

Equity Research

PRA Health Sciences, Inc.

PRAH: Favorable Outlook, As Long As Strong USD Persists

Outperform / V

• **FX Drives EPS Beat & Raise.** PRAH reported a solid EPS beat on a slight revenue miss, although bookings were strong, which should more than compensate for the slight revenue miss. The EPS beat was driven almost entirely by an FX tailwind on the gross margin line. The company's cost base in international regions benefits from a stronger USD. As long as the USD remains strong, PRAH should continue to enjoy this benefit. The company also raised non-GAAP EPS guidance by more than the beat, although some of the benefit comes from higher stock comp, deferred rent charges, and JV losses that we do not think should be excluded (and that we don't exclude from our own estimates). We raise our 2015E EPS to \$1.72 from \$1.70 and leave our 2016E EPS at \$2.02. Remain Outperform.

• **Beware the non-GAAP exclusions.** PRAH chooses to exclude stock comp and deferred rent from its non-GAAP EPS calculation (among MANY other items). This puts the company's EPS calculation on a significantly different basis than Q, PRXL, and ICLR. The company also excludes the losses from its JV with WuXi Pharmatech (which makes little sense to us, given that the JV operations are consolidated above the line). Q3 saw the combined stock comp plus deferred rent charge more than double y/y, while the JV losses widened to \$2.3MM from less than \$1MM in the prior two quarters. The aggregate effect is that the difference between the company's non-GAAP EPS of \$0.52 and what we believe is a more appropriate calculation of \$0.46 widened to a \$0.06 difference, up from a \$0.03 difference in prior quarters. We believe investors need to take heed of this difference, as it now represents at least \$0.20, or about 10%, of annual EPS. We strongly encourage investors to use the lower number when assigning a multiple to the stock.

• **Strong bookings, though burn rate declines.** Q3's 1.25 book-to-bill was notably strong, given that PRAH books its functional business (about 1/3 of revenue) in a particularly conservative fashion. However, like most other peers, PRAH saw its backlog burn rate decline in the quarter, which has now been a trend for about 6 quarters. The current burn rate should support revenue growth of about 10%, assuming net book-to-bills of 1.15-1.20.

Valuation Range: \$44.00 to \$46.00

Our valuation range is DCF-based (WACC = 8.5%; terminal NOPLAT growth = 2%) and represents 18.5x our 2017E EPS estimate. Risks include: (1) project cancellations or delays due to client M&A, economic weakness, pipeline reprioritization, or compound failure; (2) a reversal in the trend toward increased outsourcing; (3) regulatory risks; (4) significant financial leverage; (5) integration risks, and (6) controlled company status.

Investment Thesis:

Between high-single digit revenue growth, ongoing margin expansion, and a reduction in interest expense, we believe the company will be able to generate solid 20%+ earnings growth for several years, which we believe is attractive growth at current valuation levels.

Sector: Pharmaceutical Services
Overweight

Earnings Reported

EPS	2014A	2015E		2016E	
		Curr.	Prior	Curr.	Prior
Q1 (Mar.)	\$0.20	\$0.38 A	NC	\$0.47	0.48
Q2 (June)	0.32	0.44 A	NC	0.49	0.50
Q3 (Sep.)	0.30	0.46 A	0.43	0.51	NC
Q4 (Dec.)	0.31	0.44	0.45	0.53	NC
FY	\$1.12	\$1.72	1.70	\$2.02	NC
CY	\$1.12	\$1.72		\$2.02	
FY P/EPS	33.7x	22.0x		18.7x	
Rev.(MM)	\$1,267	\$1,368		\$1,504	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile, * = Company is on the Priority Stock List

Non-GAAP EPS excludes amortization of purchased intangibles and certain non-recurring items

Ticker	PRAH
Price (11/02/2015)	\$37.75
52-Week Range:	\$18-47
Shares Outstanding: (MM)	60.2
Market Cap.: (MM)	\$2,272.6
S&P 500:	2,104.05
Avg. Daily Vol.:	248,303
Dividend/Yield:	\$0.00/0.0%
LT Debt: (MM)	\$929.0
LT Debt/Total Cap.:	57.0%
ROE:	30.0%
3-5 Yr. Est. Growth Rate:	19.0%
CY 2015 Est. P/EPS-to-Growth:	1.2x
Last Reporting Date:	11/02/2015

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Please see page 6 for rating definitions, important disclosures and required analyst certifications

All estimates/forecasts are as of 11/02/15 unless otherwise stated.

