

## Quintiles Transnational Holdings

### Below the Line Items Force Us to Raise Estimates and PT, Although We Maintain Underperform

#### Our Call

We continue to believe PIII trial activity is at peak levels, and given Quintiles' dominant market share within the outsourced PIII arena, we think the company's revenue growth will be hampered by 1) a general slowdown in PIII spending, 2) saturation of strategic partnering, and 3) market share loss. Based on a lower tax rate and net interest expense, we have raised our CY14/15 estimates and our price target therefore goes to \$40 from \$36.

■ **Are We Missing Something?** No, we do not believe so. Quintiles finished CY13 on a strong note. We were most impressed by Product Development (PDEV), with 4Q13 revenues growing 9.3% Y/Y on an organic, constant dollar basis. For CY13, PDEV revenues grew 6.7% Y/Y on an organic, constant dollar basis, which is at the mid-point of our projection for PIII CRO industry revenue growth. For the year, consolidated revenues increased ~4.2% on an organic, constant dollar basis. Guidance for CY14 implies about 7-9% Y/Y revenue growth, although using CY13 as a proxy for contribution from acquisitions, then organic revenue growth is expected to be closer 6-8%. Granted, **Quintiles posted strong PDEV bookings in CY13, with a TTM net book to bill of 1.29x, but in our view, this represents peak levels. Our industry checks indicate that Quintiles has become increasingly aggressive with pricing and we have a hard time seeing further operating leverage, without of course the help of favorable currency rates.** For CY13, PDEV operating margin was 18.3% on a constant dollar basis (19.3% reported), and **we have an extremely difficult time calling that level sustainable with the other top-4 PIII clinical CROs generating closer to high-single digit to low-double digit PIII CRO operating margins.** For many years, Quintiles has enjoyed the ability to command better pricing given its breadth and depth of services and global scale, but we think those days are over as competition heats up among the tier 1 PIII CROs.

■ **Q Shares Should Underperform the Peer Group.** As we have illustrated in Exhibit 1, our view towards PIII CRO EBITDA and EPS growth is lower than the Street. We should note that our projection for EBITDA growth is 7.4% in CY15 (Street: 10%). **Our projection for EPS growth is 11% in CY15, and our new price target of \$40 implies 15x our new \$2.63 EPS estimate for CY15. We believe this multiple to very fair, as the S&P 500 currently trades at 14x CY15 operating EPS estimates and EPS is expected to grow 9% Y/Y.**

■ **Changes to Our Estimates.** We have lowered our tax rate for CY14/15 from 33% to 30% and we have also lowered our net interest expense quite dramatically. Our CY14/15 EPS estimates rise to \$2.37/2.63 from \$2.15/2.42. CY14 EBITDA goes to \$676MM from \$635MM.

FYE Dec	2013A (Prev)	2013A (Curr)	2014E (Prev)	2014E (Curr)	2015E (Curr)
EBITDA (M)					
Q1 (Mar)		141.0	155.0	163.0	-
Q2 (Jun)		149.0	159.0	164.0	-
Q3 (Sept)		160.0	158.0	166.0	-
Q4 (Dec)	153.0	160.0	163.0	183.0	-
FY EBITDA (M)	603.0	612.0	635.0	676.0	726.0

Source: Sterne Agee and FactSet

## Underperform Q

Price: Last \$51.32

Price Target \$40.00

### Pharmaceutical Services

Greg T. Bolan

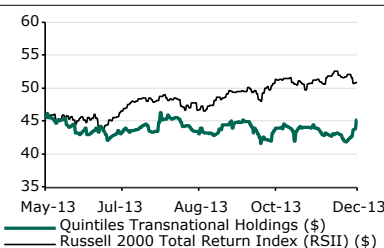
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### Company Data

Rating	Underperform
Price: Last	\$51.32
Price Target	\$40.00
52-Week Range	\$40.10 - \$52.00
Market Capitalization (M)	\$6,374.2
Shares Outstanding (M)	128.9
Avg. Daily Vol. (000)	560.0
Dividend Yield	0.0%
Assets (M)	\$3,066.8
Short Interest	1.0%
Total EV	7,600

