

# PRA Health Sciences Inc

## Looking for More 'Early Development' Color

### Expecting 7% rev growth to \$332 mil and 55% EPS growth to \$0.31

PRA is expected to report 1Q15 Eps on May 6. We expect 7% rev growth to \$332 mil, slightly above the \$330 mil Street expectation. However, with significant margin expansion and de-leveraging, we expect 55% EPS growth to \$0.31 (in-line with Street). On bookings, we're looking to see the company report new business of \$386 mil, translating to a 1.16 book to bill ratio and a burn rate of ~15.5% (consistent with prior trends). We currently model EBIT margins of 12.0%, a 110 bps expansion y/y. We also expect to hear comments regarding the company's expansion of early development services and additional color on capital usage re: debt paydown, acquisitions, etc. (recall the company noted possible debt paydown beginning in April 2015).

### Expansion of early development a sign of things to come?

At the end of C1Q15, PRA Health announced an expansion of the company's Early Development Services. As part of the expansion of services, the company would be opening an 11k square foot outpatient facility with a focus on psychiatry, neurology, pain, and other key therapeutic areas. The expansion would also include an expansion of patient pharmacology services into Russia and an expansion of capability at the company's Lenexa, Kansas site. The company cited market demand for the expansion of services, which may bode well for future growth in PRAH and a possible expansion of services at other CROs with small early development operations. Further, this may indicate that the early development/discovery market that CRL caters to is truly back.

### Investors still on 'watchtower' duty in relation to FX for PRA and other CROs

While the company has relatively minimal exposure to FX (80% USD), the company did guide to some minor FX headwinds for FY15 which may have worsened given the strength of the USD during 1Q15. Finally, while the company did not seem to compete directly against CVD, we look to hear how the tie-up between Q/DGX will impact the competitive dynamic of the CRO space and how it may impact PRAH.

### Valuation: Buy rating with \$32 PT

Buy rating and \$32 PT based on a P/E of 18x on our CY16E EPS of \$1.73; =12x EBITDA.

### Equities

Americas  
Healthcare Providers

12-month rating **Buy**

12m price target **US\$32.00**

Price **US\$27.75**

RIC: PRAH.O BBG: PRAH US

### Trading data and key metrics

|                            |                |
|----------------------------|----------------|
| 52-wk range                | US\$31.52-0.00 |
| Market cap.                | US\$1.66bn     |
| Shares o/s                 | 59.8m (COM)    |
| Free float                 | 100%           |
| Avg. daily volume ('000)   | 180            |
| Avg. daily value (m)       | US\$5.2        |
| Common s/h equity (12/15E) | US\$0.67bn     |
| P/BV (12/15E)              | 2.6x           |
| Net debt / EBITDA (12/15E) | 3.9x           |

### EPS (UBS, diluted) (US\$)

|        | 12/15E |       |
|--------|--------|-------|
|        | UBS    | Cons. |
| Q1E    | 0.31   | 0.31  |
| Q2E    | 0.37   | 0.34  |
| Q3E    | 0.37   | 0.37  |
| Q4E    | 0.40   | 0.40  |
| 12/15E | 1.45   | 1.41  |
| 12/16E | 1.73   | 1.71  |
| 12/17E | 2.00   | 2.00  |

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| Highlights (US\$m)        | 12/12 | 12/13   | 12/14 | 12/15E | 12/16E | 12/17E | 12/18E | 12/19E |
|---------------------------|-------|---------|-------|--------|--------|--------|--------|--------|
| Revenues                  | 597   | 833     | 1,267 | 1,369  | 1,472  | 1,575  | 1,683  | 1,794  |
| EBIT (UBS)                | 81    | 113     | 162   | 175    | 200    | 222    | 247    | 271    |
| Net earnings (UBS)        | 32    | 25      | 55    | 88     | 107    | 125    | 146    | 165    |
| EPS (UBS, diluted) (US\$) | 0.80  | 0.61    | 1.26  | 1.45   | 1.73   | 2.00   | 2.32   | 2.61   |
| DPS (US\$)                | 0.00  | 0.00    | 0.00  | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   |
| Net (debt) / cash         | (345) | (1,184) | (857) | (774)  | (664)  | (541)  | (408)  | (265)  |
| Profitability/valuation   | 12/12 | 12/13   | 12/14 | 12/15E | 12/16E | 12/17E | 12/18E | 12/19E |
| EBIT margin %             | 13.6  | 13.5    | 12.8  | 12.8   | 13.6   | 14.1   | 14.7   | 15.1   |
| ROIC (EBIT) %             | -     | -       | 10.4  | 12.1   | 14.7   | 17.3   | 20.5   | 23.9   |
| EV/EBITDA (core) x        | -     | -       | -     | 12.3   | 10.5   | 9.1    | 7.7    | 6.6    |
| P/E (UBS, diluted) x      | -     | -       | -     | 19.2   | 16.1   | 13.9   | 12.0   | 10.7   |
| Equity FCF (UBS) yield %  | -     | -       | -     | 5.7    | 7.1    | 7.9    | 8.4    | 9.0    |
| Net dividend yield %      | -     | -       | -     | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US\$27.75 on 24 Apr 2015 19:38 EDT

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# Investment Thesis

## PRA Health Sciences Inc

### Investment case

PRA Health Sciences is a CRO focused primarily on the late-stage clinical trial market segment, with a niche therapeutic approach in both CNS and oncology (among others). Of great importance, PRA seems to have greater customer mix in the faster growing biotech and small- to mid-size pharma customer base, which should allow the company to consistently report top-line growth that is at least in line with overall industry growth. PRA derives ~40% of sales from biotech companies (one of the highest in the industry). PRAH's recent acquisitions should bolster the company's future prospects and we rate PRAH a Buy with a price target of \$32 based on a P/E of 18x our 2016 EPS estimate of \$1.73.

### Upside scenario

In our upside scenario to our thesis, PRAH would sign a strategic partnership with a major top 10 pharmaceutical company. This contract along with growth in the market and better economics as the company streamlines acquisitions would warrant a higher PE multiple given the EPS growth from the contract. Applying a hypothetical 20x PE to an EPS of \$1.73 equates to a valuation of \$35/sh.

### Downside scenario

In the downside scenario to our thesis, the company could lose a strategic partner while seeing difficulties in the integration of the various acquisitions done over 2013. The integration issues could materialize in higher costs which could result in a hypothetical EPS of \$1.47. On a slightly lower multiple of ~15x, this leads to a valuation of \$22/sh.

### Upcoming catalysts

May, 2015 – 1Q15 Earnings

12-month rating

**Buy**

12m price target

**US\$32.00**

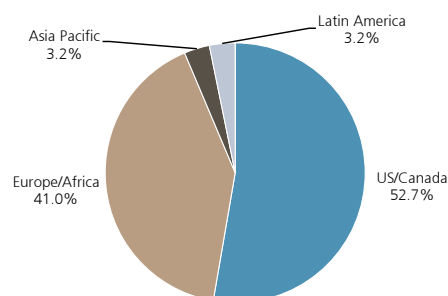
### Business description

PRA Health Sciences Inc. is a contract research organization. The company provides biopharmaceutical development services to pharmaceutical and biotechnology companies. The company has historically catered to smaller biotech and pharma companies. During 2013, PRAH acquired CRL Lifetree, ClinStar, and RPS. The acquisition of RPS greatly expanded the company's relationships with large pharma companies while providing a global presence to conduct clinical trials. The company IPOed in November 2014.