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Together we'll go far



Exhibit 1. Variance Table

Report Date:

10/2/2015

FY ending December In MM except EPS	Actual		Est	Actual	Cons	Yr / Yr change	Seq change
	Q3 2014	Q2 2015	Q3 2015	Q3 2015	Q3 2015		
Total revenues	\$ 320	\$ 337	\$ 348	\$ 345	\$ 346	7.8%	2.5%
Cost of revenues	216	220	228	221		2.4%	0.6%
Gross profit	104	117	120	124		19.0%	6.2%
Selling, general & administrative	59	58	61	60		2.9%	4.7%
Depreciation	6	5	5	5		(9.3%)	6.8%
Operating income	40	54	54	58		47.2%	7.8%
Interest expense and other, net	20	14	14	14		(29.8%)	(0.4%)
Pretax income	20	40	40	45		122.3%	10.6%
Provision for income taxes	7	12	12	13		87.8%	9.9%
Income before equity in affiliates	13	28	\$ 28	\$ 31		141.1%	10.9%
Equity in earnings from JV	(0)	(1)	(1)	(2)		389.2%	188.1%
Net income	12	27	\$ 27	\$ 29		131.7%	5.6%
Non-GAAP EPS	\$ 0.30	\$ 0.44	\$ 0.43	\$ 0.46		53.5%	4.7%
Non-GAAP EPS (company method)	\$ 0.34	\$ 0.47	\$ 0.46	\$ 0.52	\$ 0.45	55.2%	10.8%
Diluted shares outstanding	42	63	63	64		50.9%	0.9%
EBITDA	\$ 46	\$ 59	\$ 59	\$ 64		39.8%	7.7%
MARGIN ANALYSIS							
Cost of revenue	67.4%	65.3%	65.5%	64.0%		(340) bps	(120) bps
Gross margin	32.6%	34.7%	34.5%	36.0%		340 bps	120 bps
SG&A / revenue	18.4%	17.2%	17.5%	17.5%		(80) bps	40 bps
Depreciation / revenue	1.9%	1.5%	1.5%	1.6%		(30) bps	10 bps
Operating margin	12.4%	16.1%	15.5%	16.9%		450 bps	80 bps
Pretax margin	6.3%	12.0%	11.6%	12.9%		660 bps	90 bps
Tax rate	35.3%	30.0%	30.0%	29.8%		(550) bps	(20) bps
Net margin	4.1%	8.4%	8.1%	9.1%		500 bps	70 bps
EBITDA margin	14.2%	17.6%	17.0%	18.5%		420 bps	90 bps
REVENUE ANALYSIS							
Total revenues	\$ 320	\$ 337	\$ 348	\$ 345		7.8%	2.5%
Growth: core	10.4%	12.1%	12.0%	11.8%			
Growth: FX	0.2%	(4.0%)	(3.2%)	(4.0%)			
Growth: acquisitions	59.5%	0.0%	0.0%	0.0%			
Growth: total	70.1%	8.1%	8.9%	7.8%			
BOOKINGS & BACKLOG							
Beginning backlog	\$ 2,045	\$ 2,185	\$ 2,262	\$ 2,262		10.6%	3.5%
Revenue	(320)	(337)	(348)	(345)			
Gross bookings	442	462	463	507		14.8%	9.7%
Cancellations	(60)	(55)	(57)	(76)			
Other adjustments	(15)	6	(1)	(0)			
Ending backlog	\$ 2,091	\$ 2,262	\$ 2,320	\$ 2,348		12.3%	3.8%
Total net bookings	\$ 382	\$ 408	\$ 407	\$ 431		12.9%	5.8%
Gross book-to-bill	1.38	1.37	1.33	1.47			
Net book-to-bill	1.19	1.21	1.17	1.25			
Backlog burn rate	15.7%	15.4%	15.4%	15.3%			