### Price Performance

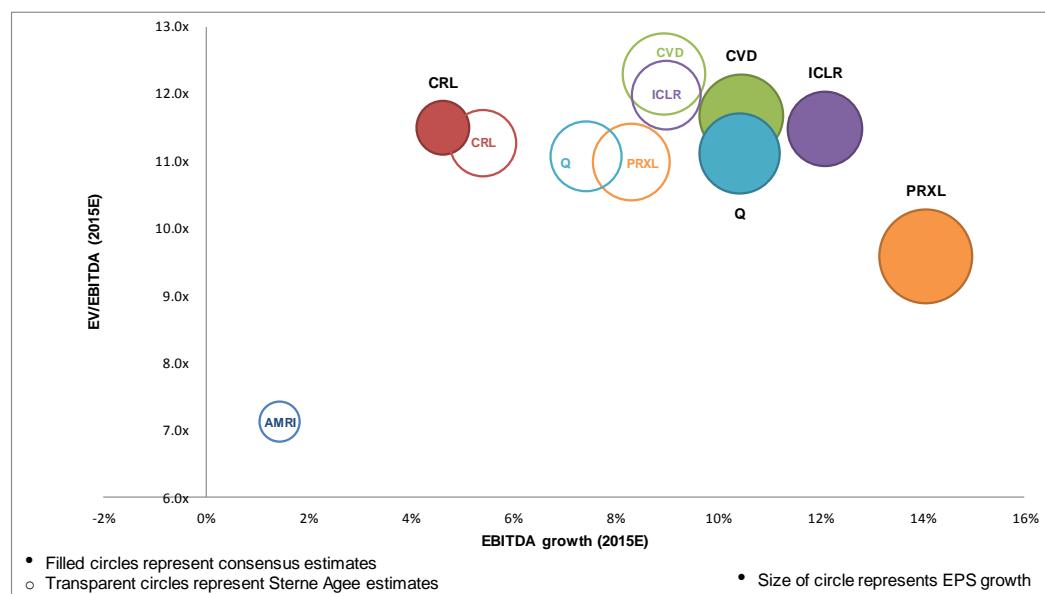


Source: FactSet

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.

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**Exhibit 1: CRO Group EV/EBITDA vs. EBITDA Growth, Sterne Agee Estimates & Consensus**

