

Contract Research Organizations

PRA Health Sciences, Inc. (PRAH): Initiating Coverage with an Outperform Rating and a \$27 Target Price

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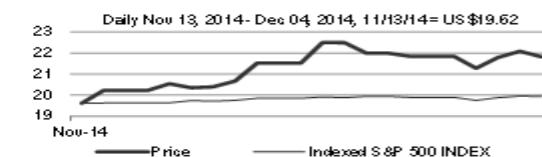
Financial Summary

PRA Health Sciences, Inc. PRAH

Price (04 Dec 14): US\$21.82, Rating: OUTPERFORM [V], Target Price: US\$27.00

Income statement (US\$ m)	12/13A	12/14E	12/15E	12/16E
Revenue (US\$ m)	832.9	1,267.3	1,365.2	1,471.0
EBITDA	105	174	196	217
Depr. & amort.	(18)	(22)	(21)	(23)
EBIT (US\$)	87	152	174	194
Net interest exp.	(53)	(76)	(54)	(49)
Associates	—	—	—	—
Other adj.	—	—	—	—
PBT (US\$)	34	76	121	145
Income taxes	(24)	(28)	(36)	(44)
Profit after tax	10	49	84	102
Minorities	(1)	(2)	(1)	(1)
Preferred dividends	—	—	—	—
Associates & other	—	—	—	—
Net profit (US\$)	9	47	83	100
Other NPAT adjustments	(98)	(58)	(44)	(36)
Reported net income	(90)	(11)	40	64
Cash flow (US\$)	12/13A	12/14E	12/15E	12/16E
EBIT	87	152	174	194
Net interest	(53)	(76)	(54)	(49)
Cash taxes paid	—	—	—	—
Change in working capital	58	(21)	11	13
Other cash & non-cash items	(67)	21	4	(5)
Cash flow from operations	25	76	135	153
CAPEX	(20)	(28)	(33)	(37)
Free cash flow to the firm	6	48	102	116
Acquisitions	(1,055)	—	—	—
Divestments	—	—	—	—
Other investment/(outflows)	(5)	—	—	—
Cash flow from investments	(1,079)	(28)	(33)	(37)
Net share issue/(repurchase)	—	330	—	—
Dividends paid	(132)	—	—	—
Issuance (retirement) of debt	739	(311)	(100)	—
Other	(340)	311	100	100
Cash flow from financing	267	330	—	—
Effect of exchange rates	(61)	—	—	—
Changes in Net Cash/Debt	(847)	378	102	116
Net debt at start	345	1,193	814	712
Change in net debt	847	(378)	(102)	(116)
Net debt at end	1,193	814	712	596
Balance sheet (US\$ m)	12/13A	12/14E	12/15E	12/16E
Assets				
Cash and cash equivalents	72	140	142	158
Accounts receivable	295	366	393	419
Inventory	—	—	—	—
Other current assets	91	95	96	100
Total current assets	458	600	631	677
Total fixed assets	76	82	94	108
Intangible assets and goodwill	1,799	1,723	1,665	1,618
Investment securities	—	—	—	—
Other assets	62	61	60	59
Total assets	2,395	2,466	2,450	2,462
Liabilities				
Accounts payable	28	39	42	45
Short-term debt	—	—	—	—
Other short term liabilities	442	469	505	544
Total current liabilities	469	508	547	589
Long-term debt	1,246	945	845	745
Other liabilities	212	217	217	219
Total liabilities	1,927	1,670	1,609	1,552
Shareholders' equity	467	796	841	910
Minority interest	—	—	—	—
Total equity & liabilities	2,395	2,466	2,450	2,462
Net debt (US\$ m)	1,193	814	712	596
Per share data	12/13A	12/14E	12/15E	12/16E
No. of shares (wtd avg)	23	43	64	65
C.S. adj. EPS (US\$)	0.39	1.08	1.29	1.54
Prev. EPS (US\$)	—	—	—	—
Dividend (US\$)	—	—	—	—
Dividend payout ratio	—	—	—	—
Free cash flow per share	0.24	1.11	1.58	1.77
Key ratios and valuation	12/13A	12/14E	12/15E	12/16E
Growth (%)				
Sales	39.5	52.2	7.7	7.8
EBIT	25.5	74.3	14.6	11.1
Net profit	(64.1)	425.9	77.2	20.8
EPS	(73.5)	177.6	19.2	19.0
Margins (%)				
EBITDA margin	12.6	13.7	14.3	14.7
EBIT margin	10.5	12.0	12.8	13.2
Pretax margin	4.1	6.0	8.8	9.9
Net margin	1.1	3.7	6.1	6.8
Valuation metrics (x)				
EV/sales	3.0	1.7	1.5	1.3
EV/EBITDA	23.7	12.2	10.3	8.8
EV/EBIT	28.6	13.9	11.6	9.8
P/E	55.9	20.1	16.9	14.2
P/B	1.1	1.2	1.7	1.6
Asset turnover	0.35	0.51	0.56	0.60
ROE analysis (%)				
ROE stated-return on	(27.8)	(1.7)	4.8	7.4
ROIC	1.6	6.0	7.9	9.0
Interest burden	0.39	0.50	0.69	0.75
Tax rate	70.5	36.4	30.0	30.0
Financial leverage	2.7	1.2	1.0	0.8
Credit ratios (%)				
Net debt/equity	255.2	102.3	84.7	65.5
Net debt/EBITDA	11.3	4.7	3.6	2.8
Interest coverage ratio	1.6	2.0	3.2	4.0
Quarterly data	12/13A	12/14E	12/15E	12/16E
EPS for Q1	0.02	0.18	0.29	0.35
EPS for Q2	0.68	0.33	0.32	0.38
EPS for Q3	(0.72)	0.32	0.34	0.41
EPS for Q4	0.23	0.26	0.34	0.40

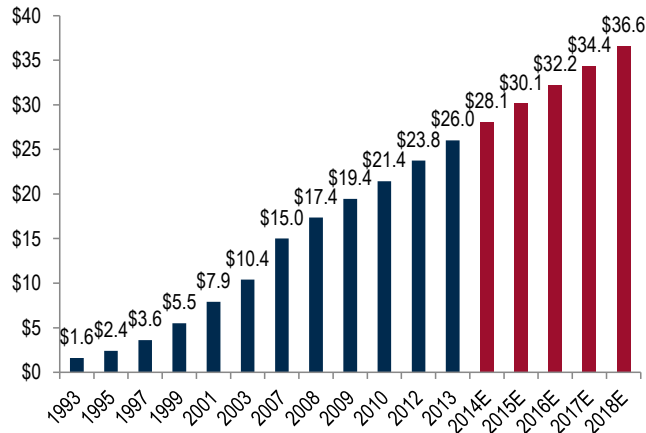
Source: Company data, Credit Suisse estimates.



On 12/04/14 the S&P 500 INDEX closed at 2077.13

Key Charts

CS CRO Market Forecast



Clinical CRO Scale

	PRA Health Sciences	Quintiles	PAREXEL	ICON	Covance	INC Research
Employees	10,200	28,200	14,700	10,300	12,501	5,500
Offices	75	100	77	77	50	74
Countries with Operations	80	100	51	38	60	50
C2013 Net New Business (\$Ms)	\$774*	\$4,900	\$2,147	\$1,647	\$2,993	\$883

*Note PRA closed the acquisition of RPS 9/22/13 - consequently the company does not have a FY of wins with RPS in '13

Customer Concentration

	PRAH	Q	CVD	INCR	PRXL	ICLR
Top Customer	8%	<10%	11%	15%	17%	26%
Top 5 Customers	38%	N/A	38-50%	34%	47%	53%
Top 10 Customers	61%	N/A	N/A	44%	N/A	64%

Leverage Comparisons

Company	Debt	Cash	Gross Debt/TTM EBITDA
Charles River Laboratories	\$664	\$156	2.5x
Covance	\$250	\$729	0.7x
ICON plc	\$0	\$249	0.0x
INC Research	\$427	\$103	3.2x
PAREXEL	\$370	\$281	1.3x
Quintiles	\$2,043	\$654	3.0x
PRA Health Sciences	\$941	\$48	5.8x
Average			2.3x
Clinical Peer Average			2.3x

Initiating with an Outperform Rating and a \$27 Target

- **Bottom Line:** We are initiating coverage of PRA Health Sciences, Inc. (PRAH) with an Outperform rating and a \$27 target price. PRAH is a global clinical contract research organization (CRO) that provides outsourced services to support all stages of the clinical development process for biopharmaceutical manufacturers. We remain positively disposed to the fundamental backdrop for the clinical CROs and our \$27 target price is based on an equally weighted blend of P/E & EV/EBITDA valuations (implying a target P/E multiple of 18.5x and a target EV/EBITDA multiple of 11.8 times).
- **Investment Positives:** We highlight the following investment positives: (1) favorable landscape for clinical CROs; (2) large and diversified customer base; (3) levered to positive biotech environment & alternative, less-risky way to invest in biotech; (4) capital deployment & deleveraging could accelerate earnings growth profile; and (5) Embedded Solutions offers some differentiation & upsell opportunity.
- **Investment Risks:** We highlight the following investment risks: (1) disruption from RPS integration; (2) favorable biotech funding environment could moderate; (3) controlled company status and PE ownership could represent overhang; (4) pricing & margins always bear monitoring; and (5) high expectations for CROs, particularly clinical players.
- **Estimates and Price Target:** We are introducing our 2014, 2015, and 2016 EPS estimates of \$1.08, \$1.29, and \$1.54, respectively. Our price target of \$27 is based on an equal-weighted blend of our P/E & EV/EBITDA valuation. We apply a roughly 18.5x multiple on our F16 EPS estimate, implying a \$28 price target. Our EV/EBITDA target multiple of 11.8 times yields a \$26 price target. An equally weighted blend of the two methodologies yields our \$27 price target.

Portfolio Manager Summary

- **PRA Health Sciences (PRAH) is a clinical CRO that has significantly increased its scale (moving into the top 5) following last year's acquisition of RPS.**
 - Led by an experienced management team, with previous public company experience at industry-peer PPD (now private)
- PRAH executed an initial public offering of 17M shares at a price of \$18/share on 11/13/14. This follows PRAH's June 2013 acquisition by KKR and the subsequent September 2013 acquisition of ReSearch Pharmaceutical Services (RPS). Following the combination with RPS, PRAH has injected itself into the conversation as a top-5 clinical CRO with significant geographic & service coverage. The combined entity has proceeded to execute on the synergy & business case while looking to compete in new & larger partnerships.
- The company is a Phase I-IV CRO with a strong legacy presence amongst biotech customers and a recently bolstered position with large pharma following the merger with RPS last year. PRAH is unique with its Embedded Solutions & flexible offering combining traditional CRO services with FSP solutions.
- PRAH has grown revenues at an "organic pro forma" 16% CAGR from 2009 to 2013, with revenues forecast to grow at a high-single-digit percentage over the next several years. We anticipate this should support double-digit EBITDA growth with capital deployment & deleveraging augmenting bottom line performance.
- Below we highlight some of our key investment points & potential pushback:
 - **Healthy backdrop for clinical CROs:** Despite volatility in the sector we continue to see mid/high single digit growth paced by low-single digit R&D growth, healthy biotech funding, incremental outsourcing, and share gains for the top players.
 - **Diversified client base with favorable leverage to biotech:** PRAH has one of the most diversified customer bases amongst covered CROs which should reduce volatility, along with 40% of its revenues exposed to faster-growing biotech players (and an additional 20% exposed to small/midsized pharma). Consequently we believe PRAH represents an alternative way to invest in biotech with minimal product-specific risk.
 - **Disruption from RPS Integration:** While we believe that the integration of RPS is largely complete and the company has notched several key renewals, the deal is only a little over 1 year old and any potential client losses or surprise issues could negatively impact sentiment & growth.
 - **High expectations for CROs:** With the public clinical CROs trading at 19.8x C15 P/E we would acknowledge expectations are high & multiples could be volatile around any quarterly earnings disappointment or significant M&A amongst the pharma client base.

Investment Thesis Summary – Bear vs. Bull Case











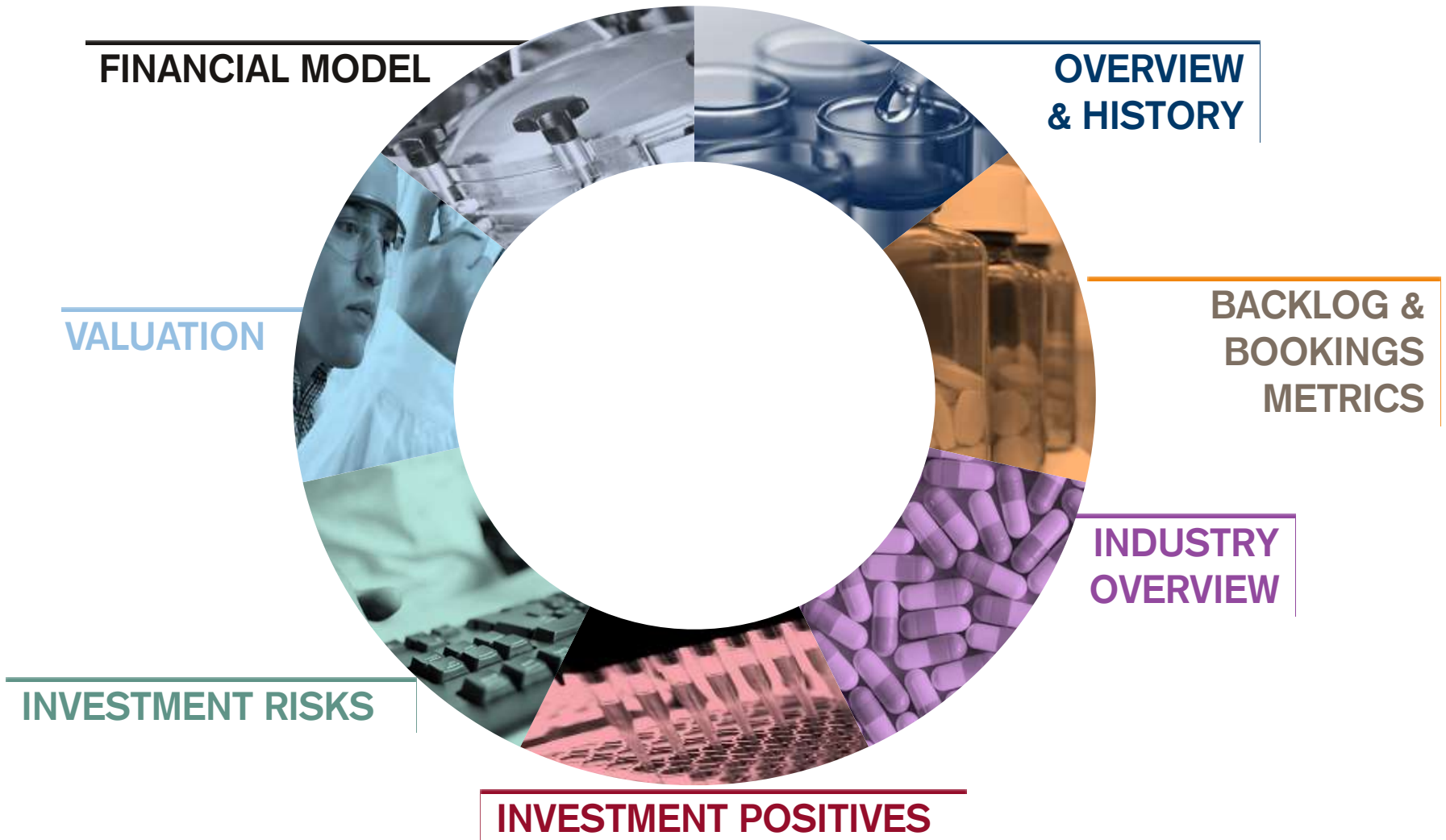
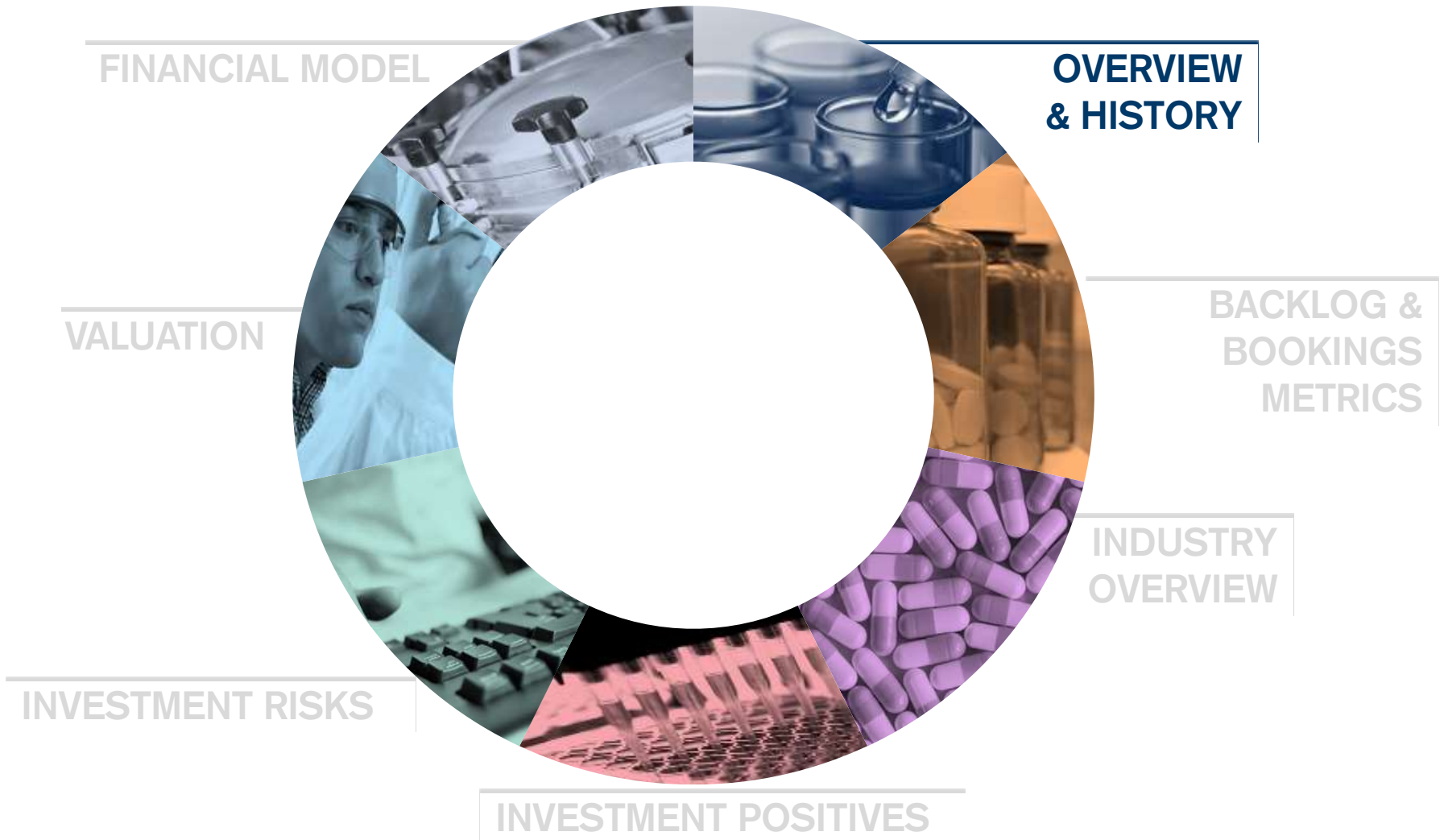
Bull Case		Bear Case	
	Favorable landscape for clinical CROs should support healthy industry top-line growth		Strong performance by clinical CROs has not gone unnoticed and investor expectations are quite high
	Differentiated Strategic Solutions services offers flexibility & upsell potential		RPS deal only closed a little over 1 year ago and any potential lingering disruption could concern clients & investors
	Strong legacy positioning with both large & small biotech, as well as small/midsize pharma (60% of revenues)		Greater leverage to biotech offers incremental risk in event of any deterioration in biotech funding environment
	PRAH poised to augment growth with capital deployment & deleveraging.		PRAH has leverage over 5x which could limit flexibility
	Diversified customer base relative to peers minimizes potential disruption from cancelations, renewals, M&A amongst clients, etc.		Competition for market share amongst top global players could increase as outsourcing penetration matures, weighing on growth & margins