### Industry outlook

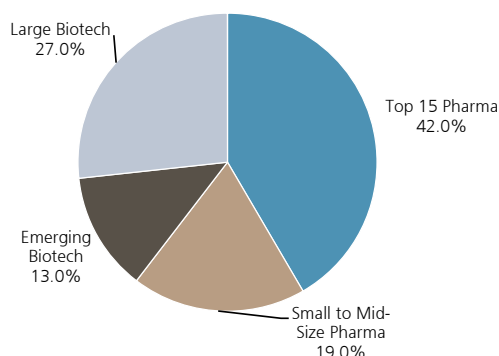
The CRO industry has been growing at a steady clip, primarily the result of significant growth in the phase II-IV market. However, we expect the early development market to have relatively flat growth through 2018. We expect the overall CRO industry to grow at a CAGR of ~6-7% through 2018, with CRO market penetration accelerating through the years. We expect the CRO market penetration to increase from ~42% in 2013 to ~52% in 2018. We expect the largest CROs to be the primary beneficiaries of increased outsourcing trends.

### Revenues by region (2013)



Source: Company Documents

### Revenues by Customer Segment (3Q14)



Source: Company Documents

Figure 1: PRA Health – 2015 Guidance Table

| PRA Health: Company Guidance Table      |                         |
|---|-------------------------|
| Guidance For Period:<br>Date Announced: | FY15<br>2/18/2015       |
| Consolidated Services Revenues          | \$1.35 - 1.40 bil       |
| Effective Tax Rate                      | 30.0%                   |
| Non-GAAP Diluted EPS                    | \$1.35 - 1.45           |
| Y-O-Y Growth                            | 7 - 15%                 |
| GAAP Diluted EPS                        | \$0.60 - 0.65           |
| FX                                      | Assumes<br>1/1/15 rates |
| Note:                                   |                         |

Source: Company reports.

Figure 2: PRA Health – Quarterly Revenue Model & Statistics (\$ mil)

| PRAH - Quarterly Revenue Model (\$mm)     |                            |                            |                            |                            |                       |                       |                       |                       |
|---|----------------------------|----------------------------|----------------------------|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | PRAH<br>03/31/14<br>Actual | PRAH<br>06/30/14<br>Actual | PRAH<br>09/30/14<br>Actual | PRAH<br>12/31/14<br>Actual | 03/31/15<br>Projected | 06/30/15<br>Projected | 09/30/15<br>Projected | 12/31/15<br>Projected |
| <b>Revenues:</b>                          |                            |                            |                            |                            |                       |                       |                       |                       |
| Gross Revenues                            | \$354.7                    | \$357.5                    | \$377.3                    | \$370.0                    | \$381.3               | \$389.7               | \$411.3               | \$399.6               |
| Reimbursable Revenue                      | (43.4)                     | (46.1)                     | (57.3)                     | (46.2)                     | (49.0)                | (50.3)                | (63.6)                | (49.7)                |
| <b>Net Revenues</b>                       | <b>\$311.4</b>             | <b>\$311.4</b>             | <b>\$320.1</b>             | <b>\$323.8</b>             | <b>\$332.3</b>        | <b>\$339.4</b>        | <b>\$347.7</b>        | <b>\$349.9</b>        |
| Yr/Yr Growth                              | 87.0%                      | 73.5%                      | 70.1%                      | 8.4%                       | 6.7%                  | 9.0%                  | 8.6%                  | 8.1%                  |
| <b>Backlog:</b>                           |                            |                            |                            |                            |                       |                       |                       |                       |
| Backlog                                   | \$1,987                    | \$2,045                    | \$2,091                    | \$2,141                    | \$2,196               | \$2,249               | \$2,301               | \$2,345               |
| Yr/Yr Growth                              | 39.8%                      | 41.6%                      | 42.7%                      | 10.4%                      | 10.5%                 | 10.0%                 | 10.0%                 | 9.5%                  |
| Gross New business                        | \$422.8                    | \$423.8                    | \$442.0                    | \$456.8                    | \$465.1               | \$466.2               | \$486.2               | \$502.5               |
| Net New business                          | \$351.3                    | \$371.9                    | \$382.0                    | \$388.4                    | \$386.0               | \$391.6               | \$403.5               | \$417.1               |
| Net new business growth y-o-y             | 91.7%                      | 86.6%                      | 101.3%                     | 92.4%                      | 9.9%                  | 5.3%                  | 5.6%                  | 7.4%                  |
| Net book-to-bill ratio                    | 1.13                       | 1.19                       | 1.19                       | 1.20                       | 1.16                  | 1.15                  | 1.16                  | 1.19                  |
| Cancellations                             | (\$71.5)                   | (\$51.9)                   | (\$60.0)                   | (\$68.4)                   | (\$79.1)              | (\$74.6)              | (\$82.7)              | (\$85.4)              |
| As a % of Beginning Backlog               | 3.7%                       | 2.6%                       | 2.9%                       | 3.3%                       | 3.7%                  | 3.4%                  | 3.7%                  | 3.7%                  |
| Burn Rate                                 | 16.1%                      | 15.7%                      | 15.7%                      | 15.5%                      | 15.5%                 | 15.5%                 | 15.5%                 | 15.2%                 |
| <b>Net revenue % by geographical area</b> |                            |                            |                            |                            |                       |                       |                       |                       |
| US/Canada                                 | 57.5%                      | 58.7%                      | 56.0%                      | 59.7%                      | --                    | --                    | --                    | --                    |
| Europe/Africa                             | 34.1%                      | 33.1%                      | 33.0%                      | 31.8%                      | --                    | --                    | --                    | --                    |
| Asia Pacific                              | 3.9%                       | 4.2%                       | 5.0%                       | 4.1%                       | --                    | --                    | --                    | --                    |
| Latin America                             | 4.5%                       | 4.0%                       | 6.0%                       | 4.4%                       | --                    | --                    | --                    | --                    |
| <b>Total</b>                              | <b>100.0%</b>              | <b>100.0%</b>              | <b>100.0%</b>              | <b>100.0%</b>              | <b>--</b>             | <b>--</b>             | <b>--</b>             | <b>--</b>             |
| <b>Net revenue by geographical area</b>   |                            |                            |                            |                            |                       |                       |                       |                       |
| US/Canada                                 | \$179.1                    | \$182.9                    | \$179.2                    | \$193.4                    | --                    | --                    | --                    | --                    |
| Europe/Africa                             | 106.1                      | 103.0                      | 105.6                      | 102.9                      | --                    | --                    | --                    | --                    |
| Asia Pacific                              | 12.3                       | 13.0                       | 16.0                       | 13.4                       | --                    | --                    | --                    | --                    |
| Latin America                             | 13.9                       | 12.5                       | 19.2                       | 14.1                       | --                    | --                    | --                    | --                    |
| <b>Total</b>                              | <b>\$311.4</b>             | <b>\$311.4</b>             | <b>\$320.1</b>             | <b>\$323.8</b>             | <b>--</b>             | <b>--</b>             | <b>--</b>             | <b>--</b>             |

