

PRA Health Sciences, Inc. (PRAH)

Rating	OUTPERFORM* [V]
Price (27 May 15, US\$)	32.73
Target price (US\$)	37.00 ¹
52-week price range	32.73 - 19.62
Market cap. (US\$ m)	1,958.16
Enterprise value (US\$ m)	2,679.01

*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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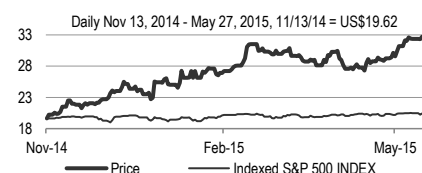
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INCREASE TARGET PRICE

Reinstating Coverage & Forecasts

- **Bottom Line:** We are reinstating coverage of PRAH with an Outperform rating and a \$37 target price vs. our previous restricted status. Recall that PRAH reported 1Q15 earnings on 5/6/15 and provided updated guidance. Consequently we have revisited our financial model to incorporate the updated guidance and 1Q15 results. Note that our previous estimates were before 1Q15 results due to the timing of our restriction. We are increasing our F15-F17 EPS to \$1.66, \$1.96, and \$2.24 from \$1.42, \$1.73, and \$2.03 respectively. Our new PT of \$37 implies shares can trade at ~19x our F16 EPS estimate.

Share price performance



Quarterly EPS	Q1	Q2	Q3	Q4
2014A	0.20	0.36	0.35	0.35
2015E	0.41	0.41	0.41	0.43
2016E	0.47	0.49	0.48	0.52

Financial and valuation metrics

Year	12/14A	12/15E	12/16E	12/17E
EPS (CS adj.) (US\$)	1.26	1.66	1.96	2.24
Prev. EPS (US\$)	—	1.42	1.73	2.03
P/E (x)	26.1	19.7	16.7	14.6
P/E rel. (%)	144.3	110.6	105.0	103.2
Revenue (US\$ m)	1,266.6	1,365.9	1,497.5	1,620.3
EBITDA (US\$ m)	182.8	224.9	251.2	276.1
OCFPS (US\$)	0.58	2.85	2.81	3.11
P/OCF (x)	41.5	11.5	11.6	10.5
EV/EBITDA (current)	15.4	11.9	10.1	8.6
Net debt (US\$ m)	863	721	582	424
ROIC (%)	6.85	9.65	11.15	12.66
Number of shares (m)	59.83	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 27-May-2015)

PRA Health Sciences, Inc. (PRAH.OQ, \$32.73, OUTPERFORM[V], TP \$37.0)

Disclosure Appendix

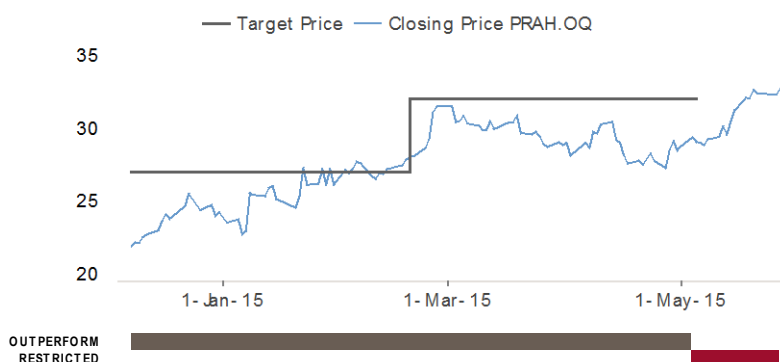
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3-Year Price and Rating History for PRA Health Sciences, Inc. (PRAH.OQ)

PRAH.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
08-Dec-14	21.92	27.00	O *
19-Feb-15	28.04	32.00	
05-May-15	29.07		R

* Asterisk signifies initiation or assumption of coverage.



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Restricted	3%	

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

Method: Our target price of \$37 for PRA Health Sciences implies shares can trade ~19x our F16 EPS estimate. The target PE 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 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 \$37 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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