Source: FactSet and Sterne Agee Estimates

## Exhibit 2: Quintiles F4Q 2013 Variance Table

FY: December	Consensus				Yr/Yr	Sequential
Numbers in million except EPS	4Q:12A	3Q:13A	4Q:13E	4Q:13A	% change	% change
Service revenues	946	933	982	\$ 1,003.9	6.2%	7.6%
COGS	629	601	652	642.0	2.1%	6.9%
Gross Profit	317	332	329	362	14.1%	9.0%
SG&A	216	200	204	233	8.0%	16.6%
Charges	7.2	7	-	2.2	-69.9%	-69.8%
Operating Income	94.4	125	126	127.0	34.5%	1.4%
Interest income	0.7	1.1	2.6	1.6	125.9%	41.3%
Interest expense	(37.6)	(29)	(29)	(26.8)	-28.7%	-6.7%
Other income	(2.4)	(3.2)	-	(1.7)	-29.0%	-46.5%
Pre-tax income	55.1	94	99	100.0	81.6%	6.0%
Taxes	20.0	27	30	27.6	37.7%	0.4%
Net Income (cont. ops)	35.1	67	70	72.5	106.6%	8.3%
Equity earnings, non-controlling interests	(0.1)	(0)	-	0.5	-622.4%	-244.2%
Net Income (attributable to Quintiles)	35.0	67	70	73.0	108.6%	9.6%
EPS (non-GAAP)	\$ 0.41	0.54	0.56	\$ 0.58	41.4%	7.5%
Shares Outstanding	118	133	133	133	12.8%	-0.3%
EBITDA (adjusted)	140.1	160	153	160	14.0%	0.0%
Common Size						
Service revenues	100.0%	100.0%	100.0%	100.0%		
COGS	66.5%	64.4%	67.0%	63.9%		
Gross Margin	33.5%	35.6%	33.0%	36.1%		
SG&A	22.8%	21.4%	19.9%	23.2%		
Charges	0.8%	0.8%	0.0%	0.2%		
Operating Margin	10.0%	13.4%	13.1%	12.7%		
Interest expense	-3.9%	-3.0%	-2.7%	-2.5%		
Pre-tax income	5.8%	10.1%	10.3%	10.0%		
Effective tax rate	36.3%	29.1%	35.0%	27.5%		
Net Income (attributable to Quintiles)	3.7%	7.1%	6.7%	7.3%		
EBITDA (non-GAAP)	14.8%	17.1%	15.7%	15.9%		
EBIT (non-GAAP)	12.1%	14.2%	13.1%	12.9%		13.1%
Non-GAAP EBIT (ex FX)						
Net Income (non-GAAP)	5.1%	7.7%	7.2%	7.7%		
Effective tax rate (non-GAAP)	19.8%	26.1%	34.3%	27.7%		
Segment Details						
Product Development						
Revenue	703	714	717	775	\$ 744.0	
FX		(5)	(4)	(4)		
Acquisitions		9	-	10		
Revenues (organic, ex-FX)		711	721	711		
y/y growth (total)	8.3%	5.5%	2.0%	10.2%		
FX		(0.8%)	(0.5%)	(0.5%)		
Acquisitions		1.3%	0.0%	1.5%		
Revenues (organic, ex-FX)		5.0%	2.5%	9.3%		
% Total Revenues	74.3%	76.6%	73.0%	76.6%		
Segment EBIT Margin	17.8%	19.7%	18.4%	19.7%		
Segment EBIT Margin (ex-FX)		18.4%		18.6%		
Integrated Healthcare Services						
Revenue	243	219	265	229	\$ 240.0	
FX		(12)	(7)	(11)		
Acquisitions		-	-	-		
Revenues (organic, ex-FX)		231	272	231		
y/y growth (total)	8.8%	-7.6%	9.0%	-5.7%		
FX		(5.2%)	(3.0%)	(4.7%)		
Acquisitions		0.0%	0.0%	-		
Revenues (organic, ex-FX)		-2.3%	12.0%	-1.0%		
% Total Revenues		23.4%	27.0%	23.4%		
Segment EBIT Margin	5.6%	5.4%	6.5%	5.4%		
Segment EBIT Margin (ex-FX)		5.8%		5.8%		

Source: Company reports and Sterne Agee estimates

Reported: 02/13/2014

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

**Exhibit 3: Quintiles FY-2014 Updated Guidance**

Service Revenues	1Q14	2Q14	3Q14	4Q14	FY14
2/13/2014					\$4.09-4.15 billion
Const. Currency Growth	1Q14	2Q14	3Q14	4Q14	FY14
2/13/2014					7.4% to 9.0%
Diluted Adj. EPS	1Q14	2Q14	3Q14	4Q14	FY14
2/13/2014					\$2.33 - \$2.46
Diluted Adj. EPS Growth	1Q14	2Q14	3Q14	4Q14	FY14
2/13/2014					11.0% - 17.1%
Diluted GAAP EPS	1Q14	2Q14	3Q14	4Q14	FY14
2/13/2014					\$2.26 - \$2.40
Annual Effective Income Tax	1Q14	2Q14	3Q14	4Q14	FY14
2/13/2014					30%