Source: Company Documents; UBS Estimates

Figure 3: PRA Health Sciences – Quarterly Income Statement (\$ mil)

| PRAH - Quarterly Income Statement (Millions) |                            |                            |                            |                            |                       |                       |                       |                       |
|--|----------------------------|----------------------------|----------------------------|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Revenues                                     | PRAH<br>03/31/14<br>Actual | PRAH<br>06/30/14<br>Actual | PRAH<br>09/30/14<br>Actual | PRAH<br>12/31/14<br>Actual | 03/31/15<br>Projected | 06/30/15<br>Projected | 09/30/15<br>Projected | 12/31/15<br>Projected |
| <b>Total Revenue</b>                         | <b>\$311.4</b>             | <b>\$311.4</b>             | <b>\$320.1</b>             | <b>\$323.8</b>             | <b>\$332.3</b>        | <b>\$339.4</b>        | <b>\$347.7</b>        | <b>\$349.9</b>        |
| % change                                     | 87.0%                      | 73.5%                      | 70.1%                      | 8.4%                       | 6.7%                  | 9.0%                  | 8.6%                  | 8.1%                  |
| <b>Expenses</b>                              |                            |                            |                            |                            |                       |                       |                       |                       |
| COGS   | 215.2                      | 213.4                      | 215.7                      | 214.9                      | 225.6                 | 230.8                 | 234.7                 | 234.4                 |
| % of revenue                                 | 69.1%                      | 68.5%                      | 67.4%                      | 66.4%                      | 67.9%                 | 68.0%                 | 67.5%                 | 67.0%                 |
| Gross Profit (incl stock comp exp)           | 96.2                       | 98.0                       | 104.3                      | 108.8                      | 106.7                 | 108.6                 | 113.0                 | 115.5                 |
| % of revenue                                 | 30.9%                      | 31.5%                      | 32.6%                      | 33.6%                      | 32.1%                 | 32.0%                 | 32.5%                 | 33.0%                 |
| SG&A (incl stock comp exp)                   | 60.8                       | 56.0                       | 63.4                       | 61.8                       | 63.1                  | 60.8                  | 65.0                  | 64.7                  |
| % of revenue                                 | 19.5%                      | 18.0%                      | 19.8%                      | 19.1%                      | 19.0%                 | 17.9%                 | 18.7%                 | 18.5%                 |
| Stock Comp (Addback to EBITDA)               | (0.9)                      | (0.9)                      | (1.0)                      | (0.7)                      | (0.9)                 | (1.0)                 | (0.9)                 | (0.8)                 |
| Other Op Exp. (Addback to EBITDA)            | (3.5)                      | (2.6)                      | (5.2)                      | (2.9)                      | (1.0)                 | (1.0)                 | (1.0)                 | (1.0)                 |
| <i>Adjusted EBITDA check line</i>            | <i>39.7</i>                | <i>45.5</i>                | <i>47.0</i>                | <i>50.6</i>                |                       |                       |                       |                       |
| <b>Adjusted EBITDA</b>                       | <b>39.7</b>                | <b>45.5</b>                | <b>47.0</b>                | <b>50.6</b>                | <b>45.4</b>           | <b>49.9</b>           | <b>49.9</b>           | <b>52.5</b>           |
| % of revenue                                 | 12.8%                      | 14.6%                      | 14.7%                      | 15.6%                      | 13.7%                 | 14.7%                 | 14.3%                 | 15.0%                 |
| Depreciation (ex Deal Amortization)          | 5.9                        | 4.9                        | 4.5                        | 5.4                        | 5.5                   | 5.6                   | 5.7                   | 5.8                   |
| % of revenue                                 | 1.9%                       | 1.6%                       | 1.4%                       | 1.7%                       | 1.7%                  | 1.6%                  | 1.6%                  | 1.7%                  |
| Other expense exclude from net income        | 0.0                        | 0.0                        | 0.0                        | 0.0                        | 0.0                   | 0.0                   | 0.0                   | 0.0                   |
| % of revenue                                 | 0.0%                       | 0.0%                       | 0.0%                       | 0.0%                       | 0.0%                  | 0.0%                  | 0.0%                  | 0.0%                  |
| Operating Income                             | 33.8                       | 40.6                       | 42.5                       | 45.2                       | 39.9                  | 44.3                  | 44.2                  | 46.7                  |
| % of revenue                                 | 10.9%                      | 13.0%                      | 13.3%                      | 14.0%                      | 12.0%                 | 13.0%                 | 12.7%                 | 13.4%                 |
| Interest Expense (Income), net               | 20.3                       | 19.4                       | 21.0                       | 17.0                       | 12.2                  | 12.2                  | 12.0                  | 11.7                  |
| Other Expense (income), net                  | 0.0                        | 0.0                        | 0.0                        | 0.0                        | 0.0                   | 0.0                   | 0.0                   | 0.0                   |
| Pretax Income                                | 13.5                       | 21.2                       | 21.5                       | 28.2                       | 27.7                  | 32.1                  | 32.2                  | 35.1                  |
| % of revenue                                 | 4.3%                       | 6.8%                       | 6.7%                       | 8.7%                       | 8.3%                  | 9.4%                  | 9.3%                  | 10.0%                 |
| Income Taxes                                 | 5.4                        | 6.7                        | 7.3                        | 9.6                        | 8.6                   | 9.6                   | 9.7                   | 10.7                  |
| Tax Rate (%)                                 | 40.0%                      | 31.6%                      | 34.0%                      | 34.0%                      | 31.0%                 | 30.0%                 | 30.0%                 | 30.5%                 |
| Minority Interest (Income)                   | 0.0                        | 0.0                        | 0.0                        | 0.0                        | 0.0                   | 0.0                   | 0.0                   | 0.0                   |
| Net Income                                   | 8.1                        | 14.5                       | 14.2                       | 18.6                       | 19.1                  | 22.4                  | 22.6                  | 24.4                  |
| % of revenue                                 | 2.6%                       | 4.7%                       | 4.4%                       | 5.8%                       | 5.8%                  | 6.6%                  | 6.5%                  | 7.0%                  |
|  | <b>\$0.20</b>              | <b>\$0.36</b>              | <b>\$0.34</b>              | <b>\$0.35</b>              | <b>\$0.31</b>         | <b>\$0.37</b>         | <b>\$0.37</b>         | <b>\$0.40</b>         |
| <b>EPS - Fully Diluted</b>                   |                            |                            |                            |                            |                       |                       |                       |                       |
| % change                                     | -6.5%                      | 18.1%                      | -313.9%                    | 37.7%                      | 55.8%                 | 3.3%                  | 9.2%                  | 12.7%                 |
| Fully Diluted Shares (mil.)                  | 40.3                       | 40.8                       | 42.1                       | 53.0                       | 61.0                  | 61.1                  | 61.3                  | 61.5                  |
| <b>P&amp;L Line Growth Comparison:</b>       |                            |                            |                            |                            |                       |                       |                       |                       |
| Revenues                                     | 87.0%                      | 73.5%                      | 70.1%                      | 8.4%                       | 6.7%                  | 9.0%                  | 8.6%                  | 8.1%                  |
| COGS   | 114.8%                     | 101.2%                     | 86.7%                      | 4.8%                       | 4.9%                  | 8.2%                  | 8.8%                  | 9.1%                  |
| Gross Profit (incl stock comp exp)           | 45.0%                      | 33.6%                      | 43.7%                      | 16.1%                      | 10.9%                 | 10.8%                 | 8.3%                  | 6.1%                  |
| SG&A (incl stock comp exp)                   | 15.4%                      | 25.0%                      | 25.0%                      | -4.0%                      | 3.8%                  | 8.5%                  | 2.5%                  | 4.8%                  |
| EBITDA                                       | 35.6%                      | 37.6%                      | 42.5%                      | 43.6%                      | 14.4%                 | 9.7%                  | 6.1%                  | 3.7%                  |
| Depreciation and Amortization                | 42.3%                      | 23.4%                      | 1.3%                       | -1.3%                      | -6.7%                 | 14.1%                 | 26.6%                 | 7.1%                  |
| Operating Income                             | 34.5%                      | 39.6%                      | 48.9%                      | 51.8%                      | 18.1%                 | 9.1%                  | 3.9%                  | 3.4%                  |
| Interest Expense                             | 108.3%                     | 75.8%                      | 78.0%                      | -16.5%                     | -39.9%                | -36.9%                | -43.1%                | -31.3%                |
| Pretax Income                                | -12.3%                     | 17.5%                      | 28.4%                      | 198.4%                     | 105.3%                | 51.2%                 | 50.0%                 | 24.2%                 |
| Net Income                                   | -10.4%                     | 14.7%                      | -314.3%                    | 79.8%                      | 136.0%                | 54.7%                 | 59.1%                 | 30.8%                 |
| EPS  | -6.5%                      | 18.1%                      | -313.9%                    | 37.7%                      | 55.8%                 | 3.3%                  | 9.2%                  | 12.7%                 |
| Shares Outstanding                           | -4.1%                      | -2.9%                      | 0.2%                       | 30.6%                      | 51.5%                 | 49.8%                 | 45.7%                 | 16.0%                 |
| Dividend Per Share                           | \$0.00                     | \$0.00                     | \$0.00                     | \$0.00                     | \$0.00                | \$0.00                | \$0.00                | \$0.00                |