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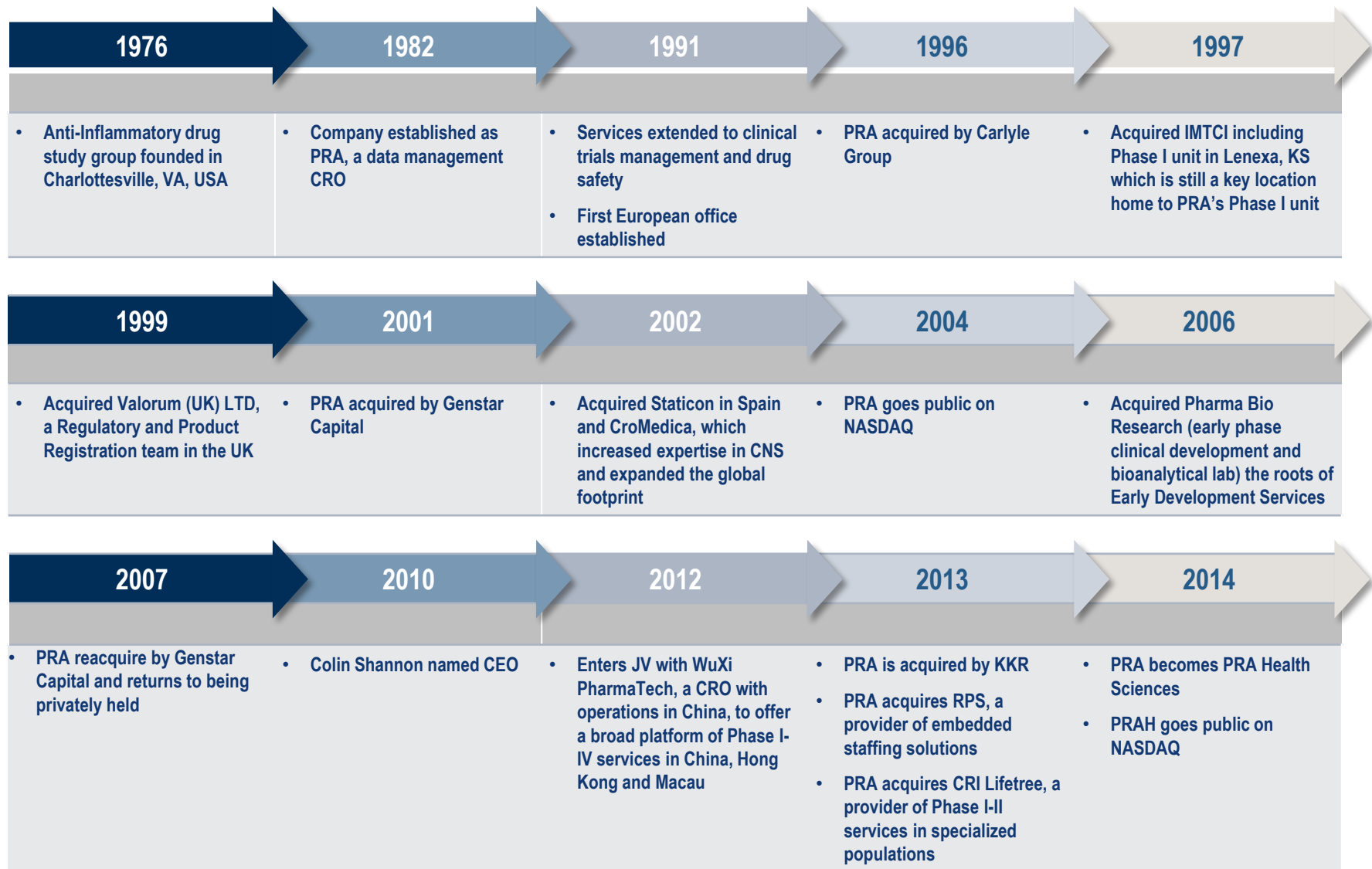
Overview & History



Company History

- The organization that is today PRA Health Sciences grew out of an anti-inflammatory drug study group based in Charlottesville, Virginia. In 1982 the company was established as PRA, a data management CRO, expanding organically into Europe, while augmenting geographic/service coverage through acquisitions. The company has been quite acquisitive, completing 16 deals since 1997. The most significant deals included: RPS, CRI LifeTree, Pharma Bio Research, and CroMedica.
- PRA has had a variety of financial sponsor owners over time. In 1996 PRA was acquired by the Carlyle Group which sold the company to Genstar Capital in 2001. Genstar took the company public in 2001 and then ultimately re-acquired the company in a leveraged buyout in 2007. More recently, Genstar Capital sold PRA to KKR in June 2013.
- More recently, the company (currently headquartered in Raleigh, North Carolina) rebranded itself as PRA Health Sciences.

Brief Company Timeline



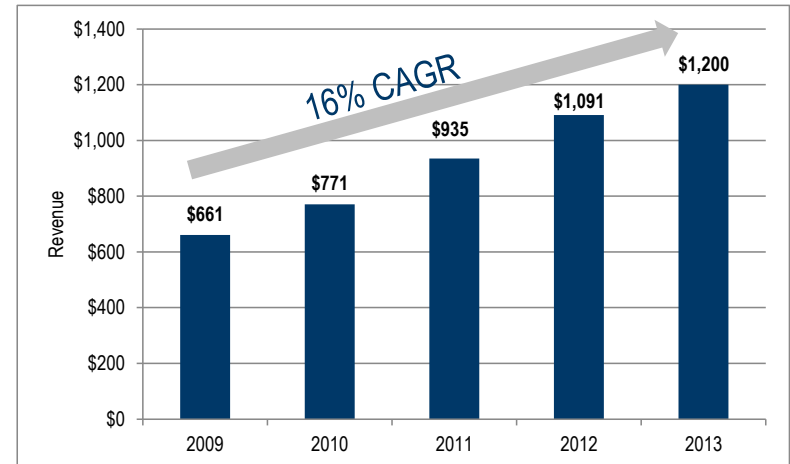
Company Overview

- PRA Health Sciences is a global full-service clinical Phase I-IV CRO
- Services biotech, small & mid cap pharma, and large pharma customers
- Originally founded in 1976, now has 10,200 employees across 80 countries
- Net service revenue has grown from \$661M in 2009 to \$1.2B in 2013 for an “organic” CAGR of 16%. Note revenue from recent acquisitions were included in base periods.

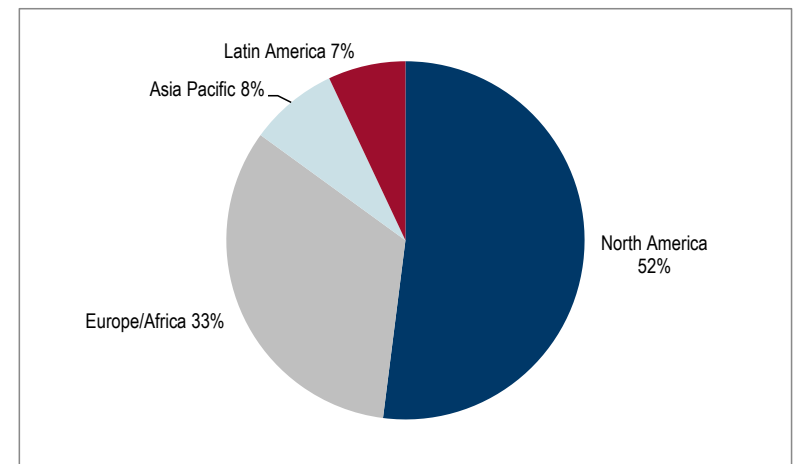
Competitive Landscape

Market Segment	Competitors
Phase I-IV Clinical CRO Work	Covance (to be acquired by LabCorp), ICON plc, INC Research, inVentiv Health, PAREXEL, PPD, and Quintiles

PRAH (pro-forma) Revenue Growth



Regional Breakdown by Employees

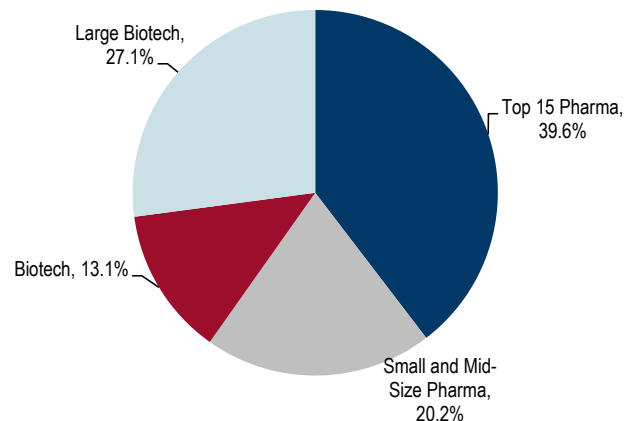


Key Partnerships & Customer Relationships

- Prior to the acquisition of RPS, the legacy PRA had particularly strong relationships with biotech customers (of all sizes), although customer classification has been impacted by M&A amongst the customer base
- Following the RPS acquisition, the combined entity now has some form of relationship with all of the Top 20 pharma players, greatly increasing exposure to this group, while maintaining 40% of revenues with biotech players (and an additional 20% of revenues with small/midsize pharma)
- PRAH has not disclosed publicly many key customer relationships; however, the company did announce a dual-sourced strategic partnership with UCB as well as a sole-sourced partnership for biosimilars with Amgen.

Announcement Date	Partner	Scope
11/15/2011	UCB	One of two strategic partners for all of UCB's global clinical study programs
4/26/2012	Amgen	Sole-source partner for Phase III development of biosimilars

2013 Pro-forma Customer Focus



Acquisition History

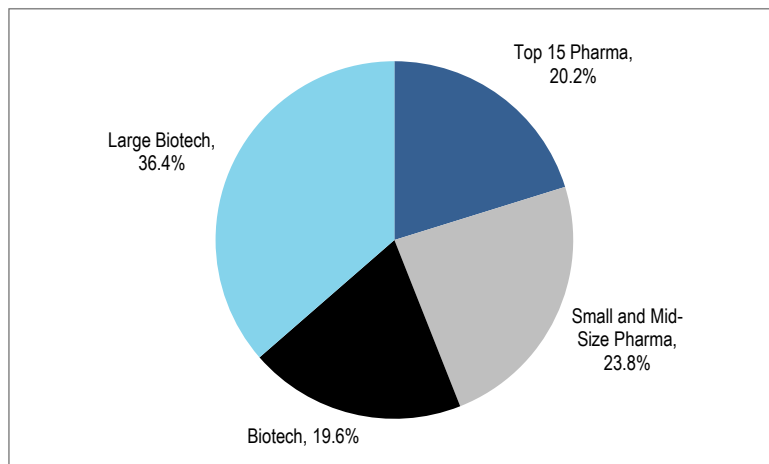
Announcement Date	Target	Consideration (in M)	2013E Service Revenue (in M)	2012 Service Revenue (in M)	Comments
12/2/2013	CRI Lifetree	\$77.1	\$40.4	\$36.2	CRI Lifetree was a specialized early stage CRO with 194 beds across 3 locations that specialized in human abuse liability studies. The acquisition significantly expanded PRA's Phase I-II service offerings.
7/31/2013	ReSearch Pharmaceutical Services (RPS)	\$289.3	\$432.5	\$427.1	RPS was a global CRO, with a broad variety of strategic solutions offerings, that also gave PRA an expanded client base amongst top 20 pharma manufacturers.
2/28/2013	ClinStar	\$45.0	\$24.0	\$19.3	ClinStar was a CRO and logistics provider with operations in Eastern Europe that provided PRA with an expanded footprint into Eastern Europe.
12/18/2012	Wuxi AppTec JV	\$4.6	-	-	The JV with Wuxi AppTec allowed PRA to offer a broad platform of Phase I-IV clinical trial services in China, Hong Kong and Macau.

