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## EPS Changes: 4% or Less

DAILY

Changes from 30-Mar-2015 (00:01 NY) to 30-Mar-2015 (23:50 NY)

	EPS Changes			Description
	FY1	FY2	FY3	
INC Research, Inc (INCR.OQ) (USD)				Rating: OUTPERFORM Target: US\$32 Current Price: US\$32.57 Analyst: Jeffrey Bailin
- New	1.24	1.48	1.77	Adjusting estimates for 1Q Fx
- Old	1.24	1.48	1.77	
- % Change	-0.1%	-0.1%	-0.1%	

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**Companies Mentioned** (Price as of 30-Mar-2015)

INC Research, Inc (INCR.OQ, \$32.57, OUTPERFORM[V], TP \$32.0)

**Disclosure Appendix****Important Global Disclosures**

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**3-Year Price and Rating History for INC Research, Inc (INCR.OQ)**

INCR.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
02-Dec-14	24.20	29.00	O *
24-Feb-15	27.93	32.00	

\* Asterisk signifies initiation or assumption of coverage.



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Underperform/Sell*	16%	(44% banking clients)
Restricted	3%	

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#### Price Target: (12 months) for INC Research, Inc (INCR.OQ)

**Method:** We arrived at our \$32 target price for INC Research using an equal weighting of P/E & EV/EBITDA valuation. Our price to earnings valuation yields a price target of \$32 applying a multiple of 21.6x our F16 EPS estimate of \$1.48. Our EV/EBITDA analysis applies a roughly 12x multiple to our F16 EBITDA of \$188.1M. Our target valuation multiples are roughly in-line with target multiples at industry-leading clinical peers in light of slightly smaller scale & shorter public history balanced by a healthy growth outlook at the high end of industry growth rates. 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 INC Research's achievement of our \$32 target price: 1) favorable biotech funding environment could moderate; 2) smaller revenue footprint and scale; 3) controlled company status & PE ownership could represent overhang; and 4) high expectations for CRO group. 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. Finally, with a smaller revenue footprint & scale INC could be exposed to greater volatility due to the cancellation of individual trials relative to peers which could in turn negatively impact sentiment.

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See the Companies Mentioned section for full company names

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