Source: Company Documents; UBS Estimates

Figure 4: PRA Health Sciences – Annual Revenue Model & Statistics (\$ mil)

| PRAH - Annual Revenue Model               |                        |                        |                        |                   |                   |                   |                   |                   |
|---|------------------------|------------------------|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | PRAH<br>FY12<br>Actual | PRAH<br>FY13<br>Actual | PRAH<br>FY14<br>Actual | FY15<br>Projected | FY16<br>Projected | FY17<br>Projected | FY18<br>Projected | FY19<br>Projected |
| <b>Revenues:</b>                          |                        |                        |                        |                   |                   |                   |                   |                   |
| Gross Revenues                            | \$699.7                | \$991.3                | \$1,459.6              | \$1,581.9         | \$1,700.6         | \$1,819.6         | \$1,943.3         | \$2,071.6         |
| Reimbursable Revenue                      | (102.7)                | (158.4)                | (193.0)                | (212.5)           | (228.5)           | (244.5)           | (260.4)           | (277.3)           |
| <b>Net Revenues</b>                       | <b>\$699.7</b>         | <b>\$832.9</b>         | <b>\$1,266.6</b>       | <b>\$1,369.4</b>  | <b>\$1,472.1</b>  | <b>\$1,575.1</b>  | <b>\$1,683.0</b>  | <b>\$1,794.3</b>  |
| Yr/Yr Growth                              | 27.8%                  | 19.0%                  | 52.1%                  | 8.1%              | 7.5%              | 7.0%              | 6.8%              | 6.6%              |
| <b>Backlog:</b>                           |                        |                        |                        |                   |                   |                   |                   |                   |
| Backlog                                   | \$1,383                | \$1,940                | \$2,141                | \$2,345           | \$2,567           | \$2,809           | \$3,070           | \$3,346           |
| Yr/Yr Growth                              | 5.2%                   | 40.3%                  | 10.4%                  | 9.5%              | 9.5%              | 9.4%              | 9.3%              | 9.0%              |
| Gross New business                        | \$947.8                | \$997.7                | \$1,745.4              | \$1,919.9         | \$2,065.9         | \$2,220.8         | \$2,376.3         | \$2,530.7         |
| Net New business                          | \$653.5                | \$774.3                | \$1,493.6              | \$1,598.2         | \$1,718.1         | \$1,838.3         | \$1,957.8         | \$2,075.3         |
| Net new business growth y-o-y             | -11.3%                 | 18.5%                  | 92.9%                  | 7.0%              | 7.5%              | 7.0%              | 6.5%              | 6.0%              |
| Net book-to-bill ratio                    | 0.93                   | 0.93                   | 1.18                   | 1.17              | 1.17              | 1.17              | 1.16              | 1.16              |
| Cancellations                             | \$294.3                | \$223.4                | \$251.8                | \$321.7           | \$347.8           | \$382.5           | \$418.4           | \$455.4           |
| As a % of Beginning Backlog               | 22.4%                  | 16.2%                  | 13.0%                  | 15.0%             | 14.8%             | 14.9%             | 14.9%             | 14.8%             |
| Burn Rate                                 | 11.4%                  | 14.5%                  | 15.7%                  | 15.4%             | 15.7%             | 15.3%             | 15.0%             | 14.6%             |
| <b>Net revenue % by geographical area</b> |                        |                        |                        |                   |                   |                   |                   |                   |
| US/Canada                                 | 53.9%                  | 52.7%                  | 58.0%                  | --                | --                | --                | --                | --                |
| Europe/Africa                             | 40.8%                  | 41.0%                  | 33.0%                  | --                | --                | --                | --                | --                |
| Asia Pacific                              | 3.2%                   | 3.2%                   | 4.3%                   | --                | --                | --                | --                | --                |
| Latin America                             | 2.1%                   | 3.2%                   | 4.7%                   | --                | --                | --                | --                | --                |
| <b>Total</b>                              | <b>100%</b>            | <b>100%</b>            | <b>100%</b>            | <b>--</b>         | <b>--</b>         | <b>--</b>         | <b>--</b>         | <b>--</b>         |
| <b>Net revenue by geographical area</b>   |                        |                        |                        |                   |                   |                   |                   |                   |
| US/Canada                                 | \$321.7                | \$438.9                | \$734.6                | --                | --                | --                | --                | --                |
| Europe/Africa                             | 243.8                  | 341.1                  | 417.7                  | --                | --                | --                | --                | --                |
| Asia Pacific                              | 19.3                   | 26.4                   | 54.7                   | --                | --                | --                | --                | --                |
| Latin America                             | 12.3                   | 26.5                   | 59.7                   | --                | --                | --                | --                | --                |
| <b>Total</b>                              | <b>\$597.1</b>         | <b>\$832.9</b>         | <b>\$1,266.6</b>       | <b>--</b>         | <b>--</b>         | <b>--</b>         | <b>--</b>         | <b>--</b>         |

Source: Company Documents; UBS Estimates

Figure 5: PRA Health Sciences – Annual Income Statement (\$ mil)