- PRAH has been particularly acquisitive, completing 16 deals since 1997
- The company has utilized M&A to improve its customer mix, broaden its service capabilities, and expand its geographic coverage
- We anticipate the company will continue to opportunistically pursue tuck-in deals:
 - Priorities include: Technology, and Phase IV/Commercialization Support

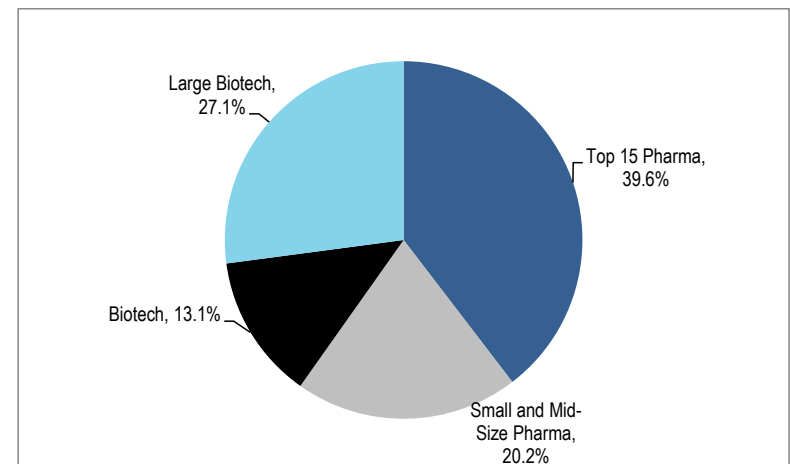
RPS Deal Catapulted PRAH Into Top Tier of CROs

- RPS gave PRAH access to an expanded customer base, including relationships with the majority of big pharma – this creates opportunities to cross-sell PRAH’s full service clinical offering to existing customers already using RPS services
- PRAH revenue from Top 15 pharma manufacturers grew from 20.2% before the RPS acquisition to 39.6% of revenue after
- With FSP/Embedded Solutions margins below traditional CRO margins, there is potential for a more profitable “hybrid” model that provides a mix of the traditional project management tools/technologies within an FSP structure
- Deal took PRA from a “midsize” CRO with 5,300 employees across 31 countries to a truly global top-tier CRO with over 10,000 employees and operations in 80 countries

Pre-RPS Customer Mix



Pro-forma Customer Mix



Company Strategy & Growth Drivers

- PRAH has highlighted a growth strategy with multiple levers to sustain strong top and bottom-line growth:
 - Leverage market position within core biotech and small/midsize pharma market, taking advantage of robust growth for this segment as well as the migration of the strategic partnership model into this customer base
 - Build deeper & broader relationships with large pharma, expanding on the opportunities afforded by the RPS relationships
 - Expand therapeutic expertise into new high-growth areas while aligning with customer pipelines, as well as attractive niche TAs
 - Continue to reap financial/strategic synergies from recent acquisitions
 - Pursue additional operational initiatives such as offshoring or increasing technology usage to improve productivity and margins
 - Selective/complementary acquisition strategy

Company Service Offering

Product Registration Services		
Traditional Project-Based Phase II-IV		Strategic Solutions - RPS
Clinical Trial Management	PRA provides clinical trial services for biotechnology and pharmaceutical clients. These services include broad management capabilities in single site studies, multi-site U.S. and international, and global studies on multiple continents.	
Project Management	PRA assumes ownership of the time, quality, and cost of all interim and final deliverables in order to maintain the relationship between PRA and customer contracts to ensure customer satisfaction.	
Regulatory Affairs	PRA global regulatory professionals act as representatives for communications with regulatory authorities in all regions.	
Therapeutic Expertise	PRA provides scientific and medical expertise, as well as patient access and retention services worldwide across a broad range of therapeutic areas.	
Clinical Operations	PRA provides study site management, monitoring services and study start-up services for clinical trials.	
Data and Programming Services	PRA offers an innovative suite of technologies that gather and organize clinical trial data, including tools for data capture and data transparency.	
Safety and Risk Management	PRA aids customers in designing, implementing, and operationalizing proper safety procedures from development to market.	
Biostatistics and Medical Writing	PRA offers statistical analysis and data pooling with a specialized electronic system that enables seamless publishing of complex documents in compliance with regulatory guidelines.	
Quality Assurance	PRA provides ongoing quality awareness and continuous improvement of PRA's process, as well as audits on all processes used in management of clinical trials.	
Late Phase Services	PRA supports global and regional post-approval trials, as well as assists clients with post-marketing as well as a variety of other late phase services.	
Embedded Solutions		PRA provides services to large biopharmaceutical companies that enable internally managed development processes and studies to be executed with greater flexibility and at substantially lower costs through integrated internal development.
Functional Service Provider		PRA offers capacity management within a single operating platform to provide customers direction and functional management of specific functions of R&D.
Staff Augmentation		PRA provides clients solutions to staffing needs by supplying access to experienced resources, which allows sponsor to maintain flexibility while also reducing fixed costs.
Custom-Built Development		PRA offers people, processes, systems and development knowledge to enable the efficient internal development of clients' product portfolios.

Company Service Offering – Strategic Solutions

- PRAH's Strategic Solutions offering is an alternative to the traditional CRO services
 - Appealing to customers that would like to outsource specific tasks without the commitment to a full service offering
- This flexible service offering for large biopharmaceutical companies transfers responsibility of one or more specific functions during the entire clinical trial process to PRAH
 - Manufacturer retains strategic control, but execution and delivery is delegated by PRAH
 - Take over the staff of the manufacturer, re-badge the employees, and they work on the specific tasks delegated to PRAH
- PRAH can offer FSP, staff augmentation, as well as Embedded Solutions (essentially re-badging sponsor employees & taking control of that staff population)
- In this model there is less risk for PRAH although consequently somewhat lower margins
 - Don't need systems, training, or a regulatory framework for each step of the full service clinical offering – less overhead and fixed costs

	Traditional CRO Services				Embedded Solutions			
	1	2	3	4	1	2	3	4
	✓				✓	✓	✓	✓
	✓							
	✓							
	✓							

Company Service Offering – Early Development Services

- Specialized services and unique scientific capabilities in Phase I
 - Ability to conduct human abuse liability (“HAL”) studies
 - Comprehensive Phase I organization – 468 beds across multiple clinical research units in addition to access to hospital populations
- Ability to fast-track development & utilize umbrella protocols
 - Integration of sequential and parallel studies to complete the entire Phase I-IIa development program within 6 months
- On-site manufacturing capabilities creates one-stop-shop
 - In-house pharmacy to import, formulate and release any drug on a small and specialized scale
- Integration of Clinic/Lab at key locations
 - Co-located bioanalytical labs and Phase I clinics in 2 locations

EDS Specialties

Study Types
First-in-human
Single and multiple ascending dose safety and tolerability
Patient phase I studies
Interaction with drugs and food
Proof-of-concept
Special formulation studies
Biotechnology-derived therapeutic products

Phase I Footprint

Site	Beds	Specialty/Background
Kirkbride, PA	24	Inpatient/outpatient CNS, pain, immunology, & pediatric
Marlton, NJ	60	Inpatient/outpatient CNS, pain, immunology, & pediatric
Salt Lake City, UT	110	HAL, pain, and patient studies
Lenexa, KS	114	First-in-Man Studies
Netherlands	Two 70-bed clinics	2 CPUs with certified lab & GMP-certified pharmacy
Central/E. Europe	20 beds	Two owned units and access to hospital populations
Total:	468+	

Management Team

Name	Age	Title
Colin Shannon	54	President, CEO and Director
Linda Baddour	55	Executive Vice President and CFO
David W. Dockhorn, Ph.	53	Executive Vice President and Corporate Compliance Officer
James C. Momtazee	42	Chairman of the Board
Ali J. Satvat	36	Director
Max C. Lin	33	Director

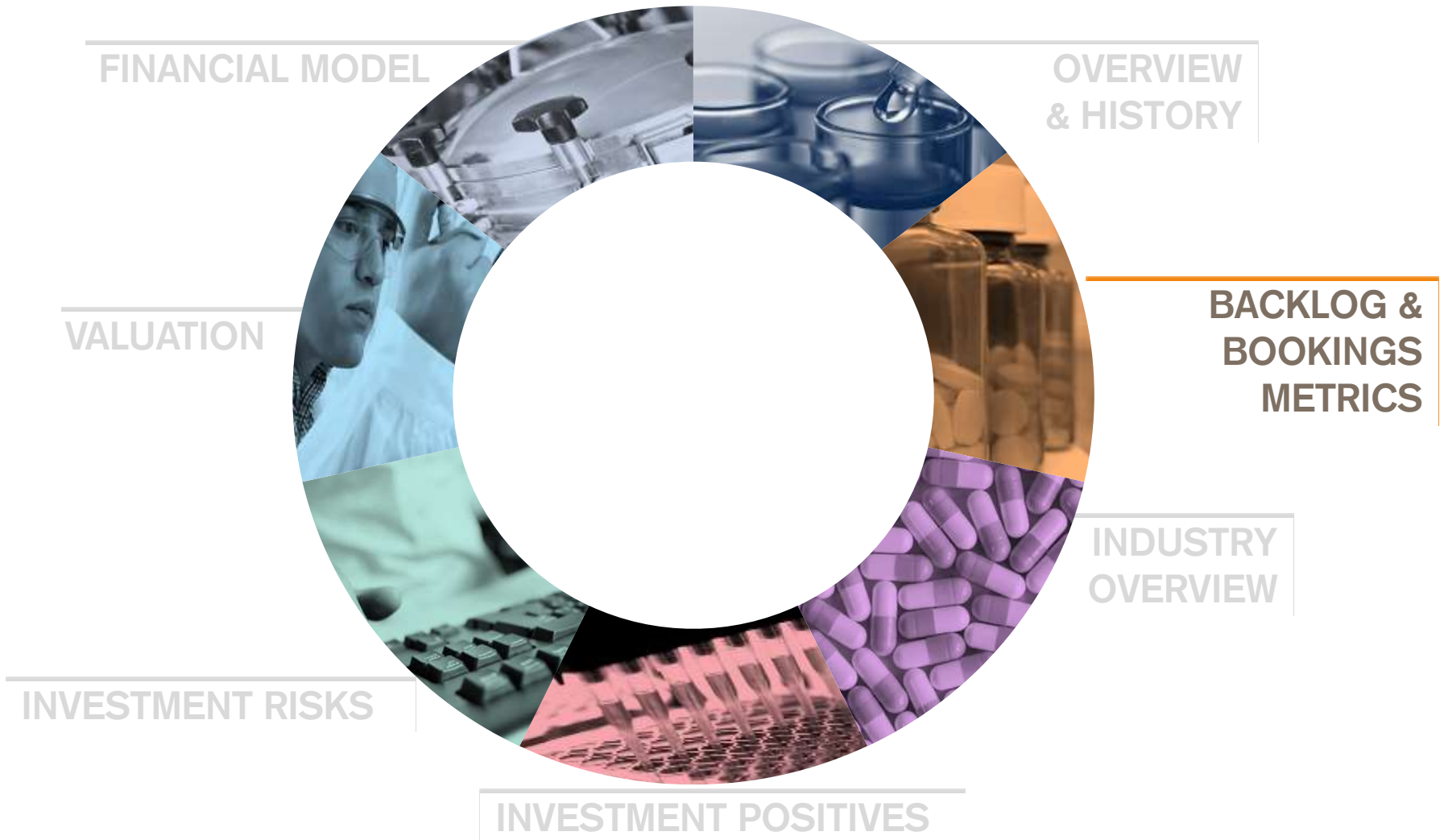
- *Colin Shannon* joined PRA in 2007 as President and COO, and on Jan 1, 2010 he was named President, CEO, and a Director of PRA. Prior to joining PRA, Mr. Shannon was Executive Vice President – Global Clinical Operations at Pharmaceutical Product Development, Inc. (now known as Pharmaceutical Product Development LLC) or PPD. Over Mr. Shannon's 12 year tenure with PPD, he served in various roles including as COO of its European division and Chief Financial and Administration Officer for Europe and the Pacific Rim. Prior to joining PPD, Mr. Shannon served various roles in the utility and multimedia industries.
- *Linda Baddour* joined PRA in 2007 as Executive Vice President and Chief Financial Officer. Prior to joining PRA, Ms. Baddour was CFO at PPD from 2002 to 2007, Chief Accounting Officer from 1997 to 2002, and Corporate Controller from 1995 to 1997.
- *David W. Dockhorn Ph.D* joined PRA in 1997 as Vice President of Operations and Regional Director of Lenexa, Kansas operations. In 2007, Dr. Dockhorn was named Executive Vice President, Product Registration – The Americas, and in January of 2012 was named Executive Vice President and Corporate Compliance Officer. Before joining PRA, Dr. Dockhorn worked for International Medical Technical Consultants, Inc., a CRO acquired by PRA in 1997.
- *James C. Momtazee* serves as Chairman of the Board and has been a member of the board since September of 2013. Mr. Momtazee is a Member of KKR and Head of the Americas Health Care industry team within KKR's Private Equity platform. He also serves on the board of directors of Lake Region Medical. He previously served on the boards of directors of Jazz Pharmaceuticals plc and HCA Holdings Inc. Prior to joining KKR, Mr. Momtazee was with Donaldson, Lufkin & Jenrette.
- *Ali J. Satvat* has been a member of PRA's board since September 2013. Mr. Satvat is a Director on the Health Care industry team within KKR's Private Equity Platform. He also serves on the board of directors of Coherus BioSciences. Prior to joining KKR, Mr. Satvat was with Apax Partners, where he focused on investments in health care and served on the boards of directors of Kinetic Concepts / Chiron Holdings and The TriZetto Group / TZ Holdings.
- *Max C. Lin* has been a member of PRA's board since September 2013. Mr. Lin is a Director on the Health Care industry team within KKR's Private Equity platform. He also serves on the board of directors of Biomet, Inc. Prior to joining KKR, Mr. Lin was with Morgan Stanley where he was involved in a number of mergers, acquisitions, and financing transactions.

Management Team Compensation

Name	Title	Salary	Bonus	Option Awards	All Other Compensation	Total
Colin Shannon	President and CEO	\$536,250	\$4,175,000	\$1,594,500	\$2,510,714	\$8,816,464
Linda Baddour	EVP and CFO	\$367,500	\$2,625,000	\$999,750	\$1,861,300	\$5,853,550
David W. Dockhorn	EVP and Chief Compliance Officer	\$338,931	\$110,000	\$430,000	\$1,707,767	\$2,586,698

- The executive compensation plan is designed to attract and retain individuals to manage and lead the company, while motivating them to contribute to the company's financial goals and create and grow shareholder value. Compensation rewards both individual achievement and near-term corporate targets as well as long-term business objectives
- Executives are paid base salaries competitive with the market and have the opportunity to earn cash bonuses as a reward if certain corporate financial performance results are achieved
- Executives may also receive outstanding equity award grants of time-vesting and performance-vesting stock options based upon the achievement of specific performance goals and objectives as established by the Board of Directors

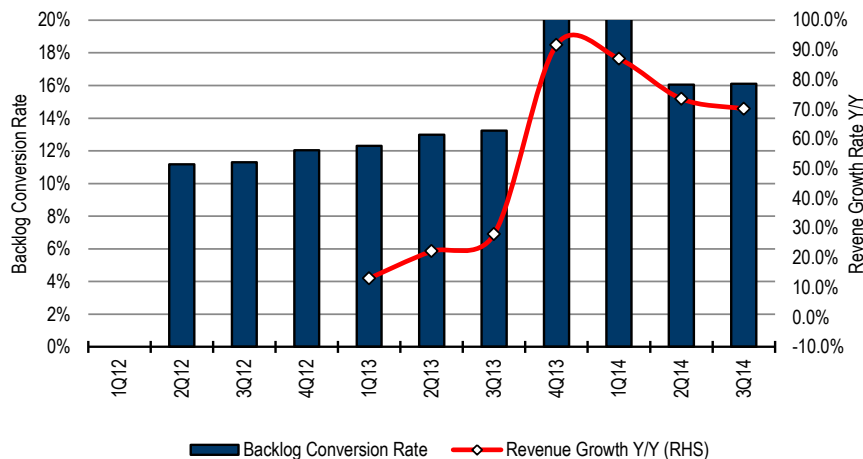
Backlog & Bookings Metrics



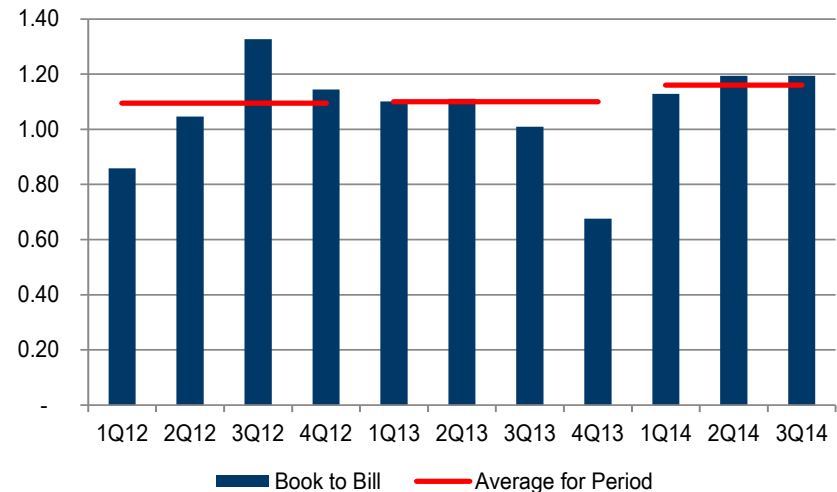
Backlog & Bookings Analysis

- Investors tend to focus (perhaps overmuch) on quarterly book-to-bill rates (along with cancelations) as a predictor of future growth. While these metrics (examined in detail below) are important we would caution that quarterly figures can be volatile.
- Historical book-bill rates have been somewhat impacted by merger activity and we would note the legacy RPS business does not have traditional “bookings.” Instead each quarter, PRAH books the amount of revenues expected to be earned in that segment in the next year’s corresponding quarter as net new business.
- The legacy RPS book-bill is likely to bring the combined entity’s consolidated book-to-bill down slightly relative to peers. This segment also impacts backlog conversion, causing it to trend somewhat higher than peers.