*Source: Company presentations and conference call transcript*

## 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:14E	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	981	1,001	991	1,069	4,041	1,032	1,053	1,043	1,125	4,253				
COGS	2,459	611	618	601	642	2,471	646	655	638	683	2,623	680	689	672	719	2,760				
Gross Profit	1,233	316	327	332	362	1,337	335	346	353	385	1,419	352	364	371	406	1,493				
SG&A	818	199	229	200	233	861	203	215	219	236	873	208	221	230	250	909				
Charges	19	2	3	7	2	14	-	-	-	-	-	-	-	-	-	-				
Operating Income	396	115	95	125	127	462	132	131	134	149	546	144	143	141	155	584				
Interest income	3.1	0.5	(15.8)	1.1	1.6	(12.6)	0.8	0.8	0.8	0.9	3.3	0.9	0.9	0.9	1.1	3.9				
Interest expense	(134)	(36)	(32)	(29)	(27)	(124)	(26)	(26)	(26)	(25)	(103)	(25)	(24)	(23)	(23)	(95)				
Other income	2.3	2.4	(0.5)	(3.2)	(1.7)	(3.1)	-	-	-	-	-	-	-	-	-	-				
Pre-tax income	267	82	47	94	100	323	106	106	109	125	446	120	120	119	133	493				
Taxes	93	32	9	27	28	96	32	32	33	38	134	36	36	36	40	148				
Net Income (cont. ops)	174	50	38	67	72	227	74	74	76	88	312	84	84	83	93	345				
Equity earnings, non-controlling interests	3.5	(2)	0	(0)	1	(1.1)	-	-	-	-	-	-	-	-	-	-				
Net Income (attributable to Quintiles)	178	48	38	67	73	226	74	74	76	88	312	84	84	83	93	345				
EPS (GAAP)		0.41				1.78					2.37					2.63				
NI (non-GAAP)	209	58	63	72	77	270	74	74	76	88	312	84	84	83	93	345				
<b>EPS (non-GAAP)</b>	<b>1.77</b>	<b>0.49</b>	<b>0.50</b>	<b>0.54</b>	<b>0.58</b>	<b>2.10</b>	<b>0.56</b>	<b>0.56</b>	<b>0.58</b>	<b>0.67</b>	<b>2.37</b>	<b>0.64</b>	<b>0.64</b>	<b>0.63</b>	<b>0.71</b>	<b>2.63</b>				
Shares Outstanding		119	127	133	133	128	132	132	131	131	132	131	131	131	132	131				
<b>EBITDA (adjusted)</b>	<b>544</b>	<b>141</b>	<b>149</b>	<b>160</b>	<b>160</b>	<b>612</b>	<b>163</b>	<b>164</b>	<b>166</b>	<b>183</b>	<b>676</b>	<b>179</b>	<b>179</b>	<b>177</b>	<b>192</b>	<b>726</b>				
<b>Common Size</b>																				
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%	65.9%	65.4%	64.4%	63.9%	64.9%	65.9%	65.4%	64.4%	63.9%	64.9%				
Gross Margin	33.4%	34.1%	34.6%	35.6%	36.1%	33.6%	34.1%	34.6%	35.6%	36.1%	33.8%	34.1%	34.6%	35.6%	36.1%	34.0%				
SG&A	22.1%	21.5%	24.2%	21.4%	23.2%	22.6%	20.7%	21.5%	22.1%	22.1%	21.6%	20.2%	21.0%	22.0%	22.3%	21.4%				
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%	13.4%	13.1%	13.5%	14.0%	13.5%	13.9%	13.6%	13.6%	13.8%	13.7%				
Interest expense	-3.6%	-3.8%	-5.0%	-3.0%	-2.5%	-3.2%	-2.6%	-2.5%	-2.5%	-2.2%	-2.6%	-2.3%	-2.2%	-2.1%	-1.9%	-2.2%				
Pre-tax income	7.2%	8.8%	4.9%	10.1%	10.0%	8.5%	10.8%	10.6%	11.0%	11.7%	11.0%	11.6%	11.4%	11.4%	11.6%	11.6%				
Effective tax rate	34.9%	39.2%	18.9%	29.1%	27.5%	28.7%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%				
