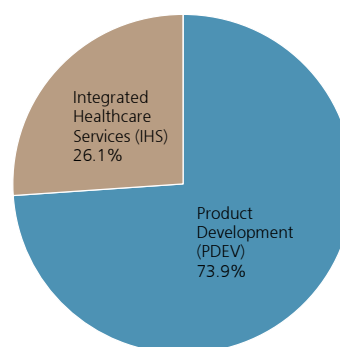
Business description

Quintiles Transnational Holdings Inc. is a contract research organization. The company provides biopharmaceutical development services and commercial outsourcing services to pharmaceutical and biotechnology companies. The company reported revenue of \$3.7 billion in 2012, with 74% from Product Development and 26% from Integrated Healthcare Services. The company IPOed in May 2013. The company announced the acquisition of Novella Clinical, Inc. in August 2013. The transaction closed in the third quarter.

Industry outlook

The CRO industry has been growing at a steady clip, primarily the result of significant growth in the phase II-IV market. However, we expect the early development market to have relatively flat growth through 2018. We expect the overall CRO industry to have a CAGR of ~6-7% through 2018, with CRO market penetration accelerating at a rapid pace. We expect CRO market penetration to increase from ~36% in 2012 to ~49% in 2018. The significant market penetration should benefit CRO industry participants. As Quintiles is the largest CRO in the industry, the company will likely be the beneficiary of significant outsourcing as the more well-known brand-name.

Revenues by Segment (FY12)



Source: Company reports

Pharma M&A Discussion

The ongoing pharma M&A proposals have caused the CRO companies to immediately address the discussions with investors. Quintiles addressed the issue in today's earnings conference call. The company has indicated similar sentiment as other CROs. Quintiles highlighted that in similar scenarios in prior years, after a large M&A transaction within the pharma industry, CRO market penetration has increased.

For historical context, the company provided some insight into how the company fared during the previous pharma M&A cycles. Mgmt highlighted that the company continued to grow revenues, EBITDA, and net new business from the period of 2008-2012. Furthermore, margins remained steady and improved during the period despite significant M&A activity. The company did cite that bookings may be flat should a customer of Quintiles go through any M&A activity. However, revenues would not be impacted. Furthermore, Quintiles highlighted that the company has a large and diverse client base (+500 clients) and would not be dramatically impacted by M&A activity. Separately, the company indicated that there are significant hurdles (sunk costs, regulatory, etc.) should pharmaceutical companies wish to cancel in-progress trials and does not believe cancellations would occur *en masse*. Given the company's comments, we continue to believe the late-stage CROs are relatively insulated compared to early-stage CROs as cancellations are less likely to occur in the late-stage segment.

Figure 1: Quintiles – 2013 - 2014 Guidance Table

Quintiles Corp.: Company Guidance Table			
Guidance For Period: Date Announced:	FY13 8/1/2013	FY13 10/31/2013	4Q13 10/31/2013
Consolidated Services Revenues	\$3.76 - 3.81 bil	\$3.77 - 3.80 bil	\$965 - 996 mil
Constant currency revenue growth	3.8% - 5.2% YoY	4.1% - 4.9% YoY	
Non-GAAP Effective Tax Rate	30% - 32%	30%	
Non-GAAP Diluted EPS	\$1.95 - 2.05	\$2.03 - 2.09	\$0.50-0.56
Y-O-Y Growth	10.2% - 15.8%	14.7% - 18.1%	
GAAP Diluted EPS	\$1.63 to \$1.73	\$1.71 to \$1.77	

Quintiles Corp.: Company Guidance Table			
Guidance For Period: Date Announced:	FY14 2/13/2014	FY14 5/1/2014	
Consolidated Services Revenues	\$4.09 - 4.15 bil	\$4.13 - 4.19 bil	
Constant currency revenue growth	7.4-9.0% YoY	8.4-10.0% YoY	
Non-GAAP Effective Tax Rate	~30%	~30%	
Non-GAAP Diluted EPS	\$2.33 - 2.46	\$2.45 - 2.58	
Y-O-Y Growth	11-17%	16.7-22.9%	
GAAP Diluted EPS	\$2.26-2.40	\$2.38-2.52	
Note:	EPS Guidance does not Incl. equity repurchases	EPS Guidance does not Incl. equity repurchases	