PRAH Backlog Conversion



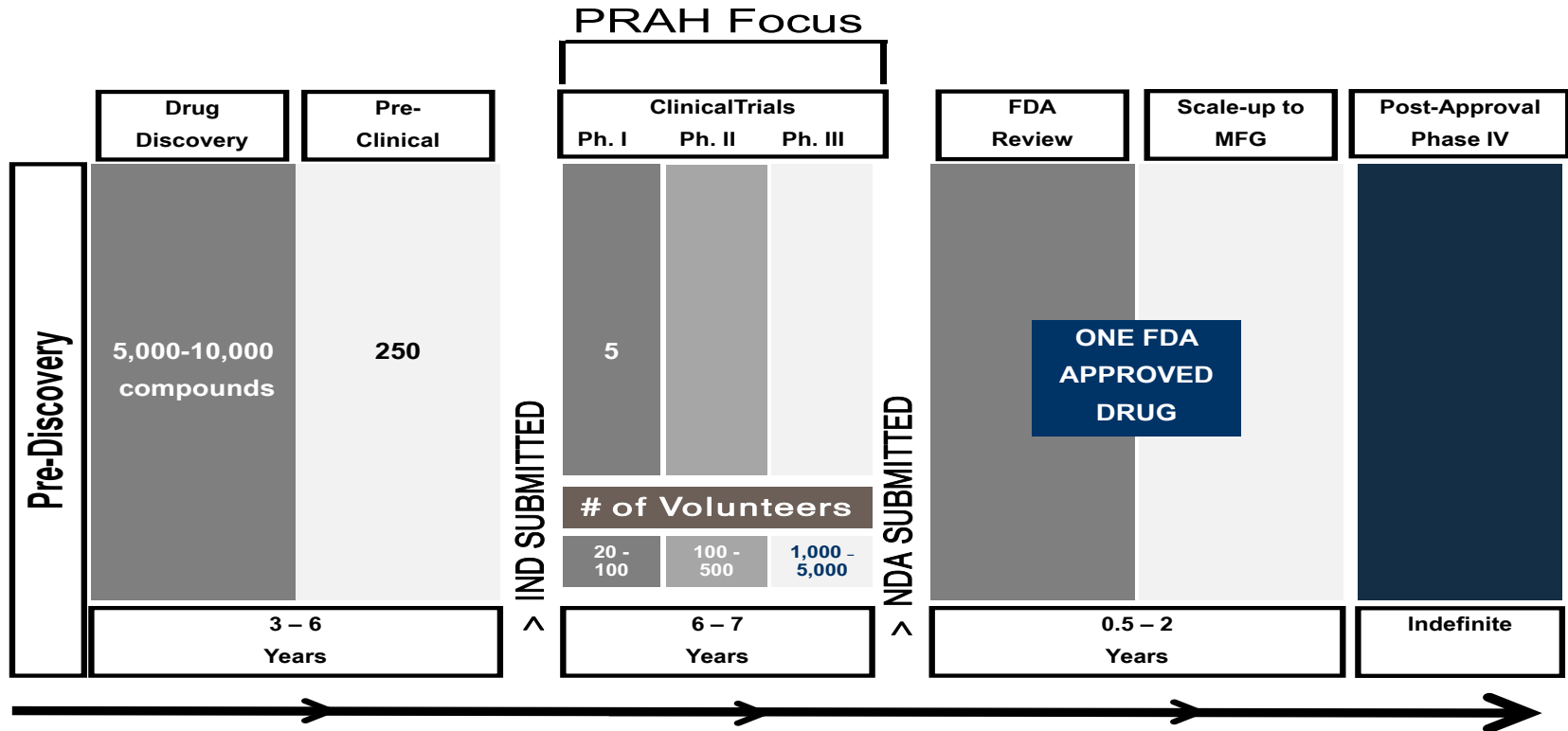
PRAH Book-to-Bill History



Industry Overview



What Is a CRO?



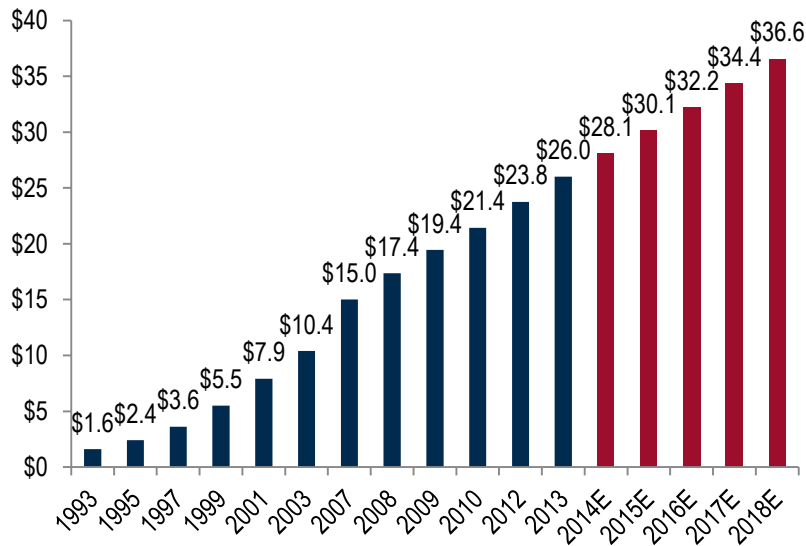
- Contract Research Organizations (CROs) support pharmaceutical/biotechnology/medical device sponsors by aiding in the operations, logistics, execution, and increasingly even the science, of the R&D process
 - Conduct preclinical safety (toxicology) & efficacy testing
 - Clinical trial management (doctor/patient recruitment, trial oversight, data collection & management)
 - Regulatory support & document submission consultative services
 - Commercialization and launch consulting/support

Market Size & Opportunity

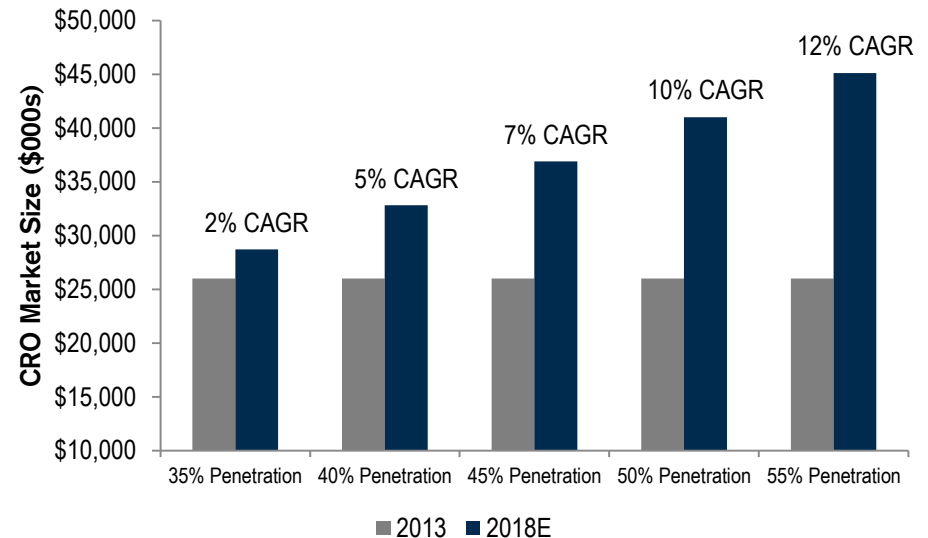
- Unfortunately there is no authoritative data source that tracks & sizes the CRO market. Consequently there are a variety of estimates available from consultant groups, industry associations (i.e., the Association for Clinical Research Organizations/ACRO or CenterWatch), sell-side sources, and public company filings. Further complicating efforts to evaluate the opportunity are disagreements about the potential addressable market. We often see inconsistent views of how much of published R&D spend can ultimately be outsourced to CROs (whether it's all of the Development or "D" or contains elements of Research or "R" spend). We take a more conservative approach as we assume certain research functions will likely remain core functions, while some of the published development spend likely includes allotted overhead, pass-through fees, and CMC (chemistry and manufacturing controls) costs that are not applicable for CROs.
- Per PRAH's S-1 the company estimates that **the clinical portion of the CRO market represented \$22B in 2013 or a penetration rate of 31%**. This embeds a view that total biopharma spend on drug development was \$99B, of which the Phase I-IV market was \$70B. PRAH expects this market to **grow 8% annually with a penetration rate of 43% by 2018**.
- The Credit Suisse Contract Research Organization Outsourcing Model sizes **the total CRO market at \$26B as of 2013 (35.7% penetration)**, with an estimated \$19B clinical market (34% penetration of addressable market). We forecast **a 7% CAGR in the total market growth** for both the overall market and the clinical segment from 2013-2018E. This implies 2018E outsourcing penetration of 44.5%.
- Key assumptions include: 1) 2.4% CAGR in R&D growth per Evaluate Pharma consensus forecasts; 2) ~65% of "D" is addressable by CROs or \$55.8B; 3) a \$6.5B preclinical market (excluding a discovery market of \$8.5B); 4) annual increases in clinical penetration of 175 bps; 5) 200 bps and 130 bps annual improvement in discovery & preclinical outsourcing penetration, respectively; and 6) 5% Central Lab market growth. The expansion in outsourcing penetration is consistent with recent history.
- There is significant debate around the ceiling for outsourcing penetration. While we have seen estimates ranging from 60% to nearly 100% over the next decade, we would believe it is reasonable to estimate penetration rates could eventually approach 65-75% in-line with the levels believed to be outsourced at high adopters of CRO services.

Market Poised for Mid/High Single-Digit Growth

CS CRO Market Forecast



CS CRO Market Sensitivity Analysis



- There is no authoritative CRO market data, complicating analysis of the market size
- Growth is a function of:
 1. Biopharma industry R&D growth
 2. Change in outsourcing penetration
- We estimate the market will grow at a 7% CAGR from 2013 to 2018

CS CRO Market Model

	2013	2014E	2015E	2016E	2017E	2018E	5-Yr CAGR
Total Global R&D	\$136,563.9	\$140,704.5	\$144,118.8	\$147,333.4	\$150,842.9	\$153,978.8	
<i>R&D as % of Evaluate Pharma Sales</i>	19.1%	18.7%	18.2%	17.7%	17.1%	16.6%	
<i>% Growth Y/Y</i>	-	3.0%	2.4%	2.2%	2.4%	2.1%	2.4%
Global Development Spend (Estimated)	\$91,088.1	\$93,849.9	\$96,127.2	\$98,271.4	\$100,612.2	\$102,703.9	
<i>% of total R&D</i>	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%	
<i>% Growth Y/Y</i>	-	3.0%	2.4%	2.2%	2.4%	2.1%	
Addressable Development Spend	\$59,207.3	\$61,002.4	\$62,482.7	\$63,876.4	\$65,397.9	\$66,757.5	
<i>% Growth Y/Y</i>	-	3.0%	2.4%	2.2%	2.4%	2.1%	
Global Research Spend (Estimated)	\$45,475.8	\$46,854.6	\$47,991.6	\$49,062.0	\$50,230.7	\$51,274.9	
<i>% of total R&D</i>	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	
<i>% Growth Y/Y</i>	-	3.0%	2.4%	2.2%	2.4%	2.1%	
Addressable Research Spend	\$13,642.7	\$14,056.4	\$14,397.5	\$14,718.6	\$15,069.2	\$15,382.5	
<i>% Growth Y/Y</i>	-	3.0%	2.4%	2.2%	2.4%	2.1%	
Potential Discovery Outsourcing Market	\$8,500.0	\$8,757.7	\$8,970.2	\$9,170.3	\$9,388.8	\$9,583.9	
<i>% Growth Y/Y</i>	-	3.0%	2.4%	2.2%	2.4%	2.1%	
Potential "Other" Research Outsourcing Market	\$5,142.7	\$5,298.7	\$5,427.2	\$5,548.3	\$5,680.5	\$5,798.5	
<i>% Growth Y/Y</i>	-	3.0%	2.4%	2.2%	2.4%	2.1%	
Total CRO Addressable Market	\$72,850.0	\$75,058.8	\$76,880.2	\$78,595.0	\$80,467.1	\$82,140.0	
<i>% of total R&D</i>	53.3%	53.3%	53.3%	53.3%	53.3%	53.3%	
<i>% Growth Y/Y</i>	-	3.0%	2.4%	2.2%	2.4%	2.1%	
CRO Market by Function/Segment:							
Discovery	\$2,000.0	\$2,235.79	\$2,469.45	\$2,707.94	\$2,960.22	\$3,213.44	
<i>% of total</i>	7.7%	8.0%	8.2%	8.4%	8.6%	8.8%	
<i>% Growth Y/Y</i>	-	11.8%	10.5%	9.7%	9.3%	8.6%	10%
<i>Outsourced Penetration of Addressable Market</i>	23.5%	25.5%	27.5%	29.5%	31.5%	33.5%	
Preclinical/Prehuman Development & Safety	\$3,000.0	\$3,178.0	\$3,344.3	\$3,510.1	\$3,687.0	\$3,858.9	
<i>% of total</i>	11.5%	11.3%	11.1%	10.9%	10.7%	10.6%	
<i>% Growth Y/Y</i>	-	5.9%	5.2%	5.0%	5.0%	4.7%	5%
<i>Outsourced Penetration</i>	46.2%	47.5%	48.8%	50.1%	51.4%	52.7%	
Clinical Development (Ph I-IV) & Other	\$19,000.0	\$20,583.1	\$22,114.0	\$23,661.7	\$25,304.9	\$26,933.0	
<i>% of total</i>	73.1%	73.3%	73.4%	73.5%	73.6%	73.7%	
<i>% Growth Y/Y</i>	-	8.3%	7.4%	7.0%	6.9%	6.4%	7%
<i>Outsourced Penetration</i>	34.0%	35.8%	37.5%	39.3%	41.0%	42.8%	
Central Lab	\$2,000.0	\$2,100.0	\$2,205.0	\$2,315.3	\$2,431.0	\$2,552.6	
<i>% of total</i>	7.7%	7.5%	7.3%	7.2%	7.1%	7.0%	
<i>% Growth Y/Y</i>	-	5.0%	5.0%	5.0%	5.0%	5.0%	5%
<i>Outsourced Penetration</i>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Total CRO Market	\$26,000.0	\$28,096.9	\$30,132.8	\$32,195.0	\$34,383.1	\$36,557.9	
<i>% Growth Y/Y</i>	-	8.1%	7.2%	6.8%	6.8%	6.3%	7%
<i>Outsourced Penetration</i>	35.7%	37.4%	39.2%	41.0%	42.7%	44.5%	

Market Has Several Defined Segments

PRAH's Focus

		Early Development		Late Stage	
	Research Models	Preclinical	Phase I	Phase II-IV	Central Lab
Market Size	\$1.0-\$1.3B	\$4-\$6B	\$2-\$3B	\$16-\$17B	\$1.75B-\$2.0B
Growth Outlook	Low single digit % growth	Low/mid single digit % growth	Mid single digit % growth	High single digit % growth	5%-10%
Competition	Charles River Laboratories Covance Harlan/Huntingdon Jackson Taconic	Charles River Laboratories Covance Harlan/Huntingdon WIL Research MPI	Covance ICON Parexel Quintiles INC Research PRAH	Covance ICON Parexel Quintiles INC Research PRAH	Covance Quintiles Quest Diagnostics LabCorp

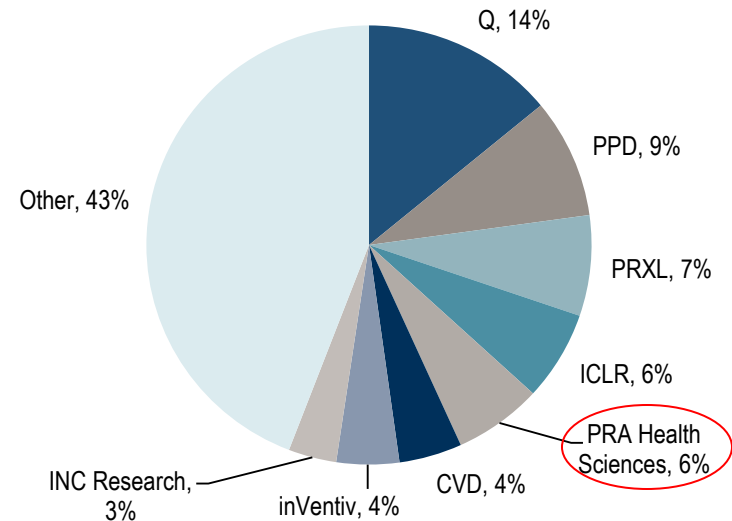
- The global CRO market is composed of multiple subsegments with varying growth characteristics and margin profiles
- Most CROs tend to focus on either preclinical/early or clinical/late stage
- The preclinical and central lab market tend to be more fixed capital intensive and operate with greater margin leverage (and economy of scale benefits)
- The late-stage or clinical segment has posted better top-line growth with improving margins in this human-capital intensive business model. Greater R&D investment in compounds in clinical development coupled with a trend toward vendor consolidation/strategic partnerships has fueled the stronger growth outlook.

