

## Initiation of Coverage

### PRA Health Sciences Inc

## No Need to PRA-Y For Growth; Initiate With Buy Rating and \$28 Price Target

#### Initiate with Buy rating; risk/reward favorable w/ low customer concentration

We initiate coverage of PRA Health Sciences with a Buy rating and 12-mth price target of \$28. As consolidation within the pharma and biotech customer base has once again moved to the forefront, we believe investors in the CRO sector may be better served to focus on companies with less customer concentration risk to hopefully reduce the potential for major swings in both quarterly bookings and sales. PRA seems to fit this bill with no customer accounting for more than 8% of sales (lowest in the industry). Indeed, PRA had a fairly consistent track record as a private company with quarterly book-to-bill ratios over the past few years, and we believe this should continue as a public company as well, thereby providing investors with comfort vs. other CROs.

#### Emphasis on biotech customer segment provides framework for robust growth

Our proprietary CRO industry market model is shown in Figure 1 on pg 4. The CRO industry is currently around only 44% penetration of the addressable market. We expect the fastest growth in the late-stage trial segment, where PRA is also primarily focused (with a niche therapeutic approach in areas such as CNS and oncology). As well, PRA seems to have greater customer mix in the faster growing biotech and small-to mid-size pharma customer base, which should allow the company to consistently report top-line growth that is at least in line with overall industry growth. PRA derives ~40% of sales from biotech companies (one of the highest ratios among major CROs).

#### Long-term financial metrics warrants 18x P/E in our view

Given PRA's long-term financial objectives of 8-10% organic revenue growth, 10-12% organic EBITDA growth, and 16-18% organic EPS growth (which can all be further supplemented by additional M&A activity), we believe PRA can achieve a P/E of 18x on our CY15 EPS forecast of \$1.45. While these metrics are in line with peers, the valuation is actually a slight discount vs. other late-stage CROs in our coverage universe (to account for higher debt in the PRA cap structure; goal is to reduce leverage to 3.5x).

#### Valuation: \$28 PT represents +25-30% upside potential from current levels

\$28 PT based on a P/E of 18x our CY15 EPS estimate of \$1.45; equals 12x EBITDA.

### Equities

Americas  
Healthcare Providers

**12-month rating** **Buy**  
*Prior: Not Rated*
**12m price target** **US\$28.00**  
*Prior: -*
**Price** **US\$22.06**
**RIC:** PRAH.O **BBG:** PRAH US

#### Trading data and key metrics

<b>52-wk range</b>	US\$22.50-0.00
<b>Market cap.</b>	US\$1.32bn
<b>Shares o/s</b>	59.8m (COM)
<b>Free float</b>	100%
<b>Avg. daily volume ('000)</b>	37
<b>Avg. daily value (m)</b>	US\$0.8
<b>Common s/h equity (12/14E)</b>	US\$0.71bn
<b>P/BV (12/14E)</b>	1.4x
<b>Net debt / EBITDA (12/14E)</b>	4.8x

#### EPS (UBS, diluted) (US\$)

	12/14E			
	From	To	% ch	Cons.
<b>Q1</b>	-	0.20	-	-
<b>Q2</b>	-	0.36	-	-
<b>Q3</b>	-	0.34	-	-
<b>Q4E</b>	-	0.32	-	-
<b>12/14E</b>	-	1.22	-	-
<b>12/15E</b>	-	1.45	-	-
<b>12/16E</b>	-	1.73	-	-

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Highlights (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
<b>Revenues</b>	548	597	833	1,269	1,372	1,475	1,578	1,681
<b>EBIT (UBS)</b>	82	81	113	160	181	201	222	247
<b>Net earnings (UBS)</b>	34	32	25	56	89	107	126	147
<b>EPS (UBS, diluted) (US\$)</b>	1.96	1.83	1.41	1.22	1.45	1.73	2.01	2.32
<b>DPS (US\$)</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net (debt) / cash</b>	-	(345)	(1,184)	(866)	(782)	(671)	(547)	(413)
Profitability/valuation	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
<b>EBIT margin %</b>	14.9	13.6	13.5	12.6	13.2	13.6	14.1	14.7
<b>ROIC (EBIT) %</b>	-	-	-	10.1	12.3	14.5	17.0	20.0
<b>EV/EBITDA (core) x</b>	-	-	-	12.7	10.3	8.9	7.6	6.5
<b>P/E (UBS, diluted) x</b>	-	-	-	18.0	15.2	12.8	11.0	9.5
<b>Equity FCF (UBS) yield %</b>	-	-	-	4.3	7.3	9.0	10.0	10.7
<b>Net dividend yield %</b>	-	-	-	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\$22.06 on 05 Dec 2014 18:12 EST

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# Investment Thesis

## PRA Health Sciences Inc

### Investment case

PRA Health Sciences is a CRO focused primarily on the late-stage clinical trial market segment, with a niche therapeutic approach in both CNS and oncology (among others). Of great importance, PRA seems to have greater customer mix in the faster growing biotech and small- to mid-size pharma customer base, which should allow the company to consistently report top-line growth that is at least in line with overall industry growth. PRA derives ~40% of sales from biotech companies (one of the highest in the industry). PRAH's recent acquisitions should bolster the company's future prospects and we rate PRAH a Buy with a price target of \$28 based on a P/E of 18x our '15E EPS of \$1.45.

### Upside scenario

In our upside scenario to our thesis, PRAH will sign a strategic partnership with a major top 10 pharmaceutical company. This contract along with growth in the market and better economics as the company streamlines acquisitions would warrant a higher PE multiple given the EPS growth from the contract. Applying a hypothetical 20x PE to an EPS of \$1.45 equates to a price of \$29/sh.

### Downside scenario

In the downside scenario to our thesis, the company could lose a strategic partner while seeing difficulties in the integration of the various acquisitions done over 2013. The integration issues could materialize in higher costs which could result in a hypothetical EPS of \$1.14. On a slightly lower multiple of ~17x, this leads to a valuation of \$19/sh.

### Upcoming catalysts

February 2015 - 4Q14 Earnings Results

12-month rating

**Buy**

12m price target

**US\$28.00**

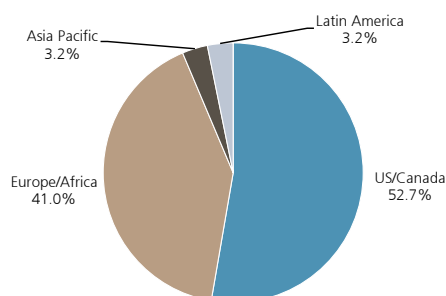
### Business description

PRA Health Sciences Inc. is a contract research organization. The company provides biopharmaceutical development services to pharmaceutical and biotechnology companies. The company has historically catered to smaller biotech and pharma companies. During 2013, PRAH acquired CRL Lifetree, ClinStar, and RPS. The acquisition of RPS greatly expanded the company's relationships with large pharma companies while providing a global presence to conduct clinical trials. The company IPOed in November 2014.

### Industry outlook

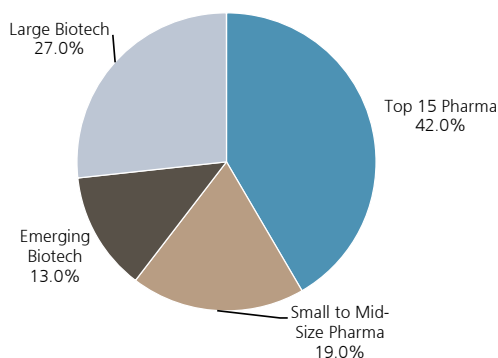
The CRO industry has been growing at a steady clip, primarily the result of significant growth in the phase II-IV market. However, we expect the early development market to have relatively flat growth through 2018. We expect the overall CRO industry to grow at a CAGR of ~6-7% through 2018, with CRO market penetration accelerating through the years. We expect the CRO market penetration to increase from ~42% in 2013 to ~52% in 2018. We expect the largest CROs to be the primary beneficiaries of increased outsourcing trends.

### Revenues by region (2013)



Source: Company Documents

### Revenues by Customer Segment (3Q14)



Source: Company Documents

## Investment Thesis

We are initiating coverage of PRA Health Sciences with a Buy rating and 12-month price target of \$29. As consolidation within the pharma and biotech customer base has once again moved to the forefront, we believe investors in the CRO sector may be better served to focus on companies with less customer concentration risk to hopefully reduce the potential for major swings in both bookings and sales. PRA seems to fit this bill with no customer accounting for more than 8% of sales (lowest in the industry). Indeed, PRA has a fairly consistent track record with quarterly book-to-bill ratios while private, which should provide investors with some comfort vs. other CROs.

PRA is a CRO focused primarily on the late-stage clinical trial market segment, with a niche therapeutic approach in both CNS and oncology (among others). Of great importance, PRA seems to have greater customer mix in the faster growing biotech and small- to mid-size pharma customer base, which should allow the company to consistently report top-line growth that is at least in line with overall industry growth. PRA derives ~40% of sales from biotech companies (one of the highest in the industry).

## CRO Market Penetration – Room for Everyone

In Figure 1, we provide our market model for the CRO industry. As seen, we believe the current market opportunity stands at ~\$64 bil with the CRO industry market penetration standing at ~45% in 2014. Our expectation is that CROs will continue to penetrate the market and achieve low 50% market penetration by 2018. By 2018, we expect the overall addressable market for development will have grown to ~\$70 bil. Comparatively, PRAH utilizes Industry Standard Research (ISR) in determining the worldwide CRO market. According to ISR, the global CRO market for PI-IV clinical development was ~\$70 bil in 2013 with a penetration rate of ~31% which is expected to grow to ~43% by 2018. In our view, the important measure here is the increasing market penetration expected over the next few years.

Overall market penetration will likely be driven by an increasing need to maximize the productivity of R&D spending across the pharmaceutical industry as patents expire and pharma companies look to focus on higher quality molecules. We expect pharma companies to continue to reduce fixed costs related to R&D while outsourcing an increasingly larger portion of clinical trial management to CROs. More importantly, we expect that phase II-III clinical trials will be the fastest growing portion of trials outsourced to CROs which bodes well for PRAH. Additionally, we expect R&D spending to grow in the low 2% range which should add to the overall market opportunity available to CROs.

Beyond our estimates for CRO market penetration, executives at the various publicly traded CROs indicate that market penetration continues to expand as pharma company R&D is right-sized. Additionally, management teams have indicated that a large majority of the outsourced trial work will be allocated to the largest CROs of which PRAH is within the top CROs. The global footprint and capability to handle large, complex trials is part of the key reason for this expansion.