Net Income (attributable to Quintiles)	4.8%	5.2%	4.1%	7.1%	7.3%	6.0%	7.6%	7.4%	7.7%	8.2%	7.7%	8.2%	8.0%	8.0%	8.3%	8.1%				
EBITDA (non-GAAP)	14.7%	15.2%	15.8%	17.1%	15.9%	16.1%	16.6%	16.3%	16.8%	17.1%	16.7%	17.3%	17.0%	17.0%	17.0%	17.1%				
EBIT (non-GAAP)	12.1%	12.6%	13.1%	14.2%	12.9%	13.1%	13.4%	13.1%	13.5%	14.0%	13.5%	13.9%	13.6%	13.6%	13.8%	13.7%				
Non-GAAP EBIT (ex FX)	9.9%					11.9%														
Net Income (non-GAAP)	5.7%	6.2%	6.7%	7.7%	7.7%	7.1%	7.6%	7.4%	7.7%	8.2%	7.7%	8.2%	8.0%	8.0%	8.3%	8.1%				
Effective tax rate (non-GAAP)	26.3%	39.9%	-24.8%	26.1%	24.9%	22.2%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%				
<b>Y/Y Change</b>																				
Service revenues	12.1%	4.4%	-0.1%	2.1%	6.2%	3.1%	5.8%	6.0%	6.2%	6.5%	6.1%	5.2%	5.2%	5.2%	5.2%	5.2%				
COGS	14.2%	3.5%	-1.7%	-1.9%	2.1%	0.5%	5.8%	6.0%	6.2%	6.5%	6.1%	5.2%	5.2%	5.2%	5.2%	5.2%				
Gross Profit	8.0%	6.3%	3.1%	10.1%	14.1%	8.4%	5.8%	6.0%	6.2%	6.5%	6.1%	5.2%	5.2%	5.2%	5.2%	5.2%				
SG&A	7.3%	-3.2%	12.4%	3.5%	8.0%	5.2%	1.8%	-6.0%	9.7%	1.4%	1.5%	2.6%	2.6%	4.9%	6.1%	4.1%				
Operating Income	14.8%	25.2%	-5.9%	14.8%	34.5%	16.6%	14.3%	38.1%	6.8%	17.5%	18.0%	9.4%	9.5%	5.7%	3.9%	7.0%				
Interest expense	24.9%	23.1%	45.3%	-15.5%	-31.6%	3.7%	-27.7%	-47.0%	-10.4%	-4.8%	-26.7%	-7.7%	-8.7%	-9.6%	-10.1%	-9.0%				
Pre-tax income	44.9%	25.1%	-37.1%	30.1%	81.6%	20.8%	29.2%	126.4%	15.5%	25.1%	38.0%	13.5%	13.8%	9.2%	6.6%	10.6%				
Taxes	518.1%	32.4%	-68.0%	27.5%	37.7%	2.8%	-1.1%	259.4%	19.1%	36.3%	39.4%	13.5%	13.8%	9.2%	6.6%	10.6%				
Net Income (attributable to Quintiles)	-26.5%	11.2%	-18.8%	27.9%	108.6%	27.3%	54.0%	93.1%	14.6%	20.1%	38.0%	13.5%	13.8%	9.2%	6.6%	10.6%				
EPS (GAAP)																				
Shares Outstanding																				
<b>Service revenues (non-GAAP)</b>	<b>12.1%</b>	<b>4.4%</b>	<b>-0.1%</b>	<b>2.1%</b>	<b>6.2%</b>	<b>3.1%</b>	<b>5.8%</b>	<b>6.0%</b>	<b>6.2%</b>	<b>6.5%</b>	<b>6.1%</b>	<b>5.2%</b>	<b>5.2%</b>	<b>5.2%</b>	<b>5.2%</b>	<b>5.2%</b>				
FX	(1.9%)	(1.2%)	(2.3%)	(2.0%)	(1.5%)	(1.9%)	0.0%	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%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%				
<b>Revenues (organic, ex-FX)</b>	<b>11.4%</b>	<b>5.0%</b>	<b>1.6%</b>	<b>3.1%</b>	<b>6.6%</b>	<b>4.2%</b>	<b>5.8%</b>	<b>6.0%</b>	<b>6.2%</b>	<b>6.5%</b>	<b>6.1%</b>	<b>5.2%</b>	<b>5.2%</b>	<b>5.2%</b>	<b>5.2%</b>	<b>5.2%</b>				
EBITDA (non-GAAP)	10.8%	9.0%	7.9%	17.7%	14.0%	12.5%	15.6%	9.7%	4.1%	14.4%	10.5%	9.4%	9.4%	6.4%	4.8%	7.4%				
EBIT (non-GAAP)	11.8%	9.6%	8.4%	20.4%	12.8%	12.1%	12.9%	5.6%	1.0%	15.5%	9.2%	9.4%	9.5%	5.7%	3.9%	7.0%				
Net Income (non-GAAP)	9.4%	10.5%	12.6%	36.7%	59.5%	29.0%	28.7%	17.7%	6.1%	13.7%	15.8%	13.5%	13.8%	9.2%	6.6%	10.6%				
EPS (non-GAAP)	9.6%	9.7%	4.8%	20.9%	41.4%	18.5%	15.4%	13.0%	7.6%	15.4%	12.8%	14.6%	14.3%	9.1%	6.0%	10.8%				