Competitive Landscape

CRO Clinical Revenue

Company	2013 Clinical Revenue (\$M)
Quintiles	2,620
PPD	~1,638
Parexel	1,382
ICON	1,229
PRA Health Sciences	1,200
Covance	853
inVentiv health	~850
INC Research	648

CRO Clinical Market Share

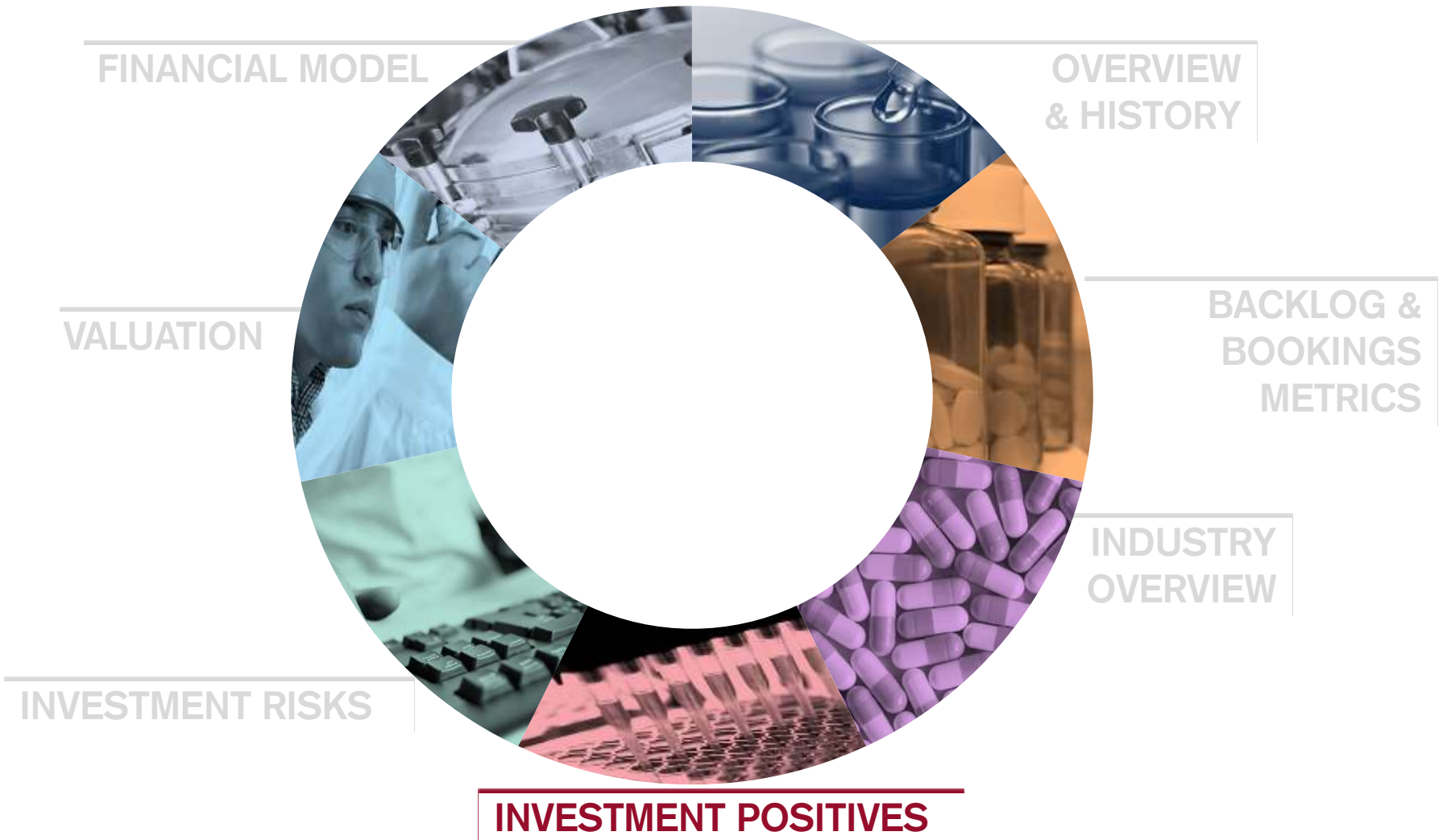


- The clinical (Phase I-IV) CRO market (\$18-20B) remains fairly fragmented with 700-plus CROs and ~43% of the market share still held by smaller, niche players
- The market is composed of many small/niche/specialized players, midsize + regional players, and several large global CROs
- While barriers to entry are low, the rise of increasingly global & complex trials, coupled with a need for continued investment in technology & services, is driving share to the top players
- PRAH is a top 5 clinical CRO (post/pro-forma for the RPS deal) although it has strong roots with small/midsize biopharma customers given its legacy reputation

CS CRO Coverage Universe Plus PRA Health Sciences

Company	Rating	Target Price	Exposure to Key Growth Markets	Margin Leverage Opportunities	Diversity & Scale of Service Offering	Attractive Valuation Relative to Peers/Growth	Customer Concentration
 COVANCE	Restricted	N/A	N/A	N/A	N/A	N/A	N/A
 ICON	Outperform	\$66	✓✓✓	✓✓	✓✓✓	✓✓	—
 QUINTILES	Outperform	\$67	✓✓	✓	✓✓✓	0	✓✓
 PAREXEL	Outperform	\$62	✓✓✓	✓✓✓	✓✓✓	0	✓
 charles river	Neutral	\$60	✓✓	✓✓	✓✓✓	—	✓✓
 :nc Research	Outperform	\$29	✓✓✓	✓✓	✓	✓✓	✓✓
	Outperform	\$27	✓✓✓	✓	✓✓	✓	✓✓✓

Investment Positives



Investment Positives - Summary

1. Favorable landscape for clinical CROs
2. Large & diversified customer base
3. Levered to positive biotech funding environment offering alternative way to invest in biotech with less product-specific risk
4. Capital deployment & deleveraging could accelerate earnings growth profile
5. Embedded Solutions offer some differentiation & upsell opportunity

Favorable Landscape for Clinical CROs

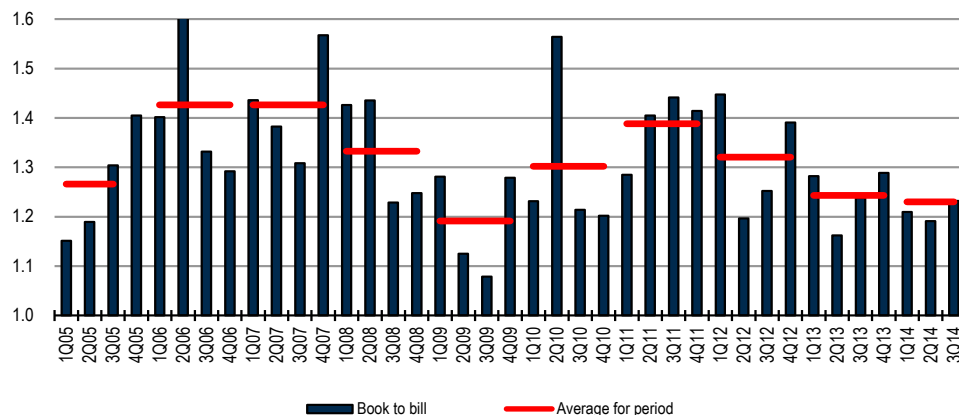
- We forecast mid- to high-single-digit annual top-line growth for the CRO market, supported by industry checks, surveys, and our CS market model. Please click [here](#) for our October 2014 annual proprietary survey on outsourcing trends.
- With modest increases in R&D (1-3%) driven by healthier clients/better new drug approval rates, robust biotech funding, continued increases in outsourcing penetration rates, and ongoing consolidation of vendors, we remain positively disposed to the fundamental backdrop for the global clinical CROs.
- While quarterly book-to-bill trends can be volatile by company, our industry checks, anecdotal commentary from companies, and the TTM book-bill rates all suggest overall demand trends remain fairly healthy.

CRO Market Growth Sensitivity Analysis

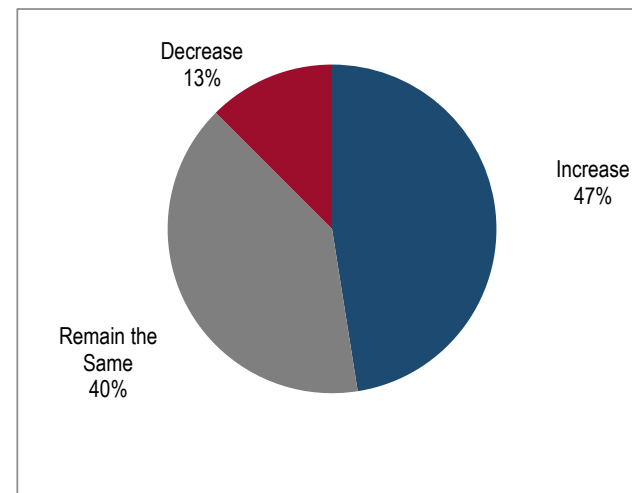
		R&D/Addressable Market Growth												
		-1.0%	-0.5%	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%
2018 Ending CRO Penetration Rate	38%	0.2%	0.8%	1.3%	1.8%	2.3%	2.8%	3.3%	3.8%	4.3%	4.8%	5.3%	5.8%	6.3%
	39%	0.8%	1.3%	1.8%	2.3%	2.8%	3.3%	3.8%	4.3%	4.8%	5.4%	5.9%	6.4%	6.9%
	40%	1.3%	1.8%	2.3%	2.8%	3.3%	3.8%	4.4%	4.9%	5.4%	5.9%	6.4%	6.9%	7.4%
	41%	1.8%	2.3%	2.8%	3.3%	3.8%	4.4%	4.9%	5.4%	5.9%	6.4%	6.9%	7.4%	8.0%
	42%	2.3%	2.8%	3.3%	3.8%	4.3%	4.9%	5.4%	5.9%	6.4%	6.9%	7.4%	8.0%	8.5%
	43%	2.8%	3.3%	3.8%	4.3%	4.8%	5.4%	5.9%	6.4%	6.9%	7.4%	7.9%	8.5%	9.0%
	44%	3.2%	3.8%	4.3%	4.8%	5.3%	5.8%	6.4%	6.9%	7.4%	7.9%	8.4%	9.0%	9.5%
	45%	3.7%	4.2%	4.7%	5.3%	5.8%	6.3%	6.8%	7.4%	7.9%	8.4%	8.9%	9.5%	10.0%
	46%	4.2%	4.7%	5.2%	5.7%	6.3%	6.8%	7.3%	7.8%	8.4%	8.9%	9.4%	9.9%	10.5%
	47%	4.6%	5.1%	5.7%	6.2%	6.7%	7.2%	7.8%	8.3%	8.8%	9.4%	9.9%	10.4%	10.9%
	48%	5.0%	5.6%	6.1%	6.6%	7.2%	7.7%	8.2%	8.8%	9.3%	9.8%	10.4%	10.9%	11.4%
	49%	5.5%	6.0%	6.5%	7.1%	7.6%	8.1%	8.7%	9.2%	9.7%	10.3%	10.8%	11.3%	11.9%
	50%	5.9%	6.4%	7.0%	7.5%	8.0%	8.6%	9.1%	9.7%	10.2%	10.7%	11.3%	11.8%	12.3%
	51%	6.3%	6.9%	7.4%	7.9%	8.5%	9.0%	9.5%	10.1%	10.6%	11.2%	11.7%	12.2%	12.8%
	52%	6.7%	7.3%	7.8%	8.4%	8.9%	9.4%	10.0%	10.5%	11.1%	11.6%	12.1%	12.7%	13.2%
	53%	7.1%	7.7%	8.2%	8.8%	9.3%	9.9%	10.4%	10.9%	11.5%	12.0%	12.6%	13.1%	13.6%
	54%	7.5%	8.1%	8.6%	9.2%	9.7%	10.3%	10.8%	11.4%	11.9%	12.4%	13.0%	13.5%	14.1%
	55%	7.9%	8.5%	9.0%	9.6%	10.1%	10.7%	11.2%	11.8%	12.3%	12.9%	13.4%	13.9%	14.5%
	56%	8.3%	8.9%	9.4%	10.0%	10.5%	11.1%	11.6%	12.2%	12.7%	13.3%	13.8%	14.4%	14.9%
	57%	8.7%	9.3%	9.8%	10.4%	10.9%	11.5%	12.0%	12.6%	13.1%	13.7%	14.2%	14.8%	15.3%
	58%	9.1%	9.6%	10.2%	10.7%	11.3%	11.9%	12.4%	13.0%	13.5%	14.1%	14.6%	15.2%	15.7%
	59%	9.5%	10.0%	10.6%	11.1%	11.7%	12.2%	12.8%	13.3%	13.9%	14.4%	15.0%	15.6%	16.1%
	60%	9.8%	10.4%	10.9%	11.5%	12.1%	12.6%	13.2%	13.7%	14.3%	14.8%	15.4%	15.9%	16.5%
	61%	10.2%	10.8%	11.3%	11.9%	12.4%	13.0%	13.5%	14.1%	14.7%	15.2%	15.8%	16.3%	16.9%
	62%	10.6%	11.1%	11.7%	12.2%	12.8%	13.4%	13.9%	14.5%	15.0%	15.6%	16.1%	16.7%	17.3%
	63%	10.9%	11.5%	12.0%	12.6%	13.2%	13.7%	14.3%	14.8%	15.4%	16.0%	16.5%	17.1%	17.6%

Favorable Clinical Landscape – Key Industry Exhibits

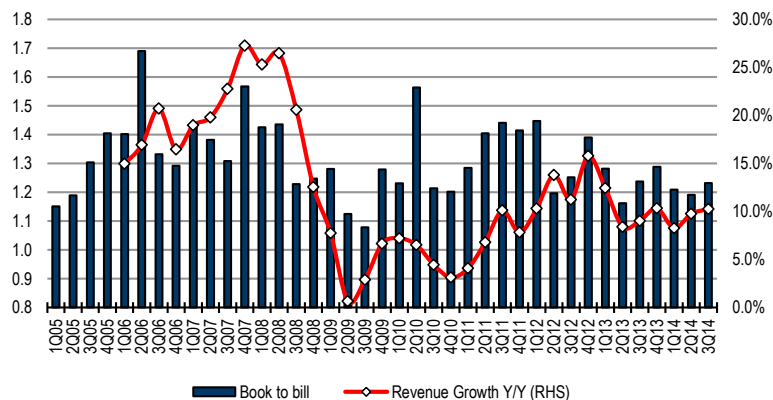
Industry Book/Bill Ratios



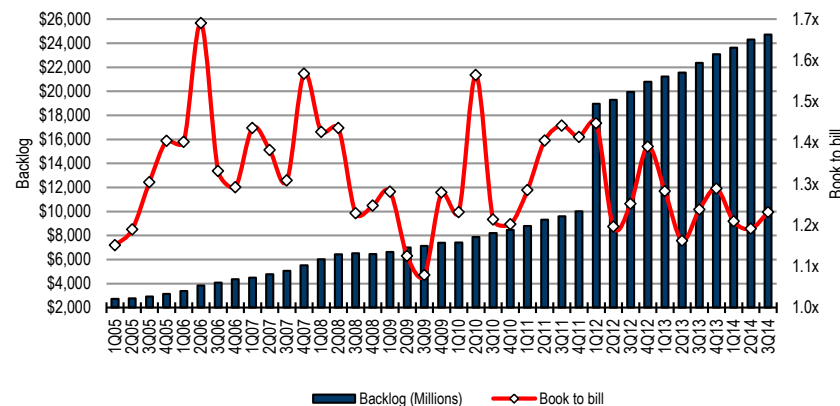
How do you expect the % of your outsourced R&D budget to change in 2015 vs. 2014?