| PRAH - Annual Income Statement (Millions) |                        |                        |                        |                   |                   |                   |                   |                   |
|---|------------------------|------------------------|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues                                  | PRAH<br>FY12<br>Actual | PRAH<br>FY13<br>Actual | PRAH<br>FY14<br>Actual | FY15<br>Projected | FY16<br>Projected | FY17<br>Projected | FY18<br>Projected | FY19<br>Projected |
| <b>Total Revenue</b>                      | <b>\$597.1</b>         | <b>\$832.9</b>         | <b>\$1,266.6</b>       | <b>\$1,369.4</b>  | <b>\$1,472.1</b>  | <b>\$1,575.1</b>  | <b>\$1,683.0</b>  | <b>\$1,794.3</b>  |
| % change                                  | 9.0%                   | 39.5%                  | 52.1%                  | 8.1%              | 7.5%              | 7.0%              | 6.8%              | 6.6%              |
| <b>Expenses</b>                           |                        |                        |                        |                   |                   |                   |                   |                   |
| COGS                                      | 358.6                  | 526.9                  | 859.2                  | 925.6             | 995.1             | 1,063.2           | 1,134.3           | 1,207.6           |
| % of revenue                              | 60.1%                  | 63.3%                  | 67.8%                  | 67.6%             | 67.6%             | 67.5%             | 67.4%             | 67.3%             |
| Gross Profit (incl stock comp exp)        | 238.5                  | 306.0                  | 407.4                  | 443.8             | 477.0             | 511.9             | 548.6             | 586.7             |
| % of revenue                              | 39.9%                  | 36.7%                  | 32.2%                  | 32.4%             | 32.4%             | 32.5%             | 32.6%             | 32.7%             |
| SG&A (incl stock comp exp)                | 160.6                  | 212.6                  | 242.1                  | 253.7             | 262.0             | 275.6             | 287.8             | 301.4             |
| % of revenue                              | 26.9%                  | 25.5%                  | 19.1%                  | 18.5%             | 17.8%             | 17.5%             | 17.1%             | 16.8%             |
| Stock Comp (Addback to EBITDA)            | (11.6)                 | (24.7)                 | (3.5)                  | (3.6)             | (4.0)             | (4.5)             | (5.0)             | (5.5)             |
| Other Op Exp. (Addback to EBITDA)         | (6.7)                  | (12.4)                 | (14.1)                 | (4.0)             | (4.0)             | (4.5)             | (5.0)             | (5.0)             |
| <i>Adjusted EBITDA check line</i>         | <i>96.2</i>            | <i>130.6</i>           | <i>182.8</i>           |                   |                   |                   |                   |                   |
| <b>Adjusted EBITDA</b>                    | <b>96.2</b>            | <b>130.6</b>           | <b>182.8</b>           | <b>197.7</b>      | <b>222.9</b>      | <b>245.3</b>      | <b>270.9</b>      | <b>295.8</b>      |
| % of revenue                              | 16.1%                  | 15.7%                  | 14.4%                  | 14.4%             | 15.1%             | 15.6%             | 16.1%             | 16.5%             |
| Depreciation (ex Deal Amortization)       | 15.0                   | 18.1                   | 20.7                   | 22.6              | 23.0              | 23.5              | 24.0              | 24.4              |
| % of revenue                              | 2.5%                   | 2.2%                   | 1.6%                   | 1.7%              | 1.6%              | 1.5%              | 1.4%              | 1.4%              |
| Other expense exclude from net income     | 0.0                    | 0.0                    | 0.0                    | 0.0               | 0.0               | 0.0               | 0.0               | 0.0               |
| % of revenue                              | 0.0%                   | 0.0%                   | 0.0%                   | 0.0%              | 0.0%              | 0.0%              | 0.0%              | 0.0%              |
| Operating Income                          | 81.1                   | 112.5                  | 162.1                  | 175.1             | 199.9             | 221.8             | 246.9             | 271.4             |
| % of revenue                              | 13.6%                  | 13.5%                  | 12.8%                  | 12.8%             | 13.6%             | 14.1%             | 14.7%             | 15.1%             |
| Interest Expense (Income), net            | 28.5                   | 52.9                   | 77.7                   | 48.0              | 46.0              | 43.0              | 41.0              | 40.0              |
| Other Expense (income), net               | 0.0                    | 0.0                    | 0.0                    | 0.0               | 0.0               | 0.0               | 0.0               | 0.0               |
| Pretax Income                             | 52.6                   | 59.6                   | 84.4                   | 127.1             | 153.9             | 178.8             | 205.9             | 231.4             |
| % of revenue                              | 8.8%                   | 7.2%                   | 6.7%                   | 9.3%              | 10.5%             | 11.3%             | 12.2%             | 12.9%             |
| Income Taxes                              | 20.7                   | 34.2                   | 29.0                   | 38.6              | 46.9              | 53.6              | 59.7              | 65.9              |
| Tax Rate (%)                              | 39.4%                  | 57.3%                  | 34.4%                  | 30.4%             | 30.5%             | 30.0%             | 29.0%             | 28.5%             |
| Minority Interest (Income)                | 0.0                    | 0.0                    | 0.0                    | 0.0               | 0.0               | 0.0               | 0.0               | 0.0               |
| Net Income                                | 31.9                   | 25.4                   | 55.4                   | 88.5              | 107.0             | 125.1             | 146.2             | 165.4             |
| % of revenue                              | 5.3%                   | 3.1%                   | 4.4%                   | 6.5%              | 7.3%              | 7.9%              | 8.7%              | 9.2%              |
| <i>Reported EPS from Cont. Ops.</i>       | <i>\$0.80</i>          | <i>\$0.61</i>          | <i>\$1.26</i>          |                   |                   |                   |                   |                   |
| <b>EPS - Fully Diluted</b>                | <b>\$0.80</b>          | <b>\$0.61</b>          | <b>\$1.26</b>          | <b>\$1.45</b>     | <b>\$1.73</b>     | <b>\$2.00</b>     | <b>\$2.32</b>     | <b>\$2.61</b>     |
| % change                                  | -4.6%                  | -24.0%                 | 107.4%                 | 15.1%             | 19.4%             | 16.0%             | 15.9%             | 12.3%             |
| Fully Diluted Shares (mil.)               | 40.0                   | 42.0                   | 44.1                   | 61.2              | 62.0              | 62.5              | 63.0              | 63.5              |
| <b>P&amp;L Line Growth Comparison:</b>    |                        |                        |                        |                   |                   |                   |                   |                   |
| Revenues                                  | 9.0%                   | 39.5%                  | 52.1%                  | 8.1%              | 7.5%              | 7.0%              | 6.8%              | 6.6%              |
| COGS                                      | 11.6%                  | 46.9%                  | 63.1%                  | 7.7%              | 7.5%              | 6.8%              | 6.7%              | 6.5%              |
| Gross Profit (incl stock comp exp)        | 5.3%                   | 28.3%                  | 33.1%                  | 8.9%              | 7.5%              | 7.3%              | 7.2%              | 6.9%              |
| SG&A (incl stock comp exp)                | 16.1%                  | 32.3%                  | 13.9%                  | 4.8%              | 3.3%              | 5.2%              | 4.4%              | 4.7%              |
| EBITDA                                    | 1.2%                   | 35.8%                  | 40.0%                  | 8.1%              | 12.7%             | 10.0%             | 10.4%             | 9.2%              |
| Depreciation and Amortization             | 13.6%                  | 20.0%                  | 14.8%                  | 9.0%              | 1.8%              | 2.2%              | 2.1%              | 1.7%              |
| Operating Income                          | -0.9%                  | 38.7%                  | 44.1%                  | 8.0%              | 14.2%             | 10.9%             | 11.3%             | 9.9%              |
| Interest Expense                          | -9.1%                  | 85.6%                  | 46.9%                  | -38.2%            | -4.3%             | -6.5%             | -4.7%             | -2.4%             |
| Pretax Income                             | 4.3%                   | 13.3%                  | 41.6%                  | 50.5%             | 21.1%             | 16.1%             | 15.2%             | 12.4%             |
| Net Income                                | -6.0%                  | -20.2%                 | 117.9%                 | 59.7%             | 20.9%             | 17.0%             | 16.8%             | 13.2%             |
| EPS                                       | -4.6%                  | -24.0%                 | 107.4%                 | 15.1%             | 19.4%             | 16.0%             | 15.9%             | 12.3%             |
| Shares Outstanding                        | -1.5%                  | 5.0%                   | 5.1%                   | 38.8%             | 1.3%              | 0.8%              | 0.8%              | 0.8%              |
| Dividend Per Share                        | \$0.00                 | \$0.00                 | \$0.00                 | \$0.00            | \$0.00            | \$0.00            | \$0.00            | \$0.00            |