Figure 1: UBS Proprietary CRO Market Model

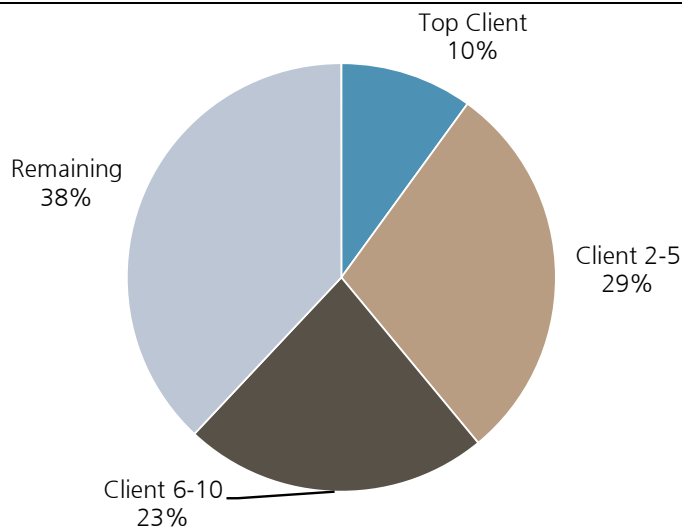
Global R&D Spending by World's Top 500 Pharma & Biotech Companies 2004-2018 (\$ bil)														
R&D Measure	2005A	2006A	2007A	2008A	2009A	2010A	2011A	2012A	2013A	2014E	2015E	2016E	2017E	2018E
Pharma R&D Spend	\$96.4	\$108.1	\$120.2	\$131.2	\$129.4	\$131.3	\$137.9	\$134.3	\$136.4	\$140.7	\$143.6	\$147.0	\$150.6	\$153.7
Growth per year	9.7%	12.1%	11.2%	9.2%	-1.4%	1.5%	5.0%	-2.6%	1.6%	3.2%	2.1%	2.4%	2.4%	2.1%
WW Prescription Sales	\$494.8	\$541.7	\$599.2	\$649.3	\$677.7	\$700.3	\$742.4	\$716.4	\$717.3	\$746.3	\$786.1	\$831.0	\$877.5	\$922.4
Pharma R&D as a % of WW Rx Sales	19.5%	20.0%	20.1%	20.2%	19.1%	18.7%	18.6%	18.7%	19.0%	18.9%	18.3%	17.7%	17.2%	16.7%
WW Prescription Sales Growth Rate	8.8%	9.5%	10.6%	8.4%	4.4%	3.3%	6.0%	-3.5%	0.1%	4.0%	5.3%	5.7%	5.6%	5.1%
Total 'Development' Market	\$60.3	\$68.2	\$76.9	\$84.2	\$83.4	\$86.6	\$89.7	\$92.6	\$93.5	\$94.6	\$95.3	\$97.5	\$100.4	\$103.4
Total Development as a % of R&D	63%	63%	64%	64%	64%	66%	65%	69%	69%	67%	66%	66%	67%	67%
<b>Pharma/Biotech 'Development' Spend By Segment:</b>														
Pre-clinical	\$5.4	\$6.5	\$7.7	\$8.8	\$8.2	\$8.1	\$8.1	\$8.0	\$8.1	\$8.2	\$8.4	\$8.5	\$8.7	\$8.9
Phase I	3.5	4.5	5.6	6.8	6.6	7.0	7.8	8.2	8.2	8.1	8.2	8.3	8.5	8.7
Phase II	7.0	8.9	9.9	10.7	12.4	11.1	11.2	11.8	11.7	11.6	11.7	11.9	12.3	12.6
Phase III	15.3	19.1	21.6	27.0	28.4	31.8	32.1	33.9	33.5	33.4	33.6	34.2	35.1	36.1
Phase IV	6.0	7.2	9.3	10.5	10.8	11.3	12.1	12.8	13.1	13.7	14.3	14.9	15.5	16.1
Central Lab	1.5	1.7	1.9	2.1	2.0	2.1	2.2	2.2	2.3	2.4	2.4	2.5	2.6	2.7
Other (oversight, I/T, corporate etc.)	21.6	20.4	20.9	18.3	15.0	15.3	16.2	15.8	16.6	17.1	16.7	17.2	17.8	18.4
Total Development Spend	\$60.3	\$68.2	\$76.9	\$84.2	\$83.4	\$86.6	\$89.7	\$92.6	\$93.5	\$94.6	\$95.3	\$97.5	\$100.4	\$103.4
<b>CRO Addressable Development Market</b>														
Pre-clinical (57% of Pre-Clinical)*	\$3.09	\$3.69	\$4.38	\$5.04	\$4.66	\$4.59	\$4.60	\$4.56	\$4.62	\$4.69	\$4.76	\$4.86	\$4.96	\$5.06
Phase I (61% of PI Dev)*	\$2.1	\$2.8	\$3.4	\$4.1	\$4.0	\$4.3	\$4.8	\$5.0	\$5.0	\$5.0	\$5.0	\$5.1	\$5.2	\$5.3
Phase II (75% of PII Dev)*	\$5.3	\$6.7	\$7.4	\$8.0	\$9.3	\$8.3	\$8.4	\$8.8	\$8.8	\$8.7	\$8.8	\$9.0	\$9.2	\$9.4
Phase III (70% of PIII Dev)*	\$10.7	\$13.3	\$15.1	\$18.9	\$19.9	\$22.3	\$22.5	\$23.7	\$23.5	\$23.4	\$23.5	\$23.9	\$24.6	\$25.3
Phase IV (70% of PIV Dev)*	\$4.2	\$5.0	\$6.5	\$7.4	\$7.6	\$7.9	\$8.5	\$8.9	\$9.2	\$9.6	\$10.0	\$10.4	\$10.8	\$11.3
Central Lab	\$1.5	\$1.7	\$1.9	\$2.1	\$2.0	\$2.1	\$2.2	\$2.2	\$2.3	\$2.4	\$2.4	\$2.5	\$2.6	\$2.7
Other (oversight/corporate) (60% of Other)*	\$12.9	\$12.2	\$12.5	\$11.0	\$9.0	\$9.2	\$9.7	\$9.5	\$10.0	\$10.3	\$10.0	\$10.3	\$10.7	\$11.0
Total Addressable Dev. Spend	\$39.8	\$45.4	\$51.3	\$56.5	\$56.5	\$58.6	\$60.6	\$62.7	\$63.3	\$64.0	\$64.5	\$66.0	\$68.0	\$70.1
<b>% of Total Development Spend</b>														
Pre-clinical	9.0%	9.5%	10.0%	10.5%	9.8%	9.3%	9.0%	8.6%	8.8%	8.7%	8.6%	8.5%	8.4%	8.3%
Phase I	5.8%	6.7%	7.3%	8.1%	7.9%	8.1%	8.7%	8.9%	8.7%	8.6%	8.6%	8.5%	8.5%	8.5%
Phase II	11.6%	13.0%	12.8%	12.7%	14.8%	12.8%	12.5%	12.7%	12.5%	12.3%	12.3%	12.2%	12.2%	12.2%
Phase III	25.3%	27.9%	28.1%	32.0%	34.0%	36.7%	35.8%	36.6%	35.9%	35.3%	35.2%	35.0%	34.9%	34.9%
Phase IV	10.0%	10.5%	12.1%	12.5%	13.0%	13.0%	13.5%	13.8%	14.0%	14.5%	15.0%	15.2%	15.4%	15.5%
Central Lab	2.5%	2.5%	2.5%	2.5%	2.4%	2.4%	2.4%	2.4%	2.5%	2.5%	2.6%	2.6%	2.6%	2.6%
Other	35.8%	29.9%	27.1%	21.7%	18.0%	17.7%	18.1%	17.0%	17.6%	18.1%	17.7%	17.9%	18.0%	18.1%
Total Development Spend %	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%
<b>Development Spend % Growth y-o-y</b>														
Pre-clinical	17.6%	19.4%	18.7%	15.0%	-7.6%	-1.5%	0.2%	-1.0%	1.5%	1.5%	1.5%	2.0%	2.0%	2.0%
Phase I	-2.2%	29.7%	23.9%	20.8%	-3.4%	6.3%	11.6%	5.1%	-0.6%	-0.3%	0.3%	1.6%	3.0%	2.5%
Phase II	27.4%	27.0%	10.8%	8.8%	15.5%	-10.5%	1.0%	5.4%	-0.6%	-0.8%	1.0%	1.6%	2.8%	2.6%
Phase III	7.4%	24.8%	13.5%	24.6%	5.2%	12.1%	1.1%	5.4%	-1.0%	-0.3%	0.5%	1.7%	2.7%	2.8%
Phase IV	16.9%	18.8%	29.9%	13.1%	3.0%	3.8%	7.6%	5.5%	2.4%	4.8%	4.2%	4.0%	4.0%	4.0%
Central Lab	11.0%	13.1%	12.8%	9.5%	-3.0%	3.5%	2.5%	1.5%	5.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Other	8.5%	-5.6%	2.5%	-12.6%	-17.6%	1.8%	6.0%	-2.7%	5.1%	3.0%	-2.2%	2.9%	3.4%	3.5%
Total Development Spend %	11.0%	13.1%	12.8%	9.5%	-1.0%	3.8%	3.6%	3.2%	1.0%	1.2%	0.7%	2.3%	3.0%	3.0%
<b>CRO Revenues (market size)</b>														
Pre-clinical	\$2.4	\$2.7	\$3.0	\$3.1	\$2.9	\$2.8	\$2.8	\$2.8	\$2.9	\$2.9	\$3.0	\$3.1	\$3.2	\$3.3
Phase I	1.6	1.8	2.0	2.2	2.2	2.3	2.3	2.5	2.6	2.8	2.9	3.0	3.1	3.2
Phase II	2.1	2.4	2.8	3.2	3.4	3.9	4.3	4.9	5.6	6.3	6.8	7.4	7.9	8.4
Phase III	2.2	2.6	3.0	3.5	3.6	4.1	4.7	5.4	6.2	7.0	7.9	8.6	9.2	9.8
Phase IV	1.9	2.2	2.6	3.1	3.2	3.5	3.9	4.3	4.6	4.9	5.2	5.5	5.7	5.9
Central Lab	1.1	1.4	1.7	2.0	1.9	2.0	2.0	2.0	2.2	2.3	2.4	2.5	2.6	2.7
Other	1.3	1.4	1.7	1.6	1.6	1.7	1.9	2.1	2.3	2.5	2.7	2.9	3.1	3.2
Total CRO Revenues (market)	\$12.6	\$14.5	\$16.8	\$18.6	\$18.8	\$20.2	\$21.9	\$24.0	\$26.4	\$28.7	\$30.9	\$32.9	\$34.8	\$36.5
<b>CRO Market Penetration Rate (% of Addressable Development Spend)</b>														
Pre-clinical	76.6%	72.3%	68.9%	60.5%	62.2%	61.9%	61.1%	61.7%	62.0%	62.6%	63.6%	64.2%	64.8%	65.4%
Phase I	73.5%	63.5%	57.4%	52.8%	55.2%	52.9%	49.3%	49.7%	53.0%	55.8%	58.4%	59.8%	60.1%	60.7%
Phase II	39.2%	35.8%	37.5%	39.6%	36.3%	46.6%	50.8%	55.5%	64.1%	71.8%	77.4%	82.3%	85.7%	88.5%
Phase III	21.0%	19.5%	20.0%	18.4%	18.4%	18.3%	21.0%	23.0%	26.4%	30.0%	33.4%	35.8%	37.7%	38.8%
Phase IV	44.8%	44.5%	40.5%	42.1%	42.5%	44.2%	45.6%	47.5%	50.1%	51.2%	52.0%	52.5%	52.5%	52.5%
Central Lab	75.0%	81.0%	87.0%	93.0%	93.5%	93.0%	92.1%	91.9%	93.6%	95.4%	97.3%	98.2%	99.2%	99.2%
Other	10.0%	11.7%	13.3%	14.9%	17.2%	18.3%	19.3%	21.8%	22.9%	24.3%	27.1%	28.2%	28.8%	29.3%
CRO Market Penetration Rate	31.5%	31.8%	32.7%	32.9%	33.3%	34.4%	36.1%	38.2%	41.7%	44.8%	47.9%	49.9%	51.2%	52.1%
<b>CRO Market % Growth y-o-y</b>														
Pre-clinical	12.3%	12.7%	13.1%	1.0%	-5.0%	-2.0%	-1.0%	0.0%	2.0%	2.5%	3.0%	3.0%	3.0%	3.0%
Phase I	9.8%	12.1%	11.9%	11.2%	1.0%	2.0%	4.0%	6.0%	6.0%	5.0%	5.0%	4.0%	3.5%	3.5%
Phase II	13.8%	16.0%	15.9%	14.8%	6.0%	15.0%	10.0%	15.0%	15.0%	11.0%	9.0%	8.0%	7.0%	6.0%
Phase III	14.3%	16.1%	16.2%	14.9%	5.0%	12.0%	16.0%	15.0%	14.0%	13.0%	12.0%	9.0%	8.0%	6.0%
Phase IV	16.7%	18.0%	18.4%	17.4%	4.0%	8.0%	11.0%	10.0%	8.0%	7.0%	6.0%	5.0%	4.0%	4.0%
Central Lab	19.0%	22.1%	21.1%	17.0%	-2.5%	3.0%	1.5%	1.2%	7.0%	5.0%	5.0%	4.0%	4.0%	3.0%
Other	30.2%	10.3%	16.5%	-1.9%	-4.8%	8.5%	11.5%	10.0%	10.0%	9.5%	9.0%	7.0%	6.0%	5.0%
Total CRO Market Growth	15.5%	15.2%	15.9%	10.9%	1.2%	7.3%	8.5%	9.5%	10.0%	8.6%	7.9%	6.5%	5.7%	4.9%

Source: UBS Estimates \*Adjustments for overhead, chemistry, manufacturing, and control

## Customer concentration

One of the more topical issues to cross the CRO industry of late has been a focus on client concentration and the overall diversification of the customer base. PRAH has a relatively low customer concentration level compared to peers. The top customer of PRAH represented ~8% revenues during the first nine months of 2014. (The top customer did approach ~10% during 3Q14.) Comparatively, ICLR, PRXL, and CVD had the top client at or significantly above the 10% mark through 2013 and 2014. Specifically, CVD's top client represented ~10.6% of 2013 revenue, ICLR's top client represented ~26% of revenues, and PRXL's top client represented ~16% of FY14 revenue. In terms of the top five client concentration, PRAH derived ~38% of revenue while deriving ~60% from the top 10 customers.

**Figure 2: Client Concentration during 3Q14**



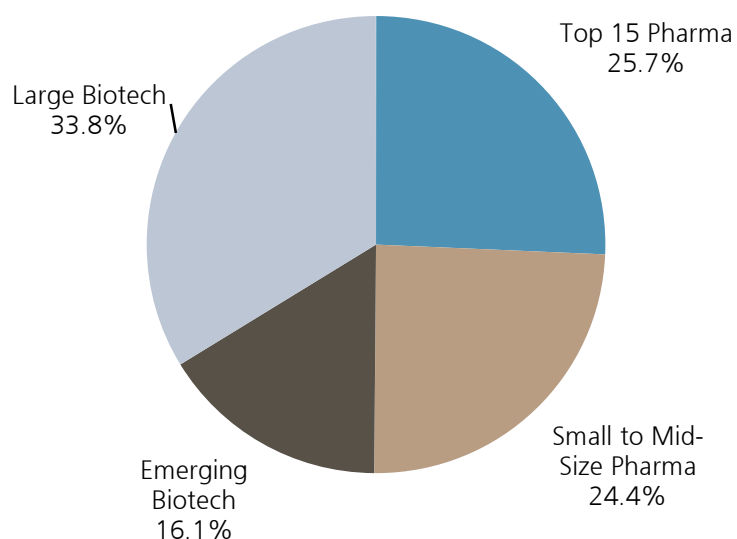
Source: Company Documents; UBS

Over the last few quarters, there has been significant concern in regards to customer concentration within the CRO industry and concentration with specific strategic partners. For PRAH, the company's low exposure to a singular client should prove positive given the impact a single client could theoretically have on a CRO. Furthermore, the overall concentration of the entire client base is relatively diversified compared to peer CROs.

## Leverage to smaller biotech/pharma

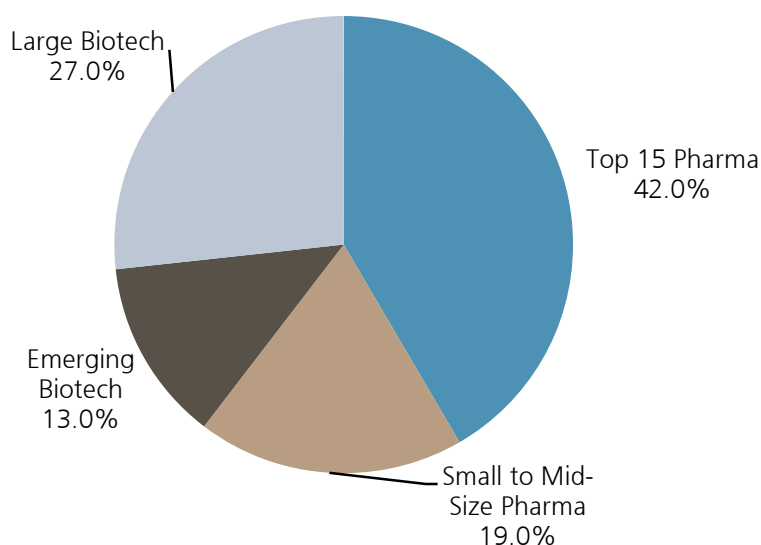
In a reversal from a majority of the CROs in the space, PRAH has had relatively low exposure to larger pharmaceutical clients over the years. However, the acquisition of RPS brought about significantly increased exposure to larger pharmaceutical clients while also bringing the requisite global capacity and services required to garner strategic relationships with large pharmaceutical clients. However, relative to the other CROs in the group, the customer segment mix is more heavily geared towards biotech and small/emerging biotech customers. Through 2014, PRAH average revenue mix from the top pharma companies has been ~41% with the remainder split between smaller pharma/biotech companies. Comparatively, in 2013, the company generated only ~26% of revenues from the top pharmaceutical companies.

**Figure 3: PRAH 2013 Customer Segment Mix**



Source: Company Documents; UBS

**Figure 4: PRAH YTD 2014 Customer Segment Mix**

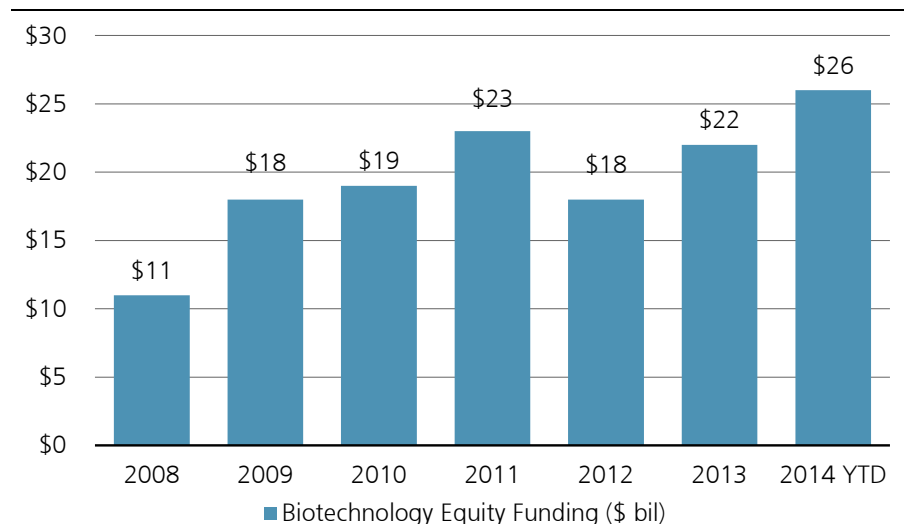


Source: Company Documents; UBS

As highlighted above in Figure 3 & Figure 4, the greater focus on smaller pharmaceutical outfits and biotech companies runs counter to other larger CROs which have generally focused more on the larger pharma companies. We note that a majority of the larger CROs, within the last 1-2 years, have recently begun to place greater emphasis on the smaller biotech companies, particularly with a greater amount of funding being raised in smaller biotech companies in the last couple of years. This seemingly places PRAH at an advantage in the smaller biotech space due to the company's primary focus on servicing the space. Additionally, PRAH has significant upside potential should the company sign a major pharmaceutical client which creates a compelling risk/reward profile. In Figure 5, we highlight the biotechnology equity funding levels over the past several years. As shown, biotechnology companies have raised significant cash levels over the past

few years. In discussions with other CRO peers, management teams have indicated that a large portion of the cash has yet to be spent by the biotech companies. As such, this would seemingly leave a significant amount of cash available for R&D use. We note that unlike large pharmaceutical companies, many biotech companies 'require' the use of a CRO due to the lack of infrastructure in managing their own trials or the lack of technology to manage clinical trials. As such, PRAH should stand to benefit in this regard, along with the rest of the CRO industry.

**Figure 5: Biotechnology Equity Funding**

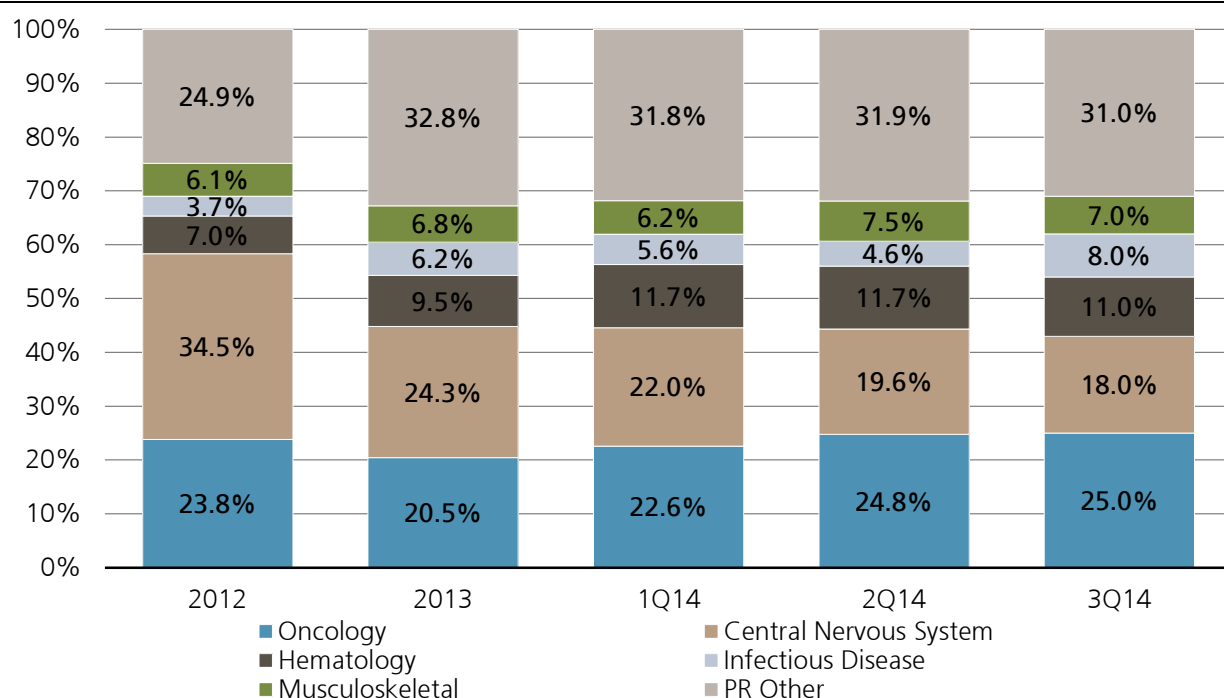


Source: Company Documents; BioWorld; (Data through 10/16/14)

### Therapeutic expertise are high growth areas

In terms of therapeutic expertise, PRAH generates a majority of revenue from oncology-related trials within the Product Registration (PR) business. Specifically, the company generated ~25% of PR revenue from oncology-related trials during 3Q14. For 2014 thus far, the company has generated ~24% of revenue from oncology in the PR business. PRAH also generates a significant amount from Central Nervous System (CNS) studies. For 2014, the company generated ~20% of PR revenue from CNS-related trials. The next largest therapeutic area which PRAH generates revenue is hematology where the company generated ~11% of PR revenue. More importantly, oncology, CNS, and hematology are where spending for drugs is likely to continue to grow significantly. According to IMS Institute, oncologic related drugs within the developed markets are expected to generate sales of \$71-81 bil for a CAGR of 7-10% from 2014-2018. The rapid growth of spending in this market should bode well for PRAH given the company's focus in this particular market and significant pharmaceutical spending in R&D is focused in this particular therapeutic area.