Industry Book/Bill & Revs Growth



Industry Backlog vs. Book/Bill



Large & Diversified Customer Base

- PRAH now has a relationship with each of the Top 20 largest pharmaceutical manufacturers, aided by the RPS deal
- PRAH is well positioned in key fast-growing TA's like oncology & CNS
- PRAH has the lowest concentration among all the publicly traded CROs, which can mitigate potential risks around M&A volatility or renewals
 - Largest customer only represents 8% of net service revenue
 - Top 5 customer are 38% of revenue vs. peer average of 44%
 - Less headline risk from biopharma M&A

PRAH Revenue by Therapeutic Class

Therapeutic Class	% Revenue
Oncology	19%
Central Nervous System	19%
Hematology	10%
Muskuloskeletal	5%
Respiratory / Allergy	5%
Cardiovascular	5%
Infectious Disease	5%
Other	13%

Leading CRO Customer Concentration

	PRAH	Q	CVD	INCR	PRXL	ICLR
Top Customer	8%	<10%	11%	15%	17%	26%
Top 5 Customers	38%	N/A	38-50%	34%	47%	53%
Top 10 Customers	61%	N/A	N/A	44%	N/A	64%

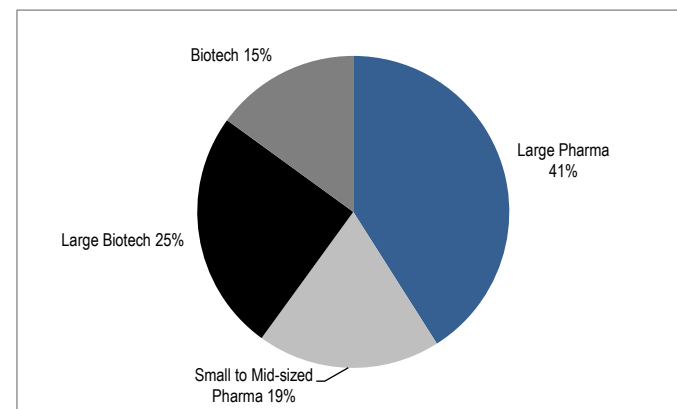
PRAH Customer Concentration (2Q14)

Top Customer	8%
Top 5	38%
Top 10	61%

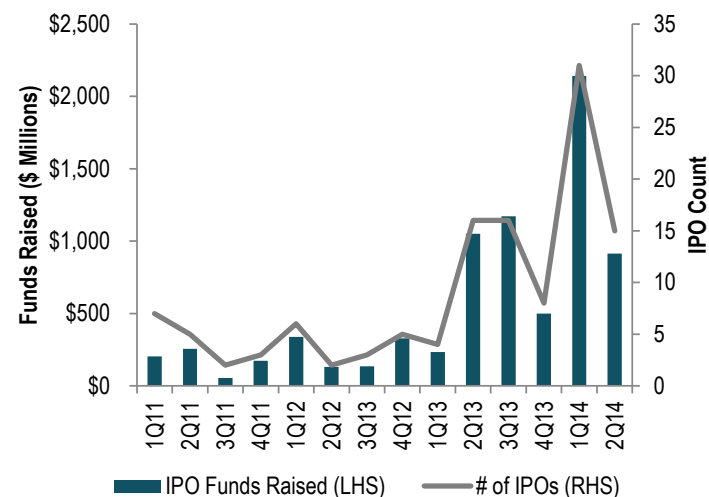
Levered to Positive Biotech Funding Environment

- In 2Q14, PRAH derived 40% of revenues from large/emerging biotech
- Despite a sequential dip in IPO activity in 2Q14, funding for biotech remains robust
- Biotech tends to outsource more of its clinical R&D given those companies typically have less internal infrastructure
- Biotech is likely to see faster revenue growth, particularly in light of recent commercial successes, and consequently faster growth in R&D investment
- The “specialty” market is forecast to grow at a mid/high-teens growth rate
- PRAH also well-regarded with small/midsize pharma and could benefit as this group explores strategic partnership models

Revenue Breakdown – Customer Mix in 2Q14



Biotech IPO Statistics 2011-1H14



Capital Deployment + Deleveraging Could Augment Growth

- PRAH will be the most levered CRO at over 5x Gross Debt/TTM EBITDA
- The company targets debt paydown of ~\$100M annually which should augment the earnings growth profile. We estimate each incremental \$100M of debt paydown drives \$0.05-0.06 of EPS (~5% growth)
- Leverage should also improve as PRAH grows its EBITDA

CRO Industry Debt

Company	Debt	Cash	Gross Debt/TTM EBITDA
Charles River Laboratories	\$664	\$156	2.5x
Covance	\$250	\$729	0.7x
ICON plc	\$0	\$249	0.0x
INC Research	\$427	\$103	3.2x
PAREXEL	\$370	\$281	1.3x
Quintiles	\$2,043	\$654	3.0x
PRA Health Sciences	\$941	\$48	5.8x
Average			2.3x
Clinical Peer Average			2.3x

Leverage Pre and Post-IPO

	Pre-Deal	Post Deal
Debt:		
Revolver	\$0	\$0
Term Loan	\$883.3	\$729.1
Senior Notes	\$375.0	\$225.0
Total Debt	\$1,258.3	\$954.1

Capital Deployment + Deleveraging Could Augment Growth

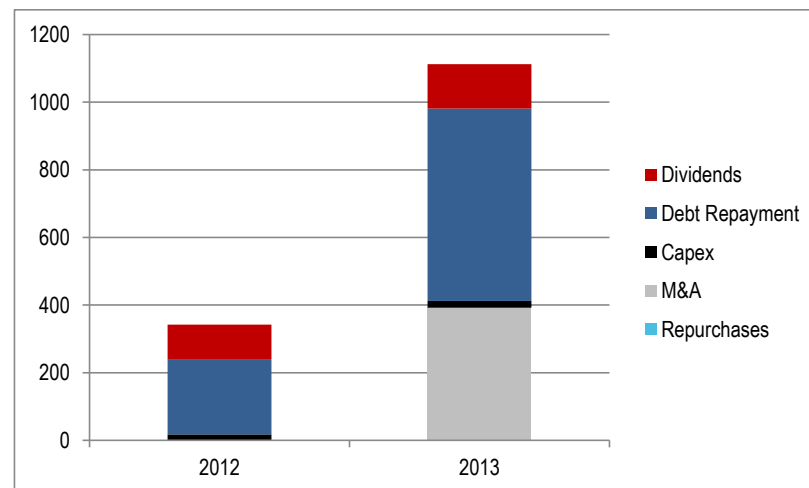
- Estimates conservatively do not include improvement in interest rates from decreasing leverage
 - Could be upside to estimates -> each 0.5% improvement in interest rates would drive \$0.04-\$0.05 (3-4%) to F16 EPS
- PRAH cash flows will benefit from NOL's through 2018
 - Cash tax rate < effective rate

Debt Maturity Schedule (Pre-IPO)

	Principal	Interest Rate	Maturity Date
Term Loan	\$890M	5.0%	9/23/2020
Senior Notes	\$375M	9.5%	10/1/2023

- PRAH intends to use its IPO proceeds to redeem \$150M of Senior notes @ 109.5% of face and pay down \$152M of its term loan

PRAH Historic Capital Deployment

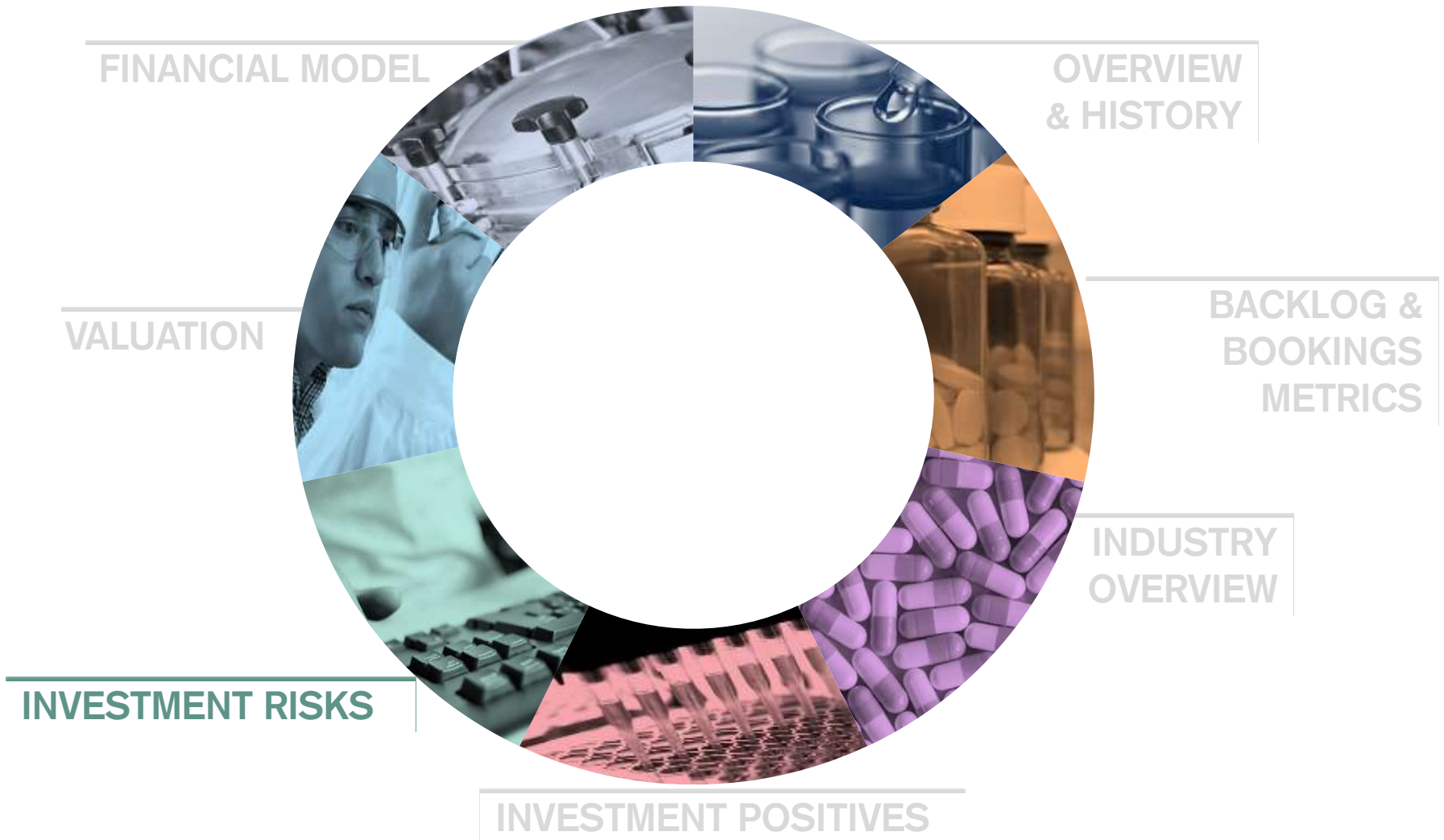


Embedded Solutions Offer Differentiation & Upsell Opportunity

- We believe that the Embedded Solutions offering may appeal to pharmaceutical manufacturers who would like to leverage a CRO's clinical experience and expertise without committing to the entire full service CRO offering
 - It is our sense that PRAH is one of the most-focused on FSP/Embedded Solutions of the public CROs – among the best positioned to win in this market
 - Certain sponsors for philosophical/cultural reasons prefer FSP-types of relationships with CRO offering a broader market for PRAH
- The Strategic Solutions segment represents ~1/3 of PRA's revenues today, but over time the company has two key opportunities from the acquisition: 1) create a "hybrid" offering that employs some of PRA's technology & analytics to legacy RPS clients to earn a higher margin; and 2) upsell Top 15 Pharma clients traditional Product Registration services, potentially garnering greater wallet share and better profitability.

	Traditional CRO Services				Embedded Solutions			
	1	2	3	4	1	2	3	4
Trial	✓				✓	✓	✓	✓
Clinical Operations	✓							
Data Management	✓							
Medical Writing	✓							
Training	✓							

Investment Risks



Investment Risks - Summary

1. Disruption from RPS integration
2. Favorable biotech funding environment could moderate
3. Controlled company status & PE ownership could represent overhang
4. Pricing & margins always bear monitoring
5. High expectations for CROs, particularly clinical players

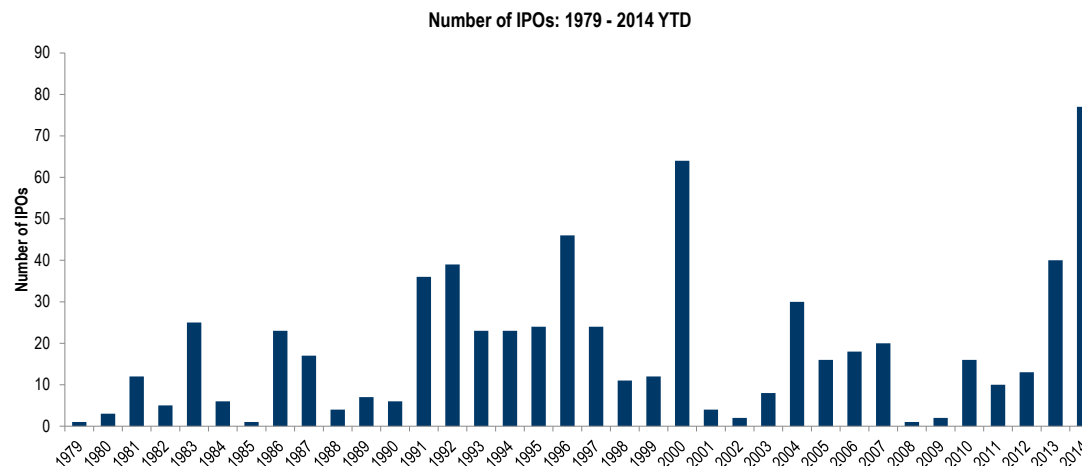
Disruption from RPS Integration

- PRAH acquired RPS for a consideration of \$289.3M on 7/31/2013, closing the deal on 9/23/2013, and while the deal is largely integrated, there remains potential disruption in each legacy entity's customer base as trials end and relationships renew
- Large-scale integration in the CRO space can be difficult owing to the difficulty of combining two firms that use different methods to plan, design, and execute clinical trials, although fortunately this deal was fairly complementary given the slightly different business models
 - Different technologies, practices and cultures
 - New business wins can pause as prospective clients adopt “wait and see” attitude during integration
- RPS has a somewhat different business model/customer mix and consequently could be exposed to differing pricing & renewal issues compared to the legacy PRAH
- It is our sense that PRAH has renewed some key RPS contracts following the acquisition, however there remains potential for key relationships to potentially be dissatisfied with the combination or choose an alternative provider upon the end of the contract period

Favorable Biotech Funding Environment Could Moderate

- Over the past 18 months we have seen an incredibly favorable biotech funding environment, with over 70 IPOs in 2014 YTD following upon a strong year of issuances in 2013. Established players have also benefitted from a healthy fundraising environment and strong equity market performance, with cash balances further buoyed by recent successful commercial launches.
- Small/midsize biotech players often lack significant R&D infrastructure and tend to outsource more R&D activities to CROs. With ~40% of revenues in this customer group, PRAH is particularly exposed to biotech funding trends.
- We believe that the improved funding environment has been a modest tailwind, and to the extent this deteriorates it could hurt sentiment for the CROs (although the near-term financial impact is likely far more modest given the amount of cash that has been raised).

Biotech IPO History



Controlled Company Status/PE Ownership Could Be Overhang

PRAH Ownership Structure

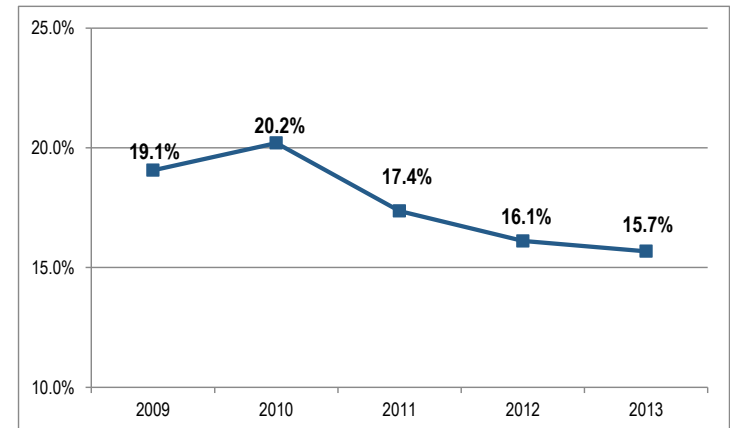
Shareholder	Title	Ownership	
		# of Shares (M)	% of Total
KKR	Private Equity Firm	39.9	65.7%
Colin Shannon	President, CEO, and Director	0.7	1.2%
Linda Baddour	Executive Vice President and CFO	0.4	0.7%
David Dockhorn	Executive Vice President and Corporate Compliance Officer	0.2	0.3%
Named Directors	Board of Directors	0.0	0.0%
New Public Shareholders		19.5	32.1%
Total		60.8	100.0%

- Following the IPO, PRAH's legacy financial sponsor (KKR) will continue to control a majority of the voting power (over 60%) , and as such, PRAH is classified as a "controlled company" by corporate governance standards. This in turn, exempts PRAH from certain governance requirements.
- We would note that the financial sponsors' interests may not always align with that of the other public shareholders and the potential for secondary sales could at times weigh on valuation and sentiment.