Source: Company Documents; UBS Estimates

Figure 2: Quintiles – Quarterly Revenue Model

Quintiles Corp. - Quarterly Segment Model (\$mm)								
	Q 03/31/13 Actual	Q 06/30/13 Actual	Q 09/30/13 Actual	Q 12/31/13 Actual	Q 03/31/14 Actual	Q 06/30/14 Projected	Q 09/30/14 Projected	Q 12/31/14 Projected
Service Revenues								
Product Development (PDEV)	\$706.3	\$724.2	\$714.2	\$775.0	\$770.8	\$789.3	\$775.0	\$839.3
Integrated Healthcare Services (IHS)	221.1	220.1	218.5	228.9	234.5	246.5	243.6	251.8
Total Service Revenues	\$927.4	\$944.2	\$932.7	\$1,003.9	\$1,005.3	\$1,035.8	\$1,018.6	\$1,091.2
Revenue Mix (% of Service Revenues)								
Product Development (PDEV)	76.2%	76.7%	76.6%	77.2%	76.7%	76.2%	76.1%	76.9%
Integrated Healthcare Services (IHS)	23.8%	23.3%	23.4%	22.8%	23.3%	23.8%	23.9%	23.1%
Total Service Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Revenue Growth								
Product Development (PDEV)	7.6%	4.6%	5.5%	10.2%	9.1%	9.0%	8.5%	8.3%
Integrated Healthcare Services (IHS)	-4.6%	-12.9%	-7.6%	-5.7%	6.0%	12.0%	11.5%	10.0%
Total Service Revenue Growth	4.4%	-0.1%	2.1%	6.2%	8.4%	9.7%	9.2%	8.7%
Bookings								
Product Development (PDEV)								
Gross New business								
Less: Cancellations								
Net Bookings	\$1,100.0	\$871.0	\$861.0	\$964.0	\$1,005.0	\$923.3	\$912.7	\$1,021.8
Net book-to-bill ratio	1.56	1.20	1.21	1.24	1.30	1.17	1.18	1.22
	29.6%	16.8%	9.0%	-11.2%	-8.6%	6.0%	6.0%	6.0%
Integrated Healthcare Services (IHS)								
Gross New business								
Less: Cancellations								
Net Bookings	\$170.4	\$142.6	\$479.0	\$335.0	\$269.0	\$185.38	\$383.20	\$318.3
Net book-to-bill ratio	0.77	0.65	2.19	1.46	1.15	0.75	1.57	1.26
	-16.0%	-7.6%	89.8%	-20.5%	57.9%	30.0%	-20.0%	-5.0%
Total Company								
Gross New business								
Less: Cancellations								
Net Bookings	\$1,270.4	\$1,013.6	\$1,340.0	\$1,299.0	\$1,274.0	\$1,108.6	\$1,295.9	\$1,340.1
Net book-to-bill ratio	1.37	1.07	1.44	1.29	1.27	1.07	1.27	1.23
Yr/Yr Growth	20.8%	12.6%	28.5%	-13.8%	0.3%	9.4%	-3.3%	3.2%
Backlog Data								
Total Backlog	\$9,000.0	\$9,034.0	\$9,583.0	\$9,855.0	\$10,100.0			
Yr/Yr Growth	11.3%	12.5%	17.5%	13.2%	12.2%			

Source: Company Documents; UBS Estimates

Figure 3: Quintiles Segment Model

Quintiles Corp. - Quarterly Segment Model (\$mm)								
	Q 03/31/13 Actual	Q 06/30/13 Actual	Q 09/30/13 Actual	Q 12/31/13 Actual	Q 03/31/14 Actual	Q 06/30/14 Projected	Q 09/30/14 Projected	Q 12/31/14 Projected
Gross Profit By Segment:								
Product Development (PDEV)	\$276.7	\$282.3	\$288.2	\$319.2	\$320.3	\$323.6	\$315.4	\$342.4
Integrated Healthcare Services (IHS)	38.8	44.3	43.9	42.8	41.2	46.8	46.3	47.8
General Corporate Cost of Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Gross Profit	\$315.5	\$326.6	\$332.0	\$362.0	\$361.6	\$370.5	\$361.7	\$390.3
Gross Margin								
Product Development (PDEV)	39.2%	39.0%	40.3%	41.2%	41.6%	41.0%	40.7%	40.8%
Integrated Healthcare Services (IHS)	17.5%	20.1%	20.1%	18.7%	17.6%	19.0%	19.0%	19.0%
Total Gross Margin	34.0%	34.6%	35.6%	36.1%	36.0%	35.8%	35.5%	35.8%
Gross Profit Growth								
Product Development (PDEV)	9.8%	7.2%	11.6%	17.4%	15.8%	14.7%	9.5%	7.3%
Integrated Healthcare Services (IHS)	-14.6%	-17.2%	1.2%	-5.5%	6.3%	5.7%	5.5%	11.8%
Total Gross Profit Growth	6.1%	3.1%	10.1%	14.1%	14.6%	13.4%	8.9%	7.8%
SG&A Expense By Segment:								
Product Development (PDEV)	\$144.7	\$146.2	\$147.5	\$166.3	\$159.7	\$163.4	\$158.1	\$176.3
Integrated Healthcare Services (IHS)	32.8	31.8	32.2	31.1	32.3	35.5	34.1	34.0
General Corporate SG&A	21.0	50.9	19.8	35.4	27.3	30.0	30.6	33.8
Total SG&A Expense	\$198.4	\$228.8	\$199.6	\$232.8	\$219.2	\$228.9	\$222.8	\$244.1
SG&A Expense as % of Segment Sales:								
Product Development (PDEV)	20.5%	20.2%	20.7%	21.5%	20.7%	20.7%	20.4%	21.0%
Integrated Healthcare Services (IHS)	14.8%	14.4%	14.7%	13.6%	13.8%	14.4%	14.0%	13.5%
General Corporate SG&A (% of Total Net Sales)	2.3%	5.4%	2.1%	3.5%	2.7%	2.9%	3.0%	3.1%
Total SG&A Expense as % of Total Sales	21.4%	24.2%	21.4%	23.2%	21.8%	22.1%	21.9%	22.4%
SG&A Expense Growth								
Product Development (PDEV)	3.3%	1.5%	7.7%	13.5%	10.4%	11.8%	7.2%	6.0%
Integrated Healthcare Services (IHS)	5.4%	-4.4%	4.0%	-2.0%	-1.5%	11.6%	5.8%	9.4%
General Corporate SG&A	-39.5%	93.9%	-20.3%	-5.4%	30.1%	-40.9%	54.2%	-4.5%
Total SG&A Expense Growth	-3.6%	12.4%	3.5%	8.0%	10.5%	0.0%	11.6%	4.8%
EBIT By Segment:								
Product Development (PDEV)	\$132.0	\$136.1	\$140.6	\$152.9	\$160.7	\$160.2	\$157.3	\$166.2
Integrated Healthcare Services (IHS)	6.0	12.5	11.7	11.7	8.9	11.3	12.2	13.9
General Corporate	(21.0)	(50.9)	(19.8)	(35.4)	(27.3)	(30.0)	(30.6)	(33.8)
Total EBIT	\$117.0	\$97.7	\$132.5	\$129.2	\$142.3	\$141.5	\$138.9	\$146.2
EBIT Margin:								
Product Development (PDEV)	18.7%	18.8%	19.7%	19.7%	20.8%	20.3%	20.3%	19.8%
Integrated Healthcare Services (IHS)	2.7%	5.7%	5.3%	5.1%	3.8%	4.6%	5.0%	5.5%
General Corporate (% of Total Net Sales)	-2.3%	-5.4%	-2.1%	-3.5%	-2.7%	-2.9%	-3.0%	-3.1%
Total EBIT Margin	12.6%	10.4%	14.2%	12.9%	14.2%	13.7%	13.6%	13.4%
EBIT Growth								
Product Development (PDEV)	17.8%	14.2%	16.0%	21.9%	21.7%	17.7%	11.9%	8.7%
Integrated Healthcare Services (IHS)	-58.0%	-38.2%	-5.8%	-13.8%	48.7%	-9.3%	4.4%	18.3%
General Corporate SG&A	-39.5%	93.9%	-20.4%	-5.3%	30.1%	-40.9%	54.2%	-4.5%
Total SG&A Expense Growth	27.6%	-13.6%	21.9%	27.1%	21.6%	44.8%	4.9%	13.2%