Source: FactSet; Company data; Wells Fargo Securities, LLC estimates

Exhibit 2. Estimate Changes

FY ending December In MM except EPS	2015E			2016E		
	Prior	Current	Change	Prior	Current	Change
Total revenues	\$ 1,372	\$ 1,368	(0.3%)	\$ 1,500	\$ 1,504	0.3%
Cost of revenues	899	889	(1.2%)	982	978	(0.5%)
Gross profit	473	479	1.4%	517	526	1.7%
Selling, general & administrative	239	239	0.1%	259	257	(0.9%)
Depreciation	21	21	1.2%	26	26	2.9%
Operating income	213	219	3.0%	232	243	4.5%
Interest expense and other, net	54	55	1.1%	48	51	5.9%
Pretax income	158	164	3.6%	184	192	4.1%
Provision for income taxes	48	49	3.4%	52	56	6.0%
Income before equity in affiliates	111	\$ 115	3.7%	132	\$ 136	3.4%
Equity in earnings from JV	(4)	(6)	70.5%	(3)	(7)	142.5%
Net income	107	\$ 109	1.3%	129	\$ 129	0.2%
Non-GAAP EPS	\$ 1.70	\$ 1.72		\$ 2.02	\$ 2.02	
Non-GAAP EPS (company method)	\$ 1.83	\$ 1.91		\$ 2.13	\$ 2.20	
Diluted shares outstanding	63	63		64	64	
EBITDA	\$ 234	\$ 240	2.8%	\$ 258	\$ 269	4.4%
MARGIN ANALYSIS						
Cost of revenue	65.5%	65.0%	(60) bps	65.5%	65.0%	(50) bps
Gross margin	34.5%	35.0%	60 bps	34.5%	35.0%	50 bps
SG&A / revenue	17.4%	17.5%	10 bps	17.3%	17.1%	(20) bps
Depreciation / revenue	1.5%	1.6%	0 bps	1.7%	1.7%	0 bps
Operating margin	15.5%	16.0%	50 bps	15.5%	16.2%	70 bps
Pretax margin	11.5%	12.0%	40 bps	12.3%	12.7%	50 bps
Tax rate	30.0%	30.0%	0 bps	28.5%	29.0%	50 bps
Net margin	8.1%	8.4%	30 bps	8.8%	9.1%	30 bps
EBITDA margin	17.0%	17.6%	50 bps	17.2%	17.9%	70 bps
REVENUE ANALYSIS						
Total revenues	\$ 1,372	\$ 1,368	(0.3%)	\$ 1,500	\$ 1,504	0.3%
Growth: core	11.3%	11.3%		9.3%	10.1%	
Growth: FX	(3.0%)	(3.3%)		(0.0%)	(0.1%)	
Growth: acquisitions	0.0%	0.0%		0.0%	0.0%	
Growth: total	8.3%	8.0%		9.3%	9.9%	
BOOKINGS & BACKLOG						
Beginning backlog	\$ 2,141	\$ 2,141	0.0%	\$ 2,379	\$ 2,407	1.2%
Revenue	(1,372)	(1,368)		(1,500)	(1,504)	
Gross bookings	1,842	1,896		2,025	2,045	
Cancellations	(215)	(247)		(286)	(271)	
Other adjustments	(17)	(15)		-	-	
Ending backlog	\$ 2,379	\$ 2,407	1.2%	\$ 2,618	\$ 2,678	2.3%
Total net bookings	\$ 1,627	\$ 1,649	1.4%	\$ 1,739	\$ 1,775	2.1%
Gross book-to-bill	1.34	1.39		1.35	1.36	
Net book-to-bill	1.19	1.21		1.16	1.18	
Backlog burn rate	64.1%	63.9%		63.0%	62.5%	

