

PRA Health Sciences, Inc. (PRAH)

Rating	OUTPERFORM* [V]
Price (19 Feb 15, US\$)	28.04
Target price (US\$)	(from 27.00) 32.00 ¹
52-week price range	28.04 - 19.62
Market cap. (US\$ m)	1,677.04
Enterprise value (US\$ m)	2,431.51

*Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.

¹Target price is for 12 months.

[V] = Stock considered volatile (see Disclosure Appendix).

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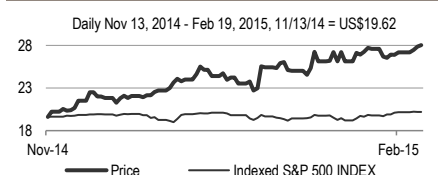
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INCREASE TARGET PRICE

Adjusting Estimates Post 4Q14 Earnings

- **Bottom Line:** Following PRAH's F4Q14 earnings we have revisited our financial model. Our latest forecasts incorporate initial F15 guidance, strong demand trends for clinical CRO services, and the profitability/topline outlook for the business. We would also note that about half of the upward revision to our F15-F16 estimates is due to aligning our adjusted EPS calculation with the company's formal reporting structure (excluding stock-based compensation, amortization, and equity losses in unconsolidated JVs). We are adjusting our F15 and F16 estimates to \$1.42 and \$1.73 from \$1.29 and \$1.54, respectively. Additionally, we are introducing our F17 EPS estimate of \$2.03. Our new PT of \$32 (from \$27) is based on an equal weighting of P/E & EV/EBITDA methodologies (P/E target multiple of 19.7x and EV/EBITDA target multiple of 12x).

Share price performance



On 02/19/15 the S&P 500 INDEX closed at 2097.45

Quarterly EPS	Q1	Q2	Q3	Q4
2014A	0.20	0.36	0.35	0.35
2015E	0.33	0.34	0.35	0.40
2016E	0.40	0.42	0.43	0.48

Financial and valuation metrics

Year	12/14A	12/15E	12/16E	12/17E
EPS (CS adj.) (US\$)	1.26	1.42	1.73	2.03
Prev. EPS (US\$)	—	1.29	1.54	—
P/E (x)	22.3	19.7	16.2	13.8
P/E rel. (%)	120.0	113.3	99.1	95.0
Revenue (US\$ m)	1,266.6	1,363.6	1,488.8	1,610.8
EBITDA (US\$ m)	182.8	206.3	233.1	260.2
OCFPS (US\$)	0.57	2.27	2.54	2.87
P/OCF (x)	42.2	12.3	11.0	9.8
EV/EBITDA (current)	13.9	11.8	9.9	8.3
Net debt (US\$ m)	863	754	630	484
ROIC (%)	6.85	8.76	10.25	11.85
Number of shares (m)	59.81	IC (current, US\$ m)		1,540.16
BV/share (Next Qtr., US\$)	—	EV/IC (x)		—
Net debt (Next Qtr., US\$ m)	—	Dividend (current, US\$)		—
Net debt/tot eq (Next Qtr., %)	—	Dividend yield (%)		—

Source: Company data, Credit Suisse estimates.

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Companies Mentioned (Price as of 19-Feb-2015)

PRA Health Sciences, Inc. (PRAH.OQ, \$28.04, OUTPERFORM[V], TP \$32.0)

Disclosure Appendix

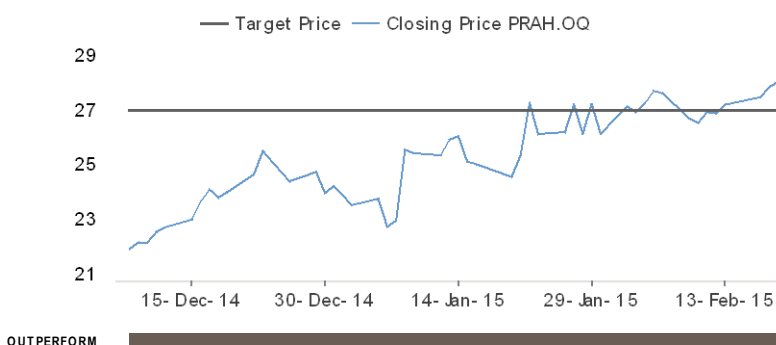
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3-Year Price and Rating History for PRA Health Sciences, Inc. (PRAH.OQ)

PRAH.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
08-Dec-14	21.92	27.00	O *

* Asterisk signifies initiation or assumption of coverage.



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Restricted	2%	

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Price Target: (12 months) for PRA Health Sciences, Inc. (PRAH.OQ)

Method: Our target price of \$32 for PRA Health Sciences is based on an equal-weighted blend of our P/E & EV/EBITDA target multiples. We apply a roughly 19.7x multiple on our F16 EPS estimate, implying a \$34 price target. Our EV/EBITDA target multiple of 12 times yields a \$30 price target. An equally-weighted blend of the two methodologies yields our \$32 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 \$32 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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