Source: Company Documents; UBS Estimates

Figure 4: Quintiles – Quarterly Income Statement

Quintiles Corp. - Quarterly Income Statement (Millions)								
	Q 03/31/13 Actual	Q 06/30/13 Actual	Q 09/30/13 Actual	Q 12/31/13 Actual	Q 03/31/14 Actual	Q 06/30/14 Projected	Q 09/30/14 Projected	Q 12/31/14 Projected
Revenues								
Total Revenue	\$927.4	\$944.2	\$932.7	\$1,003.9	\$1,005.3	\$1,035.8	\$1,018.6	\$1,091.2
% change	4.4%	-0.1%	2.1%	6.2%	8.4%	9.7%	9.2%	8.7%
Expenses								
COGS	612.0	617.7	600.7	642.0	643.7	665.4	656.9	700.9
% of revenue	66.0%	65.4%	64.4%	63.9%	64.0%	64.2%	64.5%	64.2%
Gross Profit	315.5	326.6	332.0	362.0	361.6	370.5	361.7	390.3
% of revenue	34.0%	34.6%	35.6%	36.1%	36.0%	35.8%	35.5%	35.8%
SG&A	198.4	228.8	199.6	232.8	219.2	228.9	222.8	244.1
% of revenue	21.4%	24.2%	21.4%	23.2%	21.8%	22.1%	21.9%	22.4%
Stock Based Compensation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Management Fee	(1.4)	(26.4)	0.0	0.0	0.0	0.0	0.0	0.0
One-Time Compensation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and Amortization	(25.8)	(25.0)	(27.3)	(30.6)	(29.1)	(29.5)	(30.0)	(31.0)
	144.1	149.1	159.8	159.7	171.4	171.0	168.9	177.2
Adjusted EBITDA	144.1	149.1	159.8	159.7	171.4	171.0	168.9	177.2
% of revenue	15.5%	15.8%	17.1%	15.9%	17.1%	16.5%	16.6%	16.2%
Depreciation and Amortization	25.8	25.0	27.3	30.6	29.1	29.5	30.0	31.0
% of revenue	2.8%	2.6%	2.9%	3.0%	2.9%	2.8%	2.9%	2.8%
Operating Income	118.4	124.1	132.5	129.2	142.3	141.5	138.9	146.2
% of revenue	12.8%	13.1%	14.2%	12.9%	14.2%	13.7%	13.6%	13.4%
Interest Expense	35.0	31.1	27.6	26.8	24.7	24.5	24.3	24.2
Other Expense (Income), net	(2.4)	0.5	3.2	(3.1)	(6.1)	(0.5)	0.0	0.0
Pretax Income	85.8	92.5	101.6	105.5	123.7	117.5	114.6	122.0
% of revenue	9.3%	9.8%	10.9%	10.5%	12.3%	11.3%	11.3%	11.2%
Income Taxes	26.7	30.2	29.5	29.6	37.6	35.8	33.2	37.2
Tax Rate (%)	31.1%	32.6%	29.0%	28.0%	30.4%	30.5%	29.0%	30.5%
Loss/(Income) from Noncontrolling Interests	0.2	0.2	0.2	0.1	(0.0)	0.3	0.3	0.3
Loss/(Income) from Unconsolidated Affiliates	(1.7)	0.5	(0.4)	0.5	4.9	0.5	0.5	0.5
Net Income	57.6	62.9	71.9	76.5	90.9	82.6	82.3	85.7
% of revenue	6.2%	6.7%	7.7%	7.6%	9.0%	8.0%	8.1%	7.9%
Reported EPS from Cont. Ops.	\$0.48	\$0.50	\$0.54	\$0.58	\$0.68	\$0.62	\$0.62	\$0.65
Non-GAAP EPS - Fully Diluted	\$0.48	\$0.50	\$0.54	\$0.58	\$0.68	\$0.62	\$0.62	\$0.65
% change	9.4%	4.7%	20.8%	40.7%	41.0%	24.9%	14.7%	12.1%
Fully Diluted Shares (mil.)	118.7	126.6	133.3	132.9	133.0	133.0	132.9	132.8
P&L Line Growth Comparison:								
Revenues	4.4%	-0.1%	2.1%	6.2%	8.4%	9.7%	9.2%	8.7%
COGS	3.6%	-1.7%	-1.9%	2.1%	5.2%	7.7%	9.4%	9.2%
Gross Profit	6.1%	3.1%	10.1%	14.1%	14.6%	13.4%	8.9%	7.8%
SG&A	-3.6%	12.4%	3.5%	8.0%	10.5%	0.0%	11.6%	4.8%
EBITDA	11.2%	7.9%	17.7%	14.0%	18.9%	14.7%	5.7%	10.9%
Depreciation and Amortization	10.7%	5.3%	6.2%	19.5%	12.9%	18.1%	9.8%	1.5%
Operating Income	11.3%	8.4%	20.4%	12.8%	20.2%	14.1%	4.9%	13.2%
Pretax Income	7.4%	5.3%	38.2%	37.9%	44.2%	27.1%	12.8%	15.6%
Net Income	10.5%	12.6%	36.7%	58.2%	57.9%	31.2%	14.4%	12.1%
EPS	9.4%	4.7%	20.8%	40.7%	41.0%	24.9%	14.7%	12.1%
Shares Outstanding	1.0%	7.5%	13.1%	12.5%	12.0%	5.1%	-0.3%	0.0%
Dividend Per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Source: Company Documents; UBS Estimates