Source: FactSet; Company data; Wells Fargo Securities, LLC estimates

Exhibit 3. Guidance Table

Guidance	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015	Notes
Consolidated Revenue (MM)						
2/19/2015					\$1,350-1,400	8-12% cc growth; Assumes first of January FX rates
5/6/2015					\$1,340-1,390	Assumes April FX rates (1.1 for Euro)
7/27/2015					\$1,340-1,390	Assumes July FX rates
11/2/2015					\$1,365-1,370	Assumes 10/15 FX rates
Taxes (MM)						
2/19/2015					30%	
5/6/2015					30%	
7/27/2015					30%	
11/2/2015					30%	
Adjusted EPS						
2/19/2015					\$1.35-1.45	
5/6/2015					\$1.62-1.72	
7/27/2015					\$1.75-1.85	Primarily due to current FX rates and some margin improvement
11/2/2015					\$1.89-1.92	

Source: Company data; Wells Fargo Securities, LLC

PRA Health Sciences Summary Data (FY Ending December)

In millions, except per share or where otherwise noted

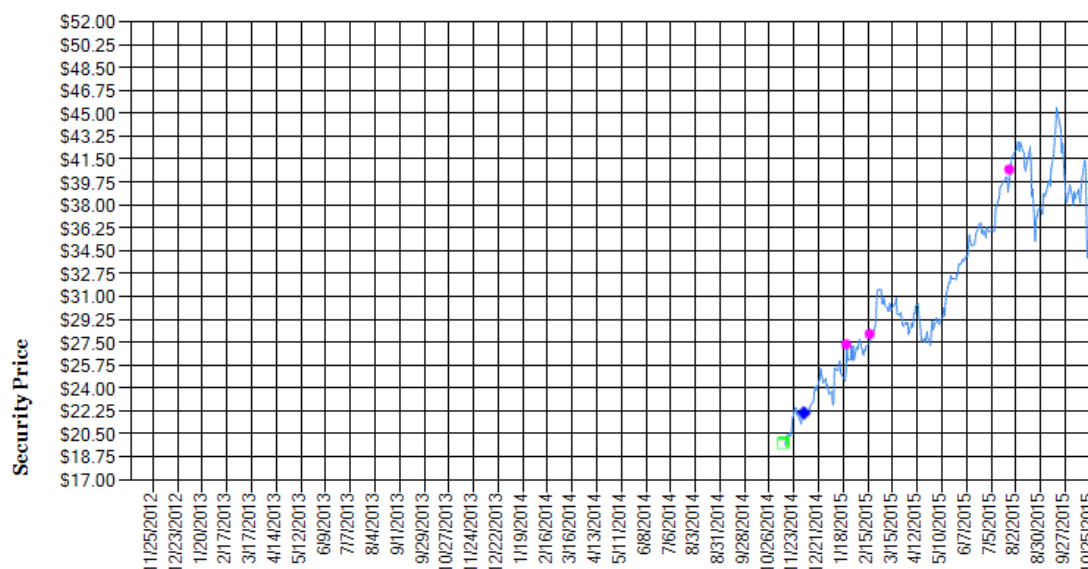
INCOME STATEMENT	2011	2012	2013	Q1	Q2	Q3	Q4	2014	Q1	Q2	Q3	Q4E	2015E	2016E	2017E
Total revenue	\$ 548	\$ 597	\$ 833	\$ 311	\$ 311	\$ 320	\$ 324	\$ 1,267	\$ 332	\$ 337	\$ 345	\$ 355	\$ 1,368	\$ 1,504	\$ 1,655
Cost of revenues	321	359	527	215	213	216	215	859	219	220	221	229	889	978	1,072
Gross profit	226	239	306	96	98	104	109	407	113	117	124	125	479	526	583
Selling, general & administrative	135	154	201	58	54	59	60	230	59	58	60	62	239	257	278
Depreciation	13	15	18	6	5	6	5	22	5	5	5	6	21	26	29
Operating income	78	70	87	32	39	40	43	155	49	54	58	57	219	243	276
Interest expense and other, net	31	28	53	20	19	20	17	76	14	14	14	14	55	51	46
Pretax income	47	41	34	12	20	20	27	79	35	40	45	44	164	192	230
Provision for income taxes	15	16	24	4	7	7	9	27	11	12	13	13	49	56	66
Income before equity in affiliate	\$ 32	\$ 25	\$ 10	\$ 8	\$ 13	\$ 13	\$ 17	\$ 52	\$ 25	\$ 28	\$ 31	\$ 31	\$ 115	\$ 136	\$ 165
Equity in earnings from unconsolidated	-	-	(1)	(0)	(0)	(0)	(1)	(2)	(1)	(1)	(2)	(2)	(6)	(7)	(7)
Net income	\$ 32	\$ 25	\$ 9	\$ 8	\$ 13	\$ 12	\$ 16	\$ 50	\$ 24	\$ 27	\$ 29	\$ 28	\$ 109	\$ 129	\$ 157
Non-GAAP EPS	\$ 0.78	\$ 0.63	\$ 0.22	\$ 0.20	\$ 0.32	\$ 0.30	\$ 0.31	\$ 1.12	\$ 0.38	\$ 0.44	\$ 0.46	\$ 0.44	\$ 1.72	\$ 2.02	\$ 2.43
Non-GAAP EPS (company method)	\$ 0.84	\$ 0.80	\$ 0.63	\$ 0.22	\$ 0.34	\$ 0.34	\$ 0.35	\$ 1.26	\$ 0.41	\$ 0.47	\$ 0.52	\$ 0.50	\$ 1.91	\$ 2.20	\$ 2.61
Diluted shares outstanding	41	40	40	40	41	42	53	44	63	63	64	64	63	64	65