**Figure 6: PRAH PR Revenue by Therapeutic Area**



Source: Company Documents; UBS

### KKR Ownership Remains Substantial

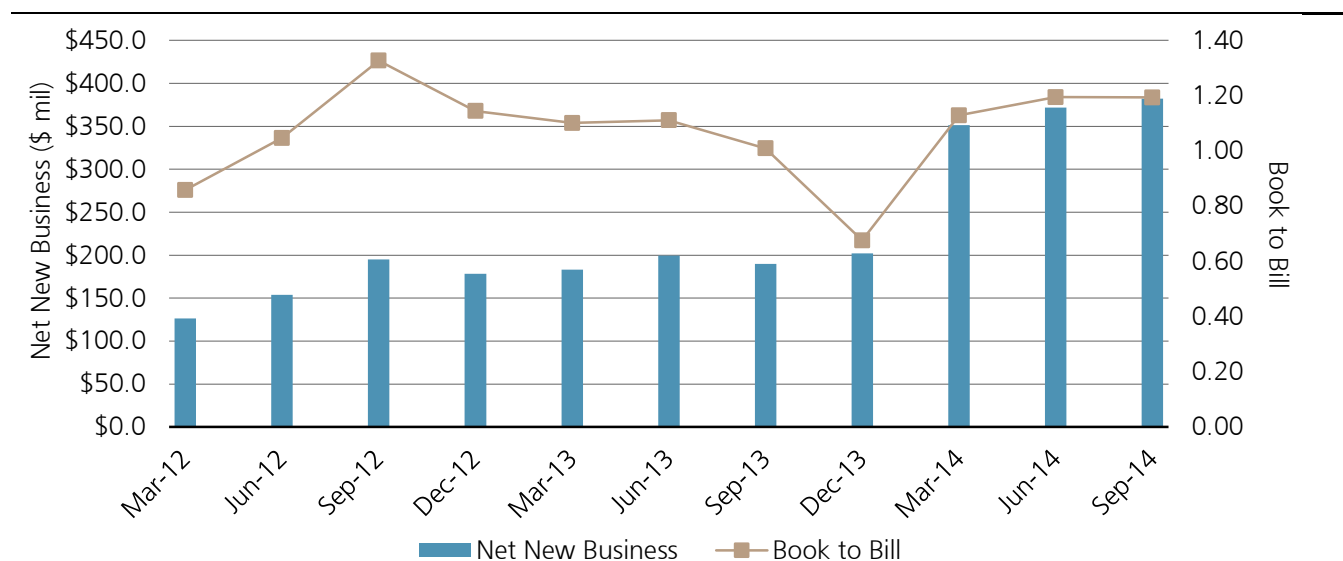
During the IPO process, PRA Health issued ~17 mil shares with an over-allotment option for an additional ~2.5 mil shares to be sold from KKR. In the post-IPO period, KKR still holds substantial control of PRAH with KKR controlling ~59% of diluted shares outstanding. While the underlying fundamentals remain solid, we note that shares could come under pressure when the lockup period approaches. This is similar to peer Quintiles around the lockup period following the 2013 IPO.

### Bookings and book to bill

The company has had relatively steady bookings through the first 9-months of 2014. PRAH recorded ~\$1.1 bil of net new business through 2014 thus far and has maintained a steady book to bill ratio of 1.17x. While the year over year bookings shows a large spike, this is due to the acquisition of the RPS business as well as the other acquisitions that have occurred during 2013 (CRI Lifetree, RPS, ClinStar). Thus we believe it would be wiser to monitor the sequential trend until the acquisitions are lapped. We note that PRAH records bookings slightly differently from other CROs. Specifically, PRAH records bookings based on the expected next 12-months revenue generation from bookings in the current period. This creates a more stable bookings view over time but could also understate / overstate book to bill ratios if there is any volatility in bookings for a particular quarter or differential in timing of revenues. Comparatively, a majority of the CROs record entire contracts into bookings in one shot (ie: recording multi-year contracts into bookings). This creates significant variations in book to bill ratios which has created volatility in some CRO stocks. In Figure 8, we provide quarterly bookings and book to bill of the CROs under coverage. As seen, PRAH has had relatively stable ratios during 2014. The company is also achieving 1.15-1.20x book to bill ratios that various CROs have indicated would lead to high single digit growth.



Figure 7: PRAH Quarterly Bookings and Book to Bill



Source: Company Documents; UBS

Figure 8: CRO Industry Bookings and Book to Bill

Total Bookings (\$ in mil)								
	Actual 3/31/2014	Actual 06/30/14	Actual 09/30/14	Projected 12/31/14	Projected 03/31/15	Projected 06/30/15	Projected 09/30/15	Projected 12/31/15
Charles River (CRL)	--	--	--	--	--	--	--	--
Covance (CVD)	\$710.0	\$773.0	\$752.0	\$775.8	\$752.1	\$814.1	\$797.1	\$813.1
Icon PLC (ICLR)	427.0	458.0	468.0	495.1	469.7	499.2	505.4	544.6
PAREXEL (PRXL)	572.9	592.5	432.2	596.2	641.7	638.5	--	--
PRA Health Sciences (PRAH)	351.3	371.9	382.0	380.5	386.0	391.6	403.5	418.6
Quintiles (Q)	1,274.0	1,228.0	1,512.0	1,350.6	1,314.4	1,361.7	1,593.0	1,435.0
<b>%Change Yr/Yr</b>								
Charles River (CRL)	--	--	--	--	--	--	--	--
Covance (CVD)	-0.8%	-0.4%	2.7%	0.9%	5.9%	5.3%	6.0%	4.8%
Icon PLC (ICLR)	1.2%	25.8%	12.8%	11.0%	10.0%	9.0%	8.0%	10.0%
PAREXEL (PRXL)	6.3%	6.0%	9.7%	-8.9%	12.0%	7.8%	--	--
PRA Health Sciences (PRAH)	91.7%	86.6%	101.3%	88.5%	9.9%	5.3%	5.6%	10.0%
Quintiles (Q)	0.3%	21.2%	12.8%	4.0%	3.2%	10.9%	5.4%	6.3%
<b>Average</b>	<b>19.7%</b>	<b>27.8%</b>	<b>27.9%</b>	<b>19.1%</b>	<b>8.2%</b>	<b>7.6%</b>	<b>6.2%</b>	<b>7.8%</b>

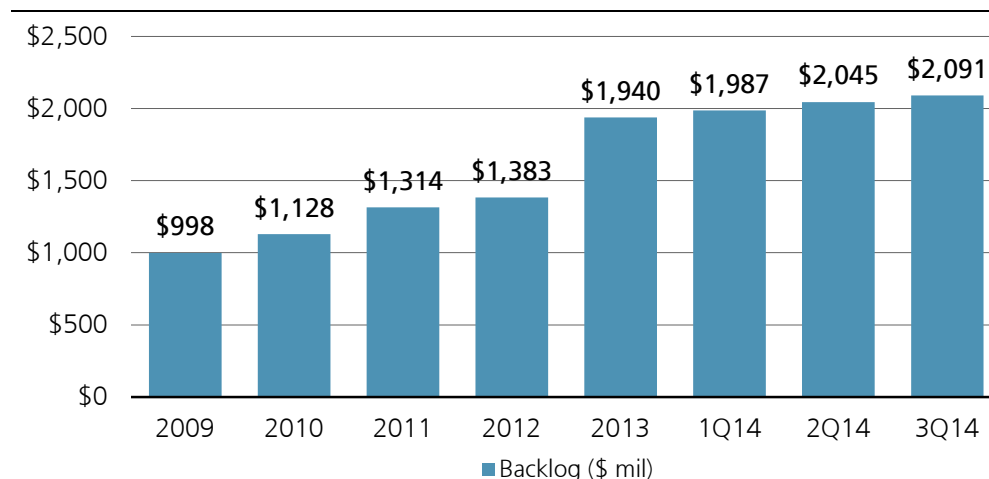
Book to Bill Ratio								
	Actual 3/31/2014	Actual 06/30/14	Actual 09/30/14	Projected 12/31/14	Projected 03/31/15	Projected 06/30/15	Projected 09/30/15	Projected 12/31/15
Charles River (CRL)	--	--	--	--	--	--	--	--
Covance (CVD)	1.15	1.21	1.20	1.23	1.16	1.20	1.20	1.23
Icon PLC (ICLR)	1.22	1.22	1.21	1.24	1.19	1.22	1.20	1.26
PAREXEL (PRXL)	1.16	1.16	0.88	1.19	1.19	1.14	--	--
PRA Health Sciences (PRAH)	1.13	1.19	1.19	1.17	1.16	1.15	1.16	1.19
Quintiles (Q)	1.27	1.19	1.43	1.25	1.19	1.20	1.38	1.25
<b>Average</b>	<b>1.19</b>	<b>1.19</b>	<b>1.18</b>	<b>1.22</b>	<b>1.18</b>	<b>1.18</b>	<b>1.23</b>	<b>1.23</b>

Source: Company Documents; UBS

## Sequential backlog growth in line with industry

In Figure 9 & Figure 10, we highlight the company's backlog progression, as well as the CRO industry's backlog. We note PRAH's backlog increased significantly in 2013 due to the acquisitions done during the year, which included RPS, ClinStar, and Lifetree. More importantly, the company's backlog has continued to grow ~2-3% sequentially since the closing of the various acquisitions which is similar to peer CROs. Through 2014 thus far, the CROs have grown backlog sequentially by an average of ~2%.

**Figure 9: PRAH Backlog Progression**



Source: Company Documents; UBS

**Figure 10: CRO Industry Backlog**

Total Backlog (\$ in mil)								
	Actual 3/31/2014	Actual 06/30/14	Actual 09/30/14	Projected 12/31/14	Projected 03/31/15	Projected 06/30/15	Projected 09/30/15	Projected 12/31/15
Charles River (CRL)				--	--	--	--	--
Covance (CVD)	\$6,903.0	\$6,924.0	\$6,824.0	--	--	--	--	--
Icon PLC (ICLR)	3,108.0	3,444.0	3,534.3	3,593.5	3,636.4	3,788.4	3,887.7	3,952.9
PAREXEL (PRXL)	4,925.5	5,006.2	4,879.1	4,933.3	5,024.0	5,181.4	--	--
PRA Health Sciences (PRAH)	1,987.3	2,044.8	2,091.5	2,153.1	2,196.0	2,249.3	2,300.6	2,357.6
Quintiles (Q)	10,100.0	10,260.0	10,750.0	--	--	--	--	--
<b>% Change Yr/Yr</b>								
Charles River (CRL)	--	--	--	--	--	--	--	--
Covance (CVD)	4.5%	3.0%	-0.1%	--	--	--	--	--
Icon PLC (ICLR)	11.0%	20.0%	19.0%	15.0%	17.0%	10.0%	10.0%	10.0%
PAREXEL (PRXL)	9.4%	8.6%	5.3%	2.5%	2.0%	3.5%	--	--
PRA Health Sciences (PRAH)	39.8%	41.6%	42.7%	11.0%	10.5%	10.0%	10.0%	9.5%
Quintiles (Q)	12.2%	13.6%	12.2%	--	--	--	--	--
<b>Average</b>	<b>15.4%</b>	<b>17.3%</b>	<b>15.8%</b>	<b>9.5%</b>	<b>9.8%</b>	<b>7.8%</b>	<b>10.0%</b>	<b>9.8%</b>

Source: Company Documents; UBS

## Margin expansion possible

In Figure 11, we highlight the margin profiles of the CRO industry. As seen below, PRAH's gross margins in 2014 have stepped down significantly from historical norms. This is likely attributable to the various acquisitions the company completed during 2013. We believe the company should be capable to moving gross margins higher over time, particularly as more technology solutions are developed and the

company further integrates operations. We note technology improvements have been one of the key drivers for improvement of margins for the CRO industry which may play out in the company's gross margins. On the SG&A side, PRAH has largely conducted all headcount reduction that management expected when the acquisitions of 2013 were completed. We see EBITDA moving towards the mid-teens which may prove conservative given other CROs higher EBITDA margins in the space.

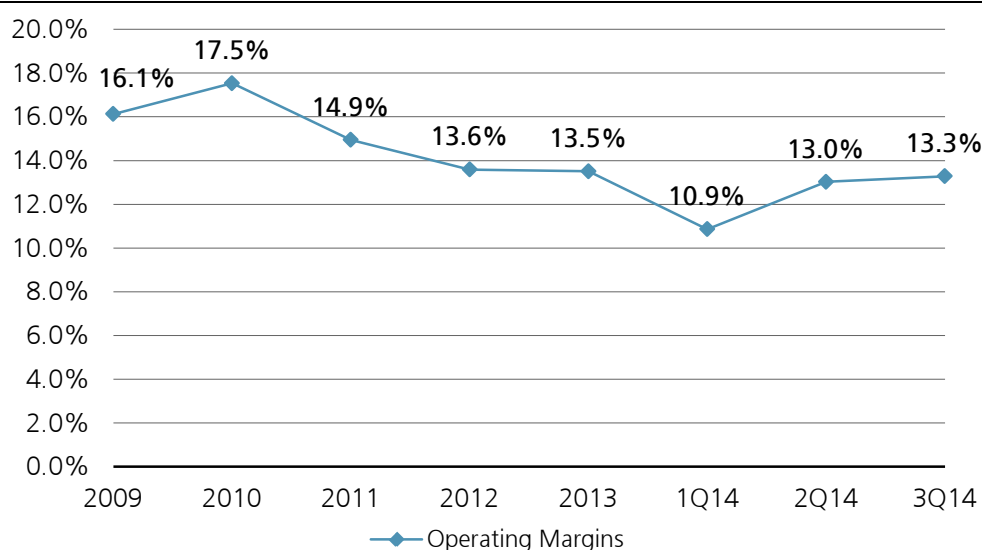
**Figure 11: CRO Industry Margin Profile**