Figure 5: Quintiles – Annual Revenue Model

Quintiles Corp. - Annual Revenue Model By Segment								
	Q FY11 Actual	Q FY12 Actual	Q FY13 Actual	FY14 Projected	FY15 Projected	FY16 Projected	FY17 Projected	FY18 Projected
Service Revenues								
Product Development (PDEV)	\$2,437.8	\$2,728.7	\$2,919.7	\$3,174.5	\$3,418.9	\$3,668.5	\$3,917.9	\$4,156.9
Integrated Healthcare Services (IHS)	857.1	963.6	888.6	976.4	1,047.6	1,123.1	1,196.1	1,267.8
Total Service Revenues	\$3,295.0	\$3,692.3	\$3,808.3	\$4,150.8	\$4,466.5	\$4,791.5	\$5,114.0	\$5,424.8
Revenue Mix (% of Service Revenues)								
Product Development (PDEV)	74.0%	73.9%	76.7%	76.5%	76.5%	76.6%	76.6%	76.6%
Integrated Healthcare Services (IHS)	26.0%	26.1%	23.3%	23.5%	23.5%	23.4%	23.4%	23.4%
Total Service Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Revenue Growth								
Product Development (PDEV)	9.7%	11.9%	7.0%	8.7%	7.7%	7.3%	6.8%	6.1%
Integrated Healthcare Services (IHS)	10.6%	12.4%	-7.8%	9.9%	7.3%	7.2%	6.5%	6.0%
Total Service Revenue Growth	10.0%	12.1%	3.1%	9.0%	7.6%	7.3%	6.7%	6.1%
Bookings								
Product Development (PDEV)								
Gross New business	\$3,200.4	\$4,069.6						
Less: Cancellations	(160.0)	(599.4)						
Net Bookings	\$3,040.4	\$3,470.2	\$3,796.0	\$3,862.8	\$4,075.2	\$4,279.0	\$4,492.9	\$4,717.6
Net book-to-bill ratio	1.25	1.27	1.30	1.22	1.19	1.17	1.15	1.13
Yr/Yr Growth	10.2%	14.1%	9.4%	1.8%	5.5%	5.0%	5.0%	5.0%
Integrated Healthcare Services (IHS)								
Gross New business	\$1,180.0	\$1,196.0						
Less: Cancellations	(176.3)	(165.0)						
Net Bookings	\$1,003.7	\$1,030.9	\$1,127.0	\$1,155.8	\$1,225.2	\$1,292.6	\$1,357.2	\$1,418.3
Net book-to-bill ratio	1.17	1.07	1.27	1.18	1.17	1.15	1.13	1.12
Yr/Yr Growth	26.7%	2.7%	9.3%	2.6%	6.0%	5.5%	5.0%	4.5%
Total Company								
Gross New business	\$4,380.4	\$5,265.6						
Less: Cancellations	(336.3)	(764.4)						
Net Bookings	\$4,044.1	\$4,501.2	\$4,923.0	\$5,018.6	\$5,300.4	\$5,571.5	\$5,850.1	\$6,135.8
Net book-to-bill ratio	1.23	1.22	1.29	1.21	1.19	1.16	1.14	1.13
Yr/Yr Growth	13.9%	11.3%	9.4%	1.9%	5.6%	5.1%	5.0%	4.9%
Backlog Data								
Total Backlog	\$7,972.9	\$8,704.5	\$9,855.0					
Yr/Yr Growth		9.2%	13.2%					