EBITDA	\$ 92	\$ 85	\$ 105	\$ 38	\$ 44	\$ 46	\$ 49	\$ 177	\$ 54	\$ 59	\$ 64	\$ 63	\$ 240	\$ 269	\$ 305
MARGIN ANALYSIS															
Cost of revenue	58.7%	60.1%	63.3%	69.1%	68.5%	67.4%	66.4%	67.8%	65.9%	65.3%	64.0%	64.7%	65.0%	65.0%	64.8%
Gross margin	41.3%	39.9%	36.7%	30.9%	31.5%	32.6%	33.6%	32.2%	34.1%	34.7%	36.0%	35.3%	35.0%	35.0%	35.2%
SG&A / revenue	24.6%	25.8%	24.1%	18.6%	17.3%	18.4%	18.5%	18.2%	17.7%	17.2%	17.5%	17.5%	17.5%	17.1%	16.8%
Depreciation / revenue	2.4%	2.5%	2.2%	1.9%	1.6%	1.9%	1.7%	1.8%	1.5%	1.5%	1.6%	1.6%	1.6%	1.7%	1.7%
Operating margin	14.3%	11.6%	10.5%	10.4%	12.6%	12.4%	13.4%	12.2%	14.8%	16.1%	16.9%	16.2%	16.0%	16.2%	16.7%
Pretax margin	8.6%	6.9%	4.1%	3.9%	6.4%	6.3%	8.2%	6.2%	10.7%	12.0%	12.9%	12.3%	12.0%	12.7%	13.9%
Tax rate	32.3%	39.4%	70.5%	33.7%	33.6%	35.3%	34.8%	34.4%	30.1%	30.0%	29.8%	30.0%	30.0%	29.0%	28.5%
Net margin	5.8%	4.2%	1.2%	2.6%	4.3%	4.1%	5.3%	4.1%	7.5%	8.4%	9.1%	8.6%	8.4%	9.1%	10.0%
EBITDA margin	16.7%	14.2%	12.6%	12.3%	14.2%	14.2%	15.1%	14.0%	16.4%	17.6%	18.5%	17.8%	17.6%	17.9%	18.4%
CHANGE ANALYSIS (Y/Y)															
Total revenues	21.4%	9.0%	39.5%	87.0%	73.5%	70.1%	8.4%	52.1%	6.6%	8.1%	7.8%	9.5%	8.0%	9.9%	10.0%
Cost of revenue	29.3%	11.6%	46.9%	114.8%	101.2%	86.7%	4.8%	63.1%	1.7%	2.9%	2.4%	6.7%	3.4%	10.0%	9.7%
Gross profit	11.7%	5.3%	28.3%	45.0%	33.6%	43.7%	16.1%	33.1%	17.7%	19.2%	19.0%	15.0%	17.7%	9.8%	10.7%
SG&A	15.9%	14.1%	30.4%	12.3%	29.4%	21.1%	1.4%	14.7%	1.7%	7.4%	2.9%	3.6%	3.9%	7.5%	8.1%
Depreciation	9.9%	13.6%	20.0%	42.3%	23.4%	34.7%	(1.3%)	23.0%	(13.0%)	3.6%	(9.3%)	4.7%	(4.0%)	23.2%	9.0%
Operating income	5.4%	(11.2%)	25.5%	204.7%	41.4%	101.7%	49.2%	77.5%	51.6%	37.3%	47.2%	32.1%	41.4%	11.0%	13.6%
Pretax income	15.9%	(12.6%)	(16.2%)	1263.3%	18.8%	156.5%	200.2%	128.9%	192.5%	101.3%	122.3%	65.0%	108.4%	16.9%	20.2%
Net income	51.5%	(21.8%)	(64.1%)	2910.2%	10.5%	NA	73.1%	455.1%	203.5%	111.7%	131.7%	74.2%	119.0%	18.7%	22.2%
EPS	47.8%	(19.9%)	(64.7%)					406.7%	94.6%	36.9%		45.0%	52.8%	17.5%	20.7%
Diluted shares outstanding	2.5%	(2.4%)	1.6%					9.6%	55.9%	54.7%		20.1%	43.3%	1.0%	1.3%
EBITDA	6.0%	(7.6%)	24.5%	159.2%	39.1%	89.3%	41.2%	68.1%	41.7%	33.6%	39.8%	29.1%	35.7%	12.0%	13.1%
REVENUE ANALYSIS															
Total revenues	\$ 548	\$ 597	\$ 833	\$ 311	\$ 311	\$ 320	\$ 324	\$ 1,267	\$ 332	\$ 337	\$ 345	\$ 355	\$ 1,368	\$ 1,504	\$ 1,655
Growth: core	19.1%	10.2%	15.2%	11.7%	4.1%	10.4%	8.3%	8.5%	9.6%	12.1%	11.5%	11.9%	11.3%	10.1%	10.0%