Pricing & Margins Always Bear Monitoring

- There always is a high level of competition among the global CROs for new clinical trials business
 - A CRO can differentiate its proposal with different service offering capabilities (technology, data analytics-based decision making, global scale) or by offering a lower price than competitors
- PRAH's adjusted EBITDA margin contracted following the acquisition of RPS, but the company has worked to correct the back office inefficiencies of RPS and lower the costs of the acquired and integrated business
- Investors tend to prefer CROs that can balance top-line growth & profitability
 - Trading off margin for top-line growth is not always well received
- Renewals or a greater focus on large pharma/strategic partnerships could weigh on margins

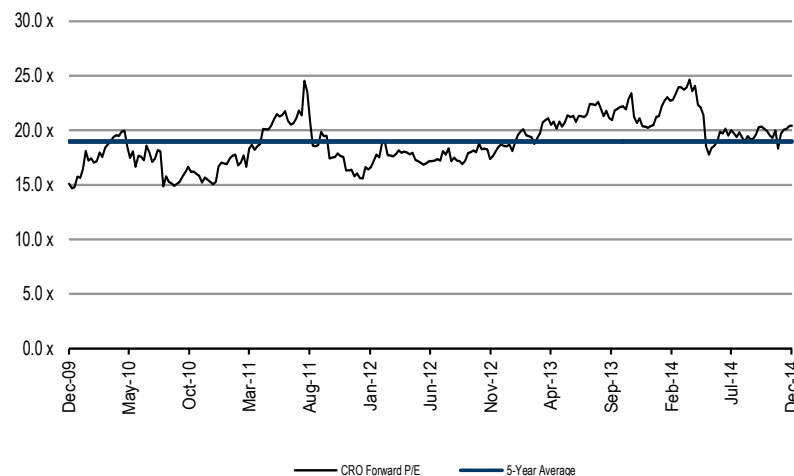
Adj. EBITDA Margin 2009-2013



High Expectations for Clinical CROs

- While CROs have posted exceptional top line and EPS growth over the past few years, this growth has not gone unnoticed as the CRO group average return has outpaced the S&P 500 over the past 3 years by 102%. Initially the growth was characterized by market share gains/top-line growth, and more recently characterized by margin expansion/capital deployment. With the CRO group up meaningfully again in 2014, coupled with several recent IPOs, secondaries, and sales there are concerns the group is near a cyclical peak.
- Since the group tends to trade in a highly correlated fashion and group valuations are modestly (7.7%) above historical averages, we believe there is little room for perceived disappointments in bookings/revenues/earnings. In light of historical valuation volatility, missteps by any one of the clinical CROs could pressure group multiples, as could the increase in large-scale pharma M&A.

CRO Historical Forward P/E Analysis



1 Year Return					
PRXL	CVD	CRL	ICLR	S&P 500	CRO Average
42%	21%	23%	41%	15%	32%
3 Year Return					
PRXL	CVD	CRL	ICLR	S&P 500	CRO Average
203%	127%	125%	223%	67%	169%
5 Year Return					
PRXL	CVD	CRL	ICLR	S&P 500	CRO Average
368%	97%	94%	138%	89%	174%
10 Year Return					
PRXL	CVD	CRL	ICLR	S&P 500	CRO Average
477%	164%	32%	454%	74%	282%

Valuation



Valuation Methodology

- **Valuation Methodology**

- In valuing PRA Health Sciences, we primarily utilized two valuation metrics: price to earnings (P/E) and EV/EBITDA. We assess valuation multiples relative to industry peers in the context of current operations, our future outlook for the company, and industry backdrop. We would note that comparing relative multiples among the CROs is somewhat complicated by (1) inconsistent adjusted EPS calculation (including treatment of deal-related amortization and stock-based compensation); (2) varying leverage; and (3) wide dispersion of tax rates. Shares of PRAH currently trade at 16.9 and 14.2 times our F2015-F2016 EPS estimates of \$1.29 and \$1.54, respectively. From a comparable group perspective, our analysis currently broadly incorporates the six other public CROs. However for practical purposes the best comparables, in our opinion, are ICON, INC Research, PAREXEL, and Quintiles given those players focus on the clinical market. We exclude Charles River as the company does not compete with PRAH and we also exclude Covance given that its multiple is influenced by its pending acquisition by LabCorp.

- **\$27 Target Price**

- Our target price of \$27 is based on an equal-weighted blend of our P/E & EV/EBITDA target multiples. We apply a roughly 18.5x multiple on our F16 EPS estimate, implying a \$28 price target. Our EV/EBITDA target multiple of 11.8 times yields a \$26 price target. An equally-weighted blend of the two methodologies yields our \$27 price target. The target EV/EBITDA multiple is roughly in-line with target multiples applied at Outperform-rated peers given PRAH's EPS growth forecast at the high end of industry peer group rates, balanced by a more limited public history & higher leverage. Since our target price implies over 23% upside to the current levels, we believe that an Outperform rating is appropriate.

Current Valuation at a Glance

	2014E	2015E	2016E
Current Price	\$21.82	\$21.82	\$21.82
FD shares	63,779	63,779	63,779
Equity value	1,391,663	1,391,663	1,391,663
Debt	954,076	954,076	954,076
Cash	76,254	76,254	76,254
Enterprise value	2,269,485	2,269,485	2,269,485
EBITDA	174,053	195,503	216,537
EV/EBITDA	13.0x	11.6x	10.5x
EPS	\$1.08	\$1.29	\$1.54
P/E	20.1x	16.9x	14.2x

PRA Health Sciences vs. Comp Group – Growth Comparison

Clinical CROs	Ticker	Price	Mkt Cap	EV	Revenue Growth			EBITDA Growth			EPS Growth		
					2014	2015	2016	2014	2015	2016	2014	2015	2016
Covance, Inc.	CVD	\$102.84	5,819	5,382	5%	6%	5%	18%	8%	9%	18%	12%	11%
ICON plc	ICLR	\$53.96	3,322	3,073	13%	10%	9%	46%	16%	14%	56%	15%	12%
INC Research, Inc.	INCR	\$23.98	1,515	1,839	22%	10%	11%	40%	14%	13%	249%	42%	21%
PAREXEL International Corp.	PRXL	\$58.82	3,236	3,325	12%	8%	8%	22%	15%	13%	26%	19%	16%
Quintiles Transnational Holdings, Inc.	Q	\$57.40	7,339	8,737	10%	8%	8%	15%	9%	9%	26%	12%	13%
Average					12%	8%	8%	28%	12%	12%	75%	20%	15%
Median					12%	8%	8%	22%	14%	13%	26%	15%	13%

Pre-Clinical CROs	Ticker	Price	Mkt Cap	EV	Revenue Growth			EBITDA Growth			EPS Growth		
					2014	2015	2016	2014	2015	2016	2014	2015	2016
Charles River Laboratories International Inc.	CRL	\$63.98	3,002	3,658	11%	6%	5%	5%	5%	6%	15%	7%	9%
Total Average					12%	8%	8%	24%	11%	11%	65%	18%	14%
Total Median					11%	8%	8%	20%	12%	11%	26%	14%	13%

PRA Health Sciences	PRAH	\$21.82	1,392	2,269	52%	8%	8%	65%	12%	11%	178%	19%	19%
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Valuation – P/E

Clinical CROs	Ticker	Price	Mkt Cap	EV	EPS			P/E		
					2014	2015	2016	2014	2015	2016
Covance, Inc.	CVD	\$102.84	5,819	5,382	3.81	4.28	4.73	27.0x	24.1x	21.8x
ICON plc	ICLR	\$53.96	3,322	3,073	2.76	3.19	3.58	19.5x	16.9x	15.1x
INC Research, Inc.	INCR	\$23.98	1,515	1,839	0.84	1.20	1.45	26.7x	18.9x	15.5x
PAREXEL International Corp.	PRXL	\$58.82	3,236	3,325	2.46	2.92	3.38	23.9x	20.1x	17.4x
Quintiles Transnational Holdings, Inc.	Q	\$57.40	7,339	8,737	2.66	2.98	3.37	21.6x	19.3x	17.1x
Average								23.8x	19.8x	17.4x
Median								23.9x	19.3x	17.1x

Pre-Clinical CROs	Ticker	Price	Mkt Cap	EV	EPS			P/E		
					2014	2015	2016	2014	2015	2016
Charles River Laboratories International Inc.	CRL	\$63.98	3,002	3,658	3.37	3.59	3.93	19.0x	17.8x	16.3x
Total Average								23.0x	19.5x	17.2x
Total Median								22.8x	19.1x	16.7x
PRA Health Sciences	PRAH	\$21.82	1,392	2,269	1.08	1.29	1.54	20.1x	16.9x	14.2x

- The clinical CRO comp group is trading at an average of 17.4x 2016 EPS, and the average P/E multiple for the total CRO comp group (including pre-clinical player CRL) is 17.2x 2016 EPS.

Valuation – EV/EBITDA

Clinical CROs	Ticker	Price	Mkt Cap	EV	EV/EBITDA		
					2014	2015	2016
Covance, Inc.	CVD	\$102.84	5,819	5,382	12.4x	11.5x	10.5x
ICON plc	ICLR	\$53.96	3,322	3,073	11.9x	10.3x	9.1x
INC Research, Inc.	INCR	\$23.98	1,515	1,839	12.3x	10.8x	9.5x
PAREXEL International Corp.	PRXL	\$58.82	3,236	3,325	11.0x	9.6x	8.5x
Quintiles Transnational Holdings, Inc.	Q	\$57.40	7,339	8,737	12.5x	11.4x	10.4x
Average					12.0x	10.7x	9.6x
Median					12.3x	10.8x	9.5x

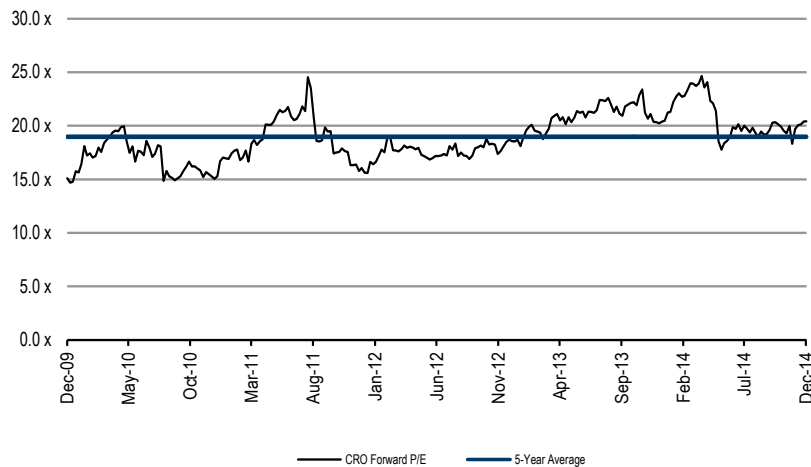
Pre-Clinical CROs	Ticker	Price	Mkt Cap	EV	EV/EBITDA		
					2014	2015	2016
Charles River Laboratories International Inc.	CRL	\$63.98	3,002	3,658	12.4x	11.8x	11.2x
Total Average					12.1x	10.9x	9.9x
Total Median					12.4x	11.1x	10.0x

PRA Health Sciences	PRAH	\$21.82	1,392	2,269	13.0x	11.6x	10.5x
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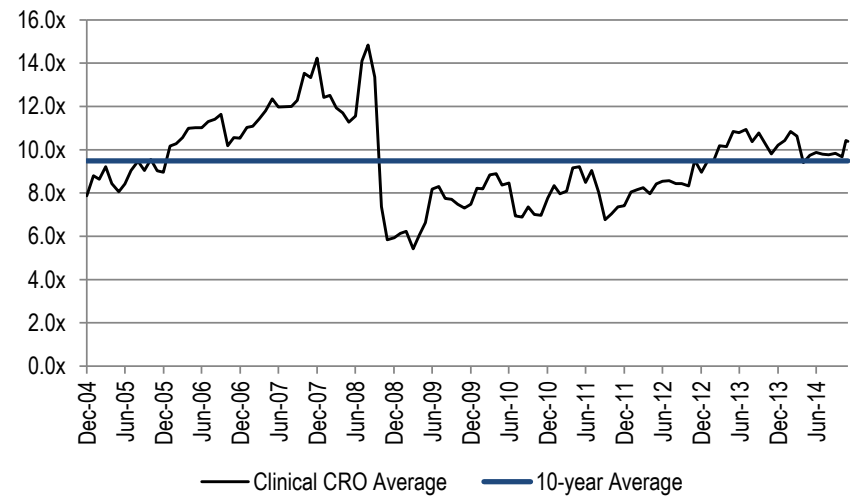
- The clinical CRO comp group is trading at an average of 9.6x 2016 EBITDA, and the average EV/EBITDA multiple for the total CRO comp group (including pre-clinical player CRL) is 9.9x 2016 EBITDA.

Historical CRO Sector Valuation

Historical CRO Forward P/E



Historical CRO Forward EV/EBITDA



Additional Key Valuation/Financial Metrics

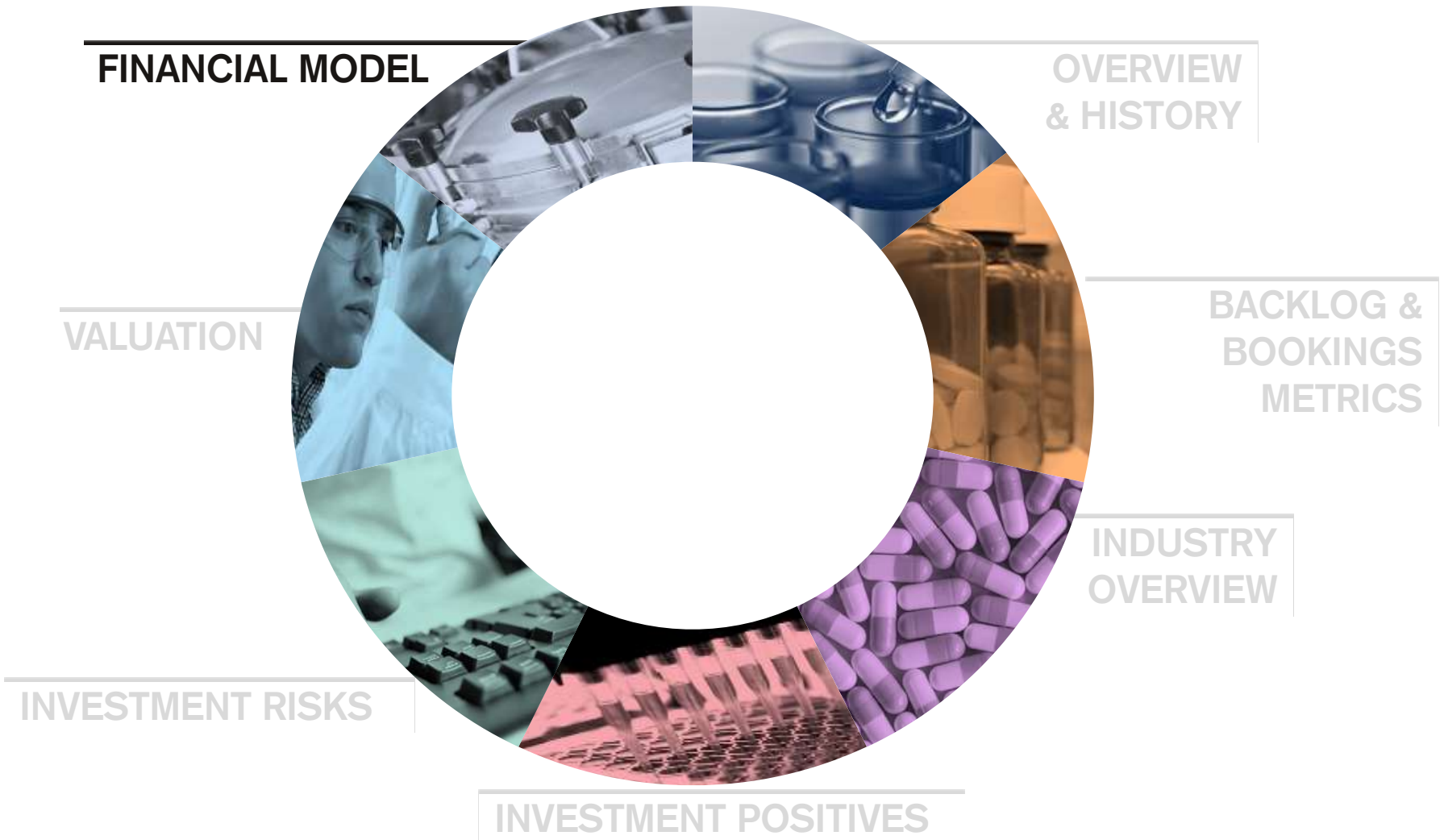
CRO Leverage Statistics

Company	Debt	Cash	Gross Debt/TTM EBITDA
Charles River Laboratories	\$664	\$156	2.5x
Covance	\$250	\$729	0.7x
ICON plc	\$0	\$249	0.0x
INC Research	\$427	\$103	3.2x
PAREXEL	\$370	\$281	1.3x
Quintiles	\$2,043	\$654	3.0x
PRA Health Sciences	\$954	\$76	5.9x
Average			2.3x
Clinical Peer Average			2.3x

CRO FCF Statistics

Company	F15E FCF	Mkt Cap	FCF Yield
Covance	\$261	\$5,819	4.5%
ICON plc	\$199	\$3,322	6.0%
INC Research	\$86	\$1,468	5.9%
PAREXEL	\$154	\$3,236	4.8%
Quintiles	\$359	\$7,339	4.9%
PRA Health Sciences	\$102	\$1,305	7.8%
Average			5.6%