Source: Company Documents; UBS Estimates

Figure 6: Quintiles – Annual Segment Model

Quintiles Corp. - Annual Profit Model By Segment								
	Q FY11 Actual	Q FY12 Actual	Q FY13 Actual	FY14 Projected	FY15 Projected	FY16 Projected	FY17 Projected	FY18 Projected
Gross Profit By Segment:								
Product Development (PDEV)	\$974.0	\$1,045.4	\$1,166.3	\$1,301.8	\$1,401.75	\$1,496.74	\$1,594.6	\$1,687.7
Integrated Healthcare Services (IHS)	168.4	187.6	169.8	182.2	204.3	224.6	245.2	267.5
General Corporate Cost of Revenue	(0.4)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0
Total Gross Profit	\$1,142.0	\$1,232.9	\$1,336.1	\$1,484.0	\$1,606.0	\$1,721.4	\$1,839.8	\$1,955.2
Gross Margin								
Product Development (PDEV)	40.0%	38.3%	39.9%	41.0%	41.0%	40.8%	40.7%	40.6%
Integrated Healthcare Services (IHS)	19.7%	19.5%	19.1%	18.7%	19.5%	20.0%	20.5%	21.1%
Total Gross Margin	34.7%	33.4%	35.1%	35.8%	36.0%	35.9%	36.0%	36.0%
Gross Profit Growth								
Product Development (PDEV)	2.9%	7.3%	11.6%	11.6%	7.7%	6.8%	6.5%	5.8%
Integrated Healthcare Services (IHS)	21.4%	11.4%	-9.5%	7.3%	12.1%	9.9%	9.2%	9.1%
Total Gross Profit Growth	5.2%	8.0%	8.4%	11.1%	8.2%	7.2%	6.9%	6.3%
SG&A Expense By Segment:								
Product Development (PDEV)	\$549.2	\$567.5	\$604.7	\$657.4	\$700.9	\$744.7	\$787.50	\$827.23
Integrated Healthcare Services (IHS)	110.2	127.1	127.9	135.9	143.5	152.7	161.5	169.9
General Corporate SG&A	102.8	123.2	127.1	121.7	125.1	124.6	120.2	124.8
Total SG&A Expense	\$762.3	\$817.8	\$859.7	\$915.0	\$969.5	\$1,022.0	\$1,069.2	\$1,121.9
SG&A Expense as % of Segment Sales:								
Product Development (PDEV)	22.5%	20.8%	20.7%	20.7%	20.5%	20.3%	20.1%	19.9%
Integrated Healthcare Services (IHS)	12.9%	13.2%	14.4%	13.9%	13.7%	13.6%	13.5%	13.4%
General Corporate SG&A (% of Total Net Sales)	3.1%	3.3%	3.3%	2.9%	2.8%	2.6%	2.4%	2.3%
Total SG&A Expense as % of Total Sales	23.1%	22.1%	22.6%	22.0%	21.7%	21.3%	20.9%	20.7%
SG&A Expense Growth								
Product Development (PDEV)	7.3%	3.3%	6.6%	8.7%	6.6%	6.3%	5.7%	5.0%
Integrated Healthcare Services (IHS)	13.5%	15.3%	0.6%	6.3%	5.6%	6.4%	5.7%	5.2%
General Corporate SG&A	#DIV/0!	19.8%	3.2%	-4.2%	2.8%	-0.4%	-3.5%	3.8%
Total SG&A Expense Growth	25.1%	7.3%	5.1%	6.4%	6.0%	5.4%	4.6%	4.9%
EBIT By Segment:								
Product Development (PDEV)	\$424.7	\$477.9	\$561.6	\$644.4	\$700.9	\$752.0	\$807.1	\$860.5
Integrated Healthcare Services (IHS)	58.2	60.5	41.9	46.3	60.8	71.9	83.7	97.6
General Corporate	(103.3)	(123.2)	(127.1)	(121.7)	(125.1)	(124.6)	(120.2)	(124.8)
Total EBIT	\$379.7	\$415.2	\$476.4	\$569.0	\$636.6	\$699.3	\$770.6	\$833.3
EBIT Margin:								
Product Development (PDEV)	17.4%	17.5%	19.2%	20.3%	20.5%	20.5%	20.6%	20.7%
Integrated Healthcare Services (IHS)	6.8%	6.3%	4.7%	4.7%	5.8%	6.4%	7.0%	7.7%
General Corporate (% of Total Net Sales)	-3.1%	-3.3%	-3.3%	-2.9%	-2.8%	-2.6%	-2.4%	-2.3%
Total EBIT Margin	11.5%	11.2%	12.5%	13.7%	14.3%	14.6%	15.1%	15.4%
EBIT Growth								
Product Development (PDEV)	0.6%	12.5%	17.5%	14.7%	8.8%	7.3%	7.3%	6.6%
Integrated Healthcare Services (IHS)	55.6%	4.0%	-30.8%	10.6%	31.2%	18.3%	16.5%	16.6%
General Corporate SG&A	19.9%	19.3%	3.1%	-4.2%	2.8%	-0.4%	-3.5%	3.8%
Total SG&A Expense Growth	1.6%	9.4%	14.7%	19.4%	11.9%	9.9%	10.2%	8.1%