<b>Margin Profile</b>								
	<b>F2011A</b>	<b>F2012A</b>	<b>F2013A</b>	<b>F2014E</b>	<b>F2015E</b>	<b>F2016E</b>	<b>F2017E</b>	<b>F2018E</b>
<b>Gross Margin</b>								
Charles River (CRL)	35.2%	34.8%	33.8%	35.2%	35.1%	35.2%	35.3%	35.2%
Covance (CVD)	30.0%	29.4%	29.6%	30.4%	30.1%	30.1%	30.1%	30.1%
Icon PLC (ICLR)	35.3%	35.6%	36.7%	39.7%	40.4%	40.6%	40.8%	41.0%
PAREXEL (PRXL)	35.2%	30.4%	30.4%	34.0%	35.2%	35.3%	35.5%	35.7%
PRA Health Sciences (PRAH)	41.3%	39.9%	36.7%	31.7%	31.8%	31.9%	32.1%	32.3%
Quintiles (Q)	34.7%	33.4%	35.1%	35.4%	35.7%	36.0%	36.0%	36.0%
<b>Average</b>	<b>35.3%</b>	<b>33.9%</b>	<b>33.7%</b>	<b>34.4%</b>	<b>34.7%</b>	<b>34.8%</b>	<b>35.0%</b>	<b>35.0%</b>
<b>SG&amp;A (% of Revenues)</b>								
Charles River (CRL)	17.6%	17.3%	16.6%	17.9%	17.5%	17.3%	17.2%	16.9%
Covance (CVD)	14.8%	15.1%	14.2%	13.1%	12.8%	12.3%	12.1%	11.9%
Icon PLC (ICLR)	27.1%	25.2%	23.5%	22.5%	22.3%	22.0%	21.8%	21.6%
PAREXEL (PRXL)	22.4%	18.8%	18.1%	19.5%	20.0%	19.4%	19.1%	18.8%
PRA Health Sciences (PRAH)	25.3%	26.9%	25.5%	18.6%	17.2%	17.0%	16.8%	16.5%
Quintiles (Q)	23.1%	22.1%	22.6%	21.5%	21.4%	21.1%	21.0%	20.9%
<b>Average</b>	<b>21.7%</b>	<b>20.9%</b>	<b>20.1%</b>	<b>18.9%</b>	<b>18.5%</b>	<b>18.2%</b>	<b>18.0%</b>	<b>17.8%</b>
<b>EBITDA Margin</b>								
Charles River (CRL)	23.2%	23.2%	24.0%	22.7%	23.4%	23.8%	23.8%	23.9%
Covance (CVD)	15.2%	14.3%	15.4%	17.3%	17.3%	17.8%	18.0%	18.2%
Icon PLC (ICLR)	8.2%	10.4%	13.2%	17.2%	18.1%	18.6%	19.0%	19.4%
PAREXEL (PRXL)	12.8%	11.6%	12.2%	14.5%	15.3%	15.9%	16.4%	16.9%
PRA Health Sciences (PRAH)	16.1%	15.7%	14.2%	14.8%	15.2%	15.6%	16.1%	16.5%
Quintiles (Q)	14.9%	14.7%	16.1%	16.8%	17.2%	17.6%	17.6%	17.6%
<b>Average</b>	<b>15.1%</b>	<b>15.0%</b>	<b>15.9%</b>	<b>17.2%</b>	<b>17.7%</b>	<b>18.2%</b>	<b>18.5%</b>	<b>18.7%</b>

Source: Company Documents; UBS

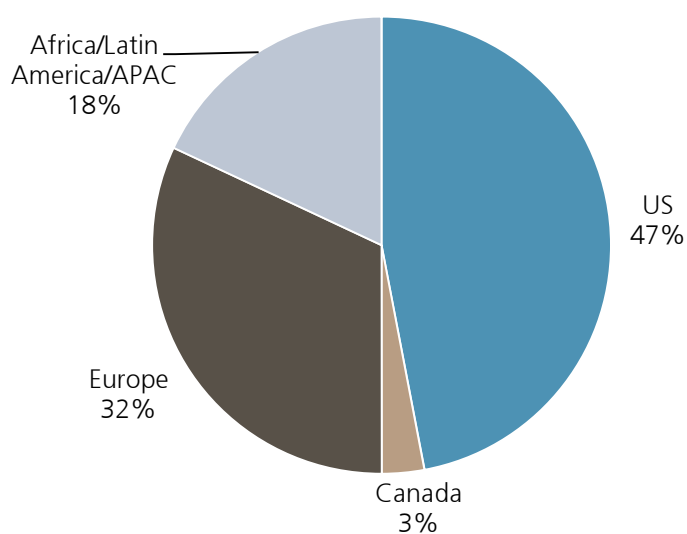
While the company has stabilized margins through 2014, we believe there may continue to be additional room for margin improvement going forward. While the company has largely completed the headcount reduction resulting from the acquisitions of RPS, Lifetree, and ClinStar during 2013, management has indicated that there continue to be areas for improvement. Specifically management has highlighted that the company could continue to move work into lower cost areas. This comes despite having been under private equity for quite some time. We note that this is similar to Quintiles which saw margin expansion despite having IPO-ed after being owned by private equity for quite some time. In Figure 12, we highlight the company's operating margin progression from 2009-2014 YTD. As seen, PRAH's margins have come down somewhat from the high teens operating margins of ~16-17% the company saw in 2009/2010. However, the company has begun to re-establish margins in the post-acquisition period during 2014.

**Figure 12: PRAH Operating Margin Progression**



Source: Company Documents; UBS

**Figure 13: PRAH Full Time Employee Regional Breakdown as of 3Q14**



Source: Company documents; UBS

On the employee side, PRA Health currently employs ~10.6k employees across 75 offices in 80 countries. In Figure 13, we highlight the regional breakdown of full-time employees by regional location as of 3Q14. We note that a majority of the employees are currently located in the US (~5k). We believe the company could continue to move more work to lower cost locales which would significantly improve margins. We note that other CROs have taken similar steps in right-sizing operations. Additionally, with the expansion of global operations with the various acquisitions, PRAH will be able to make use of various technologies and lower cost global locations to expand margins.

## Project "P"

PRAH is currently in the process of developing the company's cloud technology platforms. The current roadmap the company outlined began in 2012 which focuses on enhancing the role of the company within the drug development processes. This entails bringing together various data solutions such as study startup, project management, informatics, etc. in order to expedite the speed and efficiency of trial monitoring and drug development. Ultimately, this project will come to meet the needs of pharmaceutical companies in ensuring timely patient recruitment and adjustments to trials as needed. The first phase of the project began with the roll out of PPMS which allows PRA to apply predictive analytics to assess risks across a portfolio and make adjustments as necessary. The goal of the project is to internally develop a risk-based monitoring solution which would identify the key risk areas surrounding clinical trials and improving the trials as needed while providing quality data. In our view, this is somewhat similar to other solutions developed by the largest CROs and is part of the evolution towards being one of the largest CROs in the world.

## Debt Levels

PRA Health currently carries a significant amount of debt relative to the size of the company. Prior to the IPO, the company carried ~\$1.2 bil of long-term debt. Following the IPO, the company utilized a majority of proceeds to de-leverage. We estimate the company will have ~\$900 mil of net debt outstanding in the post-IPO period. In 2015, the company will begin repaying \$25 mil per quarter, which should reduce debt levels significantly over the years. We estimate that each \$1 mil reduction in interest expense in 2016 results in a ~\$0.01 EPS benefit.

**Figure 14: CRO Industry Debt Coverage Ratios**

Debt Coverage Ratios								
	F2011A	F2012A	F2013A	F2014E	F2015E	F2016E	F2017E	F2018E
<b>Gross Debt/EBITDA</b>								
Charles River (CRL)	2.6x	2.4x	2.8x	2.5x	2.4x	2.3x	2.1x	0.0x
Covance (CVD)	0.1x	1.0x	0.7x	0.6x	0.5x	0.5x	0.5x	0.4x
Icon PLC (ICLR)	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x
PAREXEL (PRXL)	1.6x	1.4x	2.1x	1.2x	1.1x	1.0x	0.9x	0.8x
PRA Health Sciences (PRAH)	4.0x	4.7x	9.7x	5.5x	4.4x	3.5x	2.8x	2.2x
Quintiles (Q)	4.0x	4.5x	3.3x	2.9x	2.0x	1.5x	1.2x	1.1x
<b>Average</b>	<b>2.0x</b>	<b>2.3x</b>	<b>3.1x</b>	<b>2.1x</b>	<b>1.7x</b>	<b>1.5x</b>	<b>1.2x</b>	<b>0.8x</b>
<b>Net Debt/EBITDA</b>								
Charles River (CRL)	2.5x	2.1x	1.8x	2.1x	1.4x	0.7x	0.0x	NM
Covance (CVD)	NM	NM	NM	NM	NM	NM	NM	NM
Icon PLC (ICLR)	NM	NM	NM	NM	NM	NM	NM	NM
PAREXEL (PRXL)	1.0x	0.0x	0.8x	0.2x	0.1x	NM	NM	NM
PRA Health Sciences (PRAH)	3.3x	3.6x	9.1x	4.8x	3.8x	3.0x	2.2x	1.5x
Quintiles (Q)	3.0x	3.4x	2.1x	1.9x	1.3x	0.8x	0.4x	0.1x
<b>Average</b>	<b>2.4x</b>	<b>2.3x</b>	<b>3.4x</b>	<b>2.3x</b>	<b>1.7x</b>	<b>1.5x</b>	<b>0.9x</b>	<b>0.8x</b>

Source: Company Documents; UBS Estimates

## Pharma Customer M&A and Strategic Partnerships

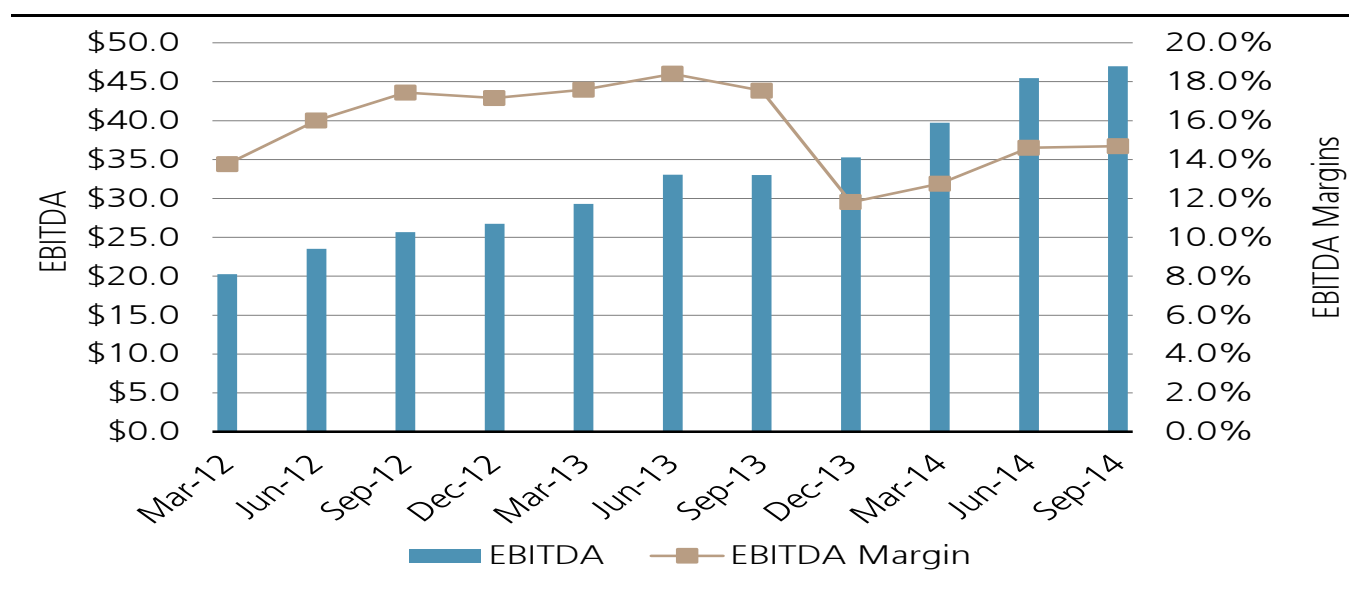
As with all the CROs in the sector, pharma M&A will likely have some impact on the company. However, in PRAH's case, the company has less exposure to peers in terms of customer concentration. In terms of revenue through 2014 thus far, the company's top customer accounted for ~8% of revenue while the largest study accounted for ~4% of revenue. As such, PRAH should be less impacted from any

slow-down from a major partner or pharma M&A. In terms of strategic partnerships, PRA Health has announced relatively few partnerships over the last few years which may have been due to PRA's focus on smaller biotech and pharmaceutical companies. However, the company has announced a few partnerships over the years. In 2011, the company announced that PRA was selected by UCB (along with PAREXEL) as a strategic partner to drive UCB's operational clinical development activities. The agreements were effective for all of UCB's new clinical study programs on a global basis. Financial details and the length of the contract were not discussed at the announcement. In 2012, PRAH announced that the company was selected as the strategic partner in conducting phase III biosimilar trials for Amgen. It was noted that PRA would be the sole provider of the services for biosimilar trials. Financials details and length of the contract were not announced. As we noted previously, the acquisition of RPS significantly expanded PRAH's capabilities to service a large pharmaceutical client which may allow the company to garner larger strategic partnerships in the future.

## EBITDA

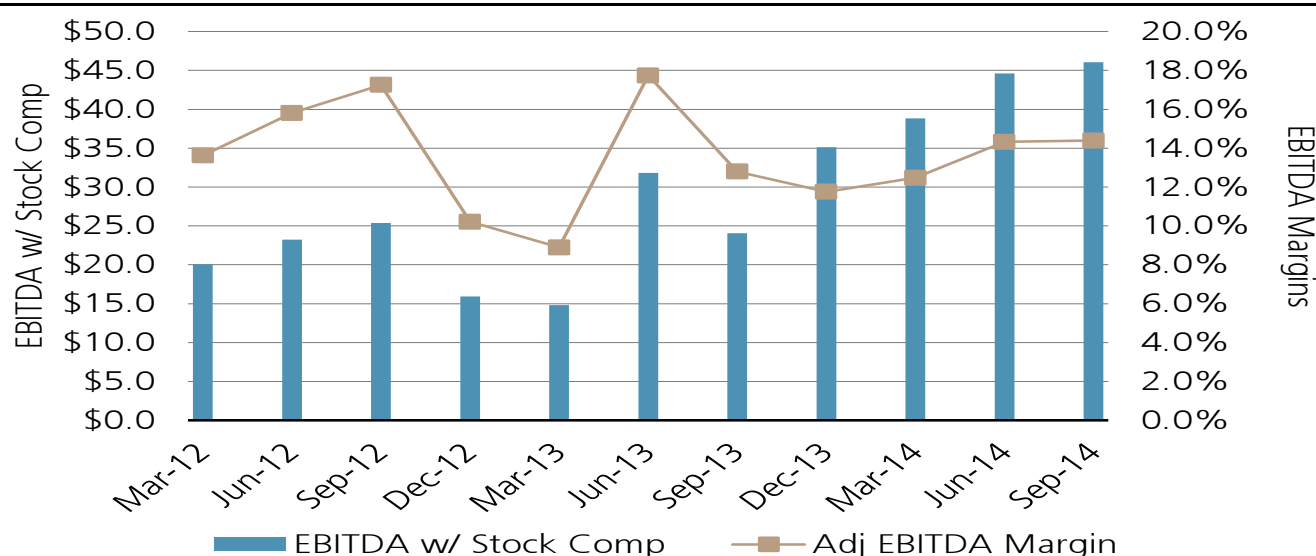
We note that given the significant leverage of the company and other item exclusions from EPS, investors may wish to view the EV/EBITDA of PRAH. We note that the company excludes some non-cash components from EPS while the other CROs do not exclude the items. Additionally, in regards to EBITDA, PRAH excludes stock compensation from EBITDA while peer CROs include this in EBITDA calculations. In order to facilitate a clear picture of each company's EBITDA for analysis, we provide both the PRAH adjusted EBITDA/margins and PRAH EBITDA including stock compensation expense in order to provide a more accurate view of margins/EBITDA. As seen below, PRAH has seemingly stabilized EBITDA margins in the ~14% range. We expect the company to move EBITDA margins into the mid 15% range over the next few years as PRAH moves more business to lower cost locales and through further streamlining of the company's operations.

**Figure 15: PRAH Qtrly Reported EBITDA**



Source: Company Documents; UBS

Figure 16: PRAH Qtrly Adj. EBITDA



Source: Company Documents; UBS

### Valuations on PE & EV/EBITDA

In terms of valuation, the CRO industry has historically traded within a band of ~10-12x EV/EBITDA. The average over the preceding five-years has been ~11.6x EV/EBITDA. Based on our 2015 estimates, PRAH is currently trading slightly below the 11x EV/EBITDA mark. This places the company at a relatively fair valuation, in our view. However, we note that the CRO industry has generally been valued on a PE basis. In the preceding five years, the industry has generally traded in a 17-22x PE band on forward earnings. Currently, the industry trades closer to 22x. Based on current prices, PRAH currently trades at ~15x our estimated 2015 EPS, which would be a significant discount to the overall CRO industry.