Growth: FX	2.3%	(1.2%)	(0.4%)	2.5%	3.7%	0.2%	(1.6%)	0.8%	(3.0%)	(4.0%)	(3.7%)	(2.4%)	(3.3%)	(0.1%)	0.0%
Growth: acquisitions	0.0%	0.0%	24.7%	72.8%	65.7%	59.5%	1.7%	42.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Growth: total	21.4%	9.0%	39.5%	87.0%	73.5%	70.1%	8.4%	52.1%	6.6%	8.1%	7.8%	9.5%	8.0%	9.9%	10.0%
BOOKINGS & BACKLOG															
Beginning backlog		\$ 1,314	\$ 1,383	\$ 1,940	\$ 1,987	\$ 2,045	\$ 2,091	\$ 1,940	\$ 2,141	\$ 2,185	\$ 2,262	\$ 2,348	\$ 2,141	\$ 2,407	\$ 2,678
Revenue		(597)	(833)	(311)	(311)	(320)	(324)	(1,267)	(332)	(337)	(345)	(355)	(1,368)	(1,504)	(1,655)
Gross bookings		948	998	423	424	442	457	1,745	444	462	507	482	1,896	2,045	2,234
Cancellations		(294)	(223)	(72)	(52)	(60)	(68)	(252)	(46)	(55)	(76)	(70)	(247)	(271)	(311)
Other adjustments		12	615	8	(3)	(15)	(15)	(26)	(22)	6	(0)	2	(15)	-	-
Ending backlog	\$ 1,314	\$ 1,383	\$ 1,987	\$ 2,045	\$ 2,091	\$ 2,141	\$ 2,141	\$ 2,141	\$ 2,185	\$ 2,262	\$ 2,348	\$ 2,407	\$ 2,141	\$ 2,678	\$ 2,946
Total net bookings		653.50	774	351	372	382	388	1,494	398	408	431	412	1,649	1,775	1,923
Gross book-to-bill		1.59	1.20	1.36	1.36	1.38	1.41	1.38	1.34	1.37	1.47	1.36	1.39	1.36	1.35
Net book-to-bill		1.09	0.93	1.13	1.19	1.19	1.20	1.18	1.20	1.21	1.25	1.16	1.21	1.18	1.16
Backlog burn rate		45.4%	60.2%	16.1%	15.7%	15.7%	15.5%	65.3%	15.5%	15.4%	15.3%	15.1%	63.9%	62.5%	61.8%
OTHER															
Cash and equivalents		\$ 109	\$ 72	\$ 58	\$ 58	\$ 49	\$ 85	\$ 85	\$ 64	\$ 61	\$ 48	\$ 112	\$ 112	\$ 130	\$ 172
Total debt		454	1,265	1,283	1,251	1,249	949	949	934	919	929	940	940	844	748
Net cash (debt)		\$ (345)	\$ (1,193)	\$ (1,225)	\$ (1,194)	\$ (1,200)	\$ (863)	\$ (863)	\$ (870)	\$ (858)	\$ (881)	\$ (828)	\$ (828)	\$ (714)	\$ (576)
Debt to TTM EBITDA		4.1x	11.3x	9.5x	8.4x	7.4x	4.9x	4.9x	4.5x	4.1x	3.9x	3.4x	3.4x	2.7x	1.9x
Cash flow from operations		\$ 99	\$ 25	\$ (40)	\$ 37	\$ 5	\$ 21	\$ 23	\$ 3	\$ 27	\$ 42	\$ 63	\$ 135	\$ 153	\$ 177
Capital expenditures		(18)	(20)	(6)	(6)	(7)	(8)	(27)	(8)	(9)	(9)	(9)	(35)	(35)	(35)
Free cash flow		\$ 81	\$ 6	\$ (46)	\$ 31	\$ (2)	\$ 13	\$ (5)	\$ (4)	\$ 17	\$ 33	\$ 54	\$ 100	\$ 118	\$ 142
Headcount (actual)			10,200	10,250	10,300	10,600	11,000	11,000	11,100	11,200	11,300	11,400	11,400	11,900	12,400
Book value per share		\$ 4	\$ 12	\$ 11	\$ 11	\$ 10	\$ 13	\$ 15	\$ 10	\$ 11	\$ 11	\$ 11	\$ 11	\$ 13	\$ 15
Tangible book value per share		\$ (11)	\$ (33)	\$ (33)	\$ (32)	\$ (30)	\$ (18)	\$ (22)	\$ (15)	\$ (14)	\$ (14)	\$ (13)	\$ (13)	\$ (11)	\$ (8)