Source: Company filings and Sterne Agee estimates

**GLOSSARY OF TERMS & ACRONYMS**

<b>Term</b>	<b>Definition</b>
ACO	Accountable Care Organization
Adj	Adjusted
B2B	Book to Bill
CAGR	Cumulative Annual Growth Rate
CMS	Centers for Medicare & Medicaid Services
COGS	Cost of Goods Sold
CROs	Contract Research Organizations
CY	Calendar Year
D&A	Depreciation and Amortization
DCF	Discounted Cash Flow
DS&A	Distribution, Selling and Administrative
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
ED	Early Development
EHR	Electronic Health Records
EPS	Earnings Per Share
EV	Enterprise Value
FDA	U.S. Food and Drug Administration
FFS	Fee-for-Service
FX	Effect of Foreign Currency
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
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
LS	Late Stage
LTM	Last 12 Months
M&A	Merger and Acquisition
MTD	Month-to-Date
MU	Meaningful Use
NPV	Net Present Value
NR	No Rating
NTM	Next 12 Months
PBM	Pharmacy Benefit Manager
PCS	Preclinical Services
PDEV	Product Development
PE	Price to Earnings
PHM	Population Health Management
PT	Price Target
PI	Phase I Clinical Studies
PII	Phase II Clinical Studies
PIII	Phase III Clinical Studies
Q	Quarter
QTD	Quarter-to-Date
R&D	Research and Development
RCM	Revenue Cycle Management
RFP	Request for Proposal
RMS	Research Models and Services
ROIC	Return on Invested Capital
S&P	Standard and Poor's
SaaS	Software as a Service
SG&A	Selling, General, and Administrative
TTM	Trailing 12 Months
USD	United States Dollar
Y/Y	Year over Year
YTD	Year-to-Date

## 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 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:**

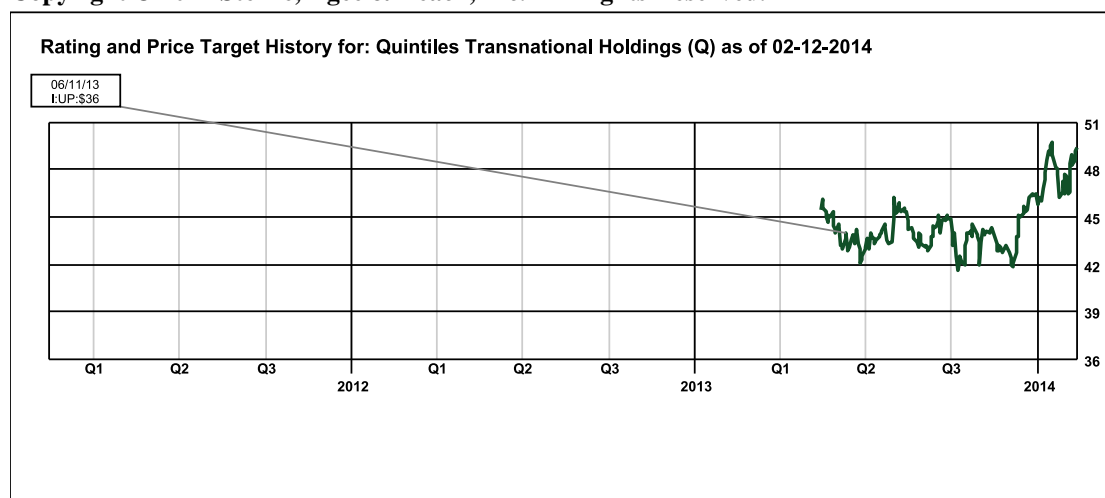
Rating Category	Count	Percent	IB Serv./ Past 12Mos.	
			Count	Percent
Buy	225	44.82%	31	13.78%
Neutral	256	51.00%	23	8.98%
Underperform	21	4.18%	1	4.76%

**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.

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