Figure 17: 5-Yr CRO Industry PE1 Multiples

	CRL	CVD	ICLR	PRXL	Q	Industry
<b>Average</b>	15.6x	21.4x	21.1x	21.5x	21.4x	19.9x
<b>Min</b>	10.5x	14.6x	13.3x	13.9x	18.8x	15.2x
<b>Max</b>	19.6x	28.4x	37.8x	29.6x	23.2x	24.0x
<b>Median</b>	15.8x	21.4x	20.7x	21.7x	21.5x	20.0x
<b>Current</b>	19.0x	27.0x	19.2x	21.3x	21.6x	21.6x

Source: FactSet; UBS

Figure 18: 5-Yr CRO Industry EV/EBITDA Multiples

	CRL	CVD	ICLR	PRXL	Q	Industry
<b>Average</b>	10.3x	11.0x	12.2x	10.9x	13.7x	11.6x
<b>Min</b>	7.4x	6.6x	6.4x	6.4x	12.2x	7.9x
<b>Max</b>	13.7x	15.7x	19.0x	15.6x	16.5x	15.3x
<b>Median</b>	10.2x	10.7x	13.2x	11.2x	13.4x	11.0x
<b>Current</b>	13.2x	12.7x	12.6x	11.3x	12.3x	12.4x

Source: FactSet; UBS

## Company Overview

PRA Health Sciences is a contract research organization providing clinical development services to biotechnology and pharmaceutical industries. The company primarily focuses on the faster growing segment of phase II-IV clinical trials. Previously, the company primarily catered to smaller pharmaceutical companies and emerging biotech firms. In 2013, PRAH acquired RPS which significantly bolstered the global presence of the company while also providing a foothold in larger pharmaceutical companies. The acquisition also provided PRAH another business component beyond the traditional project-based CRO contracts. Specifically, the acquisition provided the Strategic Solutions model, which has become one of the key factors when establishing strategic partnerships. The company currently has over 10,000 employees while providing clinical development services from central labs to early and late-stage development.

## Acquisitions

**RPS** – When KKR closed the acquisition of PRA in September 2013, KKR merged the operations of PRA and RPS to create one of the largest CROs in the world. RPS generated revenues of ~\$465 mil during 2012 and ~\$487 mil LTM ending June 30, 2013. In terms of adjusted EBITDA, the LTM EBITDA as of June 30, 2013 was ~\$27.7 mil equating to a ~5% EBITDA margin. In our discussions with PRAH management, RPS had numerous contract structures which saw the company making very little profit over the years. PRAH has indicated that the contracts have largely been redone in order to be economically feasible.

The RPS business was a key component in providing the global infrastructure PRAH needs in order to compete against the larger CROs. RPS provided both the traditional project-based contracts that are traditionally associated with all CROs but also the more flexible solutions platform that the largest CROs provide.

**CRI Lifetree** – In December 2013, PRAH acquired CRI Lifetree. Lifetree is a specialized CRO with a specific focus on early stage clinical development. The acquisition expanded PRAH's early phase footprint while providing three clinic locations across the US. Based on available GAAP data, Lifetree generated operating margins of ~16% in the 9-months ended 3Q13. The company was acquired for ~\$77 mil in cash.

**ClinStar** – In February 2013, PRAH acquired ClinStar. ClinStar is a CRO and logistics provider operating in Russia, Ukraine, and other Baltic regions. The acquisition added to the company's Eastern European footprint. Based on available financial statements, ClinStar had operating margins of in the ~20% range. PRAH acquired ClinStar for \$45 mil in cash with \$5 mil in potential earn-out payments.

**WuXi JV** - In December 2012, PRAH and WuXi (WX/NC) signed a joint venture to offer a platform for Phase I-IV clinical trial services in China, Hong Kong, and Macau. The operations of the business in China are combined as an independent CRO. PRAH has contributed \$4.6 mil to the JV while PRAH owns 49% of the JV.



Figure 19: UBS – Healthcare Distribution Universe (Part 1 of 2)

UBS - Healthcare Distribution Universe												Steve Valiquette (203) 719 2347		
Company Symbol	Company Name	UBS Rating	12/5/2014 Price	YTD Perf	2013 Perf	Target Price	% Upside To Target	52 Week High	52 Week Low	Dividend Yield	Equity Market Cap	Cash	Debt	Enterprise Value
SP50	S&P 500		2,075.27	12.3%	29.6%			2,077	1,738	2.0%	\$18,473,680			
Drug Distributors														
ABC	AMERISOURCEBERGEN CORP	Neutral	92.21	31.1%	62.8%	\$80.00	-13%	92.65	62.55	1.3%	20,165.6	1,808.5	1,995.6	20,352.7
CAH	CARDINAL HEALTH INC	Buy	82.23	23.1%	62.2%	\$80.00	-3%	82.68	62.55	1.7%	27,215.0	2,866.0	3,972.0	28,321.0
MCK	MCKESSON CORP		212.60	31.7%	66.5%	\$213.00	0%	212.75	156.00	0.5%	49,298.1	4,193.0	10,719.0	55,824.1
PBMs														
CTRX	CATAMARAN CORP	Buy	51.25	8.0%	0.8%	\$55.00	7%	52.98	36.98	--	10,633.6	419.5	1,265.4	11,479.5
CVS	CVS HEALTH CORP	Buy	90.69	26.7%	48.0%	\$89.00	-2%	92.00	64.95	1.2%	103,965.5	4,177.0	13,402.0	113,190.5
ESRX	EXPRESS SCRIPTS	Buy	84.58	20.4%	30.1%	\$82.00	-3%	84.74	64.64	--	62,074.1	2,014.2	13,947.0	74,006.9
Retail & Institutional Pharmacies														
OCR	OMNICARE INC	Buy	70.89	17.4%	67.2%	\$72.00	2%	71.51	56.41	1.1%	6,939.0	356.0	2,290.2	8,873.2
PMC	PHARMERICA CORP	Neutral	21.47	-0.1%	51.0%	\$28.00	30%	30.48	19.40	--	702.6	24.2	231.3	909.7
RAD	RITE AID CORP	Neutral	5.69	12.5%	272.1%	\$6.25	10%	8.62	4.42	--	5,584.3	146.4	5,757.1	11,195.1
WAG	WALGREEN CO	Buy	68.60	19.4%	55.2%	\$75.00	9%	76.39	54.86	2.0%	64,861.0	2,646.0	4,986.0	67,201.0
CROs														
CRL	CHARLES RIV LABS INTL INC	Neutral	63.91	20.5%	41.6%	\$65.00	2%	66.11	49.60	--	2,998.8	167.3	663.8	3,495.2
CVD	COVANCE INC	Neutral	103.24	17.2%	52.4%	\$105.00	2%	106.50	73.57	--	5,841.7	729.0	250.0	5,362.7
ICLR	ICON PLC	Buy	52.94	31.0%	45.6%	\$68.00	28%	59.81	35.33	--	3,259.6	233.6	0.0	3,026.0
INCR	INC RESEARCH HLDNGS INC		23.56	27.4%	NM			25.33	19.61	--	1,413.6	97.5	594.5	1,910.5
PRAH	PRA HEALTH SCIENCES INC	Buy	22.06	22.6%	NM	\$28.00	27%	22.94	18.47	--	1,263.2	80.9	1,264.7	2,447.0
PRXL	PAREXEL INTL CORP	Buy	57.18	26.6%	52.7%	\$62.00	8%	64.72	38.65	--	3,145.8	292.8	346.9	3,199.9
Q	QUINTILES	Buy	57.37	23.8%	15.9%	\$63.00	10%	60.71	41.43	--	7,088.0	780.9	2,046.0	8,353.2
Total/Avg Pharmaceutical Services				21.1%	61.6%					1.3%	376,449.6			419,148.3
Medical/Dental/Veterinary Distributors														
XRAY	DENTSPLY INTERNATIONAL	Sell	56.03	15.6%	22.4%	\$47.00	-16%	55.91	42.99	0.5%	7,870.5	75.0	1,476.0	9,271.6
HSIC	HENRY SCHEIN INC	Neutral	137.12	20.0%	42.1%	\$130.00	-5%	138.40	109.34	--	11,547.6	188.6	485.2	11,844.1
MMVIV	MVI VETERINARY SUPPLY	Neutral	165.50	-2.6%	54.5%	\$156.00	-6%	188.40	129.75	--	2,136.9	2.4	156.4	2,290.9
OMI	OWENS & MINOR INC	Sell	35.37	-3.3%	28.2%	\$29.00	-18%	38.07	31.55	2.9%	2,231.1	101.9	217.3	2,346.5
PDCO	PATTERSON COMPANIES	Neutral	48.74	18.3%	20.4%	\$42.00	-14%	49.09	37.03	1.6%	5,081.6	305.7	725.0	5,500.9
SIRO	SIRONA DENTAL SYSTEMS		87.88	25.2%	8.9%			89.35	66.30	--	4,866.1	383.6	79.5	4,562.0
Total/Avg Healthcare Distribution				16.1%	27.3%					1.7%	40,820.3			43,047.9
SaaS/Cloud-Based Healthcare IT														
ATHN	ATHENAHEALTH INC		118.12	-12.2%	83.5%			206.70	97.30	--	4,499.7	68.0	223.8	4,655.4
BNFT	BENEFITFOCUS INC		24.30	-57.9%				77.00	20.82	--	621.0	78.8	24.3	566.5
CSLT	CASTLIGHT HEALTH INC		12.00	-40.0%				41.95	10.05	--	1,055.5	67.2	0.0	988.3
EVYD	EVERYDAY HEALTH INC		14.24	1.7%				19.89	10.86	--	438.9	16.7	71.3	493.5
HSTM	HEALTHSTREAM INC		28.60	-12.3%	34.2%			34.64	20.76	--	790.3	108.2	0.0	682.1
MDSO	MEDIDATA SOLUTIONS INC		43.37	-28.3%	208.8%			68.21	32.10	--	2,352.9	241.2	234.9	2,346.5
VEEV	VEEVA SYS INC		30.95	-3.6%				44.30	17.11	--	1,608.9	288.1	0.0	1,320.7
WBMD	WEBMD HEALTH CORP		37.23	-5.7%	175.5%			53.30	34.48	--	1,390.1	824.9	952.2	1,517.4
Non-Cloud Based Healthcare IT														
ABCO	ADVISORY BRD CO		38.99	-38.8%	36.1%			70.14	39.65	--	1,404.1	25.6	0.0	1,378.5
CERN	CERNER CORP	Buy	64.04	14.9%	43.8%	\$65.00	1%	64.75	48.39	--	21,867.9	879.4	165.8	21,154.3
CPSI	COMPUTER PROGRAMS & SYSTEMS		59.86	-3.2%	22.8%			71.89	56.60	3.8%	671.0	22.4	0.0	648.5
IMS	IMS HEALTH HLDGS INC		25.65	28.3%				28.48	21.63	--	8,547.3	756.0	4,960.0	12,751.3
MDRX	ALLSCRIPTS	Neutral	12.07	-21.9%	64.1%	\$15.00	24%	19.68	11.00	--	2,175.8	63.0	561.5	2,674.3
QSII	QUALITY SYS INC		15.05	-28.5%	21.3%			22.58	13.01	4.8%	907.0	118.2	0.0	788.9
Healthcare IT Average				-14.8%	76.7%					4.3%	48,330.3			51,966.4

Source: FactSet; UBS estimates

Figure 20: UBS – Healthcare Distribution Universe (Part 2 of 2)

UBS - Healthcare Distribution Universe															Steve Valiquette (203) 719 2347				
Company Symbol	UBS Calendar EPS Estimates			UBS Calendar Price To Earnings			Street Consensus Calendar EPS			Street Consensus EPS Growth Rates			Street Consensus Calendar Price To Earnings			UBS/Street Calendar EV/EBITDA			
	2013A	2014E	2015E	2013A	2014E	2015E	2013A	2014E	2015E	2013/12	2014/13	2015/14	2013A	2014E	2015E	2013A	2014E	2015E	
SP50																			
108.50 116.00 NA 19.1 17.9 NM 109.68 117.32 126.80 5.7% 7.0% 8.1% 18.9 17.7 16.4																			
Drug Distributors																			
ABC 3.28 4.09 4.61 28.1 22.6 20.0 3.35 4.08 4.58 16.0% 22.0% 12.0% 27.5 22.6 20.2 15.7 12.1 10.8																			
CAH 3.82 3.97 4.58 21.5 20.7 17.9 3.79 4.05 4.52 9.1% 7.0% 11.5% 21.7 20.3 18.2 12.7 11.6 10.3																			
MCK 8.12 10.47 12.33 26.2 20.3 17.2 7.85 10.21 12.18 23.7% 30.2% 19.3% 27.1 20.8 17.5 14.8 12.7 10.4																			
PBM's																			
CTRX 2.00 2.21 2.71 25.7 23.2 18.9 2.00 2.23 2.59 68.1% 11.6% 16.2% 25.6 23.0 19.8 17.5 14.0 11.4																			
CVS 3.97 4.49 5.18 22.9 20.2 17.5 4.00 4.50 5.11 16.6% 12.4% 13.7% 22.7 20.2 17.7 12.3 11.1 10.0																			
ESRX 4.33 4.89 5.46 19.6 17.3 15.5 4.33 4.88 5.46 15.8% 12.7% 11.8% 19.5 17.3 15.5 12.0 10.2 8.8																			
Retail & Institutional Pharmacies																			
OCR 3.43 3.71 4.17 20.7 19.1 17.0 3.43 3.71 4.15 2.1% 8.1% 11.8% 20.7 19.1 17.1 13.7 11.8 10.3																			
PMC 1.83 1.64 1.85 11.7 13.1 11.6 1.78 1.64 1.86 40.2% -7.7% 12.9% 12.1 13.1 11.6 7.0 7.9 7.5																			
RAD 0.23 0.28 0.37 NM NM 15.2 0.21 0.29 0.37 NM NM 29.2% 26.9 19.8 15.3 8.2 8.5 7.6																			
WAG 3.18 3.44 4.01 21.6 20.0 17.1 3.17 3.38 3.87 11.5% 6.6% 14.3% 21.6 20.3 17.7 11.6 11.2 10.8																			
CRO's																			
CRL 2.93 3.35 3.54 21.8 19.1 18.1 2.93 3.37 3.59 6.9% 14.9% 6.6% 21.8 19.0 17.8 13.1 12.7 10.8																			
CVD 3.23 3.79 4.25 31.9 27.2 24.3 3.23 3.81 4.28 19.6% 18.0% 12.2% 32.0 27.1 24.1 14.8 12.3 11.0																			
ICLR 1.77 2.77 3.21 29.9 19.1 16.5 1.77 2.76 3.19 77.0% 56.1% 15.3% 29.9 19.2 16.6 18.7 12.7 10.4																			
INCR NM 0.89 1.18 NM NM 32.6% NM 26.5 20.0 NM 13.0 11.8																			
PRAH 1.41 1.22 1.45 15.7 18.0 15.2 1.41 1.22 1.45 -23.0% -13.2% 18.5% 15.7 18.0 15.2 12.2 12.3 10.6																			
PRXL 1.96 2.44 2.96 29.2 23.5 19.3 1.93 2.43 2.92 38.4% 25.8% 20.4% 29.6 23.6 19.6 17.2 12.9 10.3																			
Q 2.06 2.67 3.01 27.8 21.5 19.0 2.10 2.66 2.98 NM 26.5% 12.2% 27.3 21.6 19.2 14.0 12.7 11.0																			
Total/Avg Pharmaceutical Services				23.6	20.3	17.5				23.0%	15.4%	15.9%	23.9	20.7	17.8	13.5	11.7	10.2	
Medical/Dental/Veterinary Distributors																			
XRAY 2.35 2.51 2.73 23.8 22.3 20.5 2.35 2.52 2.72 5.9% 7.0% 8.0% 23.8 22.3 20.6 16.6 15.5 14.1																			
HSIC 4.95 5.38 5.99 27.7 25.5 22.9 4.95 5.38 5.96 11.5% 8.8% 10.6% 27.7 25.5 23.0 15.2 14.0 12.9																			
MMVIV 5.12 5.82 6.56 32.3 28.4 25.2 5.16 5.79 6.47 16.7% 12.2% 11.6% 32.1 28.6 25.6 19.6 16.4 14.1																			
OMI 1.90 1.71 1.93 18.6 20.6 18.3 1.90 1.75 1.93 2.7% -7.7% 9.8% 18.6 20.2 18.4 8.8 7.1 6.3																			
PDCO 2.12 2.22 2.43 23.0 21.9 20.1 2.08 2.23 2.42 4.2% 7.2% 8.9% 23.5 21.9 20.1 13.1 12.4 11.3																			
SIRO 3.48 3.76 4.11 10.1% 8.1% 9.4% 25.3 23.4 21.4 15.1 14.0 12.7																			
Total/Avg Healthcare Distribution				25.1	23.8	21.4				8.9%	6.6%	10.4%	27.7	25.8	23.2	15.8	14.5	12.8	
SaaS/Cloud-Based Healthcare I/T																			
ATHN 1.16 1.10 1.26 16.0% -5.3% 14.8% 101.8 107.6 93.7 40.0 33.8 28.1																			
BNFT -1.30 -2.34 -2.16 NM																			

Source: FactSet; UBS estimates

Figure 21: PRA Health – Quarterly Revenue Model & Statistics (\$ mil)