Source: Company Documents; UBS Estimates

## PRA Health Sciences Inc (PRAH.O)

| Income statement (US\$m)                    | 12/12        | 12/13          | 12/14        | 12/15E        | % ch          | 12/16E        | % ch         | 12/17E        | 12/18E        | 12/19E        |
|---|--------------|----------------|--------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|
| <b>Revenues</b>                             | <b>597</b>   | <b>833</b>     | <b>1,267</b> | <b>1,369</b>  | <b>8.1</b>    | <b>1,472</b>  | <b>7.5</b>   | <b>1,575</b>  | <b>1,683</b>  | <b>1,794</b>  |
| Gross profit                                | 239          | 306            | 407          | 444           | 8.9           | 477           | 7.5          | 512           | 549           | 587           |
| <b>EBITDA (UBS)</b>                         | <b>96</b>    | <b>131</b>     | <b>183</b>   | <b>198</b>    | <b>8.1</b>    | <b>223</b>    | <b>12.7</b>  | <b>245</b>    | <b>271</b>    | <b>296</b>    |
| Depreciation & amortisation                 | (15)         | (18)           | (21)         | (23)          | 9.0           | (23)          | 1.8          | (23)          | (24)          | (24)          |
| <b>EBIT (UBS)</b>                           | <b>81</b>    | <b>113</b>     | <b>162</b>   | <b>175</b>    | <b>8.0</b>    | <b>200</b>    | <b>14.2</b>  | <b>222</b>    | <b>247</b>    | <b>271</b>    |
| Associates & investment income              | 0            | 0              | 0            | 0             | -             | 0             | -            | 0             | 0             | 0             |
| Other non-operating income                  | 0            | 0              | 0            | 0             | -             | 0             | -            | 0             | 0             | 0             |
| Net interest                                | (28)         | (53)           | (78)         | (48)          | 38.2          | (46)          | 4.3          | (43)          | (41)          | (40)          |
| Exceptionals (incl goodwill)                | 0            | 0              | 0            | 0             | -             | 0             | -            | 0             | 0             | 0             |
| <b>Profit before tax</b>                    | <b>53</b>    | <b>60</b>      | <b>84</b>    | <b>127</b>    | <b>50.5</b>   | <b>154</b>    | <b>21.1</b>  | <b>179</b>    | <b>206</b>    | <b>231</b>    |
| Tax   | (21)         | (34)           | (29)         | (39)          | -33.0         | (47)          | -21.7        | (54)          | (60)          | (66)          |
| <b>Profit after tax</b>                     | <b>32</b>    | <b>25</b>      | <b>55</b>    | <b>88</b>     | <b>59.7</b>   | <b>107</b>    | <b>20.9</b>  | <b>125</b>    | <b>146</b>    | <b>165</b>    |
| Preference dividends                        | 0            | 0              | 0            | 0             | -             | 0             | -            | 0             | 0             | 0             |
| Minorities                                  | 0            | 0              | 0            | 0             | -             | 0             | -            | 0             | 0             | 0             |
| Extraordinary items                         | 0            | 0              | 0            | 0             | -             | 0             | -            | 0             | 0             | 0             |
| <b>Net earnings (local GAAP)</b>            | <b>32</b>    | <b>25</b>      | <b>55</b>    | <b>88</b>     | <b>59.7</b>   | <b>107</b>    | <b>20.9</b>  | <b>125</b>    | <b>146</b>    | <b>165</b>    |
| <b>Net earnings (UBS)</b>                   | <b>32</b>    | <b>25</b>      | <b>55</b>    | <b>88</b>     | <b>59.7</b>   | <b>107</b>    | <b>20.9</b>  | <b>125</b>    | <b>146</b>    | <b>165</b>    |
| Tax rate (%)                                | 39.4         | 57.3           | 34.4         | 30.4          | -11.6         | 30.5          | 0.5          | 30.0          | 29.0          | 28.5          |
| <b>Per share (US\$)</b>                     | <b>12/12</b> | <b>12/13</b>   | <b>12/14</b> | <b>12/15E</b> | <b>% ch</b>   | <b>12/16E</b> | <b>% ch</b>  | <b>12/17E</b> | <b>12/18E</b> | <b>12/19E</b> |
| EPS (UBS, diluted)                          | 0.80         | 0.61           | 1.26         | 1.45          | 15.1          | 1.73          | 19.4         | 2.00          | 2.32          | 2.61          |
| EPS (local GAAP, diluted)                   | 0.80         | 0.61           | 1.26         | 1.45          | 15.1          | 1.73          | 19.4         | 2.00          | 2.32          | 2.61          |
| EPS (UBS, basic)                            | 0.80         | 0.61           | 1.26         | 1.45          | 15.1          | 1.73          | 19.4         | 2.00          | 2.32          | 2.61          |
| Net DPS (US\$)                              | 0.00         | 0.00           | 0.00         | 0.00          | -             | 0.00          | -            | 0.00          | 0.00          | 0.00          |
| Cash EPS (UBS, diluted)*                    | 1.17         | 1.04           | 1.73         | 1.81          | 5.1           | 2.10          | 15.5         | 2.38          | 2.70          | 2.99          |
| Book value per share                        | 10.09        | 25.89          | 11.32        | 10.88         | -3.8          | 11.22         | 3.1          | 11.86         | 12.73         | 13.89         |
| Average shares (diluted)                    | 40.00        | 42.00          | 44.12        | 61.23         | 38.8          | 62.00         | 1.3          | 62.50         | 63.00         | 63.50         |
| <b>Balance sheet (US\$m)</b>                | <b>12/12</b> | <b>12/13</b>   | <b>12/14</b> | <b>12/15E</b> | <b>% ch</b>   | <b>12/16E</b> | <b>% ch</b>  | <b>12/17E</b> | <b>12/18E</b> | <b>12/19E</b> |
| Cash and equivalents                        | -            | 81             | 92           | 75            | -18.5         | 85            | 13.4         | 108           | 141           | 183           |
| Other current assets                        | 215          | 377            | 400          | 437           | 9.3           | 481           | 10.2         | 536           | 601           | 676           |
| <b>Total current assets</b>                 | <b>-</b>     | <b>458</b>     | <b>491</b>   | <b>511</b>    | <b>4.1</b>    | <b>566</b>    | <b>10.7</b>  | <b>644</b>    | <b>742</b>    | <b>859</b>    |
| Net tangible fixed assets                   | 650          | 1,875          | 1,707        | 1,628         | -4.7          | 1,542         | -5.3         | 1,455         | 1,367         | 1,280         |
| Net intangible fixed assets                 | 0            | 0              | 0            | 0             | -             | 0             | -            | 0             | 0             | 0             |
| Investments / other assets                  | 8            | 62             | 42           | 42            | 0.0           | 42            | 0.0          | 42            | 42            | 42            |
| <b>Total assets</b>                         | <b>-</b>     | <b>2,395</b>   | <b>2,241</b> | <b>2,181</b>  | <b>-2.7</b>   | <b>2,150</b>  | <b>-1.4</b>  | <b>2,141</b>  | <b>2,151</b>  | <b>2,182</b>  |
| Trade payables & other ST liabilities       | 303          | 450            | 466          | 517           | 11.0          | 556           | 7.7          | 601           | 651           | 702           |
| Short term debt                             | 3            | 19             | 0            | 0             | -             | 0             | -            | 0             | 0             | 0             |
| <b>Total current liabilities</b>            | <b>306</b>   | <b>469</b>     | <b>466</b>   | <b>517</b>    | <b>11.0</b>   | <b>556</b>    | <b>7.7</b>   | <b>601</b>    | <b>651</b>    | <b>702</b>    |
| Long term debt                              | 451          | 1,246          | 949          | 849           | -10.5         | 749           | -11.8        | 649           | 549           | 449           |
| Other long term liabilities                 | 50           | 212            | 150          | 150           | 0.0           | 150           | 0.0          | 150           | 150           | 150           |
| Preferred shares                            | 0            | 0              | 0            | 0             | -             | 0             | -            | 0             | 0             | 0             |
| <b>Total liabilities (incl pref shares)</b> | <b>807</b>   | <b>1,927</b>   | <b>1,564</b> | <b>1,515</b>  | <b>-3.1</b>   | <b>1,455</b>  | <b>-4.0</b>  | <b>1,399</b>  | <b>1,349</b>  | <b>1,300</b>  |
| Common s/h equity                           | 176          | 467            | 677          | 666           | -1.6          | 696           | 4.4          | 742           | 802           | 882           |
| Minority interests                          | 0            | 0              | 0            | 0             | -             | 0             | -            | 0             | 0             | 0             |
| <b>Total liabilities &amp; equity</b>       | <b>983</b>   | <b>2,395</b>   | <b>2,241</b> | <b>2,181</b>  | <b>-2.7</b>   | <b>2,150</b>  | <b>-1.4</b>  | <b>2,141</b>  | <b>2,151</b>  | <b>2,182</b>  |
| <b>Cash flow (US\$m)</b>                    | <b>12/12</b> | <b>12/13</b>   | <b>12/14</b> | <b>12/15E</b> | <b>% ch</b>   | <b>12/16E</b> | <b>% ch</b>  | <b>12/17E</b> | <b>12/18E</b> | <b>12/19E</b> |
| Net income (before pref divs)               | 32           | 25             | 55           | 88            | 59.7          | 107           | 20.9         | 125           | 146           | 165           |
| Depreciation & amortisation                 | 15           | 18             | 21           | 23            | 9.0           | 23            | 1.8          | 24            | 24            | 24            |
| Net change in working capital               | 47           | 58             | (16)         | 6             | -             | 15            | 150.0        | 12            | 5             | (5)           |
| Other operating                             | 16           | (31)           | 17           | 11            | -35.4         | 10            | -9.1         | 10            | 10            | 10            |
| <b>Operating cash flow</b>                  | <b>110</b>   | <b>70</b>      | <b>77</b>    | <b>128</b>    | <b>65.8</b>   | <b>155</b>    | <b>21.0</b>  | <b>171</b>    | <b>185</b>    | <b>195</b>    |
| Tangible capital expenditure                | (18)         | (20)           | (27)         | (33)          | -20.8         | (37)          | -12.1        | (40)          | (45)          | (45)          |
| Intangible capital expenditure              | 0            | 0              | 0            | 0             | -             | 0             | -            | 0             | 0             | 0             |
| Net (acquisitions) / disposals              | 0            | (1,115)        | 0            | 0             | -             | 0             | -            | 0             | 0             | 0             |
| Other investing                             | 0            | (5)            | 15           | 0             | -             | 0             | -            | 0             | 0             | 0             |
| <b>Investing cash flow</b>                  | <b>(18)</b>  | <b>(1,140)</b> | <b>(12)</b>  | <b>(33)</b>   | <b>-169.2</b> | <b>(37)</b>   | <b>-12.1</b> | <b>(40)</b>   | <b>(45)</b>   | <b>(45)</b>   |
| Equity dividends paid                       | (102)        | (132)          | 0            | 0             | -             | 0             | -            | 0             | 0             | 0             |
| Share issues / (buybacks)                   | 0            | 470            | 334          | 7             | -97.9         | 10            | 42.9         | 10            | 10            | 10            |
| Other financing                             | (2)          | (59)           | (7)          | 0             | -             | 0             | -            | 0             | 0             | 0             |
| Change in debt & pref shares                | 61           | 798            | (319)        | (100)         | 68.63         | (100)         | 0.00         | (100)         | (100)         | (100)         |
| <b>Financing cash flow</b>                  | <b>(42)</b>  | <b>1,078</b>   | <b>8</b>     | <b>(93)</b>   | <b>-</b>      | <b>(90)</b>   | <b>3.2</b>   | <b>(90)</b>   | <b>(90)</b>   | <b>(90)</b>   |
| <b>Cash flow inc/(dec) in cash</b>          | <b>50</b>    | <b>8</b>       | <b>73</b>    | <b>2</b>      | <b>-97.1</b>  | <b>28</b>     | <b>NM</b>    | <b>41</b>     | <b>50</b>     | <b>60</b>     |
| FX / non cash items                         | -            | (36)           | (63)         | (19)          | 69.7          | (18)          | 5.3          | (17)          | (17)          | (17)          |
| <b>Balance sheet inc/(dec) in cash</b>      | <b>-</b>     | <b>(28)</b>    | <b>11</b>    | <b>(17)</b>   | <b>-</b>      | <b>10</b>     | <b>-</b>     | <b>23</b>     | <b>33</b>     | <b>42</b>     |