Financial Model



Financial Projections

• PRA Health Sciences Research 2013-16E Income Statement

	2013	1Q14 Mar-14	2Q14 Jun-14	3Q14 Sep-14	4Q14E Dec-14	2014E	1Q15E Mar-15	2Q15E Jun-15	3Q15E Sep-15	4Q15E Dec-15	2015E	2016E
Service Revenues	832,901	311,352	311,422	320,063	324,487	1,267,324	331,279	339,139	346,948	347,850	1,365,215	1,471,020
Reimbursement Revenues	158,385	43,388	46,123	57,274	48,419	195,204	46,425	50,043	59,565	51,324	207,358	219,799
Total Revenues	991,286	354,740	357,545	377,337	372,906	1,462,528	377,704	389,182	406,513	399,174	1,572,573	1,690,819
Cost of revenue (excl. D&A)	526,878	215,151	213,378	215,746	221,495	865,770	228,251	231,971	233,843	236,190	930,255	999,408
<i>as a % of revenue</i>	63.3%	69.1%	68.5%	67.4%	68.3%	68.3%	68.9%	68.4%	67.4%	67.9%	68.1%	67.9%
Reimbursed out-of-pocket expenses	158,385	43,388	46,123	57,274	48,419	195,204	46,425	50,043	59,565	51,324	207,358	219,799
<i>as a % of revenue</i>	19.0%	13.9%	14.8%	17.9%	14.9%	15.4%	14.0%	14.8%	17.2%	14.8%	15.2%	14.9%
Gross Profit	306,023	96,201	98,044	104,317	102,992	401,554	103,028	107,168	113,105	111,660	434,960	471,612
<i>Gross Margin</i>	<i>36.7%</i>	<i>30.9%</i>	<i>31.5%</i>	<i>32.6%</i>	<i>31.7%</i>	<i>31.7%</i>	<i>31.1%</i>	<i>31.6%</i>	<i>32.6%</i>	<i>32.1%</i>	<i>31.9%</i>	<i>32.1%</i>
Selling, general and administrative (excl. D&A)	200,689	57,854	53,758	58,747	57,142	227,501	56,980	58,874	62,451	61,152	239,457	255,075
<i>as a % of revenue</i>	24.1%	18.6%	17.3%	18.4%	17.6%	18.0%	17.2%	17.4%	18.0%	17.6%	17.5%	17.3%
Adjusted EBITDA	105,334	38,347	44,286	45,570	45,850	174,053	46,048	48,293	50,654	50,508	195,503	216,537
<i>EBITDA margin</i>	<i>12.6%</i>	<i>12.3%</i>	<i>14.2%</i>	<i>14.2%</i>	<i>14.1%</i>	<i>13.7%</i>	<i>13.9%</i>	<i>14.2%</i>	<i>14.6%</i>	<i>14.5%</i>	<i>14.3%</i>	<i>14.7%</i>
Depreciation expense	18,053	5,895	4,910	5,988	5,132	21,925	5,278	5,301	5,290	5,292	21,161	22,801
<i>as a % of revenue</i>	2.2%	1.9%	1.6%	1.6%	1.4%	1.5%	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%
Adjusted Operating Income (EBIT)	87,281	32,452	39,376	39,582	40,718	152,128	40,770	42,993	45,364	45,216	174,342	193,736
<i>Adjusted EBIT margin</i>	<i>10.5%</i>	<i>10.4%</i>	<i>12.6%</i>	<i>12.4%</i>	<i>12.5%</i>	<i>12.0%</i>	<i>12.3%</i>	<i>12.7%</i>	<i>13.1%</i>	<i>13.2%</i>	<i>13.2%</i>	<i>13.2%</i>
Interest Expense, net	52,899	20,332	19,359	19,541	16,568	75,800	13,700	13,519	13,318	13,129	53,666	48,727
Other Expense (Income)	0	0	0	0	0	0	0	0	0	0	0	0
Pre-tax income	34,382	12,120	20,017	20,041	24,150	76,328	27,070	29,473	32,046	32,087	120,677	145,009
<i>Pre-tax margin</i>	<i>4.1%</i>	<i>3.9%</i>	<i>6.4%</i>	<i>6.3%</i>	<i>7.4%</i>	<i>6.0%</i>	<i>8.2%</i>	<i>8.7%</i>	<i>9.2%</i>	<i>9.2%</i>	<i>8.8%</i>	<i>9.9%</i>
Income taxes	24,233	4,852	6,231	6,764	9,902	27,748	8,121	8,842	9,614	9,626	36,203	43,503
<i>Income tax rate</i>	<i>70.5%</i>	<i>40.0%</i>	<i>31.1%</i>	<i>33.8%</i>	<i>41.0%</i>	<i>36.4%</i>	<i>30.0%</i>	<i>30.0%</i>	<i>30.0%</i>	<i>30.0%</i>	<i>30.0%</i>	<i>30.0%</i>
Adjusted Net Income, before Minority Interest/JVs	10,149	7,268	13,786	13,277	14,249	48,580	18,949	20,631	22,432	22,461	84,474	101,506
Minority interest (benefit) expense & Equity (Income) Loss in JVs	1,224	177	357	474	638	1,646	142	286	379	510	1,316	1,053
Adjusted Net Income	8,925	7,091	13,429	12,803	13,611	46,934	18,808	20,346	22,053	21,951	83,157	100,453
<i>Net income margin</i>	<i>1.1%</i>	<i>2.3%</i>	<i>4.3%</i>	<i>4.0%</i>	<i>4.2%</i>	<i>3.7%</i>	<i>5.7%</i>	<i>6.0%</i>	<i>6.4%</i>	<i>6.3%</i>	<i>6.1%</i>	<i>6.8%</i>
Amortization of intangible assets	32,424	18,743	19,688	17,915	17,915	74,261	14,555	14,555	14,555	14,555	58,220	47,424
Amortization of deferred financing costs	3,524	1,434	1,459	1,485	1,485	5,863	1,000	1,000	1,000	1,000	4,000	4,000
Other non-recurring charges	126,033	8,140	7,755	(5,907)	-	9,988	-	-	-	-	-	-
Tax Impact	(63,499)	(11,185)	(11,417)	(1,865)	(7,760)	(32,227)	(4,667)	(4,667)	(4,667)	(4,667)	(18,666)	(15,427)
Non-recurring charges, net of tax	98,482	17,132	17,485	11,628	11,640	57,885	10,889	10,889	10,889	10,889	43,554	35,997
Net income (GAAP reported)	(89,557)	(10,041)	(4,056)	1,175	1,971	(10,951)	7,919	9,457	11,165	11,062	39,603	64,456
Weighted avg. shares	22,873	40,268	40,268	40,286	52,502	43,331	64,029	64,279	64,529	64,779	64,404	65,404
Adjusted EPS	0.39	0.18	0.33	0.32	0.26	1.08	0.29	0.32	0.34	0.34	1.29	1.54
Reported GAAP EPS (diluted, after non-recurring items)	(3.92)	(0.25)	(0.10)	0.03	0.04	(0.25)	0.12	0.15	0.17	0.17	0.61	0.99
% change year-over-year:												
Net Revenues	39.5%	87.0%	73.5%	70.1%	8.6%	52.2%	6.4%	8.9%	8.4%	7.2%	7.7%	7.7%
Gross Profit	28.3%	45.0%	33.6%	43.7%	9.9%	31.2%	7.1%	9.3%	8.4%	8.4%	8.3%	8.4%
SG&A	30.4%	12.3%	29.4%	21.1%	-3.3%	13.4%	-1.5%	9.5%	6.3%	7.0%	5.3%	6.5%
EBITDA	24.5%	159.2%	39.1%	89.3%	32.4%	65.2%	20.1%	9.0%	11.2%	10.2%	12.3%	10.8%
EBIT	25.5%	204.7%	41.4%	101.7%	39.7%	74.3%	25.6%	9.2%	14.6%	11.0%	14.6%	11.1%
Pretax income	-16.2%	1263.3%	18.8%	156.5%	173.3%	122.0%	123.4%	47.2%	59.9%	32.9%	58.1%	20.2%
Adj Net income	-64.1%	2614.8%	14.7%	-203.1%	45.3%	425.9%	165.2%	51.5%	72.3%	61.3%	77.2%	20.8%
Adjusted EPS	-73.5%	1039.5%	-51.1%	-143.9%	11.4%	177.6%	66.8%	-5.1%	7.5%	30.7%	79.2%	19.0%
GAAP EPS	580.0%	1154.4%	-137.6%	-100.6%	-115.1%	-93.5%	-149.6%	-246.1%	493.2%	354.9%	-343.3%	60.3%

Financial Projections

- PRA Health Sciences Research 2012-16E Balance Sheet

	As of December 31,				
	2012	2013	2014E	2015E	2016E
Current assets:					
Cash and cash equivalents	109,211	72,155	139,701	141,713	157,733
Restricted cash	-	8,760	8,760	8,760	8,760
Accounts receivable and unbilled services, net	184,891	294,984	365,632	393,143	419,323
Acquisition-related receivables	-	15,851	7,313	3,145	1,691
Prepaid expenses and other current assets	18,208	27,222	36,563	39,314	42,270
Income taxes receivable	3,092	9,798	11,700	11,794	11,836
Deferred tax assets	8,833	29,224	30,713	33,024	35,507
Current assets	324,235	457,994	600,382	630,894	677,120
Fixed Assets, net	50,961	75,827	81,783	94,070	108,045
Goodwill, net	490,675	1,099,081	1,099,081	1,099,081	1,099,081
Intangible assets	108,374	699,791	624,391	566,171	518,747
Deferred tax assets and income taxes receivable	5,967	1,026	1,463	1,887	2,367
Investment in unconsolidated joint ventures	-	3,246	1,600	284	(769)
Other assets	2,313	57,769	57,769	57,769	57,769
Total assets	982,525	2,394,734	2,466,469	2,450,156	2,462,360
Current liabilities:					
Current portion of long-term debt	3,358	18,900	8,900	8,900	8,900
Accounts payable	17,314	27,686	39,488	42,459	44,807
Accrued expenses & other current liabilities	61,721	119,204	146,253	157,257	170,773
Deferred tax liability	146	416	439	472	507
Advance billings	221,162	295,889	307,131	330,240	355,072
Income taxes payable	2,217	7,169	5,850	7,863	8,454
Current liabilities	305,918	469,264	508,061	547,192	588,513
Long-term debt, net of current portion	451,076	1,245,812	945,176	845,176	745,176
Deferred tax liabilities	26,723	185,591	190,129	190,281	191,908
Other long-term liabilities	22,851	26,732	26,732	26,732	26,732
Total liabilities	806,568	1,927,399	1,670,098	1,609,381	1,552,329
Stockholders' equity:					
Common stock	4	944	944	944	944
Additional paid-in capital	330,520	489,465	829,453	834,253	839,053
Accumulated other comprehensive income	2,176	16,869	16,869	16,869	16,869
Retained earnings	(156,743)	(39,943)	(50,894)	(11,291)	53,166
Total stockholder's equity	175,957	467,335	796,372	840,775	910,032
Total liabilities & stockholders' equity	982,525	2,394,734	2,466,469	2,450,156	2,462,360

Financial Projections

- PRA Health Sciences Research 2014-16E Statement of Cash Flows

	For the Year Ended December 31,		
	2014E	2015E	2016E
Net income	(10,951)	39,603	64,456
Cash flow from operating activities:			
Adjustments to reconcile net income to cash:			
Minority interest (benefit) expense, net of tax	1,646	1,316	1,053
Depreciation & amortization	97,325	79,381	70,225
Stock-based compensation	9,988	4,800	4,800
Deferred income taxes	(586)	(631)	(751)
Net changes in assets and liabilities:			
Accounts receivable	(70,648)	(27,511)	(26,180)
Acquisition-related receivables	8,538	4,167	1,454
Other assets	(9,341)	(2,751)	(2,956)
Accounts payable	11,802	2,971	2,347
Other current liabilities	38,291	34,114	38,347
Net cash from operating activities	76,063	135,460	152,796
Capital Expenditures	(27,881)	(33,448)	(36,775)
Free cash flow	48,182	102,012	116,020
Acquisition of businesses	0	0	0
Share repurchase	330,000	0	0
Net Cash Flow	378,182	102,012	116,020
Incremental borrowing/(Debt repayment)	(310,636)	(100,000)	(100,000)
Other	(0)	(0)	0
Net increase/(decrease) in cash	67,546	2,012	16,020
Cash and cash equivalents at beginning of period	72,155	139,701	141,713
Cash and cash equivalents at end of period	139,701	141,713	157,733

Financial Projections

- PRA Health Sciences 2011-13 Historical Statement of Cash Flows

	For the Year Ended December 31,	
	2012	2013
Cash flows from operating activities:		
Net income	(2,707)	(88,333)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation & amortization	30,687	50,477
Amortization of debt issuance costs	4,324	3,524
Stock-based compensation	11,610	24,741
Unrealized foreign currency transaction costs	3,911	3,235
Loss on modification or extinguishment of debt	9,683	24,091
Loss on disposal of fixed assets	1,560	225
Change in acquisition-related contingent consideration	0	(689)
Equity in losses of unconsolidated Joint Ventures	0	1,602
Other reconciling items	937	(185)
Deferred income taxes	(7,378)	(51,195)
Net changes in assets and liabilities, net of effects from acquisitions:		
(Increase)/decrease in accounts receivable and unbilled services	17,649	20,374
(Increase)/decrease in prepayments and other current assets	(4,430)	(3,530)
Increase/(decrease) in accounts payable and other liabilities	4,982	24,061
Increase/(decrease) in income taxes	(9,529)	(4,315)
Increase/(decrease) in advance billings	37,960	21,186
Net cash provided by operating activities	99,259	25,269
Cash flows from investing activities:		
Purchases of property, plant and equipment	(18,067)	(19,716)
Acquisitions	0	(1,054,823)
Investment in unconsolidated joint ventures	0	(4,609)
Proceeds from sale of fixed assets	9	10
Net cash used by investing activities	(18,058)	(1,079,138)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt, net of issuance costs	283,698	1,356,689
Payment of debt discounts	0	(8,250)
Payments for debt issuance costs	(206)	(49,987)
Repayment of long-term debt	(222,498)	(568,975)
Borrowings on line of credit	0	60,000
Repayments of line of credit	0	(50,000)
Proceeds from common stock issued	0	470,400
Proceeds from stock option exercises	0	105
Dividends paid	(101,607)	(131,626)
Principal repayments of fixed assets purchased under a financing agreement	(1,544)	(582)
Net cash (used by) provided by financing activities	(42,157)	1,077,774
Effect of exchange rate movements on cash	787	(60,961)
Net increase (decrease) in cash and cash equivalents	39,831	(37,056)
Cash and cash equivalents at beginning of year	69,380	109,211
Cash and cash equivalents at end of year	109,211	72,155

Disclosures

Companies Mentioned (Price as of 04-Dec-2014)

Amgen Inc. (AMGN.OQ, \$166.55)
Charles River Laboratories International Inc. (CRLN, \$63.98)
ICON plc (ICLR.OQ, \$53.96)
INC Research, Inc. (INCR.OQ, \$23.98)
KKR and Co LP (KKR.N, \$22.25)
PARCEL International Corp. (PRXL.OQ, \$58.82)
PRA Health Sciences, Inc. (PRAH.OQ, \$21.82, OUTPERFORM[V], TP \$27.0)
Quintiles Transnational Holdings, Inc. (Q.N, \$57.4)
UCB (UCB.BR, €64.42)

Disclosure Appendix

Important Global Disclosures

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Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

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**Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, 12-month rolling yield is incorporated in the absolute total return calculation and a 15% and a 7.5% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively. The 15% and 7.5% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively. Prior to 10th December 2012, Japanese ratings were based on a stock's total return relative to the average total return of the relevant country or regional benchmark.*

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Rating	Versus universe (%)	Of which banking clients (%)
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Price Target: (12 months) for PRA Health Sciences, Inc. (PRAH.OQ)

Method: Our target price of \$27 for PRA Health Sciences is based on an equal-weighted blend of our P/E & EV/EBITDA target multiples. We apply a roughly 18.5x multiple on our F16 EPS estimate, implying a \$28 price target. Our EV/EBITDA target multiple of 11.8 times yields a \$26

target. An equally-weighted blend of the two methodologies yields our \$27 price target. The target EV/EBITDA multiple is roughly in-line with target multiples applied at Outperform-rated peers given PRAH's EPS growth forecast at the high end of industry peer group rates, balanced by a more limited public history & higher leverage. In valuing the contract research organization (CRO) stocks and INC Research, we primarily utilize P/E & EV/EBITDA multiples to assess the risk/reward profile of the individual stocks and the group as a whole since multiples provide both a historical and relative perspective. We evaluate multiples relative to historic averages to ensure that the stocks are trading in-line with our assessment of how current fundamentals fit into historical context. Multiples relative to a benchmark or to other industry peers sheds light on competitive positioning and performance.

Risk: Risks to PRA Health Sciences' achievement of our \$27 target price include: 1) disruption from the RPS integration; 2) favorable biotech funding environment could moderate; 3) controlled company status & PE ownership overhang; 4) pricing & margins always bear monitoring; and 5) high expectations for clinical CROs. With the CROs trading at elevated valuations we would acknowledge that earnings disappointments could result in contraction in group valuation multiples. Similarly, strong biotech funding environment has been viewed as a tailwind and to the extent that moderates it could impact sentiment as well as pose a revenue headwind, particularly given PRAH's exposure to this customer base.

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See the Companies Mentioned section for full company names

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