Source: Company Documents; UBS Estimates

Figure 7: Quintiles – Annual Income Statement

Quintiles Corp. - Annual Income Statement (Millions)								
Revenues	Q FY11 Actual	Q FY12 Actual	Q FY13 Actual	FY14 Projected	FY15 Projected	FY16 Projected	FY17 Projected	FY18 Projected
Total Revenue	\$3,295.0	\$3,692.3	\$3,808.3	\$4,150.8	\$4,466.5	\$4,791.5	\$5,114.0	\$5,424.8
% change	10.0%	12.1%	3.1%	9.0%	7.6%	7.3%	6.7%	6.1%
Expenses								
COGS	2,153.0	2,459.4	2,472.3	2,666.8	2,860.5	3,070.2	3,274.2	3,469.5
% of revenue	65.3%	66.6%	64.9%	64.2%	64.0%	64.1%	64.0%	64.0%
Gross Profit	1,142.0	1,232.9	1,336.1	1,484.0	1,606.0	1,721.4	1,839.8	1,955.2
% of revenue	34.7%	33.4%	35.1%	35.8%	36.0%	35.9%	36.0%	36.0%
SG&A	762.3	817.8	859.7	915.0	969.5	1,022.0	1,069.2	1,121.9
% of revenue	23.1%	22.1%	22.6%	22.0%	21.7%	21.3%	20.9%	20.7%
Stock Based Compensation	(2.6)	(13.6)	0.0	0.0	0.0	0.0	0.0	0.0
Management Fee	(5.2)	(5.3)	(27.7)	0.0	0.0	0.0	0.0	0.0
One-Time Compensation	(11.0)	(11.3)	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and Amortization	(92.0)	(98.3)	(108.6)	(119.6)	(129.0)	(133.0)	(135.0)	(136.0)
	490.4	543.7						
Adjusted EBITDA	490.4	543.7	612.7	688.6	765.6	832.3	905.6	969.3
% of revenue	14.9%	14.7%	16.1%	16.6%	17.1%	17.4%	17.7%	17.9%
Depreciation and Amortization	92.0	98.3	108.6	119.6	129.0	133.0	135.0	136.0
% of revenue	2.8%	2.7%	2.9%	2.9%	2.9%	2.8%	2.6%	2.5%
Operating Income	398.4	445.4	504.1	569.0	636.6	699.3	770.6	833.3
% of revenue	12.1%	12.1%	13.2%	13.7%	14.3%	14.6%	15.1%	15.4%
Interest Expense	105.1	131.3	120.5	97.7	95.0	90.0	85.0	80.0
Other Expense (Income), net	(2.4)	(3.6)	(1.8)	(6.6)	0.0	0.0	0.0	0.0
Pretax Income	295.7	317.7	385.4	477.9	541.6	609.3	685.6	753.3
% of revenue	9.0%	8.6%	10.1%	11.5%	12.1%	12.7%	13.4%	13.9%
Income Taxes	102.2	112.3	115.9	143.9	165.2	188.9	209.1	226.0
Tax Rate (%)	34.6%	35.3%	30.1%	30.1%	30.5%	31.0%	30.5%	30.0%
Loss/(Income) from Noncontrolling Interests	1.4	0.9	0.6	1.0	1.1	1.1	1.1	1.1
Loss/(Income) from Unconsolidated Affiliates	(4.1)	2.6	(1.1)	6.5	1.9	1.9	1.9	1.9
Net Income	190.8	208.9	268.9	341.5	379.3	423.4	479.5	530.3
% of revenue	5.8%	5.7%	7.1%	8.2%	8.5%	8.8%	9.4%	9.8%
Reported EPS from Cont. Ops.	\$1.62	\$1.77	\$2.10					
Non-GAAP EPS - Fully Diluted	\$1.62	\$1.77	\$2.10	\$2.57	\$2.90	\$3.24	\$3.69	\$4.11
% change	17.8%	9.6%	18.6%	22.1%	12.7%	12.0%	13.7%	11.5%
Fully Diluted Shares (mil.)	117.9	117.8	127.9	132.9	131.0	130.5	130.0	129.0
P&L Line Growth Comparison:								
Revenues	10.0%	12.1%	3.1%	9.0%	7.6%	7.3%	6.7%	6.1%
COGS	11.4%	14.2%	0.5%	7.9%	7.3%	7.3%	6.6%	6.0%
Gross Profit	7.4%	8.0%	8.4%	11.1%	8.2%	7.2%	6.9%	6.3%
SG&A	10.5%	7.3%	5.1%	6.4%	6.0%	5.4%	4.6%	4.9%
EBITDA	6.0%	10.9%	12.7%	12.4%	11.2%	8.7%	8.8%	7.0%
Depreciation and Amortization	9.2%	6.8%	10.5%	10.1%	7.9%	3.1%	1.5%	0.7%
Operating Income	5.3%	11.8%	13.2%	12.9%	11.9%	9.9%	10.2%	8.1%
Pretax Income	31.3%	7.4%	21.3%	24.0%	13.3%	12.5%	12.5%	9.9%
Net Income	17.7%	9.5%	28.7%	27.0%	11.1%	11.6%	13.2%	10.6%
EPS	17.8%	9.6%	18.6%	22.1%	12.7%	12.0%	13.7%	11.5%
Shares Outstanding	-0.1%	-0.1%	8.5%	4.0%	-1.5%	-0.4%	-0.4%	-0.8%
Dividend Per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Source: Company Documents; UBS Estimates

Quintiles Transnational Holdings (Q.N)