PRAH - Quarterly Revenue Model (\$mm)								
	PRAH 03/31/14 Actual	PRAH 06/30/14 Actual	PRAH 09/30/14 Actual	12/31/14 Projected	03/31/15 Projected	06/30/15 Projected	09/30/15 Projected	12/31/15 Projected
<b>Revenues:</b>								
Gross Revenues	\$354.7	\$357.5	\$377.3	\$373.9	\$381.3	\$391.5	\$411.3	\$402.0
Reimbursable Revenue	(43.4)	(46.1)	(57.3)	(47.7)	(49.0)	(50.3)	(63.6)	(51.3)
<b>Net Revenues</b>	<b>\$311.4</b>	<b>\$311.4</b>	<b>\$320.1</b>	<b>\$326.2</b>	<b>\$332.3</b>	<b>\$341.2</b>	<b>\$347.7</b>	<b>\$350.7</b>
Yr/Yr Growth	87.0%	73.5%	70.1%	9.2%	6.7%	9.6%	8.6%	7.5%
<b>Backlog:</b>								
Backlog	\$1,987	\$2,045	\$2,091	\$2,153	\$2,196	\$2,249	\$2,301	\$2,358
Yr/Yr Growth	39.8%	41.6%	42.7%	11.0%	10.5%	10.0%	10.0%	9.5%
Gross New business	\$422.8	\$423.8	\$442.0	\$458.5	\$465.1	\$466.2	\$486.2	\$504.3
Net New business	\$351.3	\$371.9	\$382.0	\$380.5	\$386.0	\$391.6	\$403.5	\$418.6
Net new business growth y-o-y	91.7%	86.6%	101.3%	88.5%	9.9%	5.3%	5.6%	10.0%
Net book-to-bill ratio	1.13	1.19	1.19	1.17	1.16	1.15	1.16	1.19
Cancellations	(\$71.5)	(\$51.9)	(\$60.0)	(\$77.9)	(\$79.1)	(\$74.6)	(\$82.7)	(\$85.7)
As a % of Beginning Backlog	3.7%	2.6%	2.9%	3.7%	3.7%	3.4%	3.7%	3.7%
Burn Rate	16.1%	15.7%	15.7%	15.6%	15.4%	15.5%	15.5%	15.2%
<b>Net revenue % by geographical area</b>								
US/Canada	57.5%	58.7%	56.0%	--	--	--	--	--
Europe/Africa	34.1%	33.1%	33.0%	--	--	--	--	--
Asia Pacific	3.9%	4.2%	5.0%	--	--	--	--	--
Latin America	4.5%	4.0%	6.0%	--	--	--	--	--
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net revenue by geographical area</b>								
US/Canada	\$179.1	\$182.9	\$179.2	--	--	--	--	--
Europe/Africa	106.1	103.0	105.6	--	--	--	--	--
Asia Pacific	12.3	13.0	16.0	--	--	--	--	--
Latin America	13.9	12.5	19.2	--	--	--	--	--
<b>Total</b>	<b>\$311.4</b>	<b>\$311.4</b>	<b>\$320.1</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>

Source: Company Documents; UBS Estimates

Figure 22: PRA Health Sciences – Quarterly Income Statement (\$ mil)

PRAH - Quarterly Income Statement (Millions)								
Revenues	PRAH 03/31/14 Actual	PRAH 06/30/14 Actual	PRAH 09/30/14 Actual	12/31/14 Projected	03/31/15 Projected	06/30/15 Projected	09/30/15 Projected	12/31/15 Projected
<b>Total Revenue</b>	<b>\$311.4</b>	<b>\$311.4</b>	<b>\$320.1</b>	<b>\$326.2</b>	<b>\$332.3</b>	<b>\$341.2</b>	<b>\$347.7</b>	<b>\$350.7</b>
% change	87.0%	73.5%	70.1%	9.2%	6.7%	9.6%	8.6%	7.5%
<b>Expenses</b>								
COGS	215.2	213.4	215.7	222.8	227.3	233.4	237.5	237.8
% of revenue	69.1%	68.5%	67.4%	68.3%	68.4%	68.4%	68.3%	67.8%
Gross Profit	96.2	98.0	104.3	103.4	105.0	107.8	110.2	112.9
% of revenue	30.9%	31.5%	32.6%	31.7%	31.6%	31.6%	31.7%	32.2%
SG&A	60.8	56.0	63.4	55.8	57.5	58.4	60.9	59.6
% of revenue	19.5%	18.0%	19.8%	17.1%	17.3%	17.1%	17.5%	17.0%
Stock Comp	(0.9)	(0.9)	(1.0)	(0.7)	(0.9)	(1.0)	(0.9)	(0.8)
Other Op Exp. (Addback to EBITDA)	(3.5)	(2.6)	(5.2)	0.0	0.0	0.0	0.0	0.0
<i>Adjusted EBITDA check line</i>	<i>39.7</i>	<i>45.5</i>	<i>47.0</i>					
<b>Adjusted EBITDA</b>	<b>39.7</b>	<b>45.5</b>	<b>47.0</b>	<b>48.4</b>	<b>48.4</b>	<b>50.5</b>	<b>50.3</b>	<b>54.1</b>
% of revenue	12.8%	14.6%	14.7%	14.8%	14.6%	14.8%	14.5%	15.4%
Depreciation (ex Deal Amortization)	5.9	4.9	4.5	5.4	5.5	5.6	5.7	5.8
% of revenue	1.9%	1.6%	1.4%	1.7%	1.7%	1.6%	1.6%	1.7%
Other expense exclude from net income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% of revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating Income	33.8	40.6	42.5	43.0	42.9	44.9	44.6	48.3
% of revenue	10.9%	13.0%	13.3%	13.2%	12.9%	13.2%	12.8%	13.8%
Interest Expense (Income), net	20.3	19.4	21.0	14.5	12.2	12.2	12.0	11.7
Other Expense (income), net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Income	13.5	21.2	21.5	28.4	30.7	32.7	32.6	36.7
% of revenue	4.3%	6.8%	6.7%	8.7%	9.2%	9.6%	9.4%	10.5%
Income Taxes	5.4	6.7	7.3	8.8	9.8	10.5	10.8	12.1
Tax Rate (%)	40.0%	31.6%	34.0%	31.0%	32.0%	32.0%	33.0%	33.0%
Minority Interest (Income)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	8.1	14.5	14.2	19.6	20.9	22.2	21.9	24.6
% of revenue	2.6%	4.7%	4.4%	6.0%	6.3%	6.5%	6.3%	7.0%
<b>EPS - Fully Diluted</b>	<b>\$0.20</b>	<b>\$0.36</b>	<b>\$0.34</b>	<b>\$0.32</b>	<b>\$0.34</b>	<b>\$0.36</b>	<b>\$0.35</b>	<b>\$0.40</b>
% change	-59.9%	-49.3%	-191.9%	-44.3%	68.9%	1.4%	4.9%	23.6%
Fully Diluted Shares (mil.)	40.3	40.8	42.1	61.2	61.4	61.6	61.8	62.0
<b>P&amp;L Line Growth Comparison:</b>								
Revenues	87.0%	73.5%	70.1%	9.2%	6.7%	9.6%	8.6%	7.5%
COGS	114.8%	101.2%	86.7%	8.6%	5.6%	9.4%	10.1%	6.7%
Gross Profit	45.0%	33.6%	43.7%	10.3%	9.2%	10.0%	5.7%	9.2%
SG&A	15.4%	25.0%	25.0%	-13.3%	-5.5%	4.2%	-4.1%	6.9%
EBITDA	35.6%	37.6%	42.5%	37.1%	21.9%	11.0%	6.9%	11.9%
Depreciation and Amortization	42.3%	23.4%	1.3%	-1.6%	-6.7%	14.1%	26.6%	7.4%
Operating Income	34.5%	39.6%	48.9%	44.3%	26.9%	10.6%	4.9%	12.4%
Interest Expense	108.3%	75.8%	78.0%	-28.4%	-39.9%	-36.9%	-43.1%	-19.9%
Pretax Income	-12.3%	17.5%	28.4%	200.2%	127.4%	54.1%	51.8%	28.9%
Net Income	-10.4%	14.7%	-314.3%	89.2%	157.7%	53.2%	54.1%	25.2%
EPS	-59.9%	-49.3%	-191.9%	-44.3%	68.9%	1.4%	4.9%	23.6%
Shares Outstanding	123.3%	126.2%	133.3%	239.5%	52.5%	51.0%	47.0%	1.3%
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 23: PRA Health Sciences – Quarterly Cash Flow Statements (\$ mil)

PRAH - Quarterly Cash Flow (Millions)								
	PRAH 03/31/14 Actual	PRAH 06/30/14 Actual	PRAH 09/30/14 Actual	12/31/14 Projected	03/31/15 Projected	06/30/15 Projected	09/30/15 Projected	12/31/15 Projected
<b>Operating Sources</b>								
Net Income	\$8.1	\$14.5	\$14.2	\$19.6	\$20.9	\$22.2	\$21.9	\$24.6
Depreciation & Amortization	24.6	24.6	28.3	28.0	28.5	28.5	29.0	29.0
Share-Based Compensation	0.9	0.9	1.0	0.7	0.9	1.0	0.9	0.8
Deferred Income Tax Benefit	(11.5)	(9.4)	1.8	0.0	0.0	0.0	0.0	0.0
Other	(12.2)	(13.5)	(20.6)	(22.0)	(25.0)	(26.0)	(26.0)	(27.0)
Total	9.9	17.0	24.6	26.4	25.3	25.7	25.8	27.4
<b>Operating Uses</b>								
Accounts Receivable & Unbilled Services	(65.6)	17.1	(28.1)	5.0	(30.0)	10.0	(20.0)	5.0
Prepaid expenses & other assets	(1.0)	(1.0)	0.0	(3.0)	5.0	(3.0)	(1.0)	(3.0)
Accounts payable & other liabilities	16.4	3.9	8.2	10.0	5.0	6.0	7.0	10.0
Income Taxes	0.0	0.0	0.0	0.0	(1.0)	(2.0)	(2.0)	(3.0)
Advance Billings	0.0	0.0	0.0	6.0	5.0	6.0	6.0	6.0
Total	(50.2)	20.0	(19.9)	18.0	(16.0)	17.0	(10.0)	15.0
<b>Cash Flow from Operations</b>	<b>(40.3)</b>	<b>37.1</b>	<b>4.7</b>	<b>44.4</b>	<b>9.3</b>	<b>42.7</b>	<b>15.8</b>	<b>42.4</b>
Cumulative CFO	(40.3)	(3.3)	1.5	45.8	58.3	96.3	67.7	100.8
<b>Cash Flow From Investing</b>								
Capital Expenditures	(5.8)	(6.1)	(7.1)	(6.8)	(8.3)	(8.3)	(8.3)	(8.3)
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other CFI	15.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flow from Investing	9.2	(6.0)	(7.1)	(6.8)	(8.3)	(8.3)	(8.3)	(8.3)
Cash Flow before financing	(31.1)	31.0	(2.4)	37.6	1.0	34.5	7.5	34.1
<b>Cash Flow from Financing</b>								
Net Change in Debt	17.8	(32.2)	(2.2)	(258.6)	(25.0)	(25.0)	(25.0)	(25.0)
Dividends and Distributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity Issuance	0.0	0.0	0.1	290.3	0.0	2.0	2.0	3.0
Equity Repurchase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	(1.6)	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	17.8	(32.2)	(3.7)	31.7	(25.0)	(23.0)	(23.0)	(22.0)
Effect of Exchange Rates	(0.5)	0.5	(2.3)	0.0	0.0	0.0	0.0	0.0
Cash at Beginning of Period	72.2	58.3	57.6	49.3	118.6	94.6	106.0	90.6
<b>Net Cash Flow</b>	<b>(13.9)</b>	<b>(0.7)</b>	<b>(8.4)</b>	<b>69.3</b>	<b>(24.0)</b>	<b>11.5</b>	<b>(15.5)</b>	<b>12.1</b>
Cash at End of Period	58.3	57.6	49.3	118.6	94.6	106.0	90.6	102.7
Cumulative Decrease/Increase in cash	22.3	(14.5)	(22.9)	46.4	36.9	56.8	(28.0)	8.1
Cash (Paid) for Interest	0.0	0.0	(51.2)	0.0	0.0	0.0	0.0	0.0
Cash (Paid) for Taxes	0.0	0.0	(5.0)	0.0	0.0	0.0	0.0	0.0
<b>Free Cash Flow</b>	<b>(46.1)</b>	<b>31.0</b>	<b>(2.4)</b>	<b>37.6</b>	<b>1.0</b>	<b>34.5</b>	<b>7.5</b>	<b>34.1</b>

Source: Company Documents; UBS

Figure 24: PRA Health Sciences – Quarterly Balance Sheet (\$ mil)

PRA - Quarterly Balance Sheet (Millions)								
Current Assets	PRAH 03/31/14 Actual	PRAH 06/30/14 Actual	PRAH 09/30/14 Actual	12/31/14 Projected	03/31/15 Projected	06/30/15 Projected	09/30/15 Projected	12/31/15 Projected
Cash & Equivalents	\$58.3	\$57.6	\$49.3	\$118.6	\$94.6	\$106.0	\$90.6	\$102.7
Restricted Cash	8.8	8.2	6.4	\$6.4	6.4	6.4	6.4	\$6.4
Accounts Receivable	279.9	241.9	349.3	\$344.3	374.3	364.3	384.3	\$379.3
Unbilled Services	80.7	98.0	0.0	\$0.0	0.0	0.0	0.0	\$0.0
Prepaid & Other Current Assets	82.9	78.3	81.6	\$84.6	79.6	82.6	83.6	\$86.6
Total Current Assets	510.6	484.1	486.6	553.9	554.9	559.4	564.9	575.0
<b>Long Term Assets</b>								
Property and Equipment, Goodwill & Intangible, n	1,856.3	1,818.6	1,762.3	1,741.7	1,722.0	1,702.3	1,682.1	1,662.0
Investment in Sub	3.2	2.8	2.2	2.2	2.2	2.2	2.2	2.2
Debt Financing costs	40.9	38.1	0.0	0.0	0.0	0.0	0.0	0.0
Deposits & Other Assets	17.6	19.9	53.3	53.3	53.3	53.3	53.3	53.3
<b>Total Assets</b>	<b>2,428.7</b>	<b>2,363.5</b>	<b>2,304.5</b>	<b>2,351.1</b>	<b>2,332.5</b>	<b>2,317.3</b>	<b>2,302.6</b>	<b>2,292.5</b>
<b>Current Liabilities</b>								
Current Portion of Borrowings	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9
Accounts Payable & Accrued Expenses	170.9	185.3	189.7	199.7	204.7	210.7	217.7	227.7
Advance Billings	295.9	293.6	275.8	281.8	286.8	292.8	298.8	304.8
Other Current Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	475.7	487.8	474.4	490.4	500.4	512.4	525.4	541.4
<b>Long Term Liabilities</b>								
Total Long-Term Debt	1,263.6	1,242.3	1,240.3	981.7	956.7	931.7	906.7	881.7
Other Liabilities	212.3	171.3	172.7	172.7	172.7	172.7	172.7	172.7
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity	477.0	462.1	417.1	706.3	702.7	700.5	697.8	696.7
<b>Total Liabilities &amp; Equity</b>	<b>2,428.7</b>	<b>2,363.5</b>	<b>2,304.5</b>	<b>2,351.1</b>	<b>2,332.5</b>	<b>2,317.3</b>	<b>2,302.6</b>	<b>2,292.5</b>
Book Value Per Share	\$11.85	\$11.33	\$9.91	\$11.54	\$11.44	\$11.37	\$11.29	\$11.23
Return on Average Equity	6.9%	12.4%	12.9%	14.0%	11.9%	12.7%	12.5%	14.1%
Return on Assets	1.8%	3.0%	3.0%	3.8%	3.9%	4.2%	4.1%	4.6%
Current Ratio	1.1	1.0	1.0	1.1	1.1	1.1	1.1	1.1
Debt/Equity	266.7%	270.8%	299.5%	140.2%	137.4%	134.3%	131.2%	127.8%
Debt/Total Capital	72.7%	73.0%	75.0%	58.4%	57.9%	57.3%	56.7%	56.1%
Asset Turnover (# of times/yr)	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6
A/R Turnover (days)	81	70	98	95	101	96	99	97
A/P Turnover (days)	71	78	79	81	81	81	82	86
FCF Yield (EV)	-0.4%	0.5%	3.7%	3.1%	5.1%	5.1%	5.3%	5.1%
FCF Yield (Equity)	-5.3%	-3.6%	1.9%	1.5%	5.0%	5.2%	5.9%	5.6%