Source for all: Company reports and Wells Fargo Securities, LLC estimates

Company Description:

Raleigh, North Carolina-based PRA Health Sciences, Inc. (NASDAQ: PRAH) is a top-five clinical contract research organization by revenue. The company is a pure play in clinical (phase I-IV) development and is differentiated by a large footprint in non-programmatic outsourcing (e.g., functional outsourcing). It operates in one segment.

Required Disclosures

PRA Health Sciences, Inc. (PRAH) 3-yr. Price Performance

Date

Date	Published Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
11/13/2014		IPO at \$18.00			
12/8/2014		Evans			
12/8/2014	22.06	1	25.00	26.00	21.92
1/22/2015	25.35	1	27.00	28.00	27.25
2/19/2015	28.04	1	32.00	34.00	28.04
7/27/2015	40.61	1	44.00	46.00	40.61

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

▼ Rating Downgrade

▲ Rating Upgrade

● Valuation Range Change

◆ Initiation, Resumption, Drop or Suspend

■ Analyst Change

□ Split Adjustment

Rating Code Key

1 Outperform/Buy SR Suspended

2 Market Perform/Hold NR Not Rated

3 Underperform/Sell NE No Estimate

Additional Information Available Upon Request

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- Wells Fargo Securities, LLC maintains a market in the common stock of PRA Health Sciences, Inc.
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Sciences, Inc.

PRAH: Risks include: (1) project cancellations or delays due to client M&A, economic weakness, pipeline reprioritization, or compound failure; (2) a reversal in the trend toward increased outsourcing; (3) regulatory risks; (4) significant financial leverage; (5) integration risks, and (6) controlled company status.

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2=Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

3=Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

SECTOR RATING

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M=Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

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V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: November 2, 2015

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