	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Income statement (US\$m)										
Revenues	3,295	3,692	3,808	4,151	9.0	4,467	7.6	4,792	5,114	5,425
Gross profit	1,142	1,233	1,336	1,484	11.1	1,606	8.2	1,721	1,840	1,955
EBITDA (UBS)	490	544	613	689	12.4	766	11.2	832	906	969
Depreciation & amortisation	(92)	(98)	(109)	(120)	10.1	(129)	7.9	(133)	(135)	(136)
EBIT (UBS)	398	445	504	569	12.9	637	11.9	699	771	833
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	2	4	2	7	273.6	0	-	0	0	0
Net interest	(105)	(131)	(121)	(98)	18.9	(95)	2.8	(90)	(85)	(80)
Exceptionals (incl goodwill)	0	0	0	0	-	(129)	-	(133)	(135)	(136)
Profit before tax	296	318	385	478	24.0	413	-13.7	476	551	617
Tax	(102)	(112)	(116)	(144)	-24.2	(165)	-14.8	(189)	(209)	(226)
Profit after tax	194	205	269	334	23.9	247	-25.9	287	341	391
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(3)	3	(1)	8	-	3	-60.8	3	3	3
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	191	209	269	341	27.0	250	-26.7	290	344	394
Net earnings (UBS)	191	209	269	341	27.0	379	11.1	423	479	530
Tax rate (%)	34.6	35.3	30.1	30.1	0.1	40.0	32.9	39.7	38.0	36.6
Per share (US\$)										
EPS (UBS, diluted)	1.62	1.77	2.10	2.57	22.1	2.90	12.7	3.24	3.69	4.11
EPS (local GAAP, diluted)	1.62	1.77	2.10	2.57	22.1	1.91	-25.6	2.22	2.65	3.06
EPS (UBS, basic)	1.62	1.77	2.10	2.57	22.1	2.90	12.7	3.24	3.69	4.11
Net DPS (US\$)	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Cash EPS (UBS, diluted)*	2.40	2.61	2.95	3.47	17.5	3.88	11.9	4.26	4.73	5.16
Book value per share	(7.66)	(10.74)	(5.27)	(2.19)	58.5	0.83	-	4.27	7.46	10.72
Average shares (diluted)	117.94	117.80	127.86	132.94	4.0	131.00	-1.5	130.50	130.00	129.00
Balance sheet (US\$m)										
Cash and equivalents	519	571	781	558	-28.6	731	31.1	843	905	1,164
Other current assets	846	939	1,165	1,283	10.2	1,413	10.1	1,553	1,703	1,863
Total current assets	1,365	1,510	1,946	1,841	-5.4	2,144	16.5	2,396	2,608	3,027
Net tangible fixed assets	186	194	200	249	24.6	320	28.7	400	490	589
Net intangible fixed assets	547	575	708	695	-1.8	675	-2.9	657	642	632
Investments / other assets	224	220	214	235	9.7	255	8.5	280	305	335
Total assets	2,323	2,499	3,067	3,019	-1.6	3,394	12.4	3,733	4,044	4,583
Trade payables & other ST liabilities	1,172	1,262	1,472	1,431	-2.8	1,526	6.6	1,631	1,746	1,871
Short term debt	20	56	10	16	49.26	16	0.00	16	16	16
Total current liabilities	1,192	1,318	1,482	1,446	-2.4	1,541	6.6	1,646	1,761	1,886
Long term debt	1,952	2,366	2,036	1,650	-18.9	1,530	-7.3	1,315	1,100	1,100
Other long term liabilities	149	174	216	214	-1.3	214	0.0	214	214	214
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	3,293	3,858	3,734	3,310	-11.4	3,285	-0.8	3,175	3,075	3,200
Common s/h equity	(970)	(1,360)	(667)	(291)	56.4	108	-	558	969	1,382
Minority interests	1	0	0	0	-	0	-	0	0	0
Total liabilities & equity	2,323	2,499	3,067	3,019	-1.6	3,394	12.4	3,733	4,044	4,583
Cash flow (US\$m)										
Net income (before pref divs)	191	209	269	341	27.0	250	-26.7	290	344	394
Depreciation & amortisation	92	98	109	120	10.1	129	7.9	133	135	136
Net change in working capital	(83)	12	60	(164)	-	(55)	66.4	(60)	(60)	(65)
Other operating	39	88	46	103	123.9	129	25.6	133	135	136
Operating cash flow	239	408	483	400	-17.2	453	13.3	496	554	601
Tangible capital expenditure	(76)	(71)	(92)	(98)	-5.8	(110)	-12.6	(120)	(130)	(140)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	(224)	(40)	(143)	(60)	57.8	(70)	-16.2	(75)	(80)	(85)
Other investing	75	(20)	(5)	4	-	0	-	0	0	0
Investing cash flow	(225)	(132)	(240)	(154)	35.9	(180)	-16.9	(195)	(210)	(225)
Equity dividends paid	(288)	(568)	0	0	-	0	-	0	0	0
Share issues / (buybacks)	(13)	(10)	480	9	-98.1	10	12.2	15	(80)	(130)
Other financing	0	0	(26)	(3)	89.96	0	-	0	0	0
Change in debt & pref shares	242	430	(384)	(382)	0.59	(120)	68.55	(215)	(215)	0
Financing cash flow	(59)	(147)	71	(375)	-	(110)	70.7	(200)	(295)	(130)
Cash flow inc/(dec) in cash	(45)	129	314	(129)	-	163	-	101	49	246
FX / non cash items	-	(78)	(104)	(94)	9.3	10	-	11	12	13
Balance sheet inc/(dec) in cash	-	51	210	(223)	-	173	-	112	61	259

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.*Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Quintiles Transnational Holdings (Q.N)