Source: Company Documents; UBS

Figure 25: PRA Health Sciences – Annual Revenue Model & Statistics (\$ mil)

PRAH - Annual Revenue Model								
	PRAH FY11 Actual	PRAH FY12 Actual	PRAH FY13 Actual	FY14 Projected	FY15 Projected	FY16 Projected	FY17 Projected	FY18 Projected
<b>Revenues:</b>								
Gross Revenues	\$634.8	\$699.7	\$991.3	\$1,463.5	\$1,586.1	\$1,705.1	\$1,824.4	\$1,943.0
Reimbursable Revenue	(87.1)	(102.7)	(158.4)	(194.5)	(214.2)	(230.2)	(246.3)	(262.4)
<b>Net Revenues</b>	<b>\$547.7</b>	<b>\$699.7</b>	<b>\$832.9</b>	<b>\$1,269.0</b>	<b>\$1,371.9</b>	<b>\$1,474.8</b>	<b>\$1,578.1</b>	<b>\$1,680.7</b>
Yr/Yr Growth	21.4%	27.8%	19.0%	52.4%	8.1%	7.5%	7.0%	6.5%
<b>Backlog:</b>								
Backlog	\$1,314	\$1,383	\$1,940	\$2,153	\$2,358	\$2,582	\$2,824	\$3,087
Yr/Yr Growth	16.5%	5.2%	40.3%	11.0%	9.5%	9.5%	9.4%	9.3%
Gross New business	--	\$947.8	\$997.7	\$1,747.1	\$1,921.8	\$2,067.9	\$2,222.9	\$2,378.6
Net New business	\$736.5	\$653.5	\$774.3	\$1,485.7	\$1,599.8	\$1,719.7	\$1,840.1	\$1,959.7
Net new business growth y-o-y	22.8%	-11.3%	18.5%	91.9%	7.7%	7.5%	7.0%	6.5%
Net book-to-bill ratio	1.34	0.93	0.93	1.17	1.17	1.17	1.17	1.17
Cancellations	--	\$294.3	\$223.4	\$261.3	\$322.0	\$348.1	\$382.8	\$418.8
As a % of Beginning Backlog	--	22.4%	16.2%	13.5%	15.0%	14.8%	14.8%	14.8%
Burn Rate	12.1%	11.4%	14.5%	15.7%	15.4%	15.6%	15.3%	14.9%
<b>Net revenue % by geographical area</b>								
US/Canada	--	53.9%	52.7%	--	--	--	--	--
Europe/Africa	--	40.8%	41.0%	--	--	--	--	--
Asia Pacific	--	3.2%	3.2%	--	--	--	--	--
Latin America	--	2.1%	3.2%	--	--	--	--	--
<b>Total</b>	<b>--</b>	<b>100%</b>	<b>100%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net revenue by geographical area</b>								
US/Canada	--	\$321.7	\$438.9	--	--	--	--	--
Europe/Africa	--	243.8	341.1	--	--	--	--	--
Asia Pacific	--	19.3	26.4	--	--	--	--	--
Latin America	--	12.3	26.5	--	--	--	--	--
<b>Total</b>	<b>--</b>	<b>\$597.1</b>	<b>\$832.9</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>

Source: Company Documents; UBS Estimates

Figure 26: PRA Health Sciences – Annual Income Statement (\$ mil)

PRAH - Annual Income Statement (Millions)								
Revenues	PRAH FY11 Actual	PRAH FY12 Actual	PRAH FY13 Actual	FY14 Projected	FY15 Projected	FY16 Projected	FY17 Projected	FY18 Projected
<b>Total Revenue</b>	<b>\$547.7</b>	<b>\$597.1</b>	<b>\$832.9</b>	<b>\$1,269.0</b>	<b>\$1,371.9</b>	<b>\$1,474.8</b>	<b>\$1,578.1</b>	<b>\$1,680.7</b>
% change	21.4%	9.0%	39.5%	52.4%	8.1%	7.5%	7.0%	6.5%
<b>Expenses</b>								
COGS	321.2	358.6	526.9	867.1	936.0	1,004.4	1,071.5	1,137.8
% of revenue	58.7%	60.1%	63.3%	68.3%	68.2%	68.1%	67.9%	67.7%
Gross Profit	226.4	238.5	306.0	402.0	436.0	470.5	506.6	542.9
% of revenue	41.3%	39.9%	36.7%	31.7%	31.8%	31.9%	32.1%	32.3%
SG&A	138.3	160.6	212.6	236.1	236.3	250.7	265.1	277.3
% of revenue	25.3%	26.9%	25.5%	18.6%	17.2%	17.0%	16.8%	16.5%
Stock Comp	(3.5)	(11.6)	(24.7)	(3.5)	(3.6)	(4.0)	(4.5)	(5.0)
Other Op Exp. (Addback to EBITDA)	(3.5)	(6.7)	(12.4)	(11.2)	0.0	0.0	0.0	0.0
<i>Adjusted EBITDA check line</i>	<i>95.1</i>	<i>96.2</i>	<i>130.6</i>					
<b>Adjusted EBITDA</b>	<b>95.1</b>	<b>96.2</b>	<b>130.6</b>	<b>180.6</b>	<b>203.3</b>	<b>223.8</b>	<b>245.9</b>	<b>270.5</b>
% of revenue	17.4%	16.1%	15.7%	14.2%	14.8%	15.2%	15.6%	16.1%
Depreciation (ex Deal Amortization)	13.2	15.0	18.1	20.7	22.6	23.0	23.5	24.0
% of revenue	2.4%	2.5%	2.2%	1.6%	1.6%	1.6%	1.5%	1.4%
Other expense exclude from net inco	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% of revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating Income	81.8	81.1	112.5	159.9	180.7	200.8	222.4	246.5
% of revenue	14.9%	13.6%	13.5%	12.6%	13.2%	13.6%	14.1%	14.7%
Interest Expense (Income), net	31.4	28.5	52.9	75.3	48.0	45.0	42.0	40.0
Other Expense (income), net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Income	50.5	52.6	59.6	84.6	132.6	155.8	180.4	206.5
% of revenue	9.2%	8.8%	7.2%	6.7%	9.7%	10.6%	11.4%	12.3%
Income Taxes	16.6	20.7	34.2	28.2	43.1	48.3	54.1	59.9
Tax Rate (%)	32.8%	39.4%	57.3%	33.3%	32.5%	31.0%	30.0%	29.0%
Minority Interest (Income)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	33.9	31.9	25.4	56.4	89.5	107.5	126.3	146.6
% of revenue	6.2%	5.3%	3.1%	4.4%	6.5%	7.3%	8.0%	8.7%
<i>Reported EPS from Cont. Ops.</i>	<i>\$1.96</i>	<i>\$1.83</i>	<i>\$1.41</i>					
<b>EPS - Fully Diluted</b>	<b>\$1.96</b>	<b>\$1.83</b>	<b>\$1.41</b>	<b>\$1.22</b>	<b>\$1.45</b>	<b>\$1.73</b>	<b>\$2.01</b>	<b>\$2.32</b>
% change	38.6%	-6.7%	-23.0%	-13.2%	18.5%	19.1%	16.6%	15.2%
Fully Diluted Shares (mil.)	17.3	17.4	18.0	46.1	61.7	62.2	62.7	63.2
<b>P&amp;L Line Growth Comparison:</b>								
Revenues	21.4%	9.0%	39.5%	52.4%	8.1%	7.5%	7.0%	6.5%
COGS	29.3%	11.6%	46.9%	64.6%	7.9%	7.3%	6.7%	6.2%
Gross Profit	11.7%	5.3%	28.3%	31.4%	8.5%	7.9%	7.7%	7.2%
SG&A	15.4%	16.1%	32.3%	11.0%	0.1%	6.1%	5.7%	4.6%
EBITDA	4.3%	1.2%	35.8%	38.3%	12.6%	10.1%	9.9%	10.0%
Depreciation and Amortization	9.9%	13.6%	20.0%	14.7%	9.1%	1.8%	2.2%	2.1%
Operating Income	3.4%	-0.9%	38.7%	42.1%	13.0%	11.1%	10.8%	10.8%
Interest Expense	-7.3%	-9.1%	85.6%	42.3%	-36.2%	-6.3%	-6.7%	-4.8%
Pretax Income	11.4%	4.3%	13.3%	41.9%	56.8%	17.4%	15.9%	14.5%
Net Income	42.0%	-6.0%	-20.2%	121.7%	58.7%	20.1%	17.5%	16.1%
EPS	38.6%	-6.7%	-23.0%	-13.2%	18.5%	19.1%	16.6%	15.2%
Shares Outstanding	2.5%	0.7%	3.5%	155.4%	33.9%	0.8%	0.8%	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



Figure 27: PRA Health Sciences – Annual Cash Flow Statements (\$ mil)

<b>PRAH - Annual Cash Flow (Millions)</b>							
<b>Operating Sources</b>	<b>PRAH FY12 Actual</b>	<b>PRAH FY13 Actual</b>	<b>FY14 Projected</b>	<b>FY15 Projected</b>	<b>FY16 Projected</b>	<b>FY17 Projected</b>	<b>FY18 Projected</b>
Net Income	31.9	25.4	56.4	89.5	107.5	126.3	146.6
Depreciation & Amortization	30.7	50.5	105.5	115.0	125.0	130.0	135.0
Share-Based Compensation	11.6	24.7	3.5	3.6	5.0	6.0	7.0
Deferred Income Tax Benefit	(7.4)	(51.2)	(19.1)	0.0	0.0	0.0	0.0
Other	(14.2)	(82.0)	(68.4)	(104.0)	(115.0)	(120.0)	(125.0)
<b>Total</b>	<b>52.6</b>	<b>(32.5)</b>	<b>77.9</b>	<b>104.1</b>	<b>122.5</b>	<b>142.3</b>	<b>163.6</b>
<b><u>Operating Uses</u></b>							
Accounts Receivable & Unbilled Ser	17.6	20.4	(71.6)	(35.0)	(40.0)	(50.0)	(60.0)
Prepaid expenses & other assets	(4.4)	(3.5)	(5.0)	(2.0)	(5.0)	(8.0)	(10.0)
Accounts payable & other liabilities	5.0	24.1	38.5	28.0	35.0	40.0	40.0
Income Taxes	(9.5)	(4.3)	0.0	(8.0)	0.0	0.0	0.0
Advance Billings	38.0	21.2	6.0	23.0	25.0	30.0	35.0
<b>Total</b>	<b>46.6</b>	<b>57.8</b>	<b>(32.1)</b>	<b>6.0</b>	<b>15.0</b>	<b>12.0</b>	<b>5.0</b>
<b>Cash Flow from Operations</b>	<b>99.3</b>	<b>25.3</b>	<b>45.8</b>	<b>110.1</b>	<b>137.5</b>	<b>154.3</b>	<b>168.6</b>
<b>Cumulative CFO</b>							
<b><u>Cash Flow From Investing</u></b>							
Capital Expenditures	(18.1)	(19.7)	(25.7)	(33.0)	(37.0)	(40.0)	(45.0)
Acquisitions	0.0	(1,115.3)	0.0	0.0	0.0	0.0	0.0
Divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other CFI	0.0	(4.6)	15.0	0.0	0.0	0.0	0.0
<b>Cash Flow from Investing</b>	<b>(18.1)</b>	<b>(1,139.6)</b>	<b>(10.7)</b>	<b>(33.0)</b>	<b>(37.0)</b>	<b>(40.0)</b>	<b>(45.0)</b>
Cash Flow before financing	81.2	(1,114.4)	35.1	77.1	100.5	114.3	123.6
<b><u>Cash Flow from Financing</u></b>							
Net Change in Debt	61.2	797.7	(275.3)	(100.0)	(100.0)	(100.0)	(100.0)
Dividends and Distributions	(101.6)	(131.6)	0.0	0.0	0.0	0.0	0.0
Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity Issuance	0.0	470.4	290.4	7.0	10.0	10.0	10.0
Equity Repurchase	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	(1.7)	(58.7)	(1.6)	0.0	0.0	0.0	0.0
<b>Cash Flow from Financing</b>	<b>(42.2)</b>	<b>1,077.8</b>	<b>13.6</b>	<b>(93.0)</b>	<b>(90.0)</b>	<b>(90.0)</b>	<b>(90.0)</b>
Effect of Exchange Rates	0.8	(0.5)	(2.3)	0.0	0.0	0.0	0.0
Cash at Beginning of Period	69.4	109.2	72.2	118.6	102.7	113.1	137.4
<b>Net Cash Flow</b>	<b>39.8</b>	<b>(37.1)</b>	<b>46.4</b>	<b>(15.9)</b>	<b>10.5</b>	<b>24.3</b>	<b>33.6</b>
Cash at End of Period	109.2	72.2	118.6	102.7	113.1	137.4	171.1
<b>Cumulative Decrease/Increase in cash</b>							
Cash (Paid) for Interest	(27.7)	(44.7)	(51.2)	0.0	0.0	0.0	0.0
Cash (Paid) for Taxes	(14.9)	(4.4)	(5.0)	0.0	0.0	0.0	0.0
<b>Free Cash Flow</b>	<b>81.2</b>	<b>5.6</b>	<b>20.1</b>	<b>77.1</b>	<b>100.5</b>	<b>114.3</b>	<b>123.6</b>

Source: Company Documents; UBS estimates

Figure 28: PRA Health Sciences – Annual Balance Sheet (\$ mil)

<b>PRA - Annual Balance Sheet (Millions)</b>							
<b>Current Assets</b>	<b>PRAH FY12 Actual</b>	<b>PRAH FY13 Actual</b>	<b>FY14 Projected</b>	<b>FY15 Projected</b>	<b>FY16 Projected</b>	<b>FY17 Projected</b>	<b>FY18 Projected</b>
Cash & Equivalents	109.2	72.2	118.6	102.7	113.1	137.4	171.1
Restricted Cash	0.0	8.8	6.4	6.4	6.4	6.4	6.4
Accounts Receivable	184.9	232.6	344.3	379.3	419.3	469.3	529.3
Unbilled Services	0.0	62.3	0.0	0.0	0.0	0.0	0.0
Prepaid & Other Current Assets	30.1	82.1	84.6	86.6	93.1	99.6	106.1
<b>Total Current Assets</b>	<b>324.2</b>	<b>458.0</b>	<b>553.9</b>	<b>575.0</b>	<b>632.0</b>	<b>712.8</b>	<b>812.9</b>
<b>Long Term Assets</b>							
Property and Equipment, Goodwill & Investment in Sub	650.0	1,874.7	1,741.7	1,662.0	1,576.5	1,489.1	1,401.8
Debt Financing costs	0.0	3.2	2.2	2.2	2.2	2.2	2.2
Deposits & Other Assets	0.0	41.4	0.0	0.0	0.0	0.0	0.0
	8.3	17.4	53.3	53.3	53.3	53.3	53.3
<b>Total Assets</b>	<b>982.5</b>	<b>2,394.7</b>	<b>2,351.1</b>	<b>2,292.5</b>	<b>2,264.0</b>	<b>2,257.4</b>	<b>2,270.3</b>
<b>Current Liabilities</b>							
Current Portion of Borrowings	3.4	18.9	8.9	8.9	8.9	8.9	8.9
Accounts Payable & Accrued Expens	79.0	154.5	199.7	227.7	244.3	260.7	276.8
Advance Billings	221.2	295.9	281.8	304.8	329.8	359.8	394.8
Other Current Liabilities	2.4	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Current Liabilities</b>	<b>305.9</b>	<b>469.3</b>	<b>490.4</b>	<b>541.4</b>	<b>583.0</b>	<b>629.4</b>	<b>680.5</b>
<b>Long Term Liabilities</b>							
Total Long-Term Debt	451.1	1,245.8	981.7	881.7	781.7	681.7	581.7
Other Liabilities	49.6	212.3	172.7	172.7	172.7	172.7	172.7
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity	176.0	467.3	706.3	696.7	726.6	773.7	835.4
<b>Total Liabilities &amp; Equity</b>	<b>982.5</b>	<b>2,394.7</b>	<b>2,351.1</b>	<b>2,292.5</b>	<b>2,264.0</b>	<b>2,257.4</b>	<b>2,270.3</b>
<i>check line</i>							
Book Value Per Share	\$10.09	\$25.89	\$15.32	\$11.29	\$11.68	\$12.33	\$13.21
Return on Average Equity	18.1%	5.4%	8.0%	12.8%	14.8%	16.3%	17.6%
Return on Assets	5.0%	2.0%	4.5%	5.3%	6.1%	6.9%	7.7%
Current Ratio	1.1	1.0	1.1	1.1	1.1	1.1	1.2
Debt/Equity	258.3%	270.6%	140.2%	127.8%	108.8%	89.3%	70.7%
Debt/Total Capital	72.1%	73.0%	58.4%	56.1%	52.1%	47.2%	41.4%
Asset Turnover (# of times/yr)	0.6	0.3	0.5	0.6	0.7	0.7	0.7
A/R Turnover (days)	113	102	99	101	104	109	115
A/P Turnover (days)	80	107	84	89	89	89	89
FCF Yield (EV)	13.5%	1.8%	3.2%	5.1%	6.4%	7.4%	8.4%
FCF Yield (Equity)	21.1%	1.4%	1.5%	5.7%	7.3%	8.3%	8.9%