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.\*Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

## PRA Health Sciences Inc (PRAH.O)

| Valuation (x)                               | 12/12        | 12/13        | 12/14        | 12/15E        | 12/16E        | 12/17E        | 12/18E        | 12/19E        |
|---|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| P/E (local GAAP, diluted)                   | -            | -            | -            | 19.2          | 16.1          | 13.9          | 12.0          | 10.7          |
| P/E (UBS, diluted)                          | -            | -            | -            | 19.2          | 16.1          | 13.9          | 12.0          | 10.7          |
| P/CEPS                                      | -            | -            | -            | 15.3          | 13.2          | 11.7          | 10.3          | 9.3           |
| Equity FCF (UBS) yield %                    | -            | -            | -            | 5.7           | 7.1           | 7.9           | 8.4           | 9.0           |
| Net dividend yield (%)                      | -            | -            | -            | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           |
| P/BV x                                      | -            | -            | -            | 2.6           | 2.5           | 2.3           | 2.2           | 2.0           |
| EV/revenues (core)                          | -            | -            | -            | 1.8           | 1.6           | 1.4           | 1.2           | 1.1           |
| EV/EBITDA (core)                            | -            | -            | -            | 12.3          | 10.5          | 9.1           | 7.7           | 6.6           |
| EV/EBIT (core)                              | -            | -            | -            | 13.9          | 11.7          | 10.0          | 8.5           | 7.2           |
| EV/OpFCF (core)                             | -            | -            | -            | 16.8          | 14.3          | 12.3          | 10.5          | 8.7           |
| EV/op. invested capital                     | -            | -            | -            | 1.7           | 1.7           | 1.7           | 1.7           | 1.7           |
| <b>Enterprise value (US\$m)</b>             | <b>12/12</b> | <b>12/13</b> | <b>12/14</b> | <b>12/15E</b> | <b>12/16E</b> | <b>12/17E</b> | <b>12/18E</b> | <b>12/19E</b> |
| Market cap.                                 | -            | -            | -            | 1,660         | 1,660         | 1,660         | 1,660         | 1,660         |
| Net debt (cash)                             | 345          | 765          | 1,020        | 815           | 719           | 602           | 474           | 336           |
| Buy out of minorities                       | 0            | 0            | 0            | 0             | 0             | 0             | 0             | 0             |
| Pension provisions/other                    | 0            | 0            | 0            | 0             | 0             | 0             | 0             | 0             |
| <b>Total enterprise value</b>               | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>2,475</b>  | <b>2,379</b>  | <b>2,262</b>  | <b>2,134</b>  | <b>1,996</b>  |
| Non core assets                             | (8)          | (17)         | (41)         | (41)          | (41)          | (41)          | (41)          | (41)          |
| <b>Core enterprise value</b>                | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>2,434</b>  | <b>2,338</b>  | <b>2,221</b>  | <b>2,093</b>  | <b>1,955</b>  |
| <b>Growth (%)</b>                           | <b>12/12</b> | <b>12/13</b> | <b>12/14</b> | <b>12/15E</b> | <b>12/16E</b> | <b>12/17E</b> | <b>12/18E</b> | <b>12/19E</b> |
| Revenue                                     | 9.0          | 39.5         | 52.1         | 8.1           | 7.5           | 7.0           | 6.8           | 6.6           |
| EBITDA (UBS)                                | 1.2          | 35.8         | 40.0         | 8.1           | 12.7          | 10.0          | 10.4          | 9.2           |
| EBIT (UBS)                                  | -0.9         | 38.7         | 44.1         | 8.0           | 14.2          | 10.9          | 11.3          | 9.9           |
| EPS (UBS, diluted)                          | -4.6         | -24.0        | 107.4        | 15.1          | 19.4          | 16.0          | 15.9          | 12.3          |
| Net DPS                                     | -            | -            | -            | -             | -             | -             | -             | -             |
| <b>Margins &amp; Profitability (%)</b>      | <b>12/12</b> | <b>12/13</b> | <b>12/14</b> | <b>12/15E</b> | <b>12/16E</b> | <b>12/17E</b> | <b>12/18E</b> | <b>12/19E</b> |
| Gross profit margin                         | 39.9         | 36.7         | 32.2         | 32.4          | 32.4          | 32.5          | 32.6          | 32.7          |
| EBITDA margin                               | 16.1         | 15.7         | 14.4         | 14.4          | 15.1          | 15.6          | 16.1          | 16.5          |
| EBIT margin                                 | 13.6         | 13.5         | 12.8         | 12.8          | 13.6          | 14.1          | 14.7          | 15.1          |
| Net earnings (UBS) margin                   | 5.3          | 3.1          | 4.4          | 6.5           | 7.3           | 7.9           | 8.7           | 9.2           |
| ROIC (EBIT)                                 | -            | -            | 10.4         | 12.1          | 14.7          | 17.3          | 20.5          | 23.9          |
| ROIC post tax                               | -            | 2.9          | 6.8          | 8.4           | 10.2          | 12.1          | 14.5          | 17.1          |
| ROE (UBS)                                   | 18.1         | 7.9          | 9.7          | 13.2          | 15.7          | 17.4          | 18.9          | 19.7          |
| <b>Capital structure &amp; Coverage (x)</b> | <b>12/12</b> | <b>12/13</b> | <b>12/14</b> | <b>12/15E</b> | <b>12/16E</b> | <b>12/17E</b> | <b>12/18E</b> | <b>12/19E</b> |
| Net debt / EBITDA                           | 3.6          | 9.1          | 4.7          | 3.9           | 3.0           | 2.2           | 1.5           | 0.9           |
| Net debt / total equity %                   | 196.2        | 253.3        | 126.6        | 116.2         | 95.5          | 72.9          | 50.8          | 30.1          |
| Net debt / (net debt + total equity) %      | 66.2         | 71.7         | 55.9         | 53.7          | 48.8          | 42.2          | 33.7          | 23.1          |
| Net debt/EV %                               | -            | -            | -            | 31.8          | 28.4          | 24.3          | 19.5          | 13.6          |
| Capex / depreciation %                      | 120.1        | 109.2        | 131.8        | 146.0         | 160.9         | 170.2         | 187.5         | 184.4         |
| Capex / revenue %                           | 3.0          | 2.4          | 2.2          | 2.4           | 2.5           | 2.5           | 2.7           | 2.5           |
| EBIT / net interest                         | 2.8          | 2.1          | 2.1          | 3.6           | 4.3           | 5.2           | 6.0           | 6.8           |
| Dividend cover (UBS)                        | -            | -            | -            | -             | -             | -             | -             | -             |
| Div. payout ratio (UBS) %                   | -            | -            | -            | -             | -             | -             | -             | -             |
| <b>Revenues by division (US\$m)</b>         | <b>12/12</b> | <b>12/13</b> | <b>12/14</b> | <b>12/15E</b> | <b>12/16E</b> | <b>12/17E</b> | <b>12/18E</b> | <b>12/19E</b> |
| Others                                      | 597          | 833          | 1,267        | 1,369         | 1,472         | 1,575         | 1,683         | 1,794         |
| <b>Total</b>                                | <b>597</b>   | <b>833</b>   | <b>1,267</b> | <b>1,369</b>  | <b>1,472</b>  | <b>1,575</b>  | <b>1,683</b>  | <b>1,794</b>  |
| <b>EBIT (UBS) by division (US\$m)</b>       | <b>12/12</b> | <b>12/13</b> | <b>12/14</b> | <b>12/15E</b> | <b>12/16E</b> | <b>12/17E</b> | <b>12/18E</b> | <b>12/19E</b> |
| Others                                      | 81           | 113          | 162          | 175           | 200           | 222           | 247           | 271           |
| <b>Total</b>                                | <b>81</b>    | <b>113</b>   | <b>162</b>   | <b>175</b>    | <b>200</b>    | <b>222</b>    | <b>247</b>    | <b>271</b>    |