Valuation (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
P/E (local GAAP, diluted)	-	-	20.9	18.3	24.7	21.2	17.8	15.4
P/E (UBS, diluted)	-	-	20.9	18.3	16.3	14.5	12.8	11.5
P/CEPS	-	-	14.9	13.6	12.1	11.1	10.0	9.1
Equity FCF (UBS) yield %	-	-	7.1	4.8	5.5	6.0	6.8	7.4
Net dividend yield (%)	-	-	0.0	0.0	0.0	0.0	0.0	0.0
P/BV x	-	-	NM	NM	57.0	11.0	6.3	4.4
EV/revenues (core)	-	-	1.8	1.8	1.6	1.4	1.3	1.2
EV/EBITDA (core)	-	-	11.4	10.7	9.4	8.2	7.2	6.8
EV/EBIT (core)	-	-	13.8	13.0	11.3	9.8	8.5	7.9
EV/OpFCF (core)	-	-	11.8	13.9	10.7	9.5	8.3	7.7
EV/op. invested capital	-	-	NM	NM	8.9	7.5	6.3	5.5
Enterprise value (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Market cap.	-	-	5,484	6,270	6,270	6,270	6,270	6,270
Net debt (cash)	1,453	1,652	1,558	1,187	961	651	349	349
Buy out of minorities	1	1	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	-	-	7,042	7,457	7,232	6,921	6,619	6,619
Non core assets	(34)	(55)	(63)	(67)	(67)	(67)	(67)	(67)
Core enterprise value	-	-	6,979	7,390	7,165	6,854	6,553	6,553
Growth (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenue	-	12.1	3.1	9.0	7.6	7.3	6.7	6.1
EBITDA (UBS)	-	10.9	12.7	12.4	11.2	8.7	8.8	7.0
EBIT (UBS)	-	11.8	13.2	12.9	11.9	9.9	10.2	8.1
EPS (UBS, diluted)	-	9.6	18.6	22.1	12.7	12.0	13.7	11.5
Net DPS	-	-	-	-	-	-	-	-
Margins & Profitability (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Gross profit margin	34.7	33.4	35.1	35.8	36.0	35.9	36.0	36.0
EBITDA margin	14.9	14.7	16.1	16.6	17.1	17.4	17.7	17.9
EBIT margin	12.1	12.1	13.2	13.7	14.3	14.6	15.1	15.4
Net earnings (UBS) margin	5.8	5.7	7.1	8.2	8.5	8.8	9.4	9.8
ROIC (EBIT)	-	100.5	103.8	88.6	79.2	76.2	73.7	70.0
ROIC post tax	-	65.0	72.6	61.9	55.1	52.6	51.2	49.0
ROE (UBS)	-	(17.9)	(26.5)	(71.3)	(415.3)	127.1	62.8	45.1
Capital structure & Coverage (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Net debt / EBITDA	3.0	3.4	2.1	1.6	1.1	0.6	0.2	(.0)
Net debt / total equity %	(149.8)	(136.2)	(189.5)	NM	NM	87.4	21.8	(3.5)
Net debt / (net debt + total equity) %	NM	NM	NM	NM	88.3	46.6	17.9	(3.6)
Net debt/EV	-	-	18.1	15.0	11.4	7.1	3.2	(0.7)
Capex / depreciation %	82.3	72.6	85.0	81.7	85.3	90.2	96.3	102.9
Capex / revenue %	2.3	1.9	2.4	2.4	2.5	2.5	2.5	2.6
EBIT / net interest	3.8	3.4	4.2	5.8	6.7	7.8	9.1	10.4
Dividend cover (UBS)	-	-	-	-	-	-	-	-
Div. payout ratio (UBS) %	-	-	-	-	-	-	-	-
Revenues by division (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	3,295	3,692	3,808	4,151	4,467	4,792	5,114	5,425
Total	3,295	3,692	3,808	4,151	4,467	4,792	5,114	5,425
EBIT (UBS) by division (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	398	445	504	569	637	699	771	833
Total	398	445	504	569	637	699	771	833

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+25.2%
Forecast dividend yield	0.0%
Forecast stock return	+25.2%
Market return assumption	5.4%
Forecast excess return	+19.8%

Statement of Risk

The primary risk factors for Quintiles include: 1) Risk of expansion / contraction of Pharmaceutical and Biotech drug company research & development budgets, particularly late-stage development; 2) Risk of increase/decrease in the trend of Pharmaceutical and Biotechnology Company outsourcing of drug research and development, particularly with respect to early-stage drug development. 3) Risk of changes to government regulations required in the process of drug research & development. 4) Risk of a loss of a Strategic Partner (client) relationship or the cancellation of a contract. The company also bares the financial risk of fixed price or fee-for-service contracts if initially under-priced or otherwise overrun initial cost estimates.

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UBS 12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	47%	33%
Neutral	FSR is between -6% and 6% of the MRA.	42%	34%
Sell	FSR is > 6% below the MRA.	11%	23%
UBS Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 March 2014.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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UBS Securities LLC: Steven Valiquette.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Quintiles Transnational Holdings ^{2, 4, 5, 6, 16}	Q.N	Buy	N/A	US\$47.13	30 Apr 2014

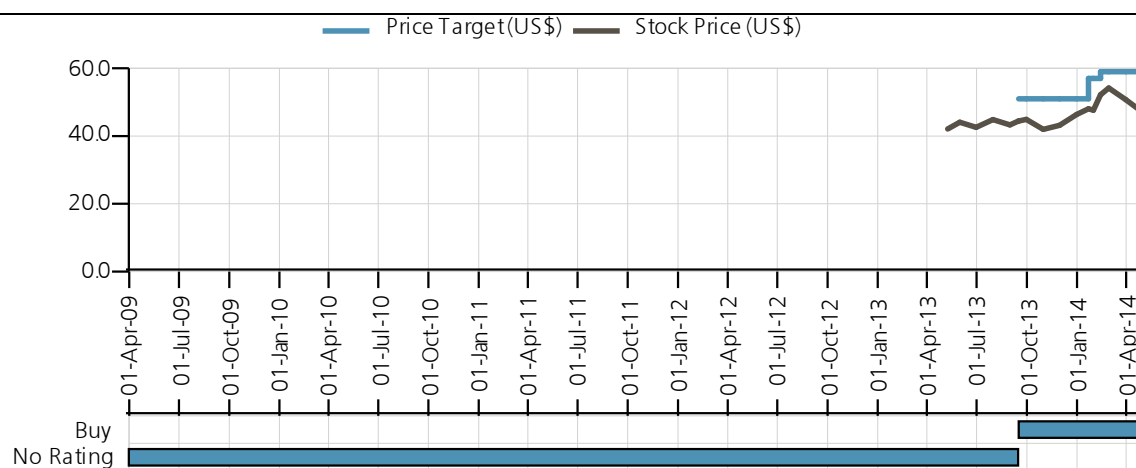
Source: UBS. All prices as of local market close.

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Quintiles Transnational Holdings (US\$)



Source: UBS; as of 30 Apr 2014

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