Source: Company Documents; UBS estimates

## PRA Health Sciences Inc (PRAH.O)

Income statement (US\$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
<b>Revenues</b>	<b>548</b>	<b>597</b>	<b>833</b>	<b>1,269</b>	<b>52.4</b>	<b>1,372</b>	<b>8.1</b>	<b>1,475</b>	<b>1,578</b>	<b>1,681</b>
Gross profit	226	239	306	402	31.4	436	8.5	470	507	543
<b>EBITDA (UBS)</b>	<b>95</b>	<b>96</b>	<b>131</b>	<b>181</b>	<b>38.3</b>	<b>203</b>	<b>12.6</b>	<b>224</b>	<b>246</b>	<b>271</b>
Depreciation & amortisation	(13)	(15)	(18)	(21)	14.7	(23)	9.1	(23)	(23)	(24)
<b>EBIT (UBS)</b>	<b>82</b>	<b>81</b>	<b>113</b>	<b>160</b>	<b>42.1</b>	<b>181</b>	<b>13.0</b>	<b>201</b>	<b>222</b>	<b>247</b>
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(31)	(28)	(53)	(75)	-42.3	(48)	36.2	(45)	(42)	(40)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
<b>Profit before tax</b>	<b>50</b>	<b>53</b>	<b>60</b>	<b>85</b>	<b>41.9</b>	<b>133</b>	<b>56.8</b>	<b>156</b>	<b>180</b>	<b>207</b>
Tax	(17)	(21)	(34)	(28)	17.5	(43)	-52.9	(48)	(54)	(60)
<b>Profit after tax</b>	<b>34</b>	<b>32</b>	<b>25</b>	<b>56</b>	<b>121.7</b>	<b>89</b>	<b>58.7</b>	<b>107</b>	<b>126</b>	<b>147</b>
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	0	0	0	0	-	0	-	0	0	0
Extraordinary items	0	0	0	0	-	0	-	0	0	0
<b>Net earnings (local GAAP)</b>	<b>34</b>	<b>32</b>	<b>25</b>	<b>56</b>	<b>121.7</b>	<b>89</b>	<b>58.7</b>	<b>107</b>	<b>126</b>	<b>147</b>
<b>Net earnings (UBS)</b>	<b>34</b>	<b>32</b>	<b>25</b>	<b>56</b>	<b>121.7</b>	<b>89</b>	<b>58.7</b>	<b>107</b>	<b>126</b>	<b>147</b>
Tax rate (%)	32.8	39.4	57.3	33.3	-41.9	32.5	-2.5	31.0	30.0	29.0
<b>Per share (US\$)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14E</b>	<b>% ch</b>	<b>12/15E</b>	<b>% ch</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>
EPS (UBS, diluted)	1.96	1.83	1.41	1.22	-13.2	1.45	18.5	1.73	2.01	2.32
EPS (local GAAP, diluted)	1.96	1.83	1.41	1.22	-13.2	1.45	18.5	1.73	2.01	2.32
EPS (UBS, basic)	1.96	1.83	1.41	1.22	-13.2	1.45	18.5	1.73	2.01	2.32
Net DPS (US\$)	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Cash EPS (UBS, diluted)*	2.72	2.69	2.41	1.67	-30.6	1.82	8.6	2.10	2.39	2.70
Book value per share	-	10.09	25.89	15.32	-40.8	11.29	-26.3	11.68	12.33	13.21
Average shares (diluted)	17.31	17.44	18.05	46.09	155.4	61.73	33.9	62.23	62.73	63.23
<b>Balance sheet (US\$m)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14E</b>	<b>% ch</b>	<b>12/15E</b>	<b>% ch</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>
Cash and equivalents	-	-	81	125	54.5	109	-12.7	120	144	178
Other current assets	-	215	377	429	13.8	466	8.6	512	569	635
<b>Total current assets</b>	<b>-</b>	<b>-</b>	<b>458</b>	<b>554</b>	<b>20.9</b>	<b>575</b>	<b>3.8</b>	<b>632</b>	<b>713</b>	<b>813</b>
Net tangible fixed assets	-	650	1,875	1,742	-7.1	1,662	-4.6	1,576	1,489	1,402
Net intangible fixed assets	-	0	0	0	-	0	-	0	0	0
Investments / other assets	0	8	62	56	-10.4	56	0.0	56	56	56
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>2,395</b>	<b>2,351</b>	<b>-1.8</b>	<b>2,293</b>	<b>-2.5</b>	<b>2,264</b>	<b>2,257</b>	<b>2,270</b>
Trade payables & other ST liabilities	-	303	450	481	6.9	532	10.6	574	620	672
Short term debt	-	3	19	9	-52.91	9	0.00	9	9	9
<b>Total current liabilities</b>	<b>-</b>	<b>306</b>	<b>469</b>	<b>490</b>	<b>4.5</b>	<b>541</b>	<b>10.4</b>	<b>583</b>	<b>629</b>	<b>680</b>
Long term debt	-	451	1,246	982	-21.2	882	-10.2	782	682	582
Other long term liabilities	-	50	212	173	-18.7	173	0.0	173	173	173
Preferred shares	-	0	0	0	-	0	-	0	0	0
<b>Total liabilities (incl pref shares)</b>	<b>-</b>	<b>807</b>	<b>1,927</b>	<b>1,645</b>	<b>-14.7</b>	<b>1,596</b>	<b>-3.0</b>	<b>1,537</b>	<b>1,484</b>	<b>1,435</b>
Common s/h equity	-	176	467	706	51.1	697	-1.4	727	774	835
Minority interests	-	0	0	0	-	0	-	0	0	0
<b>Total liabilities &amp; equity</b>	<b>-</b>	<b>983</b>	<b>2,395</b>	<b>2,351</b>	<b>-1.8</b>	<b>2,293</b>	<b>-2.5</b>	<b>2,264</b>	<b>2,257</b>	<b>2,270</b>
<b>Cash flow (US\$m)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14E</b>	<b>% ch</b>	<b>12/15E</b>	<b>% ch</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>
Net income (before pref divs)	34	32	25	56	121.7	89	58.7	107	126	147
Depreciation & amortisation	13	15	18	21	14.7	23	9.1	23	24	24
Net change in working capital	-	47	58	(32)	-	6	-	15	12	5
Other operating	-	16	(31)	37	-	11	-70.4	10	10	10
<b>Operating cash flow</b>	<b>-</b>	<b>110</b>	<b>70</b>	<b>82</b>	<b>17.8</b>	<b>129</b>	<b>57.1</b>	<b>155</b>	<b>172</b>	<b>186</b>
Tangible capital expenditure	-	(18)	(20)	(26)	-30.6	(33)	-28.2	(37)	(40)	(45)
Intangible capital expenditure	-	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	-	0	(1,115)	0	-	0	-	0	0	0
Other investing	-	0	(5)	15	-	0	-	0	0	0
<b>Investing cash flow</b>	<b>-</b>	<b>(18)</b>	<b>(1,140)</b>	<b>(11)</b>	<b>99.1</b>	<b>(33)</b>	<b>-209.0</b>	<b>(37)</b>	<b>(40)</b>	<b>(45)</b>
Equity dividends paid	-	(102)	(132)	0	-	0	-	0	0	0
Share issues / (buybacks)	-	0	470	290	-38.3	7	-97.6	10	10	10
Other financing	-	(2)	(59)	(2)	97.29	0	-	0	0	0
Change in debt & pref shares	-	61	798	(275)	-	(100)	63.67	(100)	(100)	(100)
<b>Financing cash flow</b>	<b>-</b>	<b>(42)</b>	<b>1,078</b>	<b>14</b>	<b>-98.7</b>	<b>(93)</b>	<b>-</b>	<b>(90)</b>	<b>(90)</b>	<b>(90)</b>
<b>Cash flow inc/(dec) in cash</b>	<b>-</b>	<b>50</b>	<b>8</b>	<b>85</b>	<b>NM</b>	<b>3</b>	<b>-96.4</b>	<b>28</b>	<b>42</b>	<b>51</b>
FX / non cash items	-	-	(36)	(41)	-13.3	(19)	53.7	(18)	(17)	(17)
<b>Balance sheet inc/(dec) in cash</b>	<b>-</b>	<b>-</b>	<b>(28)</b>	<b>44</b>	<b>-</b>	<b>(16)</b>	<b>-</b>	<b>10</b>	<b>24</b>	<b>34</b>

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.

## PRA Health Sciences Inc (PRAH.O)

Valuation (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
P/E (local GAAP, diluted)	-	-	-	18.0	15.2	12.8	11.0	9.5
P/E (UBS, diluted)	-	-	-	18.0	15.2	12.8	11.0	9.5
P/CEPS	-	-	-	13.2	12.1	10.5	9.2	8.2
Equity FCF (UBS) yield %	-	-	-	4.3	7.3	9.0	10.0	10.7
Net dividend yield (%)	-	-	-	0.0	0.0	0.0	0.0	0.0
P/BV x	-	-	-	1.4	2.0	1.9	1.8	1.7
EV/revenues (core)	-	-	-	1.8	1.5	1.4	1.2	1.0
EV/EBITDA (core)	-	-	-	12.7	10.3	8.9	7.6	6.5
EV/EBIT (core)	-	-	-	14.3	11.6	9.9	8.4	7.1
EV/OpFCF (core)	-	-	-	16.4	13.9	12.1	10.3	8.8
EV/op. invested capital	-	-	-	1.5	1.4	1.4	1.4	1.4
<b>Enterprise value (US\$m)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14E</b>	<b>12/15E</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>
Market cap.	-	-	-	1,319	1,319	1,319	1,319	1,319
Net debt (cash)	-	345	765	1,025	824	726	609	480
Buy out of minorities	-	0	0	0	0	0	0	0
Pension provisions/other	-	0	0	0	0	0	0	0
<b>Total enterprise value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,344</b>	<b>2,143</b>	<b>2,046</b>	<b>1,928</b>	<b>1,799</b>
Non core assets	-	(8)	(17)	(53)	(53)	(53)	(53)	(53)
<b>Core enterprise value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,291</b>	<b>2,090</b>	<b>1,992</b>	<b>1,875</b>	<b>1,746</b>
<b>Growth (%)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14E</b>	<b>12/15E</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>
Revenue	21.4	9.0	39.5	52.4	8.1	7.5	7.0	6.5
EBITDA (UBS)	4.3	1.2	35.8	38.3	12.6	10.1	9.9	10.0
EBIT (UBS)	3.4	-0.9	38.7	42.1	13.0	11.1	10.8	10.8
EPS (UBS, diluted)	38.6	-6.7	-23.0	-13.2	18.5	19.1	16.6	15.2
Net DPS	-	-	-	-	-	-	-	-
<b>Margins &amp; Profitability (%)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14E</b>	<b>12/15E</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>
Gross profit margin	41.3	39.9	36.7	31.7	31.8	31.9	32.1	32.3
EBITDA margin	17.4	16.1	15.7	14.2	14.8	15.2	15.6	16.1
EBIT margin	14.9	13.6	13.5	12.6	13.2	13.6	14.1	14.7
Net earnings (UBS) margin	6.2	5.3	3.1	4.4	6.5	7.3	8.0	8.7
ROIC (EBIT)	-	-	-	10.1	12.3	14.5	17.0	20.0
ROIC post tax	-	-	2.9	6.8	8.3	10.0	11.9	14.2
ROE (UBS)	-	18.1	7.9	9.6	12.8	15.1	16.8	18.2
<b>Capital structure &amp; Coverage (x)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14E</b>	<b>12/15E</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>
Net debt / EBITDA	-	3.6	9.1	4.8	3.8	3.0	2.2	1.5
Net debt / total equity %	-	196.2	253.3	122.5	112.2	92.4	70.7	49.5
Net debt / (net debt + total equity) %	-	66.2	71.7	55.1	52.9	48.0	41.4	33.1
Net debt/EV	-	-	-	37.8	37.4	33.7	29.2	23.7
Capex / depreciation %	-	120.1	109.2	124.3	146.0	160.9	170.2	187.5
Capex / revenue %	-	3.0	2.4	2.0	2.4	2.5	2.5	2.7
EBIT / net interest	2.6	2.8	2.1	2.1	3.8	4.5	5.3	6.2
Dividend cover (UBS)	-	-	-	-	-	-	-	-
Div. payout ratio (UBS) %	-	-	-	-	-	-	-	-
<b>Revenues by division (US\$m)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14E</b>	<b>12/15E</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>
Others	548	597	833	1,269	1,372	1,475	1,578	1,681
<b>Total</b>	<b>548</b>	<b>597</b>	<b>833</b>	<b>1,269</b>	<b>1,372</b>	<b>1,475</b>	<b>1,578</b>	<b>1,681</b>
<b>EBIT (UBS) by division (US\$m)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14E</b>	<b>12/15E</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>
Others	82	81	113	160	181	201	222	247
<b>Total</b>	<b>82</b>	<b>81</b>	<b>113</b>	<b>160</b>	<b>181</b>	<b>201</b>	<b>222</b>	<b>247</b>

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

### Forecast returns

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Forecast price appreciation	+26.9%
Forecast dividend yield	0.0%
Forecast stock return	+26.9%
Market return assumption	5.5%
Forecast excess return	+21.4%

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### Statement of Risk

The primary risk factors for PRA Health include: 1) Risk of expansion / contraction of pharmaceutical and biotech drug company research and development budgets, particularly late-stage; 2) Risk of increase/decrease in the trend of pharmaceutical and biotechnology company outsourcing of drug research and development specifically with respect to late-stage development; 3) Risk of changes to government regulations required in the process of drug research and development; 4) Risk of a loss of any strategic partner relationships or the cancellation of a project. The company also bares financial risk in regards to contracts that may be mis-priced or otherwise overrun initial cost estimates.

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12-Month Rating	Definition	Coverage <sup>1</sup>	IB Services <sup>2</sup>
<b>Buy</b>	FSR is > 6% above the MRA.	47%	34%
<b>Neutral</b>	FSR is between -6% and 6% of the MRA.	42%	28%
<b>Sell</b>	FSR is > 6% below the MRA.	11%	21%
Short-Term Rating	Definition	Coverage <sup>3</sup>	IB Services <sup>4</sup>
<b>Buy</b>	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%
<b>Sell</b>	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 30 September 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; Jonathan Yong.

## Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
<b>PRA Health Sciences Inc</b> <sup>2, 4, 5, 16</sup>	PRAH.O	Not Rated	N/A	US\$22.06	05 Dec 2014

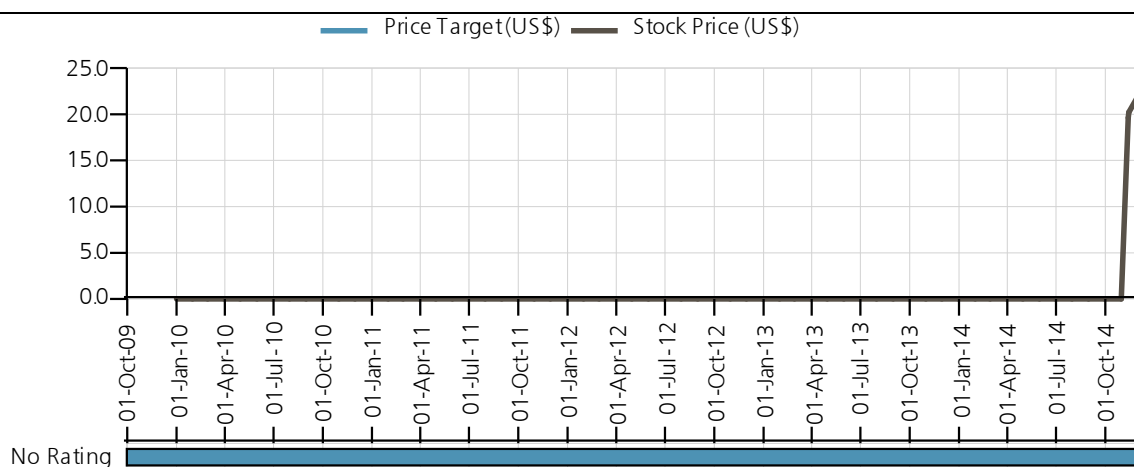
Source: UBS. All prices as of local market close.

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### PRA Health Sciences Inc (US\$)



Source: UBS; as of 05 Dec 2014

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