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.



### Forecast returns

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|                             |        |
|-----------------------------|--------|
| Forecast price appreciation | +15.3% |
| Forecast dividend yield     | 0.0%   |
| Forecast stock return       | +15.3% |
| Market return assumption    | 5.5%   |
| Forecast excess return      | +9.8%  |

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### Statement of Risk

The primary risk factors for PRA Health include: 1) Risk of expansion / contraction of pharmaceutical and biotech drug company research and development budgets, particularly late-stage; 2) Risk of increase/decrease in the trend of pharmaceutical and biotechnology company outsourcing of drug research and development specifically with respect to late-stage development; 3) Risk of changes to government regulations required in the process of drug research and development; 4) Risk of a loss of any strategic partner relationships or the cancellation of a project. The company also bares financial risk in regards to contracts that may be mis-priced or otherwise overrun initial cost estimates.

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| 12-Month Rating   | Definition  | Coverage <sup>1</sup> | IB Services <sup>2</sup> |
|-------------------|---|-----------------------|--------------------------|
| <b>Buy</b>        | FSR is > 6% above the MRA.  | 45%                   | 37%                      |
| <b>Neutral</b>    | FSR is between -6% and 6% of the MRA.   | 43%                   | 33%                      |
| <b>Sell</b>       | FSR is > 6% below the MRA.  | 12%                   | 20%                      |
| Short-Term Rating | Definition  | Coverage <sup>3</sup> | IB Services <sup>4</sup> |
| <b>Buy</b>        | Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event. | less than 1%          | less than 1%             |
| <b>Sell</b>       | Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event. | less than 1%          | less than 1%             |

Source: UBS. Rating allocations are as of 31 March 2015.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

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**UBS Securities LLC:** Steven Valiquette; Jonathan Yong.

## Company Disclosures

| Company Name  | Reuters | 12-month rating | Short-term rating | Price     | Price date  |
|---|---------|-----------------|-------------------|-----------|-------------|
| <b>PRA Health Sciences Inc</b> <sup>2, 4, 6, 16</sup> | PRAH.O  | Buy             | N/A               | US\$27.75 | 24 Apr 2015 |

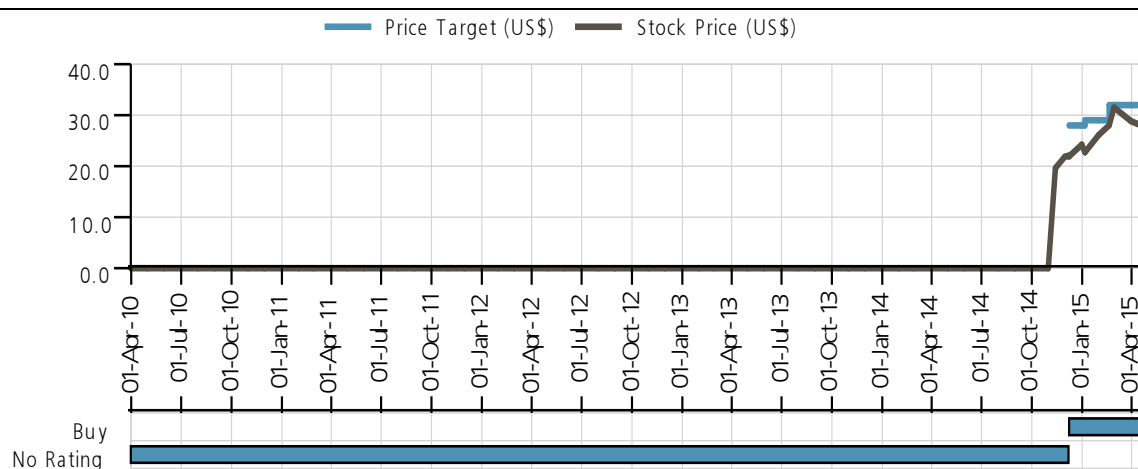
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### PRA Health Sciences Inc (US\$)



Source: UBS; as of 24 Apr 2015

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